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CONTENTS

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    RESULTS & DISCUSSION
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THE THRESHOLD EFFECT ON MILITARY EXPENDITURE: A PANEL SMOOTH TRANSITION AUTOREGRESSION APPROACH

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ABSTRACT

With the global economic growth, the countries in Asia and Oceania area keep continuing expansion in military expenditure. This paper adopts the panel smooth transition autoregression (PSTAR) models with a GDP growth rate as the transition variables to estimate military expenditure, its persistence and the threshold effect. The model can trace the characteristics of military expenditure in nonlinearity and persistence. Empirical results show that the military expenditure persistence for the nineteen Asia and Oceania countries during 2000-2012 is nonlinear and varies with time and across countries, depending on the GDP growth rate in different regimes. The threshold for GDP growth rate is 5.1745%. A quantitative easing policy would promote economic growth and then decrease military expenditure persistence, which will re-allocate resources and promote a country's financial situation.

KEYWORDS

GDP annual growth rate;Military expenditure; Panel smooth transition autoregression model (PSTAR); Quantitative easing policy.

JEL CLASSIFICATION CODES

C33, E25.

1. INTRODUCTION

With the end of the Cold War and fast development of globalization, whole world economic environment risk tends to relax. Most countries stop their military competition and reduce their military expenditure for enlarging the civil welfare. For recent three decades, many researchers have paid attention to study the relationship between military expenditure and economic growth. According to the report of the Stockholm International Peace Research Institute (SIPRI) in 2013, global military expenditure decreased 1.9% compared to 2012; however, the total military expenditures sill reached to $1,747 billion US dollars (Sam and Carina, 2014). SIPRI also indicated that top 15 military spenders of the world in 2013, five of them (one third) belong to Asian and Oceania countries. [1] Military expenditure annual growth rate in Asia and Oceania regime increased 3.6% in 2013, and the increase value of the military expenditure reached to 407 billion US dollars. This result shows that Asia-Oceania area is the only one area for keeping continues growth in military expenditure of the world. According to the SIPRI data from 2004 to 2013, for the high military expenditure countries, their GDP annual growth rates are also high.

Purpose for countries to increase military expenditure is not only establishing military power mechanism to defense country from the threat, but also considering regional safety and military defense power balance. Most previous studies used linear models to evaluate the relationship between military expenditure and GDP. Although the results of the relationship are divergent, the marginal effects of GDP on military expenditure are permanently constant. However, the relationship may be nonlinear as the transaction cost exists. That is, using linear models to evaluate the relationship between military expenditure and income will lead to a biased estimation result. In view of this, using nonlinear models to examine the relationship between military spending and GDP is required. Our research purpose could be summarized as three aspects. First, we employ a panel smooth transition autoregressive (PSTAR) model to investigate whether the relationship between military expenditure and income is nonlinear. Second, we examine how the persistence of military expenditure varies with GDP growth rate and time. Third, where is the threshold of GDP growth rate for the military expenditure (persistence) to change its increasing or decreasing process. Empirically, we use 19 countries in the Asia-Oceania area during the period 2000 through 2012 as sample objects.

The rest of this paper is organized as follows. Section 2 briefly reviews the literature in terms of military expenditure. Section 3 constructs the military expenditure model of a PSTAR specification, and describes the specification, testing and estimation of the model. Section 4 shows the empirical results, and the final section concludes the paper.

2. LITERATURE REVIEW

Previous researches suggested that the determinants of military expenditure include income, policy attitude, democracy levels and threats (see, for example, Jushua and Reuven, 2006; Vahe, 2011; Christos and Susana-Maria, 2011; Hsu and Lee, 2012; William, John and Bruce, 2012; Ehsan and Junaina, 2013). Economists classify that there are three main components in military expenditure, i.e., personnel expenditure, operation expenditure for communication, investment and infrastructure, and defense spending for military research and development (Partha and Nasser, 2009).

Benoit (1978) suggests that defense expenditure will promote a country's economic growth by increasing military investment. However, a large number of studies suggest that there is an ambiguous effect (positive or negative) in terms of the relationship between economic growth and military expenditure (see, for example, Benoit, 1978; David, 1983; Cuaresma and Reitschuler, 2004; Dunne, et al, 2005). The reason may be that some important variables are omitted or the relationship is non-linear (Joshua and Reuven, 2006).

There is a significant trade-off among military expenditure, education and welfare expenditure, implying that increase in military expenditure will exclude the allocation of other expenditure for a given income (Christos and Susana-Maria, 2011). Chen (1985) suggests that military expenditure is a more important demand factor than any other form of public sector expenditure, and a high ratio of military expenditure to government budget would be harmful for a country's international balance of payment. According to a simple economic theory, military expenditure will cause the reallocation of resource, and less normal resource's distribution might lead to a higher opportunity cost of foreign investment, which negatively influences a country's economic growth. Hence, a constant value of military expenditure in developing countries would not promote the related investment, but the released resource might be frittered away by

[1] The top 6 military spenders include China, Japan, India, Indonesia, Korea and Australia.

non-productive consumption (Saadet, 1986). On the contrary, Mehay and Solnick (1990) argue that the increase of military expenditure in R&D and equipment is a positive factor and significantly affects regional economic growth and employment. In addition, it could be effective to expand the aggregate supply and aggregate demand both for domestic and overseas. Military expenditure increased could offer R&D ability, education, training to commodity industry and create more infrastructures. That is, it could not only offer a multiplier effect in a short run, but also promote economic growth in a long run.
In sum, military expenditure in empirical application and theory belongs to a normal good with unitary elasticity in terms of income. An increase in GDP will cause an expansion of government budget, which allows for more military expenditure (Sonmez, 2013). Military expenditure could influence an economy through security effects, demand effects and supply effects (Dunne, Smith and Willenbockel, 2005). Regarding security effects, increasing military expenditure can offer safety to enterprise and attract assets and innovation accumulation. As to the demand effects, higher military expenditure will promote aggregate demand, resource utilization and cut down unemployment to create a Keynesian Multiplier effect. For the supply effects, if the production from military expenditure cannot offer for the use of civil, then it will have a negative effect to economic growth. Hence, if a country has military training and technology spin-off effects, it will affect the growth rate negatively (Hou and Chen, 2014).
Wall (1996) argued that in investigating the military expenditure issue, there exists the heterogeneous bias in cross-section, which causes a mix (positive or negative) result. Stephen and Frank (2002) suggest that an autoregressive (AR) model is a good methodology to examine the persistence issue of a specific economic variable. Hsu and Lee (2012) also indicate that using the time-series method to estimate expenditure issue is a workable methodology. However, estimation result from the AR(1) model will cause a serious bias, and can be excluded by using specific auxiliary instrument variable (William, John and Bruce, 2012). Some previous studies suggest the positive (or negative) relationship between income and military expenditure. Although Aamer and Suleiman (2008) argue that military expenditure displays a significant structural change between two different regimes, they cannot further describe and capture the non-linear characteristics of military expenditure. For the time series model, using lagged dependent variables as the regressors can measure the persistence of military expenditure. The SIPRI database is famous in the world for its specialization in security and defense expenditure; therefore, this paper adopts this databank for empirical analysis.
Since employing linear autoregressive models to estimate the persistence effect of defense expenditure will cause biased results, it is necessary to replace the linear models with nonlinear models. Some famous nonlinear models have been developed, such as the Markov-switching (MS) model (Hamilton, 1989), the threshold autoregressive (TAR) model (Tsay, 1989), smooth transition autoregression (STAR) model (Luukkonen, 1988) and artificial neural networks (ANN) (Kuan and White, 1994). Regarding the TAR and MS models, the variables under investigation display an abrupt switching process. The shortcomings of the ANN model are its implicit knowledge structure, complicated calculations and lower explanatory power (Teräsvirta et al., 2010). STAR models are broadly applied to asymmetric recycle model (Hall et al., 2001), but they are short of function to overcome the heterogeneity problem (Griliches and Hausman, 1986). PSTR models can resolve the above problem and is a good model to investigate the persistence of a specific variable (van Dijk et al., 2002; González et al., 2005; Wu, et al., 2013).

3. THE MODEL
This paper constructs a PSTR model to estimate the persistence and non-linear characteristics of military expenditure. Following González et al. (2005), in the case of two extreme regimes and single one transition function, the PSTR model could be written as Eq.(1)

$$y_{it} = \mu_i + \beta_0' x_{it} + \beta_1' x_{it} W(z_{it};\gamma,c) + \varepsilon_{it} \qquad (1)$$

where, $i = 1,2,...,N$ denotes the number of cross sections and $t = 1,2,...,T$ denotes the number of time periods. yit and xit denote the dependent variable and regressor, respectively. μi denotes the individual effect and is time invariant. $W(\bullet)$ is the transition function bounded between 0 to 1 and depends on the transition function Zit. γ>0 is the transition parameter, and c is the threshold of the transition function. Transition variable suggested by van Dijk et al. (2002) could be an exogenous variable or a lagged endogenous variable. εit is the residual. PSTR model assumes that parameters under investigation change smoothly between different regimes. Transition functions frequently used in literature is logistic one and can be written as Eq.(2).

$$W(z_{it};\gamma,c) = \left[1+\exp(-\gamma \prod_{j=1}^{m}(z_{i,t}-c))\right]^{-1} \qquad (2)$$

where $c_1 \le c_2 \le c_3 \le ... \le c_m$, m denotes the number of location parameters. Following Gonzalez et al. (2005), it is enough to consider m=1 or m=2 from the viewpoint of empirical practice. In addition, it is easy to extend the basic PSTAR model into more general ones as shown in Eq. (3).

$$y_{it} = \mu_i + \beta_0' x_{it} + \sum_{j=1}^{r} \beta_j' x_{it} W_j(z_{it};\gamma_j,c_j) + \varepsilon_{it} \qquad (3)$$

where $W_j(z_{it};\gamma_j,c_j),\ j=1,...,r$ is the transition function and r+1 denote the number of regimes.
According to Eq. (1), we can construct the military expenditure of a PSTAR framework:

$$ME_{it} = \mu_i + \sum_{k=1}^{K}\theta_k ME_{it-k} + (\sum_{k=1}^{K}\theta_k' ME_{it-k})W(z_{it-d};\gamma_j,c_j) + \varepsilon_{it} \qquad (4)$$

where ME_{it} and $ME_{it\text{-}k}$ denote i country's military expenditure in time *t* and *t-k*, respectively. It is worth mentioning that we use lagged military expenditures instead of endogenous variable as regressors to avoid estimation bias (see Wu et al., 2014).

For a given threshold "*c*", the persistence of military expenditure for country *i* at *t* time is equal to $\sum_{k=1}^{K}\theta_k + (\sum_{k=1}^{K}\theta_k')W(z_{it-d};\gamma_j,c_j)$. Obviously, the persistence effect varies across countries and with time. In two extreme cases, i.e., $W(z_{it-d};\gamma_j,c_j)=0$ and $W(z_{it-d};\gamma_j,c_j)=1$, the persistence effects are $\sum_{k=1}^{K}\theta_k$ and $\sum_{k=1}^{K}\theta_k + \left(\sum_{k=1}^{K}\theta_k'\right)$, respectively. According to Coelh, De Aguiar and Lopes (2011), persistence coefficient will be limited to less than 1. Besides, military expenditure persistence could be used to predict the change of military expenditure and the impact of current shocks on current military expenditure.
To Estimate Eq.(4), we need to identify the number of transition functions (or the number of transition regimes). Following González et al. (2005), this paper adopts a three-stage approach to proceed estimation of the PSTAR. First, we perform the linearity test to ensure the non-linearity of the estimation model, and then determine the number of transition functions. Finally, after de-meaning the model, we can use the non-linear OLS approach to estimate the parameters of the model.
As mentioned above, GDP growth rate will positively or negatively affect military expenditure. Thus, this study selects GDP growth rate as the transition variable to investigate how the military expenditure persistence moves between high and low growth regimes. To perform the linear test from Eq. (4), following Fouquau et al. (2008), we replace the transition function $W(z_{it-d};\gamma,c)$ with its first-order Taylor expansion around $\gamma = 0$. Let *r*=1, we then obtain the following auxiliary equation:

$$ME_{it} = \pi_{0i} + \sum_{k=1}^{K}\pi_k ME_{it-k} + \sum_{k=1}^{K}\pi_k' z_{it-d} ME_{it-k} + \eta_{it} \qquad (5)$$

where d=0,1,2,3,4 to allow the transition variable to be current or lagged. Linear test is performed under the assumption of $H_0: \pi_1' = \pi_2' = ... = \pi_K' = 0$. If the null hypothesis is rejected, then we can use execute no remaining nonlinearity test (see, for example, Wu et al., 2013). If SSR_0 and SSR_1 denote the panel sum of squared residuals under H0 and the panel sum of squared residuals under H1, we can then write the corresponding F statistic as follows:

$$LM_F = [(SSR_0 - SSR_1)/mK]/[SSR_0/(TN - N - mK)] \qquad (6)$$

where K denote the number of regressors. Under the null hypothesis, the LMF statistic has an asymptotic $\chi^2(mK)$ distribution and the F-statistic has an approximate $F[mK, TN-N-mK]$ distribution.

To sum up, this paper uses the PSTAR model to estimate the military expenditure and its persistence of the Asia and Oceania countries. First, we construct a linear autoregressive (AR) model and the optimal lag length of military expenditure is decided by the stepwise regression approach. Second, using residuals from the AR model we conduct the linearity test and no remaining nonlinearity test to identify the nonlinearity of military expenditure and the optimal number of transition functions in the PSTAR model. Finally, we adopt the non-linear OLS method to execute the estimation of the PSTAR model.

4. EMPIRICAL RESULTS

The descriptive statistics of the variables used in this paper are shown in Table A1. Before estimating the PSTAR model, we need to perform panel unit root tests for identifying the stationarity of the data (see Wu et al., 2014). Stationary time-series data may be influenced by exogenous variables, but they will finally return to their levels of long run equilibrium. Contrarily, non-stationary time-series data will diverge away from their levels of long run equilibrium. This paper adopts three panel unit root tests, i.e., the LLC, ADF and PP tests. In Table 1, the three panel unit root tests all show that both military expenditure and GDP annual growth rate are stationary. Thus, we can proceed to the following estimation.

TABLE 1: PANEL UNIT ROOT TEST

	Military Expenditure		GDP Annual Growth Rate	
Method	Statistic	Prob.	Statistic	Prob.
LLC	-6.3287	0.0000	-12.3994	0.0000
ADF	82.6347	0.0000	189.393	0.0000
PP	175.488	0.0000	250.152	0.0000

To estimate the PSTAR model, we have to determine the regressors, i.e., the lagged military expenditure. The optimal lag length of military expenditure is selected by the stepwise regression method. Following Brown and Rozeff (1979) and Chen (2013), we allow the lag length up to four periods. According to the regression result in Table 2, the chosen regressors are one- and two-period lagged military expenditures, i.e., ME(-1) and ME(-2).

TABLE 2: STEPWISE REGRESSION RESULT

Variable	Coefficient	Std. Error	Prob.
ME(-1)	0.8311	0.0617	0.0000
ME(-2)	0.2435	0.0789	0.0023

Table 3 shows the testing results of linearity for the PSTAR models with d-period lagged transition variables and different number of location parameters. Following González et al. (2005), this paper allows location parameter m to be 1 or 2. Evidently, except for the case of PSTAR model with d=1 and m=2, the remaining PSTAR models all reject the null hypothesis at the 5% significance level. That is, the models are non-linear. Thus, we can further perform the estimation of the PSTAR models.

TABLE 3: LINEARITY TEST

Number of location parameters (*m*)		*m=1*		*m=2*	
Lagged transition variable (GDP%)	*d=0*	3.146	[0.026]	2.515	[0.022]
	d=1	2.948	[0.034]	1.836	[0.088]
	d=2	6.708	[0.000]	4.062	[0.001]
	d=3	3.727	[0.012]	2.871	[0.010]
	d=4	5.349	[0.001]	4.010	[0.001]

1. The degits in table and brackets are the statistics of the Fisher test (LMF) and p-value, respectively.
2. H0: linear model against H1: PSTAR model with at least one transition function.

Table 4 shows the result of the no remaining nonlinearity test. At the 1% significance level, most PSTAR models have single one transition function. In th cases of m=2 and d=0 and m=2 and d=4, the estimated thresholds are over the range of the sample data; therefore, we ignore their estimation results.

TABLE 4: NO REMAINING NONLINEARITY TEST

(m)	*m=1*	*m=2*
	LMF	LMF
d=0	3.865	4.367
	(0.022)	(0.002)
d=1	1.312	0.920
	(0.271)	(0.453)
d=2	1.670	2.664
	(0.332)	(0.033)
d=3	2.986	0.956
	(0.053)	(0.433)
d=4	0.840	6.333
	(0.433)	(0.000)

Notes: H0:PSTR with r=1 against H1:PSTR with at least r=2. The digits in brackets are the p-values. The significance level is 1%.

In Table 5, the model that has minimum AIC and BIC is the one with one transition function (r=1), one location parameter (m=1) and one-period lagged GDP annual growth rate as transition variable. That is, this model is the optimal one to estimate the military expenditure and its persistence. In this model, the estimated threshold c and smooth parameter γ are 5.1745 (i.e. 5.1745%) and 1.7715, respectively.

The persistence for military expenditure is permanently positive, i.e., $0.4005 + 0.2077 * W(ME_{it-1}, 1.7715, 5.1745) > 0$, depending on one-period lagged GDP annual growth rate. Since the GDP annual growth rate varies across countries and with time, the persistence effect is time- and country-varying. In two extreme cases, $W(ME_{it-1}; 1.7715, 5.1745) = 0 \text{ and } 1$, the persistence effect are 0.6704 and 0.6082, respectively. Obviously, in these two extreme cases, exogenous impacts on current military expenditure are 0.3296 and 0.3918. When one-period lagged GDP growth rate is above the threshold (5.1745%), the military expenditure will have lower persistence and higher exogenous impact. Contrarily, as the GDP growth rate is below the threshold, the military expenditure persistence increases and the exogenous shock decreases. Again, the persistence effect is permanently positive and varies with time and across countries.

TABLE 5: ESTIMATION RESULT OF MILITARY EXPENDITURE (PERSISTENCE): THE PSTAR SPECIFICATION

	d=0	d=1#	d=2	d=3	d=4
	r=m=1	r=m=1	r=m=1	r=m=1	r=m=1
γ	660.9172	1.7715	3.4006	1.6355	522.0195
c	3.9071	5.1745	4.7330	6.1474	7.4324
θ_1	0.3395 (2.2515)**	0.7058 (3.9224) ***	0.4350 (2.4730) **	0.3125 (2.4323) **	0.4860 (3.1163) ***
θ_1'	0.3687 (1.8341) *	-0.3053 (-1.3786)	0.1614 (0.7570)	0.6473 (2.2114) **	0.1209 (0.5559)
θ_2	0.2025 (1.3890)	-0.0354 (-0.1923)	0.2425 (1.3614)	0.3412 (2.7394) ***	0.0622 (0.4399)
θ_2'	-0.2919 (-1.4686)	0.2431 (1.1266)	-0.2524 (-1.2467)	-0.662 (-2.5131) ***	-0.2331 (-1.1872)
AIC	0.5300	0.4898	0.5620	0.5122	0.4927
BIC	0.6153	0.5751	0.6473	0.5975	0.5780

Notes: # denotes the PSTAR model with minimum AIC and BIC. *d, r,* and *m* denote lag length of transition variable, the number of transition function and the number of location parameter, respectively. The digits in brackets are the t-statistics.

According to the estimation result in Table 5, we can depict the processes of GDP growth rate, threshold and military expenditure in Figure 1A. Evidently, if a country's economic growth in a relatively high stage, the military expenditure persistence will decrease. That is, a higher current economic growth will cause a bigger exogenous shock on current military expenditure, which leads to a lower military expenditure persistence. This result may come from the fact that the increase of total government expenditure is higher than military expenditure in a higher economic growth stage. On the contrary, lower economic growth will rapidly promote military expenditure persistence. The probable reason is that during the periods of economic growth, government decreases the ratio of military expenditure to GDP for promoting economic modernization and organization efficiency (Saadet, 1986). However, during the periods of lower economic growth (i.e. the growth rate is below the threshold), government loses some support from people, and then expanding military expenditure relative to GDP for keeping military "happy" (Vahe, 2011)

5. CONCLUSION

This paper investigates military expenditure persistence by employing the PSTAR model. To estimate the model, we select economic growth rate (GDP growth rate) as the transition variable. The advantages of the PSTAR model include that it can control the bias originated from the choice of fundamentals and can potentially explain the heterogeneity of the military expenditure persistence.

Empirical results can be summarized as follows. First, military expenditure persistence is nonlinear and varies with time and across countries, depending on one-period lagged GDP growth rate. This result is quite different to those derived from linear models. Second, in the periods of relatively low economic growth, the government would increase the ratio of military expenditure to GDP for stimulating economic growth, which causes a higher military expenditure persistence. However, as a country is in economic booming stage and the growth rate is higher than the threshold, the military expenditure persistence would decrease. Third, if a quantitative easing policy is adopted to stimulate economic growth, the country's military expenditure will decrease.

This paper provides two policy propositions. First, a high economic growth in the Asia and Oceania countries is helpful for the governments to reduce the ratio of military expenditure to GDP and to attract more foreign direct investment. Second, higher level of economic growth in these countries is harmful for maintaining the stability of military expenditure persistence. Thus, the governments need to monitor the impact of current shocks on current military expenditure.

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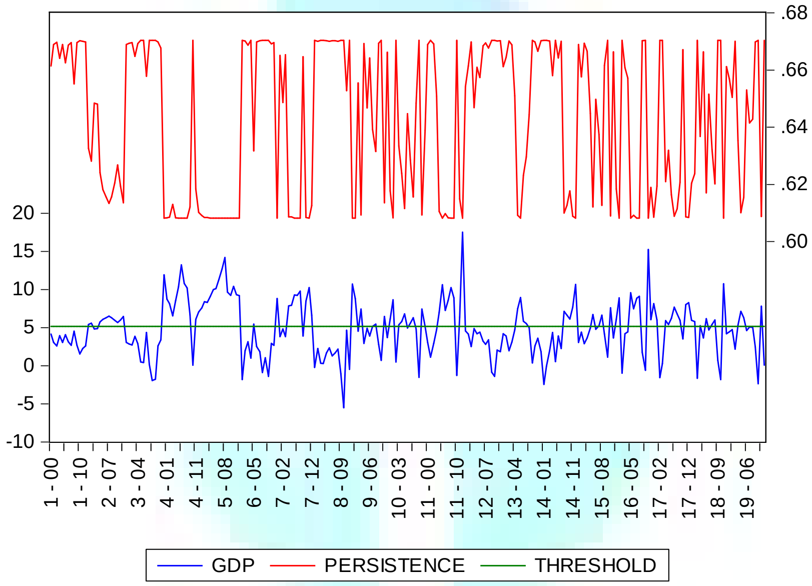
APPENDIX

TABLE 1A: DESCRIPTIVE STATISTICS OF VARIABLE

	Mean	Max.	Min.	Std. Dev.	Skewness	Kurtosis	Jarque-Bela	Obs.
ME	0.0931	0.3515	0.0163	0.0637	1.6605	6.2079	219.42	247
GDP annual growth rate	4.7650	17.514	-5.527	3.5087	0.2333	3.4381	4.2161	247

FIG. 1A: MILITARY EXPENDITURE PERSISTENCE



JOB STRESS AMONG PUBLIC AND PRIVATE SECTOR WORKERS: AN EMPIRICAL COMPARISON

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ABSTRACT

Stress in the current scenario is considered to be universal phenomenon and people in almost all walks of life experience stress to a very great extent. Due to the impact of globalization the influence of stress in this era of high technological speed, global competition and consumerism is found to be increasing at a greater pace. Workers who are stressed are also more likely to be unhealthy, poorly motivated, less productive and less safe at work. Aim: So, the aim of this paper was to identify the relationship between Job Stress and Job Control (i.e. Skill Discretion and Job Authority) and Job Demand among the public and private sector Cement factory workers in Kashmir Division of J&K State. Methods: The sample size consists total of 300 workers, 150 workers were selected from public sector and 150 from private sector. The Job Control and Job Demand were measured by using Job Content Questionnaire (JCQ) and job stress was separately measured by Job stress questionnaire. Results: The results indicated the prevalence of job stress was 2.86 in public and 2.31 in private sector. Multiple regression analysis indicated that only Job authority was significantly associated with job stress. Whereas, Skill discretion and Job demand does not share any relationship with the job stress. Conclusions: Study revealed that operational level factory workers were experiencing high levels of job authority which in turn gives rise to job stress, because high levels of authority is always accompanied by the high levels of accountability.

KEYWORDS

job authority, job demand, job stress, skill discretion.

INTRODUCTION

Today it is believed all around the world that even a little bit of stress will slow down the employees' work performance. Job stress is rapidly increasing and has become challenge for the employers, because high levels of stress results in low productivity, increased absenteeism and collection of other employee problems like alcoholism, drug abuse, hypertension and host of cardiovascular problems (Meneze, 2005). A substantial evidence base has linked chronic stress at the workplace with large number of negative physical, psychological and social consequences for employees, (Caulfield et al., 2004; Dollard, 2006; Dollard & Knott, 2004; Ettner & Grzywacz, 2001; Senol-Durak, Durak, & Gencoz, 2006). Overall, 30 million working days are being lost due to work related ill-health with 6 million losses due to workplace injuries. Stress-related distraction or sleepiness account for an estimated 60 to 80 percent of accidents on the job, according to the (American Institute of Stress). Workers' compensation claims for stress are increasing substantially every year, threatening to bankrupt the system in several states. An estimated one million workers miss work each day because of stress, costing companies an estimated $602 per employee per year. Other national studies revealed, that about one-fifth of the staff turnover can be related to stress at work (CIPD, 2008a) especially, among the employees who stated that they 'always work under pressure', and also their accident rate is about five times higher than that of employees who were 'never' subjected to work under pressure (Euro-found, 2007).Researches carried out in the Indian perspective also supports the fact that work related stress and mental fatigue is found to affect the Indian workers at the operational level to a very great extent and in such an environment, it becomes the responsibility of the employing organizations and the individuals to identify the causes of stress at the workplace and make efforts to reduce them for the effectiveness and efficiency of both individuals as well as the organization.

REVIEW OF LITERATURE

In industrialized countries, there have been quite dramatic changes in the conditions of work, during the last few decades due to the economic, social and technical developments. As a consequence the people today at work are exposed to high quantitative and qualitative demands at the work place which results into job stress. Nishitani and Sakakibara (2006) found that, Obesity was associated with psychological stress responses of tension/anxiety, especially tension. Tension/anxiety was also related to job demands positively and job latitudes negatively. The study suggests that obese male Japanese workers tend to be in a stressful state from high job demands and low job latitudes at the workplace. Such stressful conditions may affect eating behaviors to eat much and contribute to obesity. Shigemi et al. (1997), T. Cox et al. (2000) & Mackay et al. (2004) found that, contents of job also leads to work stress, these factors arise due to improper design of the task, work load and work pace, and work schedule. There are several aspects of job contents, which were found highly stressful, hazardous, and these include low value of work, low use of skills, repetitive work, uncertainty, lack of opportunity to learn, high attention demands, conflicting demands, and insufficient resources. The research work revealed that ,work related stress hazards arise due to meaningless tasks and lack of variety etc…It is also noted that most stressful type of work are those which have excessive demand and pressures that do not match with the workers knowledge and abilities, report issued by World health organization (WHO), (2007). In (2013) Jong Ku Park conducted a study to examine whether job stress related to work demand and decision latitude is associated with smoking, blood pressure, lipid level (including total cholesterol, triglyceride, HDL cholesterol), and homocystein as risk factors for cardiovascular disease in Korean male workers on the postulation of Karasek's Job Strain Model and results revealed that decision latitude was associated with cholesterol, triglyceride, and homocystein and work demand was related to smoking and systolic blood pressure. Job strain (which is the combination of high work demands with low decision latitudes) was significantly related to higher levels of homocystein after controlling for age, BMI, smoking, and social support at workplace. These results indicate that job stress is associated with cardiovascular risk factors and might contribute to the development of cardiovascular disease. Pilar et.al (2013) revealed that, men have showed only one dimension i.e. Job demands as a significant stressor (quantitative demands), whose effect on job stress is weakened slightly by the direct effects of control and support. With women, in contrast, emotional and intellectual aspects (qualitative demands) were also found statistically significant. Today, in view of the complexity and ever-increasing changes of the society as well as the improvement of technology; job stress has become a serious threat to humans and has severely affected the health and performance of the employees in both the sectors, whether private or public. The following discussion would shed further light on this phenomenon.

JOB-STRESS AMONG PUBLIC AND PRIVATE ORGANIZATIONS

A public sector organization is assumed to operate in a different way than a private sector organization. Also Public Administration scholars tend to assume that employees across public and private sector organizations behave significantly in different ways. It was Murray (1975) who sparked a true series of studies with an essay in which he essentially stated that although separate approaches to management science have developed in the public and private sectors, both sectors are facing similar constraints and challenges (Murray 1975).Now, the rapid advances in technology and accelerated international trade and competition, have thereby intensified organizational pressures to maximize profit while minimizing costs, besides resulted in increasing demand for higher productivity and greater accountability in the public sector, and greater profitability in the private sector. The causes of job stress are important not only for its potential implications for stress management at public and private sector organizations among operational level workers but also for enhancing an understanding of strategic human resource management. Lewig and Dollard (2001) found that public sector employees are subject to greater work-related stress than private sector employees and also workplace environments in both sectors have been increasingly characterized by intensified pressure on employees to perform at consistently higher levels, with longer hours, reduced staff numbers, insecure employment patterns and employer empowerment (Caulfield, Chang, Dollard, & Elshaug, 2004; Dollard, 2006; Dollard & Knott, 2004; Polanyi & Tompa, 2004; Stebbins, Thatcher, & King, 2005). All these factors have been identified as contributing to the creation of a stressful work environment and increased risk of psychological problems in both the sectors. A survey report prepared by Ricardo et.al (2007) revealed that public sector workers are significantly more i.e. 64% likely to report stress to be the leading hazard of concern at work than workers in the private sector only of 46% of stress.

In this study the researcher has taken all the dimensions of the Job Demand Control model separately i.e. Skill discretion, job authority and Job demand to measure their relationship with the job stress, which is an attempt in this paper to find out their individual impacts. So, the literature regarding each pioneer is discussed as under;

JOB-CONTROL: A SOURCE OF STRESS

'Job-Control' involves how much influence workers have on how they perform their duties, including aspects such as their work pace (Cousins et al., 2004).Taris (2006) concluded that, the dimensions of Demand and Control by themselves, specifically high Demand and Low Control, have been found to be significantly associated with work stress and ill health – a finding supported by several studies (e.g., Carayon & Zijlstra, 1999; Parker, Axtell, & Turner, 2001; Smulders & Nijhuis, 1999). In Karasek's (Job demand and control model), Job control is itself taken as the combination of two other dimensions which are skill-discretion and job authority as explained below;

SKILL- DISCRETION

Skill discretion means the degree of a job needs to be creative or using the high level of skills. Wahlstedt (1997) found that Skill discretion was correlated with lower levels for sleep difficulties and gastrointestinal complaints. Mikkelsen, A., & Saksvik P.Ø. (1999) found that decrease in anxiety, increase in skill discretion, learning climate, and management style; does not make any impact on stress. Holman, et al., (2007) found that high Skill Discretion have been shown to increase the job stress among the workers. (Jandaghi et.al 2011), found a positive relationship between skills and stress and recommended that allow people to use their skills, competencies and capabilities with proper freedom, and skill discretion.

JOB-AUTHORITY

Authority'means institutionalized and legal power inherent in a particular job, function or position that is meant to enable its holder to successfully carry out his or her responsibilities Karasek (1979), Heron et.al (1999) found that, the groups with low authority and high control were more likely to have a poor understanding over the principles of management of stress and to have poor coping skills. On the other hand, no association was found between job control and psychological distress (Marshall et al., 1997), between job control and job stress (Searle et al., 1999) and between job control and workers' stress, anxiety and depression Edimansyah et al. (2008). Brough and Pears (2004), in their study of 205 public sector human service workers, found that high job authority increases the outcomes. The findings of the research study conducted by Kumar & Madhu (2011), reported that the low level of job authority or control among workers is the main cause of work stress.

JOB-DEMAND: A SOURCE OF STRESS

Job-demand includes factors intrinsic to the job such as working conditions for example, noise, temperature, lighting or ventilation, shift work, long or unsociable hours, workload etc (Ricardo et.al 2006). It was also noticed that higher level of job demands with lower level of support at work resulted in increased job stress (C. Ben 2007). And the work related stress hazards like depressive disorders and abdominal fat among workers were found due to the high work related demands (L. Levi 2000).

NEED OF THE STUDY

In view of the extant research review cited above, it is evident that, Job Demand-Control (JDC) model is among the most widely used job stress models related to the characteristics or contents of job and numerous studies have been conducted by using Job Demand, Control model particularly to check the levels of stress, physiological-well being, health problems especially, related to heart diseases, mental distress, physical injuries etc among the operational level workers in various manufacturing industries. However no study has been carried out so far by using the Robert Karasek's Job-Demand-Control Model particularly over the Cement Manufacturing Industry workers. Also, no study has been conducted on job stress at local level among the operational level workers of cement industry in both private as well as public sectors in Kashmir Division of J&K State.

OBJECTIVES OF THE STUDY

The present study has been designed to find out the contributory factors leading to stress by using the Robert Karasek's, Job Demand & Control Model among the workers of Cement Manufacturing Industry of both public and private in nature of Kashmir Division with the following set of objectives.

1. To critically review the extant literature available on the topic of research undertaken.
2. To identify and make a comparative assessment of the factors responsible for causing stress among the respondents of the organizations under study.
3. To determine the relationship between job stress and Job Demand and Control Model to the operational level factory workers.
4. To provide suggestions on the basis of the results of the study and the coping strategies in order to minimize the levels of stress among the respondents of the sample study organizations.

HYPOTHESIS

Keeping in view the above set of objectives the following hypothesis has been framed for the present study;

- **H1:** "Skill Discretion is a significant source of stress for operational level factory workers"
- **H2:** "Job authority is a significant source of stress for the operational level factory workers"
- **H3:** "Job demand is a significant source of stress among the operational level factory workers"

RESEARCH METHODOLOGY

For the present study researcher adopted the Job Content Questionnaire developed by Robert Karasek, (1979) for measuring the job related causes of stress, and the Job Stress Questionnaire developed by Lambert, Hogan, Camp & Ventura (2006) was adopted to measure the levels of stress and both of them were clubbed to form a comprehensive questionnaire which measured all the factors together. The job control scale was the sum of two subscales i.e. skill discretion measured by 4 items, and job authority, measured by 7 items, job demand scale was measured by 4 items and the job stress was also measured by 4 items. For each item, the responses were recorded on a 5-point Likert-type scale, ranging from 1 (strongly disagree), 2 (disagree), 3 (partially agree), 4 (agree) to 5(strongly agree). In the state of J&K two leading cement manufacturing organisations were selected for the present study namely JK Cements Ltd. {falling under the category of Public Sector} and the other one namely Khyber cements Pvt. Ltd. {which belongs to the category of Private Sector}. Apart from convenience based sampling method the above mentioned two organizations have also been selected on the basis of their dominance in the state of J&K.

SAMPLE DESIGN

The sample size for the present study was selected from the operational level workers and not from the employees engaged at top or middle level in both the organizations in order to ensure that the data collected doesn't mislead the results. The sample size from each organization was chosen on the basis of proportionate sample method ***(i.e. Total population of workers in each organization/Total population of both the organizations*Sample size calculated by using sample size calculator).*** So a total sample of 300 workers were selected from both organizations (i.e.150 workers from public and 150 from the private sector factories).

INSTRUMENT RELIABILITY AND VALIDITY

In order to check the reliability and validity of the Job Content Questionnaire in our settings, the responses were received from the (50) operational level workers, in order to check the reliability of the questionnaire the correlation between the items of the various dimensions was calculated by using SPSS version 20. The Cronbach's apha coefficient for all the dimensions are revealed in table (1) shown as under;

TABLE 1: CRONBACH'S ALPHA COEFFICIENTS (α) OF THE *JCQ SUBSCALE (N=50)

Scale (No. of items)	Cronbach's (α) coefficient
Stress (4)	0.863
Skill discretion (4)	0.749
Job authority (7)	0.875
Job demand (4)	0.682

***JCQ=JOB CONTENT QUESTIONNAIRE**

Note: This indicates a very good internal reliability, based on average inter-item correlation.

RESULTS AND DISCUSSIONS

The study revealed that, there was a significant difference of opinions among the respondents regarding their job stress as reflected in Table (2). The mean score of stress in public sector workers was 2.86, and the mean score of private sector was 2.31, which indicated that the public sector workers were experiencing relatively more stress than their private counterparts. And the difference in such mean score was statistically tested using t-test and was found to be significant ($\alpha > p$) at 95% confidence level, which supports the findings of Lewig and Dollard (2001) that public sector employees are subject to greater work-related stress than private sector employees & also the report prepared by Ricardo et.al (2007), revealing that public sector workers are significantly more i.e. 64% likely to report stress to be the leading hazard of concern at work than workers in the private sector with only 46%.Whereas Dollard and Walsh (1999) reported that private sector workers in Queensland, Australia, had made twice as many stress claims as public sector workers. And, Bhanu & Jha (2012) also found private sector employees are facing slightly more stress than those in the public sector.

TABLE 2: INDEPENDENT SAMPLE T-TEST FOR COMPARISONS OF STRESS LEVELS

DIMENSIONS	NOORG*	**N	Mean	t-value	Sig.
STRESS	**Public**	***150***	***2.8600***	**5.931**	**.000**
	Private	***150***	***2.3117***		

***NOORG**= Nature of Organizations

****N**= Number of respondents

Bivariate Correlation Analysis of various Dimensions contained in Table (3) revealed that Job stress was positively associated with the Job Authority **(r = 0.200**)**, which means that increase in this factor will lead to increase in stress levels of workers and vice versa, favoring the findings of Ben (2007). And, it was also found that Job Demand **(r = -0.081)** and Skill Discretion **(r = 0.042)** has nothing to do with the job stress of workers as there was no correlation found between the two, which does not support the findings of (Karasek & Theorell, 1990, Cox et.el, 2000 & WHO Report, 2007).

TABLE 3: CORRELATIONS MATRIX AMONG VARIOUS DIMENSIONS

DIMENSIONS		*STRESS*	*SKILL_DISCRETION*	*JOB_DEMAND*	*JOB_AUTHORITY*
STRESS	*Pearson Correlation*	*1*			
	Sig. (2-tailed)				
SKILL DISCRETION	*Pearson Correlation*	*.042*	*1*		
	Sig. (2-tailed)	*.467*			
JOB DEMAND	*Pearson Correlation*	*-.081*	*.013*	*1*	
	Sig. (2-tailed)	*.162*	*.824*		
JOB AUTHORITY	*Pearson Correlation*	*.200***	*.016*	*-.110*	*1*
	Sig. (2-tailed)	*.001*	*.789*	*.058*	

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

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

Since no other dimension except job authority was found to be associated with the Job Stress it becomes imperative to understand which variable is having a deeper and significant impact over the job stress? For this purpose it becomes necessary to perform the regression analysis of the data which will further help us to test our hypothesis. So, Table (4) revealed that, the significance of model in terms of overall fit is expressed by F = **4.650**.The Beta value of **0.192** Table (5) revealed, Job authority shows that there is a significant ($p<0.05$) and positive impact of this factors over the job stress. Whereas, the Beta value of skill discretion is **0.040** and job demand **-0.060** revealing that there is no significant ($p>0.05$) impact of these two factors on Job stress. In other words only the job authority was much useful to predict the job stress of cement factory workers of Kashmir Division as compared to job demand and skill discretion.

TABLE 4: REGRESSION ANALYSIS MODEL SUMMARY

ANOVA[a]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	9.614	3	3.205	**4.650**	**.003[b]**
	Residual	203.988	296	.689		
	Total	213.602	299			

a. Dependent Variable: STRESS

b. Predictors: (Constant), JOB_AUTHORITY, SKILL_DISCRETION, JOB_DEMAND

TABLE 5: COEFFICIENTS[a]

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.097	.743		1.478	.141
	SKILL_DISCRETION	.110	.157	.040	.702	.483
	JOB_DEMAND	-.117	.110	-.060	-1.058	.291
	JOB_AUTHORITY	.606	.180	**.192**	3.367	**.001**

a. Dependent Variable: STRESS

HYPOTHESIS TESTING

Results from the regression analysis demonstrated that among the independent variables only Job Authority showed its impacts over the job stress as its t-value was statistically significant at 95% confidence level, which supports our following hypothesis.

H2: *"Job authority is a significant source of stress for the operational level factory workers" this is in consensus with the findings of research study conducted by Kumar & Madhu (2011), reporting that the low level of job control among workers is the main cause of work stress.*

On the other hand t-value of Skill Discretion & Job Demand was not statistically significant at 95% confidence level, which reveals that these two variables does not affect the Job Stress significantly, so this rejects our hypothesis given below.

H1: *"Skill Discretion is a significant source of stress for operational level factory workers" which does not support the findings of Holman, et.al. (2007) that high Skill Discretion has been shown to increase job stress among the workers.*

H3: *"Job demand is a significant source of stress among the operational level factory workers" and does not support the findings of (Karasek & Theorell, 1990, Cox et.al. 2000 & WHO Report, 2007).*

FINDINGS AND SUGGESTIONS

The in-depth analysis of job stress, along with Job demand and control model related to the contents of job which are Job Control (including skill discretion & job authority) & Job Demand revealed the following findings:-

1. There was a presence of 51% of stress among the operational level workers of cement factories of Kashmir division in both the sectors which was reflected by the overall average mean score of 2.58 on a 5 point Likert scale.
2. Public sector workers reported the experience of higher levels of stress reflected by the mean score of 2.86, as compared to their private counterparts with the mean score 2.31 and the difference were statistically significant.
3. However the bivariate correlation and regression analysis revealed that job stress was found to be significantly associated with job authority which confirmed our hypothesis H2. Whereas no correlation was found for skill discretion and job demand with job stress which rejected our hypothesis H1 & H3.

SUGGESTIONS FOR THE PUBLIC SECTOR VIZ, J & K CEMENTS LTD.

One of the prominent causes of stress among the J&K Cement workers was low job authority which means workers were not given proper authorities at their work i.e. they are not allowed to take their own decisions at work, they don't have choice in deciding what to do and how to do it, they are not being constituted about the changes at work etc. Although, the skill discretion being a part of job control in Karasek's Job demand and control model does not show any relationship with the job stress which actually serves the purpose of this study because in almost all the studies skill discretion was measured together with the job authority but in this study skill discretion was measured separately and does not show any relationship with the job stress. Whereas, there was a high job authority only among the particular section of workers, which should be addressed by the management through proper distribution of job authority on the basis of qualifications as well as better work experience and not on the basis of favoritism and seniority only, organization should introduce the counseling services for the workers within the organizations in order to provide therapeutic services that tend to reduce the effects of work-related stress on workers health and welfare. Also task or work guidance programmes that could foster prevention of mental disorder, resulting from stress on the job on the part of workers, should be inaugurated at the workplace. Re-engineering of skills or skill development programmes should be organized for the workers on continuous basis in order to help the workers to equip with the technological know- how and knowledge that are required for coping with pressure emanating from the organizational change.

SUGGESTIONS FOR THE PRIVATE SECTOR VIZ, KHYBER CEMENTS PVT. LTD.

As reflected from the findings of the present study that, there is a moderate level of job stress also present among the workers of Khyber Cements Pvt. Ltd. but, when compared to J&K Cements Ltd. the level of stress was found to be low. So, it is equally important for the management of the Khyber Cements pvt. Ltd. to organize the Stress Management Programs available for the factory level workers and if the mechanism is already in place then they need to improve their programs in this direction to help the workers in controlling their levels of stress properly. The researcher could also find the only one cause of job stress among all the causes mentioned in the present study among Khyber Cement workers or we can draw an inference that private sector workers were having a low job authority and which should be addressed by the management through proper distribution of job authority on the basis of qualifications as well as on the basis better work knowledge and experience. Workers should be given the opportunities to participate in the design of their own work situations and in the processes of change and development affecting their work. Empowering workers or providing them opportunities to flourish especially in deciding about their job related decisions and actions. Ensuring that, the workers must have job securities and opportunities for their career development.

LIMITATIONS OF THE STUDY

As the other studies are not flawless similarly the present study also has certain limitations, which are as under:

1. The sample was taken from two organizations only namely, JK Cements Ltd. & Khyber Cements Pvt. Ltd. Of Kashmir Division.
2. Additionally, data was collected from the operational or lower level workers only, while excluding the other levels of the organization.
3. Finally, this research was confined to measure only few contents like job authority, job demand and skill discretion. So, there is lot of scope to make further additions in the dimensions and their impact on job-stress.

SCOPE FOR THE FURTHER RESEARCH

1. The researchers can extend the present study by measuring the responses from more related organizations.

2. The researchers can carry furthermore studies on large geographical areas.
3. It is also suggested to carry out the study concerning this topic and industry with some more dimensions.

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IMPLEMENTATION OF HUMAN RESOURCE ACCOUNTING PRACTICE IN CCI: CEMENT CORPORATION OF INDIA LIMITED

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ABSTRACT

In the emerging economic scenario, one of the important ingredients in the field of accounting and finance is Human Resource Accounting. The economic growth of any nation depends upon the harnessing and exploitation of human resources as well as non-human resources along with their blending in a proper ratio. The concept of "investment" in employees: the human capital of the enterprise, push forward a view that one is looking for a profit to be gained from the investment and therefore the focus is on the development of employees for a specific purpose to gain. Investment in professional training is often treated as an industrial relation activity, and not as an essential investment decision like for the plant or knowhow. To ensure growth and development of any organization, the efficiency of employees must be accounted in the right perspective. Human resource accounting is one of the latest concepts adopted by Indian enterprises in recent times. Most of the enterpriser which follow HRA spare separate section in their annual reports for a detailed account of their human resource. In view of the growing importance of HRA, many public and private enterprises in India are voluntarily disclosing information about their human resources. Hence, an attempt is made to analyze the Human Resource Accounting disclosure in CCI. An analytical study was conducted among different variable which affect on human resource valuation in CCI.

KEYWORDS

Annual Report, Human Resource Accounting, Investment, Voluntary Disclosure.

INTRODUCTION

Human Resource (HR) is the most valuable asset in an enterprise. Human resource accounting gives information regarding inner strength of organization and helps in making decisions regarding long-term investment in that organization. HRA is the identification and measuring process of HR and its communication to the interested parties. It is an extension of the basic functions of accounting and communications of information to the internal and external parties.

The concept of HRA was first pioneered by Public sector giant BHEL in India during the year 1974-75. Likert (1967), Johnson & Kaplan (1987) said that absence of human resource as an asset in the balance sheet, violates the accrual principles of disclosure, underrates the firms net worth and current income and thereby not reflect the true and fair view of the organization.

The importance of human resource as asset was felt back by Likert. But there is no scope for showing any significant information about human resources in financial statements except the remuneration paid to them and the number of employees getting compensation beyond certain amount per annum.

In India Human Resource Accounting Practices was initiated by the public sector giant BHEL and SAIL back in the 1970's. The importance of the contribution of Human Resources was recognized by other service, technology and other knowledge based sectors and as a result many other public and private sector enterprises are reporting HRA information in their financial statements. They are (MMTC), (ONGC), (NTPC), (EIL), (OIL), (HSL), (HZL)and (INFOSYS) etc.

Recently, many enterprises in India had made an attempt to quantify the value of human assets and report them in financial position statement (Balance sheet).

OBJECTIVES OF THE STUDY

1. To examine the prevailing HRA reporting practices in CCI.
2. To enlist the items of human resource information to be disclosed in the annual reports.
3. To examine model used for the valuation of human resources in CCI.
4. To derive conclusions and suggest measures for improvement of HRA practices in CCI.

SCOPE OF THE STUDY

In the present study, HRA practices followed by CCI have been examined for the period from the financial year 2001-02 to 2008-09.

PERIOD OF THE STUDY

The period of the study is selected eight consecutive years which are from the financial year from 2001-02 to 2008-09. The study is mainly based on published annual reports of CCI.

RESEARCH METHODOLOGY

The study is mainly based on the secondary data's. The secondary data are extracted from the sources like annual reports, different books of management accounting, journals, research papers, previous research findings and website of CCI.

To investigate the efficiency of the HRA model adopted by CCI, the study is carried out by analyzing the behaviour of all the important variables indicating efficiency and profitability and also the components used for the valuation of human resources.

THESE VARIABLES ARE:

1. Total Number of Employees
2. Average Age of Employees
3. Manpower Cost per Employee
4. Discount Rate
5. Human Resource Value per Employee
6. Turnover per Employee
7. Value Added per Employee
8. Return on HRV
9. Profit After Tax

The collected data is further analyzed and then the qualitative analysis is done.

DISCLOSURE RELATING TO HUMAN RESOURCE ACCOUNTING BY CCI

The information disclosed by the companies are useful to companies to attract capital from the external investors. In recent years, the studies conducted are concerned with disclosure research and is taking a user approach. Very few authors carried out disclosure studies taking a company approach.

To understand the process and issues underlying the disclosure practices followed by CCI and to understand the different variables and their frequency of use, the data analysis is undertaken.

TABLE – 1.1: HRA PRACTICES IN CCI DURING THE PERIOD FROM 2001-02 TO 2008-09

Public Enterprise	HRA Introduced	Valuation Model Used	Discount Rate (%)
CCI	1979-80	Lev & Schwartz Model with Refinement Suggested by Flamholtz, Jaggi and Lau	Not Reported

Source: Annual Reports of CCI up to March 2009

Table 1.1 shows HRA practices in CCI in India during the period from 2001-02 to 2008-09. CCI had started reporting HRA since 1979-80. CCI is continuously valuing and reporting HRA information during the period from 2001-02 to 2008-09.

For Human Resource Valuation, It had adopted Lev & Schwartz Model with refinement suggested by Flamholtz, Jaggi and Lau. The discount rate for valuation is not reported by CCI.

BEHAVIOURAL ANALYSIS: This section studies the behaviour of individual variables over the period of our study. The present analysis uses the Index number analysis.

TOTAL NUMBER OF EMPLOYEES: The number of employees under CCI is classified among executives, supervisors, skilled workers, semi – skilled workers, clerical and other supporting staff and unskilled workers.

TABLE - 1.2: TOTAL NUMBER OF EMPLOYEES IN CCI DURING THE PERIOD FROM 2001-02 TO 2008-09

Particulars	2002	2003	2004	2005	2006	2007	2008	2009
Executives	303	237	188	182	173	165	150	134
Supervisors	445	335	206	204	199	187	176	178
Skilled Workers	1089	762	552	577	577	580	534	388
Semi-Skilled Workers	404	293	202	238	237	223	233	184
Clerical & Other Supporting Staff	426	289	250	212	212	201	209	150
Unskilled Workers	346	218	209	173	172	167	158	125
Total	3013	2134	1607	1586	1570	1523	1460	1159
(Index)	100	70.83	53.33	52.64	52.11	50.55	48.46	38.47

Source: Annual Reports of CCI during the period from 2001-02 to 2008-09

Table – 1.2 shows total number of employees in CCI during the period from 2001-02 to 2008-09. In the last eight years, number of employees decreased from 3013 in 2001-02 to 1159 in 2008-09, which is 61.53%.

AVERAGE AGE OF EMPLOYEES: CCI had reported average age of employees for some of the years.

TABLE – 1.3: AVERAGE AGE OF EMPLOYEES IN CCI DURING THE PERIOD FROM 2001-02 TO 2008-09

Particulars	2002	2003	2004	2005	2006	2007	2008	2009
Average Age	NR	NR	47	NR	48	NR	50	51
(Index)			100		102.13		106.38	108.5

Source: Annual Reports of CCI during the period from 2001-02 to 2008-09

Table 1.3 shows average age of employees in CCI during the period from 2001-02 to 2008-09. From eight years of study period it discloses average for four years only. During six years from 2003-04 to 2008-09, the average age of employees increased by four years only that is 47 year to 51 years only.

TOTAL MANPOWER COST: CCI reports salaries, wages, ex- gratia etc. contribution to provident and other funds, provisions for gratuity, provision for leave encashment and staff welfare expenses as the manpower cost.

TABLE – 1.4: TOTAL MANPOWER COST IN CCI DURING THE PERIOD FROM 2001 -02 TO 2008-09 (Rs. In Crores)

Particulars	2002	2003	2004	2005	2006	2007	2008	2009
Total Manpower Cost	67.91	49.8	34.56	26.54	69.43	35.95	36.9	57.24
(Index)	100	73.33	50.89	39.08	102.24	52.94	54.34	84.29
Total Manpower Cost Per Employee	0.02	0.02	0.02	0.02	0.04	0.02	0.02	0.05
(Index)	100	100	100	100	200	100	100	250

Source: Annual Reports of CCI during the period from 2001-02 to 2008-09

Table 1.4 shows total manpower cost and total manpower cost per employee in CCI during the period from 2001-02 to 2008-09. Above table clearly indicates that there is decrease in manpower cost by 0.16 times and increase in manpower cost per employee by 2.5 times in eight years. This is due to decrease in number of employees in eight years by 0.61 times.

DISCOUNT RATE: HRV has very strong inverse relationship with the discount rate. CCI had not disclosed discount rate in their annual reports during the period from 2001-02 to 2008-09. No specific reason is given for the same.

HUMAN RESOURCE VALUE: The concept of Human value is derived from general economic value theory. The human value as a whole is the present worth of its expected future services to an enterprise.

TABLE – 1.5: HUMAN RESOURCE VALUE IN CCI DURING THE PERIOD FROM 2001-02 TO 2008-09 (Rs. In Crores)

Particulars	2002	2003	2004	2005	2006	2007	2008	2009
Human Resource Value	228.45	164.79	124.1	121.13	119.59	115.37	160.3	202.9
(Index)	100	72.13	54.32	53.02	52.35	50.5	70.17	88.79
HRV per Employee	0.07	0.08	0.08	0.08	0.08	0.07	0.11	0.17
(Index)	100	114.28	114.28	114.28	114.28	100	157.14	242.9

Source: Annual Reports of CCI during the period from 2001-02 to 2008-09

Table 1.5 shows human resource value and human resource value per employee in CCI during the period from 2001-02 to 2008-09. It is clear from the above table, that in last five years there is constant decrease in the value of HRV and suddenly it increased in 2007-08 and 2008-09. In last eight years it decreased by 0.11 times.

Comparatively, it was observed that during last eight years there is overall decrease in total manpower cost and constant decrease in total number of employees, then also total manpower cost per employee remains same for last seven year and it increased in eighth year.

TOTAL TURNOVER: The turnover of the organization reflects the performance of resources. Therefore to have an idea about the performance of the employees, we have also calculated the turnover per employees.

TABLE 1.6: TOTAL TURNOVER IN CCI DURING THE PERIOD FROM 2001-02 TO 2008-09 (Rs. In Crores)

Particulars	2002	2003	2004	2005	2006	2007	2008	2009
Total Turnover	137.02	120.69	131.33	148.89	195.22	289.03	292.1	319.5
(Index)	100	88.08	95.85	108.66	142.47	210.94	213.18	233.2
Turnover per Employee	0.04	0.06	0.08	0.09	0.12	0.19	0.2	0.27
(Index)	100	150	200	225	300	475	500	675

Source: Annual Reports of CCI during the period from 2001-02 to 2008-09

Table 1.6 shows total turnover and turnover per employee in CCI during the period from 2001-02 to 2008-09. Turnover of the CCI increase from Rs. 137.02 crores in 2001-02 to Rs. 319.5 crores for the year 2008-09. This increase in total turnover increased by 2.33 times over the period of eight years. Turnover per Employee increased by 6.75 times during the same period. Increase in turnover per employee may be due to decrease in number of employee and increase turnover of the enterprise.

TURNOVER & COST RELATIONSHIP: To know, what proportion of profit is shared by company with employee payments, turnover and cost relationship is studied.

TABLE – 1.7: TURNOVER & COST RELATIONSHIP IN CCI DURING THE PERIOD FROM 2001-02 TO 2008-09 (In Percentage)

Year	Total Turnover	Total Manpower Cost	Manpower Cost as a % age of Total Turnover
2002	137.02	67.91	49.56
2003	120.69	49.8	41.26
2004	131.33	34.56	26.31
2005	148.89	26.54	17.82
2006	195.22	69.43	35.56
2007	289.03	35.95	12.44
2008	292.1	36.9	12.63
2009	319.47	57.24	17.92

Source: Annual Reports of CCI during the period from 2001-02 to 2008-09

Table 1.7 shows turnover and cost relationship in CCI during the period from 2001-02 to 2008-09. It is clear from the above table that compared to turnover payments were made at higher rate in previous years then in later years it is too low compared to previous years this may due to change in company policy or management.

VALUE ADDED: CCI calculates the total value added by deducting the raw materials, power and fuel cost, other manufacturing expenses and miscellaneous expenses from the total revenue earned during the year. The amount of value added is before deducting or charging employee cost other operational cost, financial expenses, tax liability and depreciation. Therefore, the value added indicates the earning power of all the resource of an enterprise.

TABLE – 1.8: VALUE ADDED IN CCI DURING THE PERIOD FROM 2001-02 TO 2008-09 (Rs. In Crores)

Particulars	2002	2003	2004	2005	2006	2007	2008	2009
Value Added	2701	2930	4145	5383	6670	13181	19751	18969
(Index)	100	108.48	153.46	199.3	246.94	488	731.25	702.3
Value Added per Employee	0.9	1.37	2.58	3.39	4.25	8.65	13.53	16.37
(Index)	100	152.22	286.67	376.67	472.22	961.11	1503.33	1819

Source: Annual Reports of CCI during the period from 2001-02 to 2008-09

Table 1.8 shows value added and value added per employee in CCI during the period from 2001-02 to 2008-09. Overall increase in value added at CCI in eight years is 7.02 times and value added per employee constantly increased from 0.9 crore in 2001-02 to 16.37 crore in 2008-09.

RETURN ON HRV: CCI does not report the information about the return on HRV in the annual report. Here it is calculated as profit after tax divided by the human resource value.

TABLE – 1.9: RETURN ON HRV IN CCI DURING THE PERIOD FROM 2001-02 TO 2008-09 (In Percentage)

Particulars	2002	2003	2004	2005	2006	2007	2008	2009
Return on HRV	-94.26	-130.69	-65.23	-180.75	695.58	144.4	25.51	25.9
(Index)					100	20.76	3.37	3.72

Source: Annual Reports of CCI during the period from 2001-02 to 2008-09

Table 1.9 shows return on HRV in CCI during the period from 2001-02 to 2008-09. Return on HRV for the year 2001-02 to 2004-05 is negative due to losses in respective years. In the year 2005-06 the return on HRV is 695.58% then it drastically decrease to 144.4% in 2006-07, 25.51% in 2007-08 and reached to 25.9% in 2008-09.Overall decrease in return on HRV in four years is 96.28%.

TABLE - 1.10: RETURN ON HRV PER EMPLOYEE IN CCI DURING THE PERIOD FROM 2001-02 TO 2008-09 (In Percentage)

Particulars	2002	2003	2004	2005	2006	2007	2008	2009
Return on HRV	-100	-125	-62.5	-175	662.5	157	27.3	23.53
(Index)					100	23.7	4.12	3.55

Source: Annual Reports of CCI during the period from 2001-02 to 2008-09

Table 1.10 shows return on HRV per Employee in CCI during the period from 2001-02 to 2008-09. Return on HRV per Employee for the year 2001-02 to 2004-05 is negative due to losses in respective years. In the year 2005-06 the return on HRV is 662.5% then it drastically decrease to 157% in 2006-07, 27.3% in 2007-08 and reached to 23.53% in 2008-09.Overall decrease in return on HRV in four years is 96.45%. No explanation or reasons is disclosed by CCI for the losses and huge profits in the year 2005-06.

PROFIT AFTER TAX

TABLE – 1.11: PROFIT AFTER TAX IN CCI DURING THE PERIOD FROM 2001-02 TO 2008-09 (Rs. In Crores)

Particulars	2002	2003	2004	2005	2006	2007	2008	2009
Profit After Tax	-215.31	-215.36	-80.95	-218.94	831.84	**166.6**	40.89	**52.54**
(Index)					100	20.03	4.91	6.32

Source: Annual Reports of CCI during the period from 2001-02 to 2008-09

Table 1.11 shows profit after tax in CCI during the period from 2001-02 to 2008-09. In the previous four years 2001-02, 2002-03, 2003-04 and 2004-05 CCI had made huge losses of - 215.31 crores,- 215.36 crores, - 80.95 crores and - 218.94 crores respectively. In the year 2005-06 it made a profit of 831.84 crores, which was decreased to 166.6 crores in 2006-07 to 40.89 crores in 2007-08 and finally reached to 52.54 crores in the year 2008-09. Overall profit decrease by 93.68% or 0.94 times in last four years. The reason for such losses and huge profit is not disclosed by CCI.

TABLE – 1.12: PROFIT AFTER TAX PER EMPLOYEE IN CCI DURING THE PERIOD FROM 2001-02 TO 2008-09 (Rs. In Crores)

Particulars	2002	2003	2004	2005	2006	2007	2008	2009
PAT per Employee	-0.07	-0.1	-0.05	-0.14	0.53	0.11	0.03	0.04
(Index)					100	20.75	5.66	7.55

Source: Annual Reports of CCI during the period from 2001-02 to 2008-09

Table 1.12 shows profit after tax per employee in CCI during the period from 2001-02 to 2008-09. In the previous four years 2001-02, 2002-03, 2003-04 and 2004-05 CCI had made huge losses of - 215.31 crores, - 215.36 crores, - 80.95 crores and - 218.94 crores respectively. Due huge losses profit after tax per employee in CCI is negative in previous four yerars. During the period from 2005-06 to 2008-09, profit after tax was 0.53 crore, 0.11 crore, 0.03 crore and 0.04 crore respectively due to profits in respective years.

So, Return on HRV of CCI reflects that there is no efficient use of resources,HRV per employee is higher than PAT per employee.

DESCRIPTIVE SUMMARY

CCI had experienced changes in almost all the variables. Therefore, to check the nature of change, the volatility analysis has been carried out using standard deviation (SD) and volatility coefficient.

HRV is a result of multiparty impact of variables like total number of employees, average age of employees, discount rate, turnover, value added, profit after tax and return on HRV etc.

As human resources are the only active asset of the organization it is important resource of the business. Therefore, in the first section the behaviour and in second section volatility of variables are studied individually. In both the studies and analysis relationship of HRV with of these variables was carried out.

Now question arises: **How closely is the HRV related to each of these variables?**

To answer this question, the present section undertakes two important bivariate analyses as under:

(1) Simple Correlation Analysis

(2) Simple Regression Analysis

(1) SIMPLE CORRELATION ANALYSIS: The HRV is result of multiparty impact. It depends on a number of factors. For this purpose, all the variables influencing the HR value as well as the variables that are the pointer of present business profitability and efficiency are considered.

These variables are:

PREDICTOR VARIABLES

- Total Number of Employees
- Average Age of Employee
- Discount Rate

FINANCIAL VARIABLES

- Manpower Cost per Employee
- Turnover per Employee
- Value Added per Employee
- Return on HRV per Employee

(2) SIMPLE REGRESSION ANALYSIS: The simple regression analysis reveals the direction and numerical strength of relationship but does not expound the relative importance of different variables forming the congregate that influence the degree of relationship. This analysis enables us to find the answer to the question, How HRV does respond to the movement in an individual variable? The ordinary least square (OLS) method has been used for the regression analysis.

To get actual results the data for analysis purpose is taken for five years only, as there is no uniformity in disclosing data by the CCI under the study.

TABLE – 1.13: DESCRIPTIVE SUMMARY IN CCI DURING THE PERIOD FROM 2001-02 TO 2008-09

Particulars	N	Average	Std. Deviation	Volatility
HRV per Employee	5	0.078	0.004	0.057
Total No. of Employees	5	1,982.000	623.147	0.314
Average Age of Employees	2	47.500	0.707	0.015
Manpower Cost per Employee	5	0.026	0.013	0.516
Turnover per Employee	5	0.082	0.033	0.408
Value Added per Employee	5	0.130	0.263	2.021
Return on HRV per Employee	5	40.000	350.379	8.759

Table 1.13 shows descriptive summary in CCI during the period from 2001-02 to 2008-09.

CCI has experienced changes in almost all the variables.

The following observations are made from the above table:

(i) Total Number of Employees is highly variable among all as it shows maximum S.D. value 623.147 and HRV per employee shows very low variability as it shows low S.D. value 0.004.

(ii) In case of volatility, average age of employees shows more stability as it has low volatility value 0.015 among all the variables, while return on HRV per employee shows low stability as its volatility is 8.759 among all variables.

(iii) Discount Rate is not disclosed by CCI.

TABLE – 1.14: CORRELATION BETWEEN HRV PER EMPLOYEES AND OTHER VARIABLES IN CCI DURING THE PERIOD FROM 2001-02 TO 2008-09

	Total No. of Employees	Average Age of Employees	Manpower Cost per Employee	Turnover per Employee	Value Added per Employee	Return on HRV per Employee
HRV per Employee	-.925(*)	.(a)	.250	.702	.255	.223

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

a cannot be computed because at least one of the variables is constant.

Table 1.14 shows correlation between HRV per employee and other variables in CCI during the period from 2001-02 to 2008-09.

The following observations are made from the above table:

(i) HRV per Employee is poor and positively correlated with manpower cost per employee, turnover per employee, value added per employee and return on HRV per employee.

(ii) There is highly negative correlation between HRV per employee and total number of employees.

(iii) Turnover per Employee shows the highest degree of correlation (0.702), while total number of employees shows highly negative correlation (-0.925) with HRV per employee.

(iv) The correlation coefficient with respect to all the financial variables is positive, signifying relationship between HRV per employee and the efficiency and profitability at CCI.

(v) Out of predictor variables, total number of employees is highly negatively correlated with HRV per employee and average age of employee per employee cannot be computed because at least one of the variables is constant.

TABLE – 1.15: REGRESSION COEFFICIENTS FOR VARIABLES IN CCI DURING THE PERIOD FROM 2001-02 TO 2008-09

	Variables	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
X1	(Constant)	0.091	0.003		28.103	**0.000**
	Total No. of Employees	-6.63 E -06	1.57 E -06	-0.925	-4.213	**0.024**
X2	(Constant)	0.076	0.005		14.212	**0.001**
	Manpower Cost per Employee	0.083	0.186	0.250	0.447	0.685
X3	(Constant)	0.070	0.005		14.651	**0.001**
	Turnover per Employee	0.094	0.055	0.702	1.705	0.187
X4	(Constant)	0.077	0.003		30.347	**0.000**
	Value Added per Employee	0.004	0.010	0.255	0.457	0.679
X5	(Constant)	0.078	0.002		34.321	**0.000**
	Return on HRV per Employee	2.85 E -06	7.18 E -06	0.223	0.397	0.718

Dependent variable: HRV per employee, Independent variables: All others

Table 1.15 shows regression coefficients for variables in CCI during the period from 2001-02 to 2008-09. The following inferences may be derived from the above regression results:

(1) $\text{HRV per Employee} = 0.091 - 6.63\text{E} - 06\ \text{Total Number of Employees}$

In the above regression equation, 0.091 is the estimated mean value of HRV per employee when total number of employees is zero. And the slope -6.63 E -06 indicates that for each one unit change in total number of employees, HRV per employee is decreased by 6.63 E -06 units on average.

(2) $\text{HRV per Employee} = 0.076 + 0.083\ \text{Manpower Cost per Employee}$

In the above regression equation, 0.076 is the estimated mean value of HRV per employee when manpower cost per employee is zero. And the slope 0.083 indicates that for each one unit change in manpower cost per employee, HRV per employee is increased by 0.083 units on average.

(3) $\text{HRV per Employee} = 0.070 + 0.094\ \text{Turnover per Employee}$

In the above regression equation, 0.070 is the estimated mean value of HRV per employee when turnover per employees is zero. And the slope 0.094 indicates that for each one unit change in turnover per employee, HRV per employee is increased by 0.094 units on average.

(4) $\text{HRV per Employee} = 0.077 + 0.004\ \text{Value Added per Employee}$

In the above regression equation, 0.077 is the estimated mean value of HRV per employee when value added per employee is zero. And the slope 0.004 indicates that for each one unit change in value added per employee, HRV per employee is increased by 0.004 units on average.

(5) $\text{HRV per Employee} = 0.078 + 2.85\ \text{E} - 06\ \text{Return on HRV per Employee}$

In the above regression equation, 0.078 is the estimated mean value of HRV per employee when return on HRV per employee is zero. And the slope 2.85 E -06 indicates that for each one unit change in return on HRV per employee, HRV per employee is increased by 2.85 E -0.6 units on average.

(6) The value of coefficients with respect to manpower cost per employee (0.083), turnover per employee (0.094), value added per employee (0.004) and return on HRV per employee (2.85 E -06) is positive. The increase in the value of these variables would enhance the HRV at CCI.

(7) It implies that a one unit change in each of these variables would lead to (0.083, 0.094, 0.004 and 2.85 E-06) unit change in the HRV per employee respectively at CCI, assuming other factors to be constant.

(8) The value of coefficient with respect to total number of employees is highly negative (-6.63 E -06). It implies that for each one unit change in the total number of employees, HRV per employee will decrease by 6.63 units on average.

FINDINGS

1. One of the first attempts to estimate the value of human resource in monetary terms was made around 1691 by Sir William Petty.
2. In 1974, the first edition of Flamholtz's book H R Accounting (Flamholtz, 1974, 1985, 1999) was published, presenting the state-of-the-art of HRA.
3. In India, the first initiative in the direction of human resource accounting and valuation came from the public sector giant BHEL from the financial year 1974-75.
4. There are several approaches or models for valuation of human resources. All these models have different backgrounds and different theoretical foundations. CCI had adopted economic valuation concept and accepted the model suggested by Lev & Schwartz with refinements suggested by Eric Flamholtz, Jaggi & Lau. Further, the study indicates that CCI had distributed human resources and their value category wise
5. CCI divides its total staff into six groups: executives, supervisors, skilled workers, semi-skilled workers, clerical & other supporting staff and unskilled workers.
6. It was observed that CCI stands first in reporting human resource value and social balance sheet for all the year eight years of the study.
7. At, CCI – average age for the year 2004 is 47 years, 2006 is 48 years, 2008 is 50 years and 2009 is 51 years
8. It is concluded that human resource value totally depends upon the variables. So, individual variables total number of employees, discount rate, average age of employees, manpower cost, turnover, valued added, profit after tax and return on HRV do equally affect the valuation of human resources.
9. It was observed that human resource value is influenced by mainly two types of variables, they are financial variable - manpower cost per employee, turnover per employee, value added per employee and return on HRV per employee and predictor variables - total number of employees, discount rate and average age of employees.
10. It was observed that among 7 variables identified for the study, total number of employees' variable is found highly variable in CCI. While, human resource value per employee variable is found least variable at CCI (0.004) and OIL (0.088).
11. More stability or volatility was shown by the variable total number of employees at CCI (0.015). Low stability was shown by the variable, return on HRV per employee at CCI (8.759).
12. The variable which are highly correlated is, turnover per employee (0.702) at CCI and the variable which is highly negatively correlated is total number of employees at CCI (-0.925*).).
13. The value of regression coefficient with return on HRV per employee (2.85 E-06) at CCI is highly positively correlated.
14. The result of regression coefficient with total number of employees at CCI (-6.63E-06) is highly negative.
15. It is observed from the present study that the overall performance of CCI can be improved through a system of HR accounting.

LIMITATIONS OF THE STUDY

1. The study is limited to only one public enterprise in India.
2. The present study is limited for a specified period of eight years from 2001-02 to 2008-09.
3. This study is mainly based on secondary data from published annual reports, websites and literature. The limitations of secondary data influence the study.
4. Large number of human resource valuation models being practiced the world over. However, in India most of the public enterprises have accepted the Lev & Schwartz model for the valuation of human resources.

CCI had adopted the model suggested by Lev & Schwartz with refinements suggested by Eric Flamholtz, Jaggi & Lau. The conclusion might be more fruitful, if inter model comparison was performed.

SUGGESTIONS

1. This study suggests that the seriousness in valuation and reporting of human resources is needed to be enhanced at enterprises in India.
2. At this juncture formulation of generally accepted human accounting standard is essential.
3. Human Resource Accounting and Reporting must be made mandatory by companies act and this information must be audited.
4. CCI had adopted the model suggested by Lev & Schwartz with refinements suggested by Eric Flamholtz, Jaggi & Lau. Serious efforts must be taken to improve, modify and provide more detailed information regarding proper valuation of human resource in India.
5. At this juncture it is necessary to formulate International Accounting Standards for Human Resource Accounting and Valuation.

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GROWTH AND PERFORMANCE OF KASHMIR HANDICRAFT INDUSTRY DURING LAST DECADE (2005-2014)

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ABSTRACT

Handicraft activities occupy an important position in the economic structure of J&K State. Being environment friendly, these activities are best suited to the state as they are more labour intensive and less capital intensive in nature, therefore having scope for employment generation at a large scale. The Kashmir handicraft products have earned worldwide fame for their attractive designs, functional utility and high quality craftsmanship. In absence of other manufacturing industries in the state, handicrafts remained a key economic activity from time immemorial. The artistic imagination and craftsmanship of the Artisans reflected through a wide range of products, has delighted the connoisseurs world over for centuries. Crafts like Shawls, Crewel, Namdha, Chain Stitch, Wood Carving, Paper Machie, Costume Jewellery, Kani Shawls and the Carpets hold a significant share in the overall production and export of the State. Silken carpets in particular constitute a specialty having no parallel in quality and design at national level and, therefore, occupy an important position in the international market. The handicraft sector of the state has great contribution towards foreign exchange earnings to the state and country in particular.

KEYWORDS

Handicrafts, Craftsmanship, Growth, Production, Employment and Exports.

INTRODUCTION

According to Export Promotion Council of Handicrafts (EPCH) "handicraft may be defined as "items or products produced through skills that are manual, with or without mechanical or electrical or other processes, which appeals to the eye, due to characteristics of being artistic or aesthetic or creative or ethnic or being representative of cultural or religious or social symbols or practices, whether traditional or contemporary. These items or products may or may not have a functional utility or can be used as a decorative item or gift (EPCH Circular). The handicraft sector provides livelihood to over 130 lakhs weavers and artisans, a large percentage coming from the marginalized sections of the society. The industry is largely environment friendly and low on energy consumption, and consciousness on these issues, as also on fair trade practices is growing fast. All this makes the sector a potentially powerful player in the country's economy and an important tool for the empowerment of crafts persons. There are several issues that need attention both, in form of policy intervention and ground level implementation. (George 2011)

HANDICRAFTS SECTOR IN INDIA: AN OVERVIEW

The Indian handicrafts industry is highly labour intensive cottage based industry and decentralized, being spread all over the country in rural and urban areas. Numerous artisans are engaged in crafts work on part-time basis. Handicrafts industry plays a substantial role in building up of country in terms of its share in employment, output production and prosperity creation (Syed Khalid-2012). The handicrafts of a society often become the dominant means of livelihood. It also satisfies their daily requirements of the people and provides employment to the members of the households of the society which in turn leads towards socio-economic development. The industry provides employment to over six million artisans who include a large number of women and people belonging to the weaker sections of the society. The Handicrafts Sector plays a significant & important role in the country's economy. It provides employment to a vast segment of craft persons in rural & semi urban areas and generates substantial foreign exchange for the country, while preserving its cultural heritage. Handicrafts have great potential, as they hold the key for sustaining not only the existing set of millions of artisans spread over length and breadth of the country, but also for the increasingly large number of new entrants in the crafts activity. Presently, handicrafts contribute substantially to employment generation and exports. In addition to the high potential for employment, the sector is economically important from the point of low capital investment, high ratio of value addition, and high potential for export and foreign exchange earnings for the country.

Kashmir Handicraft is unique in its richness and beauty. Daring all modernity and mechanization, the artistry and skill of hand-made artifacts of Jammu and Kashmir (J&K), continue to receive world-wide acclaim. The traditional woollen shawls, papier-mâché goods, and wood-carvings, have all survived the onslaughts of many centuries of socio-economic evolutions only because the craft objects of Kashmir are ingrained in the socio-economic ethos of the people.

Handicraft activities occupy an important position in the economic structure of J&K economy. Being environment friendly, these activities are best suited to the state as they are more labour intensive and less capital intensive in nature, having scope for employment generation at a large scale. Handicraft also contributes a lot towards state's foreign exchange earnings and its vibrant handmade articles provide cultural identity to the State. Jammu & Kashmir Handicrafts is a combination of vibrant hand-made articles that have become a cultural identity for the state. Having an exclusive mastery over the special items like the carpets, baskets, wall hangings and others, the handicrafts industry of Jammu & Kashmir is a flourishing sector which employees sizeable tribal and general folks of the valley. The importance of this sector also lies in the fact that it has enormous employment potential; it does not consume scarce resources, does not cause pollution and is environment friendly. The social cost benefit ratio is very small therefore both private and public sector should make investment in this sector so that it will grow up manifold. J&K is famous for the weaving of specialized fabrics like Pashmina and kani shawls, silken, woollen and cotton fabrics. The three regions of the state – Jammu, Kashmir and Ladakh – specialize in different crafts. The main crafts of the three regions are:

1. Jammu – Basholi Painting, Calico Painting, Phoolkari.
2. Kashmir – Carpets, Kashmiri Shawls, Wood Carving, Papier-mâché, Crewel, Nada.
3. Ladakh – Wood carving & Painting, Clay Moulding, Ladakh Pashmina Weaving, Ladakh Carpet, Thanka and Fresha Painting.

OBJECTIVE

The main objective is "To evaluate the growth of handicraft industry during last decade (2005-2014) and the performance of the sector".

LITERATURE REVIEW

Ghulam Nabi (1975) in his study made an analysis into the growth of carpet industry in the state since its inception. In the pre-independence period, industry has not grown at a steady rate, however after independence, the industry made considerable progress. The author has thrown some light on the cost structure of carpet industry. He says the major constituents of costs are raw material costs (wool, silk & cotton), script charges, and complexity charges, washing and dying expenses and overhead costs. The author also points to the marketing of the carpet industry terming it insignificant.

Dr. Darakhshan (2011) stated that in the absence of large scale industries in the State, handicrafts remained a key economic activity from times immemorial and they contribute towards foreign exchange earnings of the State in particular and country in general.

METHODOLOGY

Research methodology plays an important part in any investigation. For the present study, data was obtained from secondary sources. Secondary data is the second hand information, which is already collected by others, and that information is available in printed form.

The main sources of secondary data are:

1. Books and Journals.
2. Directorate of Handicrafts, J&K (official records).
3. Directorate of Handloom Development, J&K (official records).
4. Directorate of Craft Registration, Srinagar (official records).
5. J&K Handicrafts (S & E) Corporation Limited (official records).
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8. Economic Survey of J&K, 20013-14 (Statistics and Planning Department).

RESULTS AND DISCUSSION

The Kashmir Handicraft industry is so widely scattered all over the state with a dominance of small and tiny units, apart from this Kashmir handicrafts showing the trend of growth in its export. This sector is important for the economy due to its employment generation, foreign exchange earnings and vast untapped export potential. A recent study by the EXIM Bank recommends that the handicraft sector needs to be given an industry status so that a mechanized, modern segment will emerge to face the global competition. This is the most fundamental step which boosts Indian handicrafts in international market. Once India recognizes the potential of handicrafts it can lead the whole market. For that we have to improve our technology and tools to make handicraft more popular in the whole world.

TABLE 1: YEAR WISE PRODUCTION, EMPLOYMENT AND EXPORTS OF HANDICRAFT INDUSTRY

Year	Production (Rs in crores)	Employment (No. in lakhs)	Exports (Rs in crores)	Growth (%)		
				Production	Employment	Export
2005-06	900.00	3.483	705.00	01.46	03.45	9.81
2006-07	950.00	3.496	785.00	05.55	0.37	11.34
2007-08	1614.59	3.505	1200.47	69.95	0.25	52.92
2008-09	1100.00	Na	705.50	.(-)31.87	--	(-)41.23
2009-10	1000.00	Na	661.27	(-)9.09	--	(-)6.26
2010-11	1650.30	Na	1004.10	65.03	--	51.84
2011-12	1815.33	3.740	1643.37	10.00	--	63.66
2012-13	1843.21	4.110	1538.28	01.53	9.89	(-)6.39
2013-14	1885	4.250	1695	02.26	3.40	10.18

Source: Government of Jammu & Kashmir Economic Survey

Growth Rate is calculated by using fallowing formula

$$PR = \frac{(V_{Present} - V_{Past})}{V_{Past}} x100$$

Where PR = Percent Rate

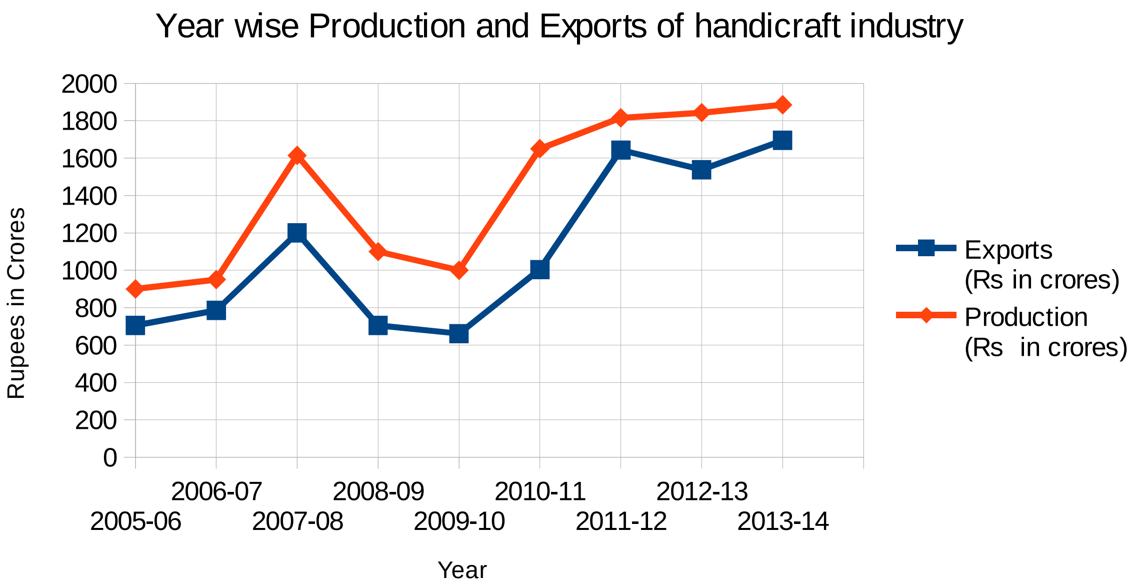
$V_{present}$=Present or Future Value

V_{Past}= Past or Present Value

The sector makes conspicuous contribution in sustaining export trade of the state. The handicraft activities are especially carried out in Kashmir Valley which is called the home of handicraft goods and has earned a unique place in the world of handicrafts. This sector provides employment opportunities and great potential to generate gainful employment within and outside the state. The production of handicraft has increased to Rs.1885 crores during 2013-14 as against Rs.900 crores during 2005-06; employment of handicraft has increased to 4.2500 lacs during 2013-14 as against Rs.3.483 lacs during 2005-06; the exports in the handicraft sector have increased to Rs1695 crores during 2013-14 as against Rs.705 crores during 2005-06 and their growth rate is also at a satisfactory level.

Table 1 reveals that the growth rate of production has changed from 1.46 percent to 2.26 percent during 2005-2014, the growth rate of employment has changed from 3.45 percent to 3.40 percent and the growth rate of exports has changed from 9.81 percent to 10.18 percent during the reference period.

FIG. 1



In the above graph we see that in 2007-08 the Jammu and Kashmir handicraft exports touching the 1200.47 corers and suddenly shows the decline trend in 2008-10. There are many reasons for that such as global meltdown, turmoil, and political instability. And after 2010 the Jammu and Kashmir handicrafts shows again an increasing path.

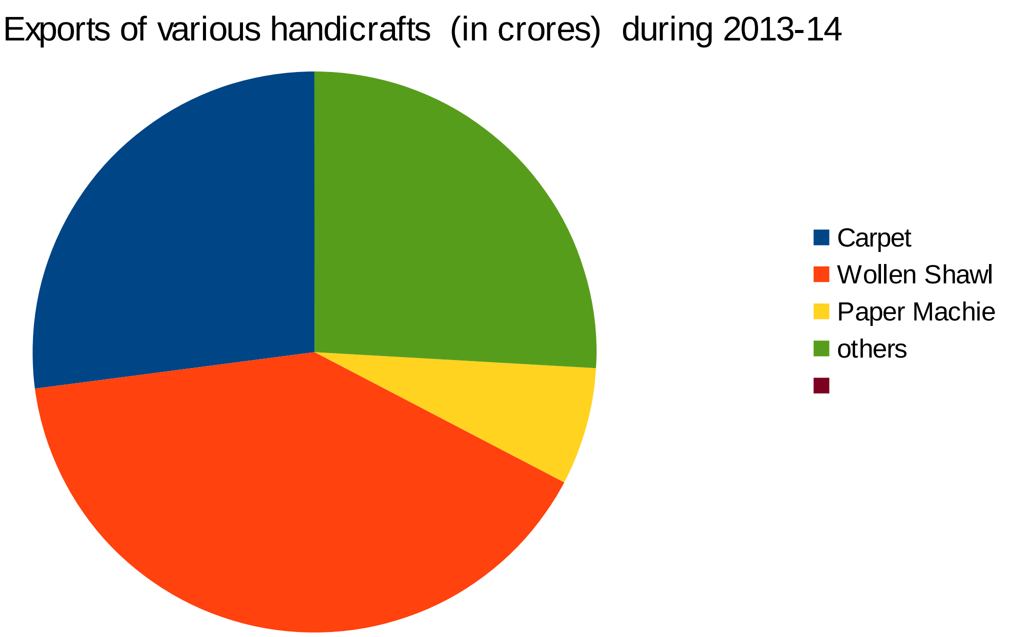
TABLE 2: EXPORTS OF VARIOUS HANDICRAFTS (IN CRORES)

Year	carpet	Woollen shawls	Paper machine	Other items	Total
2005-06	325.00	220.00	27.50	132.50	705.00
2006-07	351.50	275.00	31.50	127.00	785.00
2007-08	649.02	310.29	33.65	207.51	1200.47
2008-09	326.00	226.50	41.00	112.00	705.50
2009-10	407.73	137.13	30.27	86.14	661.27
2010-11	412.45	302.00	66.50	223.15	1004.10
2011-12	567.13	607.03	98.24	370.97	1643.37
2012-13	455.86	620.02	104.11	358.29	1538.28
2013-14	488.00	665.86	112.31	428.83	1695

Source: Government of Jammu & Kashmir Economic Survey

The exports of carpets has increased to Rs.448 crores during 2013-14 as against Rs 325 crores during 2005-06; exports of woollen shawls has increased to 665.86 crores during 2013-14 as against Rs.220 during 2005-06; the exports paper machie has increased to 112.31 crores during 2013-14 as against Rs.27.50 crores during 2005-06 and exports of the other handicraft items have also increased to 428.83 crores during 2013-14 as against 132.50 crores during 2005-06.

FIG. 2



The pie-chart above shows that during the year 2013-14 carpet, wollen shawl, paper machie and others were 26.43%,39.28%,6.62% and 25.29% respectively..

The handicraft sector makes considerable contribution in sustaining export trade of the state. This sector engages approximately 4.25 lakh artisans in the manufacturing of handicraft products in the state. The handicraft activities are especially carried out in Kashmir valley which is called the home of handicraft goods.

TABLE 3: PRODUCTION OF VARIOUS HANDICRAFTS (IN CRORES)

Year	Carpet	Woolen shawls	Papier machie	Other items	Total
2005-06	425.00	310.00	30.00	135.00	900.00
2006-07	450.50	320.00	35.00	144.50	950.00
2007-08	761.27	420.58	37.92	394.82	1614.59
2008-09	457.60	303.45	35.49	303.46	1100.00
2009-10	638.17	201.03	10.15	151.15	1000.00
2010-11	735.10	343.10	68.82	502.28	1650.30
2011-12	624.70	702.20	102.70	385.73	1815.33
2012-13	643.00	656.30	145.00	398.91	1843.21
2013-14	658.00	668.43	152.70	405.15	1885

Source: Government of Jammu & Kashmir Economic Survey

The table 3 shows that production from 2005 was good and was gaining pace but then suddenly during the year 2008 it shows downfall the reason for the same was the summer unrest in the state during year 2008 which effected the business community badly.

MAJOR STEPS TAKEN BY GOVERNMENT FOR HANDICRAFTS

Directorates of Handicrafts working under the Industries and Commerce Department, J&K has been established for promoting handicraft activities by way of forming cooperative societies to get the artisans, gainfully absorbed..As on 31.03.2013 there were 2730 handicrafts societies registered with a membership of 15987. The department provides Managerial subsidy on tapering basis @100% first year, 66%, 2nd year 33%, 3rd year, to the pass out trainees, which is paid for formation of cooperative societies. During the year 2013-14, 58 societies have been formed with a membership of 580 by the end of Oct., 2013. .The department also promotes sale of handicraft goods by organizing expos/exhibition/craft bazaars within and outside the state. It also organizes exhibition at international level annually. During the year 2013-14, the department has organized 4 craft bazaars/exhibitions within & outside the state by the end of Oct. 2013.

Another important area of activity is skill development. Around 8500 persons are trained annually through 553 training centres in the state. During 2012-13, 8132 persons were trained in various crafts like sozni, staple, crewel, papier machie, phool kari, Zari, chain stitching etc. About 9000 persons have been enrolled for training during 2013-14 and training is going on in these centres

The government has started Self employment to individual artisans which aims at providing easy and soft credit facilities to the artisans, weavers, members of cooperative societies and craftsmen engaged in different activities to start their independent venture. The scheme envisages financial assistance in the form of loan from various banks and financial institutions. The department provides interest subsidy @10% on the loan. The department has covered 7761 artisans under this scheme with interest subsidy of Rs. 156.54 lacs disbursed during 2012-13. During current financial year 2013-14, 4578 cases have been disbursed by the end of Oct. 2013 under Credit Plan/ACC. The department has enforced quality Control Act 1978 to maintain quality of Kashmiri handicrafts.

CONCLUSION

The handicraft sector has a large potential to generate a gainful employment opportunities to unemployed people and has a great potential for economic development of a country/region like Kashmir, which is known all over the world with its traditional crafts. Kashmir Handicrafts are the matchless appearance of our society and way of life. A hefty crowd of population is directly or indirectly depends upon handicrafts for their livelihood. It generates employment and foreign exchange earnings which are vital for economic growth and upliftment of the rural economy. Both state and central Government must take step to increase the wages and improve the working conditions of the artisans and others who are involved in this handmade industry. Due to absence of large industries, handicraft industry remains the key economic activity in both rural and urban areas in the Jammu and Kashmir economy after agriculture. Jammu and Kashmir handicraft has also got good fame in international markets, and earns healthy income which is much supportable for our economy. It means that government has to come forward and take immediate action for the uplift of handicraft producers if they expect more exchange earnings and employment from this sector.

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EVOLUTION OF CORPORATE SOCIAL RESPONSIBILITY

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ABSTRACT

The relevance of Corporate Social Responsibility (CSR) has increased manifold in the past two decades. Organisations have understood that its' CSR spending has long term effects in brand building, increasing consumer base, goodwill etc. CSR as part of an organisation's strategy is getting bolder and brighter day by day. CSR is not a sudden discovery. It has been carried out in different forms from time immemorial. With time and age the concept of CSR evolved, so did its definitions. Many other terms such as corporate citizenship, environmental sustainability, Corporate Social Performance etc are used as synonyms with subtle differences. This paper is focused on understanding the evolution and the current trends of CSR.

KEYWORDS
Corporate Social Responsibility, Strategy, Strategic Corporate Social Responsibility, Philanthropy.

INTRODUCTION

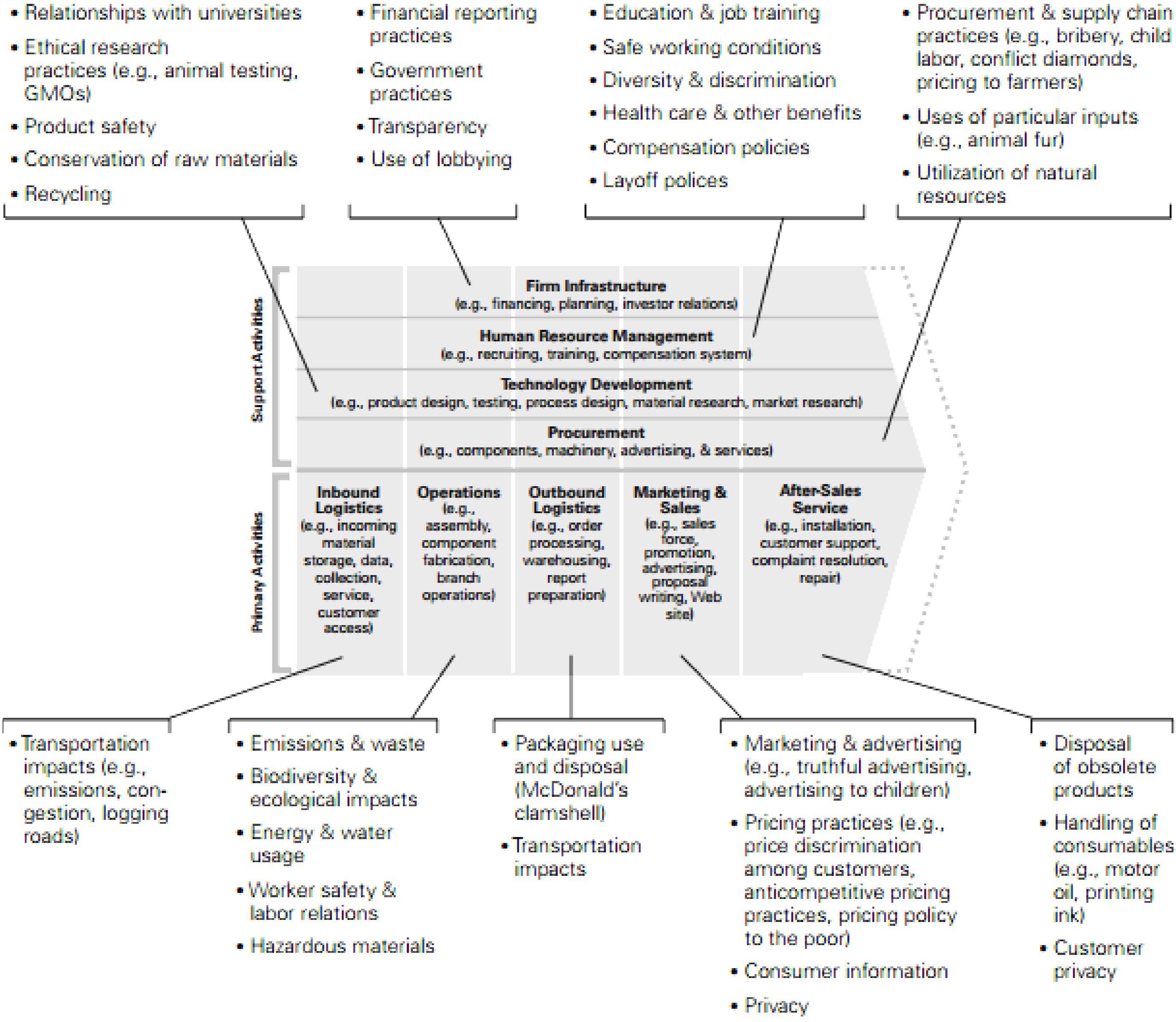
Business was defined as buying and selling of goods and services with the sole aim of making profit. Hence, the annual reports of companies were filled with reports on the sales growth and financial achievements. (Vivek Srivastava) There were businesses spending for social causes but was confined to religion like donation to churches, temples etc or to orphanages run by religious institutions. Welfare of the state was always considered as the responsibility of the government. It never came under the businesses' responsibility.

However, it can be observed that the businesses which ensured that it not only took care of its customers but also its' stakeholders built a stronger brand which never faded in the stakeholders' mind even though it sailed through many product lifecycles. The best example from India would be the TATAs. (Vivek Srivastava)

CSR in simple terms is, being socially responsible for all the activities an organisation does by the inclusion of public interest into its decisions keeping in mind the triple bottom line-People, Planet and Profit (Kaur, 2012)

Now, organisations have realised the importance of CSR not just because of reporting and compliance requirements but because it is a source of competitive advantage and its value can be benefitted throughout the value chain. This is explained by Michael E Porter's Value Chain (mapping social responsibilities to Value Chain) where each function at each stage is thought through to be complied ethically as well as by adding value. This model proves to generate shared value, that is, value for the organisation as well to the society at large.

CHART 1



Source: Michael E. Porter, *Competitive Advantage: Creating and Sustaining Superior Performance*, 1985

In developing countries the government alone cannot uplift the downtrodden. Hence, it is even more important for business houses and organisations to help eradicate the various social problems such as education, healthcare etc. (Kumar) In India, the Companies Act 2013 mandatory requires all companies with net worth of 500 crores or more or turnover of 1000 crores or more or profit of 5 crores or more to spend at least 2% of its average net profit for the preceding three financial years on corporate social responsibility activities. (Shetty, 2014) (KPMG, 2014)

The key to ensuring CSR compliance with benefits to the organisation is 'Strategic CSR' where an organisation's goals are in line with its' social responsibilities. Most of the organisations are adopting strategic CSR which, indeed, creates 'shared value'

OBJECTIVES

The objectives of this Research Paper is

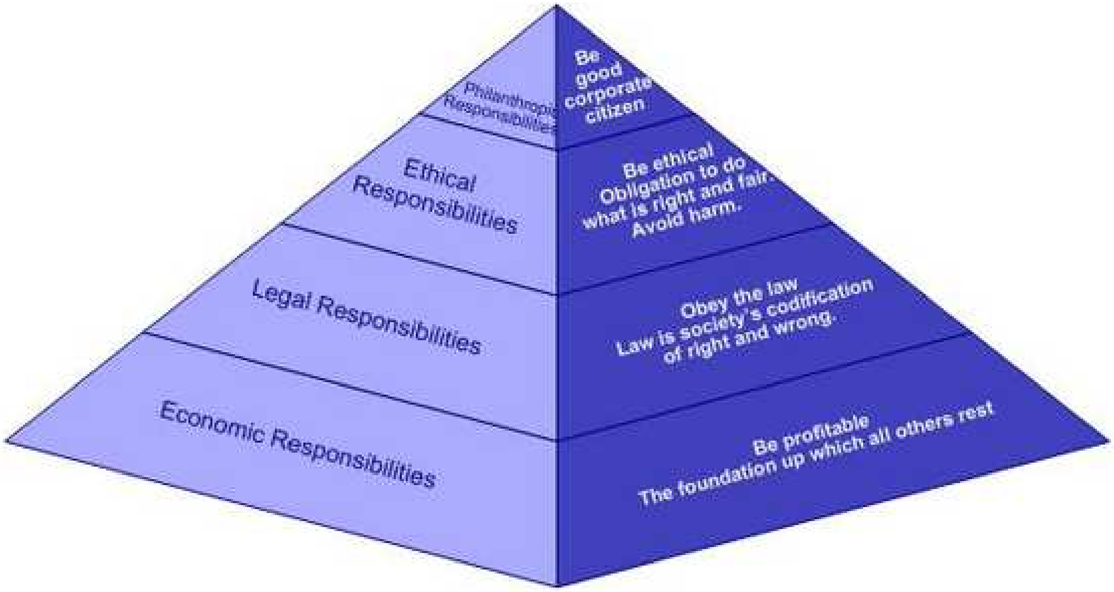
1. To identify the journey of CSR from philanthropy to Strategic CSR
2. To identify the recent trends of CSR in organisations

EVOLUTION OF CSR

(Campher, 2011) According to the Henk Campher, CSR is not a revolution but an evolution. It existed in some form or the other but its' importance have grown over the years owing to various factors such as increased stakeholder's awareness and demands. (Caroll, The Four Faces of Corporate Citizenship, 1998) (Delgado-Garcí, 2007)

CSR does not have a clear cut definition. Just as its' concept, its' definition also evolved with time. The first widely accepted definition came from Archie Caroll's CSR Pyramid (Caroll, The Pyramid of Corporate Social Responsibility: Toward the Moral Management of Organisations stakeholders, 1991) where the pyramid was divided into Economic responsibilities, legal responsibilities, ethical responsibilities and philanthropic responsibilities in hierarchical order with economic responsibilities holding the highest importance.

FIG. 1



Carroll's CSR Pyramid

A FEW OF THE POPULAR DEFINITIONS ON CSR

"Decisions and actions taken for reasons at least partially beyond the firm's direct economic or technical interest." Keith Davis (1960)

"Problems that arise when corporate enterprises casts its shadow on the social scene, and the ethical principles that ought to govern the relationship between corporations and society" Walton and Eells (1961)

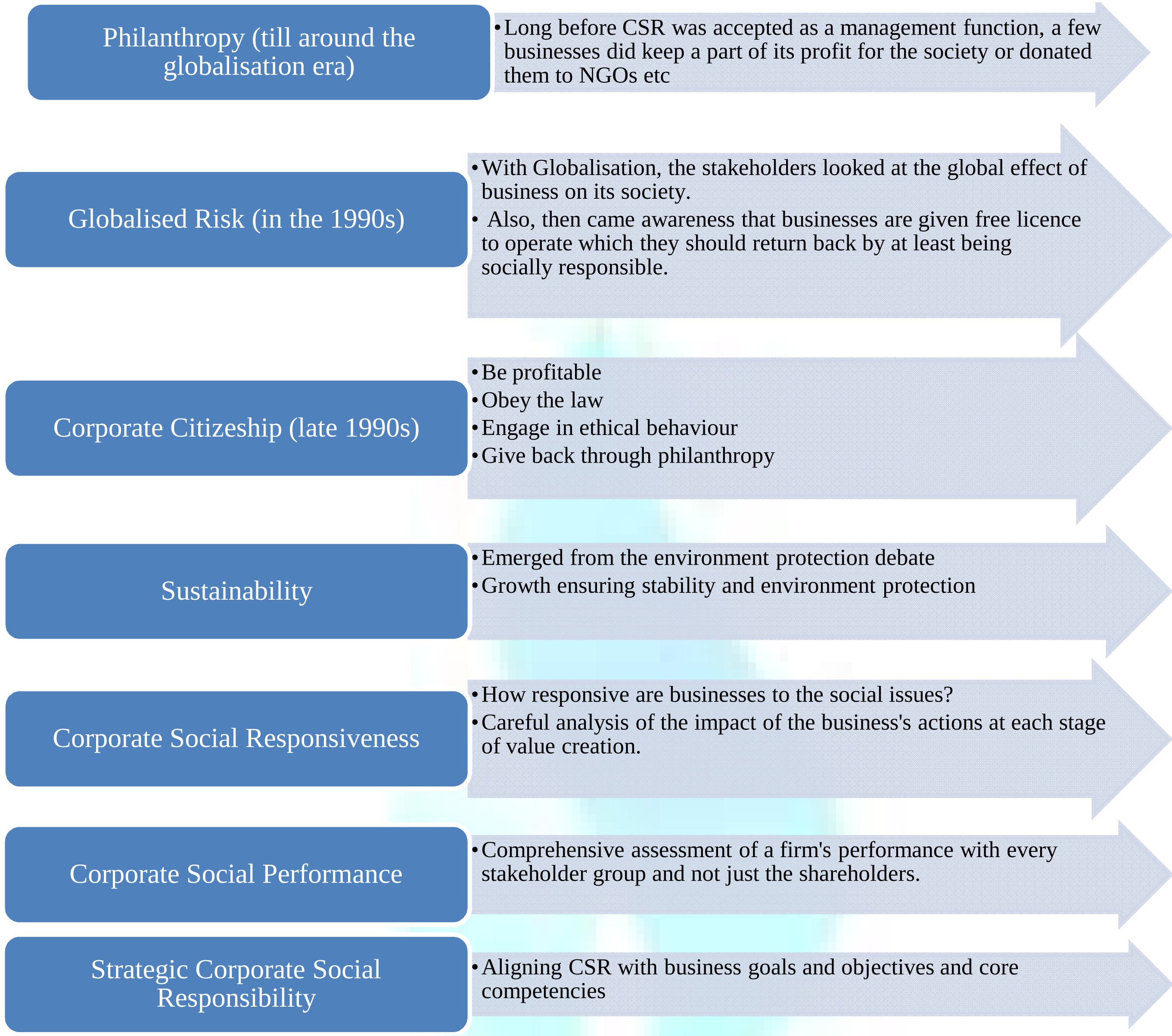
"The social responsibility of business encompasses the economic, legal, ethical and discretionary expectations that a society has of organizations at a given point in time." Archie B Caroll (1979)

"Corporate Social Responsibility is the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large." World Business Council for Sustainable Development.

"Corporate Social Responsibility is Humanitarianism, not charity but social moral obligation of each and every individual and institution." Dr. Kurian John Melamparambil

"Corporate Social Responsibility is an organisation's obligation to consider the interests of their customers, employees, shareholders, communities and the ecology and to consider the social and environmental consequences of their business activities. By integrating CSR into core business processes and stakeholder management, organisations can achieve the ultimate goal of creating both social value and corporate value." Stanford University.

CHART 2



CSR EVOLUTION: IN BRIEF

(Butler, 2010) The former chairman and CEO, Neville Isdell coined the term ‘Connected Capitalism’ in which he opined that it is impossible for governments/ non-governmental organisations to solve major issues. On the contrary, if the businesses, governments and NGOs go hand in hand there can be a major impact. According to Isdell, ‘capitalism’ is inevitable for growth. Hence, the concept is termed as ‘connected capitalism’. This is nothing but re-coined CSR.

Many social activists claimed social and environmental issues as an end-result or carelessness of business operations without sustainable development in its fore view. Hence, the expectations of stakeholders also shifted from mere product or service quality to the social responsibilities of the business. Therefore, an entity’s social responsibility started getting more importance and visibility.

PricewaterhouseCoopers define corporate sustainability as “aligning an organisation's products and services with stakeholder expectations, thereby adding economic, environmental and social value”. (Hopkins, Articles: Definition of CSR, 2011). Sustainability was the other term associated with CSR. It implies that an entity should focus on its sustainable growth which is only possible by ensuring protection to the environment along with stakeholder’s satisfaction.

Many conferences are held and committees are set up for CSR world over where the various organisations emphasise on how businesses take from society and is obliged to give it back. In recent years, Corporate Social Performance has emerged where not only the responsibilities of business towards society but also its responsiveness to the social issues is measured.

CSR includes environment sustainability, social responsiveness, philanthropy etc. All inclusive yet aligned to an organisation’s objective is Strategic CSR.

Strategic CSR involves 2 components:

1. Aligning CSR to organisation’s objectives
2. Aligning CSR to organisation’s core competencies

By doing the above organisation’s core objective is in line with the societies’ expectations whereby there is shared value creation. It is a win-win situation for the organisation as well as the society at large. Strategic CSR implies full integration of CSR into an organisation’s systems, processes, management and performance appraisal. For example, Walmart has integrated sustainability into its internal buying processes wherein the suppliers are indexed on quality and sustainability. (McHelney)

CHART 3

Source: (Kramer, 2006)

CURRENT TRENDS

1. INCREASED REPORTING REQUIREMENTS

There has been an increase in reporting requirements by companies/ organisations on their status on CSR and CSP. The annual reports of companies include the various CSR activities that the company did, its CSR spending etc. The new company's act mandate in India is the first of its kind in the world to having made minimum 2% profit spending on CSR mandatory. (Our Work: Global CSR Disclosure Requirements)

2. CONSUMERS DEMAND FOR CSR

(Epstein-Reeves, 2010) A study done by Forbes in 2010 showed that more than 88% of the consumers want the businesses to achieve their goals while improving their society and environment and 83% of them want businesses to support charities and non-profit organisations. A business is impossible to survive without a strong consumer base. Hence, it can be observed that consumers prefer a socially responsible business over a normal business.

3. STRATEGIC CSR/ INCLUSION OF CSR IN LINE WITH THE OBJECTIVES OF THE COMPANY

(McElhaney, 2007) Strategic CSR creates a win – win situation to the business and society. It is the alignment of CSR of the company with a) its core business objectives b) its core competencies. The best example of strategic CSR is Toyota's car Prius. With increasing environmental concerns Toyota came up with a hybrid car which uses only 10% harmful pollutants. It has not only ensured environmental sustainability but also secured its space competition. With its' patented technology, competitors of Toyota are licensing their technology from them. (Hopkins, Home: Articles: Strategic CSR and Competitive Advantage)

4. RATING AGENCIES: CSR SCORE

(Steven Scalat, 2010) The number of independent agencies rating a businesses' CSR or CSP are increasing manifold. Businesses also take help from these agencies to get them rated to see where they are placed.

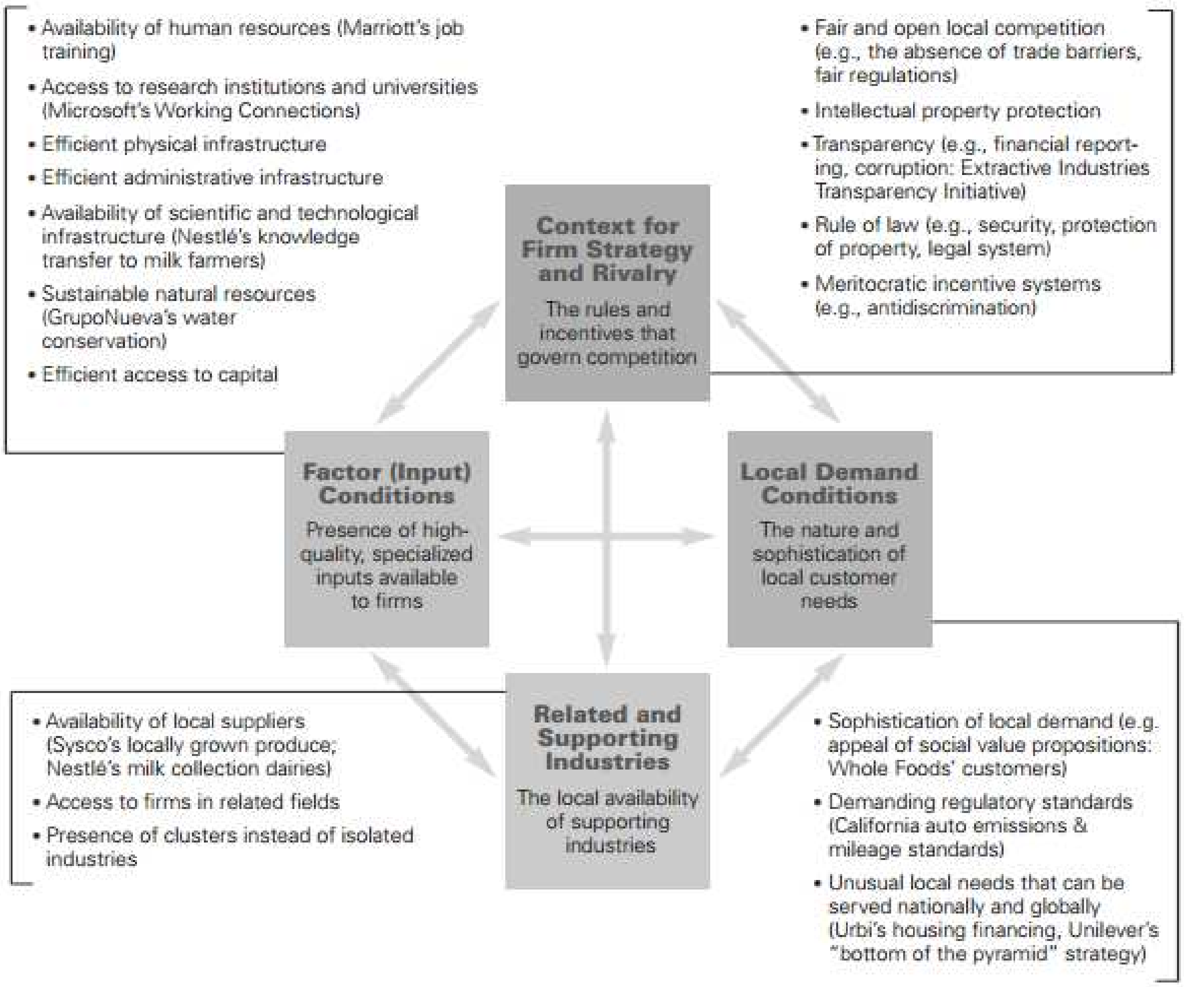
5. CSR COMMUNICATION

(Shuili Du, 2010) The CSR initiatives need to be communicated to the stakeholders to generate favourable stakeholder attitudes and better support. The mode for CSR communication should be decided looking into the type of stakeholder, the CSR initiative, social issue orientation etc. In short, CSR has to be positioned strategically. HP lost out when it failed to communicate its re-cycling strategy whereas Dell propagated its' planting of trees on each printer bought by their consumers – making it an environment friendly organisation. (McHelney)

6. CSR AS A SOURCE OF COMPETITIVE ADVANTAGE

(Kramer, 2006) Media, government, social activists and society at large hold an organisation accountable for any of its wrong business practice. It can impair its brand image drastically. For example: The world-over protested against the child labour employed at Nike's outsourced factory. Same holds with the Pepsi Plant in India when it was found contaminating water. Hence, to ensure and expand space in the market place businesses need to be socially responsible. The model given by Michael Porter analyses how companies can gain competitive advantage by being socially responsible. The model explains how each of the external environment component can help fight competition such as encouragement of research, job training, transparency, adhering to standards, valuing local needs etc.

CHART 4



Source: Michael E. Porter, *The Competitive Advantage of Nations*, 1990

CONCLUSION

Corporate Social Responsibility is no more a term used as a synonym to Philanthropy which is keeping a part of profit to help the downtrodden. There is a lot of thought is put in to decide:

1. how to align the goals and objectives in line with CSR which includes community development, sustainable development, environment friendliness etc
2. on the quantum of funds to be allocated to CSR
3. how to publicise the same in a subtle yet strong fashion for brand building, increasing customer base, stakeholder satisfaction etc
4. on the recruitment in the CSR field to ensure that the organisation is responsive to social issues which affects its' corporate social performance.
5. on its' long term and short term CSR spending and to measure the same with the key CSR take-a-ways such as competitive advantage, strong brand name, loyal customer base etc.

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EXPLORING THE PERCEPTION OF HOTEL MANAGEMENT GRADUATES TOWARDS ENTREPRENEURSHIP

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ABSTRACT
This paper is an attempt to explore career intentions of Hotel Management graduates towards entrepreneurship. It is an attempt to find out student's perception on entrepreneurship as a career option after completing their course. Research findings are based on the statistical data which shows that less percentage of students are keen towards entrepreneurship. The primary data has been collected through a structured questionnaire .The sample size for the study has been 84.The data has been analysed using percentage analysis, chi square, t test and ANNOVA. It has been observed that there is a significant difference among Hotel management graduate students and their family background in terms of their opinion to become entrepreneurs. It was found that those belonging to Government service background disagree to point that they can earn more money by becoming entrepreneur in comparision with doing job/service. It was observed that those belonging to business background were found strongly agreeing that risk of financial loss abstain them to become entrepreneurs. Majority of the respondents are of the opinion that due to inadequate knowledge of managing venture and the risk of loss, makes them to prefer service than to go for entrepreneurship.

KEYWORDS
Entrepreneurship, caree in hotel management.

INTRODUCTION
Several researchers have pointed out that there is a high attriction rate among the hotel management graduates. Many graduates either change the employers after short duration of work or leave the industry due to negative image perceived by them. Many of the Hotel management institutes have little relevance in their curriculum towards the need of the hospitality sector resulting in large scale of unemployable young graduates. Governmental policies and strategies are highly comprehensive and stimulating for encouraging individuals to become entrepreneurs in all sectors of the economy. However, young educated graduates perceive entrepreneurship as the last options when all other options fails. Hence, it is very essential to identify the main factors which attracts and discourage an individuals from entering into entrepreneurial domain. Present paper is an attempt to explore future intentions of hotel management graduates to become an entrepreneur. The influence of hotel management student's demographic characteristics and their family background need to be examined on their opinion towards entrepreneurship as a career preference..

REVIEW OF LITERATURE
Entrepreneurship is a complex and rich phenomenon and is a particular approach to wealth creation Wickham (2004).Similarly Morrison (1998) claims that 'entrepreneurship, in essence, involves the process of creating value by bringing together a unique package of resources to create or exploit a market opportunity'. The word Entrepreneurship originated in 17 century in France and derived from 'entrepreneur' which means an individual who provides services linked with carrying out a commercial project for someone with capital to invest.

Several researchers identified traits of successful entrepreneurs such as narrowness to take risks, ambition, a strong desire for individual achievement and persistence. Vesper (1990) claimed that university entrepreneurship mentors assist the entrepreneurial process by creating awareness.

Vasantha Kumar & Gomathi.M (2014) in their research concluded that perception among management students regarding entrepreneurship is changing and they see big opportunities in the near future. Researchers emphasised that most of the students want to be an entrepreneur but after taking few year experience in the corporate sector in order to know and face the real challenges of entrepreneurs.

Lee, Chang et al. (2005) pointed that entrepreneurship has emerged as one of the most popular research sphere in academic stream, to study on the importance and contributions of entrepreneurship.

Encouraging entrepreneurship among students has become an important topic in universities and governments' as well as in research. As a number of studies show, student interest in entrepreneurship as a career choice is growing (Brenner et al. 1991, Fleming 1994, Kolvereid 1996), while interest in professional employment in businesses is declining (Kolvereid 1996).

Moore & Buttner (1997) identified several key drivers for women opting for entrepreneurship due to their self determination, expectation for recognitions, self esteem and career goal.

The entrepreneurial process is same for men and women however women normally face several hurdles in their way of entrepreneurship. These include gender discrimination, inaccessibility to information, training opportunities, infrastructure etc. Some internal factors also create obstacles includes risk aversion by women, lack of confidence etc. Thus, it is expected that students with parents or close family members which have been involved in entrepreneurial activities, have a greater likelihood of becoming entrepreneurs in the future (Hisrich, 1990; Kets de Vries, 1996; Grant, 1996), i.e., one can consider that family entrepreneur background can function as a very important factor in entrepreneurial intention.

RESEARCH OBJECTIVES
1. To study hotel management students career inclination towards entrepreneurship.
2. To explore perceptions of hotel management graduates for opting entrepreneurship among demographic variables.
3. To explore perception of hotel management students for not opting entrepreneurship among demographic variables.

HYPOTHESES
- There is no significant difference among Hotel management students gender in terms of their opinion to become entrepreneurs.
- There is no significant difference among Hotel management students family background in terms of their opinion to become entrepreneurs.
- There is no significance difference in the perception of hotel management student's family background on various reasons for opting entrepreneurship.

- There is no significance difference in the perception of hotel management student's family background in terms of their reasons for not opting entrepreneurship.

RESEARCH METHODOLOGY

The research is based on primary data. It is an exploratory and descriptive in nature. The identified reason for opting and not opting entrepreneurship were explored. The identified reasons were used for perception rating among respondents on Likert scale of 1 to 5, where 1 denotes strongly disagree and 5 denotes strongly agree. These reasons were further analysed to check the differences exist among respondents through various analytical tools.SSPS has been used for analytical purposes. The data has been collected from final year students of Hotel management course. Demographic variable of respondents includes their gender (Male & Female), family background (Business, Govt Job, Private Job & Agriculture) and hotel (3 Star, 4 Star & 5 Star) wherein they have completed their industrial training. Significance level was set at .05. The survey questionnaire was developed based on a review of literature and interviews with experts in the field of education. Certain reasons for becoming and not willing to become entrepreneur have been identified by the literature review. In addition to this, some of the reasons were taken from study of Patil .N *et al* (2014).To test for internal consistency and reliability of the scales used in this research, the computation of Cronbach's alpha was used. A Cronbach's alpha test was conducted on various section of the questionnaire. Results indicated that all constructs had a Cronbach's alpha value of 0.7377 or above.

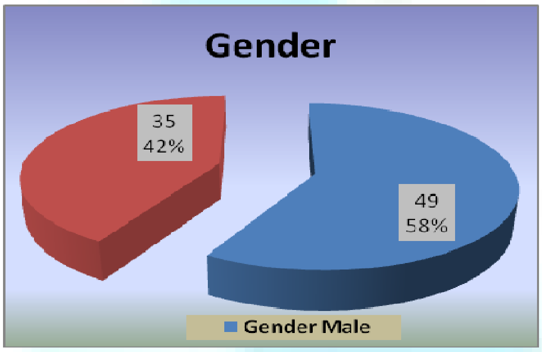
SAMPLING

The respondents are final year students of three year graduate degree course of Hotel Management. Students are randomly selected from the final year classes of the University campuses as well as from affiliated institutions of the Punjabi University, Patiala.

DEMOGRAPHIC PROFILE OF THE RESPONDENTS

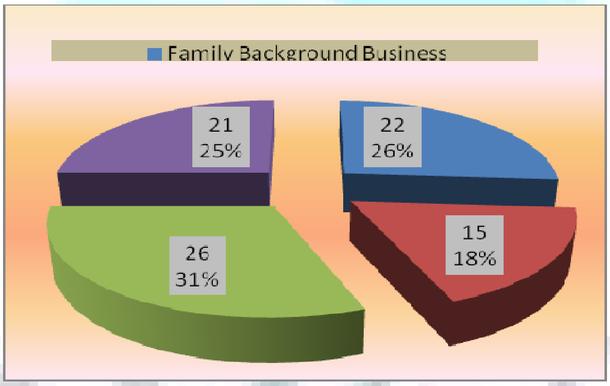
The respondents in the present study constitutes 84 final year students of Hotel Management .Out of the total sample of 84, 58 % were males and 42 % were female students. Selected respondents have completed their industrial training from various star hotels as a part of their curriculum requirement .Out of the total sample, 38 % had completed their training from 3 star hotel, similarly 38 % students reported that they have completed their training from 4 star hotel and remaining 24 % have done their training from 5 star hotels.

CHART 1



In terms of family background of respondents: Out of the total sample, 26% belongs to business background and 18 % were reported that their parents are in Govt. jobs. 31 % of the sample reported private jobs as their family background and 25 % of the respondent belongs to agricultural background of their family.

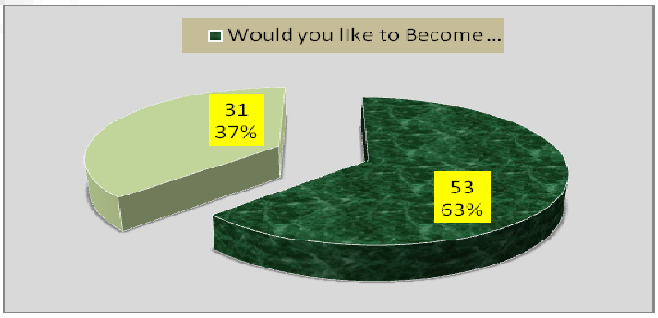
CHART 2



RESULTS AND DISCUSSION

All the respondents were asked whether they would like to become entrepreneur after completion of their course .It was found that the majority of the respondents reported NO (63%) and 37% of the sample reported YES. It was important fact to note that very little percentage of agricultural (4.8%) and Govt job (3.6%) as a family background were reported that they would like to become entrepreneur after completion of their course. Among respondents those belongs to business and private jobs, family background reported in same percentage of YES and NO in relation to the question that they would like to be entrepreneur after competition of their course.

CHART 3



Chi –square test was applied and it shows that there is a difference that exist among family background of the students in terms of their willingness to become entrepreneur after completion of their course. Significance level p<.05 is for family background that is p= .041 x^2(3, N=84) =8.252, p=.041. Table 1 shows result of Chi –square test.

TABLE 1

Variable	Opts	Would you like to Become Entrepreneur		Would you like to Become Entrepreneur				
		No(f)	Yes(f)	No(%)	Yes(%)	Chi-square	df	P value
Gender	Male	33	16	39.3	19.0	0.913	1	0.339
	Female	20	15	23.8	17.9			
Industrial Training	3Star	18	14	21.4	16.7	1.786	2	0.410
	4Star	23	9	27.4	10.7			
	5Star	12	8	14.3	9.5			
Family Background	Business	11	11	13.1	13.1	8.252	3	0.041
	Govt. Employee	12	3	14.3	3.6			
	Private Job	13	13	15.5	15.5			
	Agriculture	17	4	20.2	4.8			

REASONS FOR NOT BECOMING ENTREPRENEUR

- **LACK OF FINANCIAL RESOURCES**

Gender: Majority (22%) of males *(M=2.7, SD=1.6)* respondents were strongly disagree that due to lack of financial resources they were not willing to become entrepreneur, whereas in case of female respondents *(M=3, SD=1.4)*, it was found that majority of them have neutral response to it. Hence, there is no significant difference exist among gender *t (53) =-.473, p=.638.*

Family Background: It was found that students whose family background is of Govt.Job (9.4%) agrees that due to lack of financial resources *(M=4, SD=1.2),* they are not willing to become entrepreneur. Students whose family background is of business reported their disagreement on it *(M=3, SD=1.4),* where as Private Job *(M=2, SD=1.3)* and Agriculture background students (*M=2.6, SD=1.6*) were strongly disagree to it. Hence there is a significant difference exist among respondents' *F (3, 49) =4.19.P=.010* .

- **INADEQUATE KNOWLEDGE, KNOW HOW AND EXPERTISE**

Gender: Among males majority (20.8%) of them admit that due to inadequate knowledge of managing venture were the reason for not becoming entrepreneur*(M=3.2,SD=1.2),* where as majority of (11.3%) female respondent*(M=2.5,SD=1.2)* disagree to it. Hence, there is no significant difference in the opinion of gender *t (53) =1.86, p=.069.*

Family Background: It was found that respondents belonging to business (11.3%) and Govt.Job (7.5%) family background were agree to it *(M=3.7, SD=0.6) (M=3.1, SD=1.64)* and in case of private job *(M=2.6, SD=1.1)* and agricultural background (M=2.5, SD=1.2) respondents were disagree to it. Hence, there is no significant difference exist among group *F (3, 49) =2.41, p=.078.*

- **LOW CONFIDENCE LEVEL IN MANAGING BUSINESS OPERATION**

Gender: It was found that majority of both males (24.5%) and female (11.3%) respondents were neutral to this reason *(M=3.1, SD=1.0) (M=2.95, SD=1.4).*There is no difference exist among gender *t (53) =.487,p=.628.*

Family Background: Respondents belonging to business background (3.8%) were strongly disagree to it *(M=3.3, SD=1.5)* .Those belonging to private job background *(M=2.9, SD=1.2)* were agreeing to it .In case of others that is Govt.Job(M=3.1,SD=1.3) and Agriculture were having*(M=2.8,SD=0.9)* neutral responses. There is no significant difference exists among respondents family background *F (3, 49)=.410,p=.747.*

- **FAMILY PREFERENCE TOWARDS EMPLOYMENT**

Gender: It was found both the groups were disagreeing *(M=2.9, SD=1.1) (M=2.4,SD=1.1).* It was found there is no difference exist among gender *t(53)=1.38,p=.172.*

Family Background: It was found that respondents belonging to business background *(M=2.2, SD=1.0)* reported disagreement, and rest others group were having neutral responses *(M=3.4, SD=1.1).*Hence ,there is a significant difference exist among respondent background *F (3, 49)=3.30,p=.028.*

- **FAILURE TO FINANCIAL LOSS**

Gender: It was found that both the groups were disagreeing .Males (*M=3.1, SD=1.3)* Females *(M=2.9, SD=1.3).*There is no difference exist among gender on this reason t(53)=.738,p=.464

Family Background: It was observed that those belonging to business background were found having strongly agreed to it .Those belongs to private job *(M=3.5, SD=1.3)* and agricultural background *(M=3.4, SD=1.4)* were strongly agreeing to it. Hence, there is no significant difference exist *F(3,49)=2.51,p=.069.*

- **YOUNG TO START BUSINESS VENTURE**

Gender: It was found that both the groups were disagreeing. Males (*M=2.5, SD=1.2)* Females *(M=3.1, SD=1.2).*It was found there is no difference exist *t (53) =-1.90, p=.663*

Family Background: All group respondent shows their disagreement to it except Govt.Job background respondents .It was found that they were having their neutral response to it. Hence, there is no difference exist among respondents *F (3, 49)=1.3,p=.275.*

- **JOB OFFER IN HAND**

Gender: It was found that both the groups were disagreeing. Males (*M=2.4, SD=1.3)* Females *(M=2.8, SD=1.3).* It was found there is no difference exist *t (53) =-.831, p=.410.*

Family Background: All group respondents were reported their disagreement to it except business background respondent's *(M=2.91,SD=1.0)* .It was found that they were having their neutral response to it. Hence, there is no difference exist among respondents F(3,49)=.326,p=.807.Table 2 shows frequency and percentage of respondents reasons for not opting entrepreneurship.

TABLE 2

N=53		Gender	
		Male (%)	Female (%)
Lack of Financial Resources	Strongly Disagree	12(22.6%)	3(5.7%)
	Disagree	5(9.4%)	5(9.4%)
	Neutral	2(3.8%)	6(11.3%)
	Agree	6(11.3%)	1(1.9%)
	Strongly Agree	8(15.1%)	5(9.4%)
Inadequate knowledge ,know how and expertise	Strongly Disagree	3(5.7%)	5(9.4%)
	Disagree	8(15.1%)	6(11.3%)
	Neutral	6(11.3%)	3(5.7%)
	Agree	11(20.8%)	5(9.4%)
	Strongly Agree	5(9.4%)	1(1.9%)
Low confidence level in managing business operation	Strongly Disagree	2(3.8%)	4(7.5%)
	Disagree	7(13.2%)	4(7.5%)
	Neutral	13(24.5%)	6(11.3%)
	Agree	7(13.2%)	1(1.9%)
	Strongly Agree	4(7.5%)	5(9.4%)
Family preference towards employment	Strongly Disagree	4(7.5%)	4(7.5%)
	Disagree	9(17%)	7(13.2%)
	Neutral	9(17%)	7(13.2%)
	Agree	8(15.1%)	0(0%)
	Strongly Agree	3(5.7%)	2(3.8%)
Failure to financial loss	Strongly Disagree	3(5.7%)	3(5.7%)
	Disagree	9(17%)	7(13.2%)
	Neutral	8(15.1%)	2(3.8%)
	Agree	5(9.4%)	5(9.4%)
	Strongly Agree	8(15.1%)	3(5.7%)
Young to start business venture	Strongly Disagree	6(11.3%)	1(1.9%)
	Disagree	12(22.6%)	7(13.2%)
	Neutral	9(17%)	4(7.5%)
	Agree	4(7.5%)	4(7.5%)
	Strongly Agree	2(3.8%)	4(7.5%)
Job offer in hand	Strongly Disagree	9(17%)	5(9.4%)
	Disagree	10(18.9%)	3(5.7%)
	Neutral	7(13.2%)	5(9.4%)
	Agree	3(5.7%)	5(9.4%)
	Strongly Agree	4(7.5%)	2(3.8%)

TABLE 3: SHOWS FAMILY BACKGROUND WISE RESPONDENT'S REASONS

N=53		Family Background			
		Business	Govt. Employee	Private Job	Agriculture
		(%)	(%)	(%)	(%)
Lack of Financial Resources	Strongly Disagree	1(1.9%)	1(1.9%)	7(13.2%)	6(11.3%)
	Disagree	5(9.4%)	0(0%)	2(3.8%)	3(5.7%)
	Neutral	1(1.9%)	2(3.8%)	2(3.8%)	3(5.7%)
	Agree	1(1.9%)	4(7.5%)	1(1.9%)	1(1.9%)
	Strongly Agree	3(5.7%)	5(9.4%)	1(1.9%)	4(7.5%)
Inadequate knowledge ,know how and expertise	Strongly Disagree	0(0%)	3(5.7%)	1(1.9%)	4(7.5%)
	Disagree	0(0%)	2(3.8%)	6(11.3%)	6(11.3%)
	Neutral	4(7.5%)	0(0%)	3(5.7%)	2(3.8%)
	Agree	6(11.3%)	4(7.5%)	2(3.8%)	4(7.5%)
	Strongly Agree	1(1.9%)	3(5.7%)	1(1.9%)	1(1.9%)
Low confidence level in managing business operation	Strongly Disagree	2(3.8%)	1(1.9%)	2(3.8%)	1(1.9%)
	Disagree	1(1.9%)	3(5.7%)	3(5.7%)	4(7.5%)
	Neutral	3(5.7%)	4(7.5%)	3(5.7%)	9(17%)
	Agree	1(1.9%)	1(1.9%)	4(7.5%)	2(3.8%)
	Strongly Agree	4(7.5%)	3(5.7%)	1(1.9%)	1(1.9%)
Family preference towards employment	Strongly Disagree	1(1.9%)	3(5.7%)	0(0%)	4(7.5%)
	Disagree	8(15.1%)	3(5.7%)	3(5.7%)	2(3.8%)
	Neutral	1(1.9%)	6(11.3%)	4(7.5%)	5(9.4%)
	Agree	0(0%)	0(0%)	3(5.7%)	5(9.4%)
	Strongly Agree	1(1.9%)	0(0%)	3(5.7%)	1(1.9%)
Failure to financial loss	Strongly Disagree	4(7.5%)	1(1.9%)	0(0%)	1(1.9%)
	Disagree	0(0%)	7(13.2%)	4(7.5%)	5(9.4%)
	Neutral	4(7.5%)	1(1.9%)	3(5.7%)	2(3.8%)
	Agree	3(5.7%)	3(5.7%)	1(1.9%)	3(5.7%)
	Strongly Agree	0(0%)	0(0%)	5(9.4%)	6(11.3%)
Young to start business venture	Strongly Disagree	1(1.9%)	3(5.7%)	1(1.9%)	2(3.8%)
	Disagree	5(9.4%)	2(3.8%)	3(5.7%)	9(17%)
	Neutral	2(3.8%)	5(9.4%)	3(5.7%)	3(5.7%)
	Agree	2(3.8%)	1(1.9%)	3(5.7%)	2(3.8%)
	Strongly Agree	1(1.9%)	1(1.9%)	3(5.7%)	1(1.9%)
Job offer in hand	Strongly Disagree	1(1.9%)	3(5.7%)	5(9.4%)	5(9.4%)
	Disagree	2(3.8%)	4(7.5%)	2(3.8%)	5(9.4%)
	Neutral	6(11.3%)	2(3.8%)	2(3.8%)	2(3.8%)
	Agree	1(1.9%)	2(3.8%)	4(7.5%)	1(1.9%)
	Strongly Agree	1(1.9%)	1(1.9%)	0(0%)	4(7.5%)

TABLE 4: SHOWS GENDER WISE MEAN SCORE

N=53	Gender	
	Male	Female
	Mean±SD	Mean±SD
Lack of Financial Resources	2.79±1.67	3±1.41
Inadequate knowledge ,know how and expertise	3.21±1.24	2.55±1.28
Low confidence level in managing business operation	3.12±1.08	2.95±1.47
Family preference towards employment	2.91±1.18	2.45±1.15
Failure to financial loss	3.18±1.33	2.9±1.37
Young to start business venture	2.52±1.12	3.15±1.27
Job offer in hand	2.48±1.33	2.8±1.36

TABLE 5: SHOWS FAMILY BACKGROUND WISE MEAN SCORE OF RESPONDENTS

N=53	Family Background			
	Business	Govt. Employee	Private Job	Agriculture
	Mean±SD	Mean±SD	Mean±SD	Mean±SD
Lack of Financial Resources	3±1.48	4±1.21	2±1.35	2.65±1.62
Inadequate knowledge ,know how and expertise	3.73±0.65	3.17±1.64	2.69±1.11	2.53±1.28
Low confidence level in managing business operation	3.36±1.57	3.17±1.34	2.92±1.26	2.88±0.93
Family preference towards employment	2.27±1.01	2.25±0.87	3.46±1.13	2.82±1.29
Failure to financial loss	2.55±1.29	2.5±1	3.54±1.33	3.47±1.42
Young to start business venture	2.73±1.19	2.58±1.24	3.31±1.32	2.47±1.07
Job offer in hand	2.91±1.04	2.5±1.31	2.38±1.33	2.65±1.58

TABLE 6: SHOWS RESULTS OF T TEST APPLIED ON GENDER WISE RESPONSES

T Test	Gender	N	Mean	Std. Deviation	Mean Difference	t test	P value
Lack of Financial Resources	Male	33	2.788	1.673	-.212	-.473	.638
	Female	20	3.000	1.414			
Inadequate knowledge ,know how and expertise	Male	33	3.212	1.244	.662	1.860	.069
	Female	20	2.550	1.276			
Low confidence level in managing business operation	Male	33	3.121	1.083	.171	.487	.628
	Female	20	2.950	1.468			
Family preference towards employment	Male	33	2.909	1.182	.459	1.386	.172
	Female	20	2.450	1.146			
Failure to financial loss	Male	33	3.182	1.334	.282	.738	.464
	Female	20	2.900	1.373			
Young to start business venture	Male	33	2.515	1.121	-.635	-1.901	.063
	Female	20	3.150	1.268			
Job offer in hand	Male	33	2.485	1.326	-.315	-.831	.410
	Female	20	2.800	1.361			

TABLE 7: SHOWS ANNOVA RESULT APPLIED ON FAMILY BACKGROUND WISE RESPONSES

Annova						
		Sum of Squares	df	Mean Square	F	Sig.
Lack of Financial Resources	Between Groups	26.193	3	8.731	4.199	.010
	Within Groups	101.882	49	2.079		
	Total	128.075	52			
Inadequate knowledge ,know how and expertise	Between Groups	11.072	3	3.691	2.416	.078
	Within Groups	74.853	49	1.528		
	Total	85.925	52			
Low confidence level in managing business operation	Between Groups	1.930	3	.643	.410	.747
	Within Groups	76.900	49	1.569		
	Total	78.830	52			
Family preference towards employment	Between Groups	12.169	3	4.056	3.305	.028
	Within Groups	60.133	49	1.227		
	Total	72.302	52			
Failure to financial loss	Between Groups	12.505	3	4.168	2.516	.069
	Within Groups	81.193	49	1.657		
	Total	93.698	52			
Young to start business venture	Between Groups	5.708	3	1.903	1.330	.275
	Within Groups	70.103	49	1.431		
	Total	75.811	52			
Job offer in hand	Between Groups	1.811	3	.604	.326	.807
	Within Groups	90.868	49	1.854		
	Total	92.679	52			

REASONS FOR BECOMING ENTREPRENEUR

- **FAMILY OWN VENTURE**

Gender: Majority (12.9%) of both males *(M=2.9, SD=1.6)* and females *(M=2.6, SD=1.1*) respondents were disagreeing to the reason that due to their family own venture; they are fascinated to become entrepreneur after completion on their course. Hence, there is no significant difference exist *t (29) =.661, p=.514.*

Family Background: It was found that all respondents irrespective of their family background were found disagreeing to the reason .Hence, there is no difference exist among respondents *F(3,27)=1.00,p=.407.*

- **CREATIVE AND INNOVATIVE MIND**

Gender: It was observed that both males *(M=2.6, SD=1.3)* and females *(M=2.7, SD=1.4)* respondents were disagree to it and there is no difference exist t (29) =-216, p==.831.

Family Background: It was found that all respondents were found disagree to it. Hence, there is no difference exist *F (3, 27) =.683, p=.570.*

- **CAN EARN MORE MONEY THAN THROUGH JOB**

Gender: It was found that males *(M=2.8,SD=1.2)* were found disagree to it and females respondents *(M=3.1,SD=1.5)* were found having neutral responses to it test reveals there is no difference exist .Hence ,there is no difference exist among gender t(29)=-.520,p=.607

Family Background: Respondents belonging to business background found disagree to it, where as those belonging to Govt Job agree to it .In case of both Private and agricultural background respondents were found disagree to it. Hence, there is no difference exist among respondents family background in terms of their reasons *F (3, 27) =.206,p=.891.*

- **FINANCIALLY SOUND DUE TO FAMILY BACKGROUND**

Gender: It was found that majority of males *(M=3.3,SD=1.3)* were having their neutral responses and in case of females *(M=2.3,SD=1.2)* were found disagree to it. Hence, there is difference exist *t (29) =2.10, p=.044.*

Family Background: It was found that respondents belonging to business background *(M=2.6,SD=1.5)* were reported their disagreement .It was interested to be observed that those belonging to Govt .Job *(M=4.0,SD=1.0)* were found agreeing to it .In case of both private and agricultural background , respondents were found disagreeing to it. Hence, there is no significant difference exist *F(3,27)=.801,p=.501.*

- **BETTER TO BE YOUR OWN BOSS**

Gender: It was observed that majority of males *(M=2.6,SD=1.2)* were disagree to it and in case of females*(M=3.9,SD=1.2)* were found strongly agree to it. Hence, it was found there is a significant difference exist among gender *t(29)=-3.0,p=.005.*

Family Background : It was found that those belongs to business background reported disagreement *(M=3.0,SD=1.0)* and similarly in case of Govt job *(M=3.3,SD=2.0).*Where as it was observed agreement in case of private job respondent background .However there is no difference exist *F(3,27)=.096,p=.962.*

- **DEMANDING & CHALLENGING NATURE OF HOTEL JOBS**

Gender: Males respondents *(M=3.3, SD=1.3)* reported neutral response and disagreement was found in case of female respondents *(M=2.2,SD=1.0).*It was found that there is a significant difference exist *t(29)=2.6,p=.013.*

Family Background: It was found disagreement among all respondents to this reason .Hence, there is no difference exist among respondents *F(3,27)=.956,p=..428.*

- **PRESTIGE FACTOR IN MANAGING BUSINESS VENTURE**

Gender: Majority of both respondents were found disagreement to it .Hence, there is no difference exist *t(29)=.652,p=.519.*

Family Background: It was found that both respondents belong to business and Govt job were found strongly disagree to it .In case of private and agricultural background respondents, it was found disagreement .Hence, there is no difference exist *F(3,27)=.457,p=.714.*

TABLE 8: SHOWS GENDER WISE RESPONSES ON REASONS TO OPT ENTREPRENEURSHIP

N=31		**Gender**	
		Male (%)	**Female (%)**
Family own venture	Strongly Disagree	4(12.9%)	3(9.7%)
	Disagree	4(12.9%)	4(12.9%)
	Neutral	1(3.2%)	5(16.1%)
	Agree	3(9.7%)	2(6.5%)
	Strongly Agree	4(12.9%)	1(3.2%)
Creative and innovative mind	Strongly Disagree	4(12.9%)	3(9.7%)
	Disagree	4(12.9%)	5(16.1%)
	Neutral	4(12.9%)	3(9.7%)
	Agree	2(6.5%)	1(3.2%)
	Strongly Agree	2(6.5%)	3(9.7%)
Can earn more money than through job	Strongly Disagree	1(3.2%)	3(9.7%)
	Disagree	7(22.6%)	2(6.5%)
	Neutral	4(12.9%)	4(12.9%)
	Agree	1(3.2%)	2(6.5%)
	Strongly Agree	3(9.7%)	4(12.9%)
Financially sound due to family background	Strongly Disagree	2(6.5%)	5(16.1%)
	Disagree	2(6.5%)	4(12.9%)
	Neutral	5(16.1%)	2(6.5%)
	Agree	3(9.7%)	4(12.9%)
	Strongly Agree	4(12.9%)	0(0%)
Better to be your own boss	Strongly Disagree	3(9.7%)	0(0%)
	Disagree	5(16.1%)	3(9.7%)
	Neutral	4(12.9%)	2(6.5%)
	Agree	3(9.7%)	3(9.7%)
	Strongly Agree	1(3.2%)	7(22.6%)
Demanding and challenging nature of hotel jobs	Strongly Disagree	1(3.2%)	4(12.9%)
	Disagree	4(12.9%)	6(19.4%)
	Neutral	4(12.9%)	3(9.7%)
	Agree	3(9.7%)	2(6.5%)
	Strongly Agree	4(12.9%)	0(0%)
Prestige factor in managing business venture	Strongly Disagree	4(12.9%)	4(12.9%)
	Disagree	5(16.1%)	7(22.6%)
	Neutral	2(6.5%)	0(0%)
	Agree	1(3.2%)	2(6.5%)
	Strongly Agree	4(12.9%)	2(6.5%)

TABLE 9: SHOWS FAMILY BACKGROUND WISE RESPONSES FOR OPTING ENTREPRENEURSHIP

N=31		Family Background			
		Business (%)	Govt. Employee (%)	Private Job (%)	Agriculture (%)
Family own venture	Strongly Disagree	3(9.7%)	0(0%)	3(9.7%)	1(3.2%)
	Disagree	2(6.5%)	0(0%)	4(12.9%)	2(6.5%)
	Neutral	3(9.7%)	1(3.2%)	2(6.5%)	0(0%)
	Agree	0(0%)	1(3.2%)	3(9.7%)	1(3.2%)
	Strongly Agree	3(9.7%)	1(3.2%)	1(3.2%)	0(0%)
Creative and innovative mind	Strongly Disagree	2(6.5%)	1(3.2%)	4(12.9%)	0(0%)
	Disagree	3(9.7%)	2(6.5%)	2(6.5%)	2(6.5%)
	Neutral	3(9.7%)	0(0%)	2(6.5%)	2(6.5%)
	Agree	2(6.5%)	0(0%)	1(3.2%)	0(0%)
	Strongly Agree	1(3.2%)	0(0%)	4(12.9%)	0(0%)
Can earn more money than through job	Strongly Disagree	1(3.2%)	0(0%)	2(6.5%)	1(3.2%)
	Disagree	3(9.7%)	1(3.2%)	4(12.9%)	1(3.2%)
	Neutral	3(9.7%)	0(0%)	4(12.9%)	1(3.2%)
	Agree	1(3.2%)	2(6.5%)	0(0%)	0(0%)
	Strongly Agree	3(9.7%)	0(0%)	3(9.7%)	1(3.2%)
Financially sound due to family background	Strongly Disagree	4(12.9%)	0(0%)	2(6.5%)	1(3.2%)
	Disagree	1(3.2%)	0(0%)	4(12.9%)	1(3.2%)
	Neutral	3(9.7%)	1(3.2%)	3(9.7%)	0(0%)
	Agree	1(3.2%)	1(3.2%)	3(9.7%)	2(6.5%)
	Strongly Agree	2(6.5%)	1(3.2%)	1(3.2%)	0(0%)
Better to be your own boss	Strongly Disagree	0(0%)	1(3.2%)	2(6.5%)	0(0%)
	Disagree	4(12.9%)	0(0%)	2(6.5%)	2(6.5%)
	Neutral	3(9.7%)	0(0%)	3(9.7%)	0(0%)
	Agree	3(9.7%)	1(3.2%)	2(6.5%)	0(0%)
	Strongly Agree	1(3.2%)	1(3.2%)	4(12.9%)	2(6.5%)
Demanding & challenging nature of hotel jobs	Strongly Disagree	1(3.2%)	0(0%)	2(6.5%)	2(6.5%)
	Disagree	3(9.7%)	2(6.5%)	5(16.1%)	0(0%)
	Neutral	2(6.5%)	1(3.2%)	3(9.7%)	1(3.2%)
	Agree	2(6.5%)	0(0%)	2(6.5%)	1(3.2%)
	Strongly Agree	3(9.7%)	0(0%)	1(3.2%)	0(0%)
Prestige factor in managing business venture	Strongly Disagree	4(12.9%)	2(6.5%)	1(3.2%)	1(3.2%)
	Disagree	2(6.5%)	0(0%)	8(25.8%)	2(6.5%)
	Neutral	0(0%)	1(3.2%)	1(3.2%)	0(0%)
	Agree	2(6.5%)	0(0%)	1(3.2%)	0(0%)
	Strongly Agree	3(9.7%)	0(0%)	2(6.5%)	1(3.2%)

TABLE 10: SHOWS GENDER WISE MEAN SCORES

N=31	Gender	
	Male	Female
	Mean±SD	Mean±SD
Family own venture	2.94±1.61	2.6±1.18
Creative and innovative mind	2.63±1.36	2.73±1.44
Can earn more money than through job	2.88±1.26	3.13±1.51
Financially sound due to family background	3.31±1.35	2.33±1.23
Better to be your own boss	2.63±1.2	3.93±1.22
Demanding & challenging nature of hotel jobs	3.31±1.3	2.2±1.01
Prestige factor in managing business venture	2.75±1.57	2.4±1.4

TABLE 11: SHOWS FAMILY BACKGROUND WISE MEAN SCORES

N=31	Family Background			
	Business	Govt. Employee	Private Job	Agriculture
	Mean±SD	Mean±SD	Mean±SD	Mean±SD
Family own venture	2.82±1.6	4±1	2.62±1.33	2.25±1.26
Creative and innovative mind	2.73±1.27	1.67±0.58	2.92±1.71	2.5±0.58
Can earn more money than through job	3.18±1.4	3.33±1.15	2.85±1.41	2.75±1.71
Financially sound due to family background	2.64±1.57	4±1	2.77±1.24	2.75±1.5
Better to be your own boss	3.09±1.04	3.33±2.08	3.31±1.49	3.5±1.73
Demanding & challenging nature of hotel jobs	3.27±1.42	2.33±0.58	2.62±1.19	2.25±1.5
Prestige factor in managing business venture	2.82±1.78	1.67±1.15	2.62±1.26	2.5±1.73

TABLE 12: SHOWS RESULTS OF ANNOVA APPLIED ON FAMILY BACKGROUND RESPONSES

Variables	Opts	N	Mean	Std. Deviation	Minimum	Maximum	F	P Value
Family own venture	Business	11	2.8182	1.60114	1.00	5.00	1.003	0.407
	Govt. Employee	3	4.0000	1.00000	3.00	5.00		
	Private Job	13	2.6154	1.32530	1.00	5.00		
	Agriculture	4	2.2500	1.25831	1.00	4.00		
	Total	31	2.7742	1.40735	1.00	5.00		
Creative and innovative mind	Business	11	2.7273	1.27208	1.00	5.00	0.683	0.570
	Govt. Employee	3	1.6667	.57735	1.00	2.00		
	Private Job	13	2.9231	1.70595	1.00	5.00		
	Agriculture	4	2.5000	.57735	2.00	3.00		
	Total	31	2.6774	1.37567	1.00	5.00		
Can earn more money than through job	Business	11	3.1818	1.40130	1.00	5.00	0.206	0.891
	Govt. Employee	3	3.3333	1.15470	2.00	4.00		
	Private Job	13	2.8462	1.40512	1.00	5.00		
	Agriculture	4	2.7500	1.70783	1.00	5.00		
	Total	31	3.0000	1.36626	1.00	5.00		
Financially sound due to family background	Business	11	2.6364	1.56670	1.00	5.00	0.801	0.504
	Govt. Employee	3	4.0000	1.00000	3.00	5.00		
	Private Job	13	2.7692	1.23517	1.00	5.00		
	Agriculture	4	2.7500	1.50000	1.00	4.00		
	Total	31	2.8387	1.36862	1.00	5.00		
Better to be your own boss	Business	11	3.0909	1.04447	2.00	5.00	0.096	0.962
	Govt. Employee	3	3.3333	2.08167	1.00	5.00		
	Private Job	13	3.3077	1.49358	1.00	5.00		
	Agriculture	4	3.5000	1.73205	2.00	5.00		
	Total	31	3.2581	1.36547	1.00	5.00		
Demanding & challenging nature of hotel jobs	Business	11	3.2727	1.42063	1.00	5.00	0.956	0.428
	Govt. Employee	3	2.3333	.57735	2.00	3.00		
	Private Job	13	2.6154	1.19293	1.00	5.00		
	Agriculture	4	2.2500	1.50000	1.00	4.00		
	Total	31	2.7742	1.28348	1.00	5.00		
Prestige factor in managing business venture	Business	11	2.8182	1.77866	1.00	5.00	0.457	0.714
	Govt. Employee	3	1.6667	1.15470	1.00	3.00		
	Private Job	13	2.6154	1.26085	1.00	5.00		
	Agriculture	4	2.5000	1.73205	1.00	5.00		
	Total	31	2.5806	1.47816	1.00	5.00		

TABLE 13: SHOWS RESULTS OF ANNOVA APPLIED ON GENDER RESPONSES

		Levene's Test for Equality of Variances		t-test for Equality of Means		
		F	Sig.	t	df	Sig. (2-tailed)
Family own venture	Equal variances assumed	4.394	.045	.661	29	.514
	Equal variances not assumed			.668	27.479	.510
Creative and innovative mind	Equal variances assumed	.048	.829	-.216	29	.831
	Equal variances not assumed			-.215	28.575	.831
Can earn more money than through job	Equal variances assumed	.682	.416	-.520	29	.607
	Equal variances not assumed			-.517	27.381	.610
Financially sound due to family background	Equal variances assumed	.022	.882	2.101	29	.044
	Equal variances not assumed			2.107	28.983	.044
Better to be your own boss	Equal variances assumed	.010	.921	-3.001	29	.005
	Equal variances not assumed			-2.999	28.806	.006
Demanding & challenging nature of hotel jobs	Equal variances assumed	1.887	.180	2.641	29	.013
	Equal variances not assumed			2.663	28.090	.013
Prestige factor in managing business venture	Equal variances assumed	.665	.421	.652	29	.519
	Equal variances not assumed			.655	28.941	.518

FINDINGS

REASONS FOR NOT BECOMING ENTREPRENEUR

- **Lack of financial resources:** It was found that majority of females respondents have a neutral response that due to lack of financial resources they are not attractive towards entrepreneurship. It was found that there is a significant difference exists among respondents' family backgrounds in terms of their reason for not becoming entrepreneur. Student whose family background is of Govt. Job agrees that due to lack of financial resources they are not willing to become entrepreneur.
- **Inadequate knowledge, knowhow and expertise:** Majority of males as well as respondents belong to business and Govt. Job family background were agreed that due to inadequate knowledge of managing venture were the reason for not becoming entrepreneur.
- **Low Confidence Level in managing business operation:** Respondents belonging to business background were strongly disagree to it, whereas those belonging to private job background were agreeing to it .
- **Family preference towards employment:** It was found that respondents belonging to business background reported disagreement, and rest others group were having neutral responses.
- **Failure to financial loss:** It was observed that those belonging to business background were found having strongly agreed to it .Those belonging to private job & agricultural background were strongly agreed to it.
- **Young to start business venture:** All group respondent have their disagreement to it except Govt.Job background respondent.
- **Job offer in hand:** All group respondents were reported their disagreement to it except business background respondent's.

REASONS FOR BECOMING ENTREPRENEUR

- **Family own venture:** It was found that all respondents irrespective of their Gender as well as family background were found disagree to the reason. Similarly it was observed same in case of the reason that due to creative and innovative mind they would like to become entrepreneur.
- **Can earn more money than through job:** Those belonging to Govt Job agree to it.
- **Financially sound due to family background:** It was interested to observe that those belonging to Govt. Job was found agree to it.
- **Better to be your own boss:** In case of females it was found strongly agree to it. It was also observed agreement in case of private job respondent background.
- **Prestige factor in managing business venture:** Majority of respondents were found disagreement to it.

Hypothesis	Accepted/Rejected	P value/ Remarks
There is no significance difference among Hotel management students gender in terms of their opinion to become entrepreneurs.	Accepted	0.339
There is no significance difference among Hotel management students family background in terms of their opinion to become entrepreneurs.	Rejected	0.041
There is no significance difference in the perception of hotel management student's family background on various reasons for opting entrepreneurship (except Lack of financial resources ,family preference towards employment)	Accepted	p>.05 in all reasons
There is no significance difference in the perception of hotel management student's family background in terms of their reasons for not opting entrepreneurship.	Rejected	010(lack of financial resources), .028(family preference towards employment.

CONCLUSION

It's important fact to note that a very little percentage of agricultural and Govt job as a family background were reported that they would like to become entrepreneur after completion of their course. It was found that student whose family background is of Govt.Job agrees that due to lack of financial resources they are not willing to become entrepreneur. Male's respondents reported neutral response that due to demanding & challenging nature of hotel jobs. Disagreement was found in case of female respondent's .Hence, there is significant differences exist among gender regarding scope of future jobs in hotel industry. Similarly, it was observed that there is significance difference among Hotel management students family background in terms of their opinion to become entrepreneurs. It was found that those belonging to Govt Job agrees that they can earn more money than through job. It was observed that those belonging to business background were found strongly agreed that failure to financial loss is the reason that stops them to become entrepreneurs. Majority of males as well as respondents belonging to business and Govt. Job family background agreed that due to inadequate knowledge of managing venture was the reason for not becoming entrepreneur.

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A STUDY OF THE FINANCIAL INCLUSION THROUGH JAN DHAN YOJNA: ISSUES, PROSPECTS AND PERFORMANCE

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ABSTRACT

The financial inclusion issue have emerged as a new paradigm of sustainable long term socio- economic growth and has been a buzz word among academician, policy makers and government for a long time. The theme of Indian 12th five year plan (2012-2017) is also focusing on faster, sustainable and more inclusive growth. In this regard many attempts have been made by the policymakers and financial institutions to bring people into the mainstream of banking system realising that financial inclusion is the essence of sustainable economic growth and progress of country like India. We all know that Inclusive growth is impossible without financial inclusion. Though in recent years GOI & RBI have been extensively pushing the concept of financial and social inclusion but still about 40 % of people in our country are lacking the access to even basic financial services like saving, credit, health &life insurance. To reduce the extent of "financial untouchability" the new Government has come up with the "Pradhan Mantri Jan-Dhan Yojana (PMJDY)" a National mission for financial inclusion with the development philosophy of "Sab Ka Sath Sab Ka Vikas". PMJDY has the objective of covering all households in the country with banking facilities along with inbuilt insurance coverage. The presented paper discusses the new trend of financial inclusion through PMJDY, its salient features, challenges and the expected impact it can have on various stakeholders in our country.

KEYWORDS
Commercial banks, Economic development, financial inclusion, financial institutions, Jan dhan yojna.

INTRODUCTION

In 2014, the richest 1% of people in the world owned 48% of global wealth, leaving just 52% to be shared between the other 99% of adults on the planet," said development organization Oxfam in its report. "If this trend continues, of an increasing wealth share to the richest, the top 1% will have more wealth than the remaining 99% of the people in just two years ... with the wealth share of the top 1% exceeding 50% by 2016," the U.K.-based charity Oxfam report said. Oxfam executive director Winnie Byanyima added that more than I billion people on this planet continue to live on less than $ 1.25 a day.
Social and financial exclusion is considered as one of the major reason behind the inequality of income and wealth.
In this regard World Bank has performed an extensive survey among the people of 148 economies related to bank account penetration, burrowing and saving pattern. The summary of data is given below.

TABLE 1: GLOBAL ACCOUNT PENETRATION

High income economies	East Asia and pacific	Europe and central Asia	Latin America and Caribbean	South Asia	Sub Saharan Africa	Middle east and north Africa	Overall average (global avg)
89 %	55%	45%	39%	33%	24%	18%	50%

Source: Demirguc-Kunt and Klapper 2012.

FINANCIAL EXCLUSION IN INDIA: PROBLEM DIMENSION

The Census 2011 data shows that only about 14.48 crore or144.8 million (58.7%) out of total 24.67 crore (246.7 million) households in the country utilize formal banking services and 101.9 million (41.3%) have no bank accounts. Further, only about 54.4% households (9.14 crore) of the total 16.78 crore rural households were accessing the banking services.
There is another aspect of financial exclusion story. The World Bank Findex Survey (2012) also says that only about 35% of Indian adults (in which 42% men and 27% women) had access to a formal bank account and a meagre 8% borrowed formally in the last 12 months. Moreover only 8% people have debit card and 2% people have credit card.
Beside this IMF financial access survey 2014 revealed that India had only 12.16 branches and 13.27 ATMs per 100,000 populations as compared to 38.06 & 221.21 in china and 47.70 &130.74 in Brazil among BRICS countries.

OBJECTIVES

- To evaluate the present status of financial inclusion in Indian economy.
- To incorporate the existing body of knowledge, structure, system, models and various mechanisms associated with different financial inclusion initiatives by institutions with Pradhan Mantri Jan Dhan Yojna (PMJDY).
- Analysing the progress of PMJDY.
- To identify various issues and challenges related to this scheme.
- To overview various implications of PMJDY.

RESEARCH METHODOLOGY

The presented paper is an effort of exploratory research, which is based on the secondary data collected from RBI reports, bulletins/working papers on finance, financial sectors reforms committee reports, trends & progress reports of banking, financial surveys, articles, journals, books, government journals & magazines. Keeping in view of the requirements of set objective of the study the research design used for the study is of descriptive type. Available secondary data was extensively used with a great accuracy and in depth analysis for the research study.

The parameters which were analysed to check the impact of financial inclusion on Indian economy were number of functioning branches of scheduled commercial banks in rural and urban areas, account balances, card statistics as on 05 Feb 2015.

LITERATURE REVIEW

Financial inclusion is very important because for deprived and poor, access to basic financial services holds out the potential to produce enormous benefits. Families are able to smooth out consumption and increase investment, including in education and health. In this way they can insure against adverse and unfavourable events-and therefore avoid falling deeper into poverty, which is frequently the case with such incidents (Christine lagarde MD IMF 2014).

In the annual report of UNSGSA (UN Secretary-General's Special Advocate for Inclusive Finance for Development), released during sept 2014, the H.M. Queen Maxima included that Financial inclusion cannot be set aside as countries emerge from the world economic crisis. Rather, the deepening of responsible financial inclusion will help build long-term resilience and mitigate the impact of future financial and humanitarian crises, especially those affecting the most vulnerable populations of the world.

In the Indian context, financial inclusion is considered as the delivery of affordable financial services, *viz.,* access to the facilities of payments, remittances, savings, loans and insurance services by the formal financial system to those who are excluded (RBI 2014).

Honohan (2008) observed that the financial sector plays a multi- dimensional role in the progress of financial development. It mobilizes and concentrates resources for investment and allocates them based on an assessment of risk and return, judging creditworthiness and monitoring performance, it offers risk-reduction and risk- pooling services that have both direct effects on welfare and indirect effects on growth.

It has been observed that access of financial services empower the poor folks and deprived groups to finance their plans. It leads to a positive impact on growth and poverty alleviation as it help in enhancing productivity (Banerjee and Newman 1993, Ramji, 2009).

WHY FINANCIAL INCLUSION IS NEEDED?

Financial inclusion is a crucial aspect for the developing countries like India. It is needed:

Firstly, it develops a habit of saving which ultimately help in economic development of their family. It protects their savings, wealth and other resources in all situations. Further the availability of surplus money can be utilized by the banks to channelize it into needful sectors for improving economic position of the country finally. Financial inclusion helps to increase the inclusiveness of poor and vulnerable groups within the periphery of banking system by increasing their economic activities. It enable poor to comes out from the exploitation of money lenders and other informal sources of finance by facilitating easy and simpler access to formal credit. Lastly to plug in the leakage in delivery of public subsidies and welfare programs by way of transferring the amount directly into beneficiaries account.

POLICY DEVELOPMENTS FOR FINANCIAL INCLUSION IN INDIA BEFORE PMJDY-A HISTORY

Indian government, has for a long time, recognised the socio-economic necessities for financial inclusion and has contributed at great extent to economic development by evolving various novel ways to empower the vulnerable groups. The following table shows the important milestones that have been taken on the way of financial inclusion in India.

DURING 1960S-1970s

1) Policy of social control on banks in 1967.
2) National credit council established in 1968.
3) Nationalisation of banks happened in 1969.
4) Lead bank scheme started in 1970.
5) Differentiated rate of interest (DRI) scheme started in 1972.
6) Regional rural banks started in 1975.

DURING 1980S-1990s

1) NABARD established in 1982.
2) NABARD introduced SHG-bank linkage scheme, further direct & indirect lending were allowed to SHG through facilitating MFIs & NGO.
3) Special Agricultural credit plan (SACP) introduces 1994-95.
4) Rural infrastructure development fund (RIDF) launched in 1995.
5) RBI stimulated banks for giving saving bank account facility to SHGs members in 1998

DURING 2000s

1) SIDBI were established for micro credit in 2000.
2) Financial inclusion introduced for the first time in RBIs annual policy statement in 2005-06.
3) No frill A/c with zero or low minimum balances to cover the low income groups.
4) ATM facility & a few transactions free every month.
5) KYC regulation norms were simplified.
6) General credit card for rural and semi- urban customers to provide the loan facility.
7) Committee on financial inclusion (2008) organised to improve the credit delivery & leverage technical advancement.
8) Banking correspondence (BC) and Business facilitator (BF) services through NGOs, MFIs, Govt. Retired bank officials, ex-servicemen started for providing various financial and banking services.
9) Given licence to open a bank branch in towns and villages populated below 50000 in Dec 2009.
10) Tie up with post office to work as BCs.
11) Tie up with insurance companies to sell insurance products through banks.
12) 100 per cent financial inclusion drive launched.
13) Electronic cash transfer scheme for channelling social benefit directly into the bank account of beneficiaries.

FINANCIAL INCLUSION THROUGH PMJDY- A SNAPSHOT

Our Prime Minister Mr Narendra Modi continued the above journey through the launching of a Big Bang mega inclusive plan with the name Pradhan Mantra Jan Dhan Yojna on 15 Aug 2014.

The PMJDY is considered as a national mission on financial inclusion which has the objective of covering all households in the country with banking facilities and having at least a bank account for each household. The scheme has simplified the whole process of opening an account. The KYC norm to open bank account has been simplified; any of the ID proof like AADHAR, voter card, PAN card, driving licence, and MGNREGA job card can be utilise for opening account. Moreover if the address mentioned on the ID is different from the current residence of applicant, only a self-declaration will work. The PMJDY is being implemented in two phases.

PHASE I (15 AUG, 2014 - 14 AUG, 2015)

1. Universal access to banking facilities in all areas except areas with infrastructure and connectivity constrains like parts of North East, Himachal Pradesh, Uttarakhand, J&K and 82 Left Wing Extremism (LWE) districts.
2. Providing Basic Banking Accounts with overdraft facility of Rs 5000 based on the performance during the first six month.
3. RuPay Debit card which has inbuilt accident insurance cover of ₹ 1 lakh.

4. Financial literacy program
5. Expansion of Direct benefit transfer (DBT) under various govt. schemes through bank account.
6. Issuance of Rupay Kisan Card
7. Financial Literacy Programme

PHASE II (15 AUG, 2015 - 14 AUG, 2015)

1. Creation of Credit Guarantee Fund for coverage of defaults in A/Cs with overdraft limit up to 5,000/-.
2. Micro Insurance
3. Unorganized sector Pension schemes like Swavalamban.
4. Coverage of households in hilly, tribal, difficult areas and coverage of rest of the adults in the household and students.

STRATEGY OF PMJDY

Jan dhan yojana is mainly based on the following strategic points.

Expanding the network and geographical coverage of banks branches and their ATM. provide basic saving bank deposit account (BSBDA) with zero balance to all adult citizen. For this the whole dist. is divided into Sub service Areas (SSA).

Engagement of bank mitra (Business Correspondence) which are fully equipped with required infrastructure facilities like internet connectivity, webcam, camera, biometric scanner, and printer.

Enabling technology based customer information system (e-KYC) and providing USSD based mobile banking services for accessing their bank account.

Establishing the financial literacy and credit counselling centres for improving the knowledge about the banking facility, how and when to use which facility etc.

Finally the credit guarantee fund has been created.

ANTICIPATED IMPACT OF FINANCIAL INCLUSION THROUGH PMJDY

A comprehensive financial inclusion incorporates providing all households in the country with banking services, with particular focus to empower the weaker sections of society, including women, small and marginal farmers and labourers, both urban and rural.

Expanding the base of banking and financial inclusion: more and more people of the India is to be included in the mainstream of banking inclusion, and it could be done through the expansion of banking network.

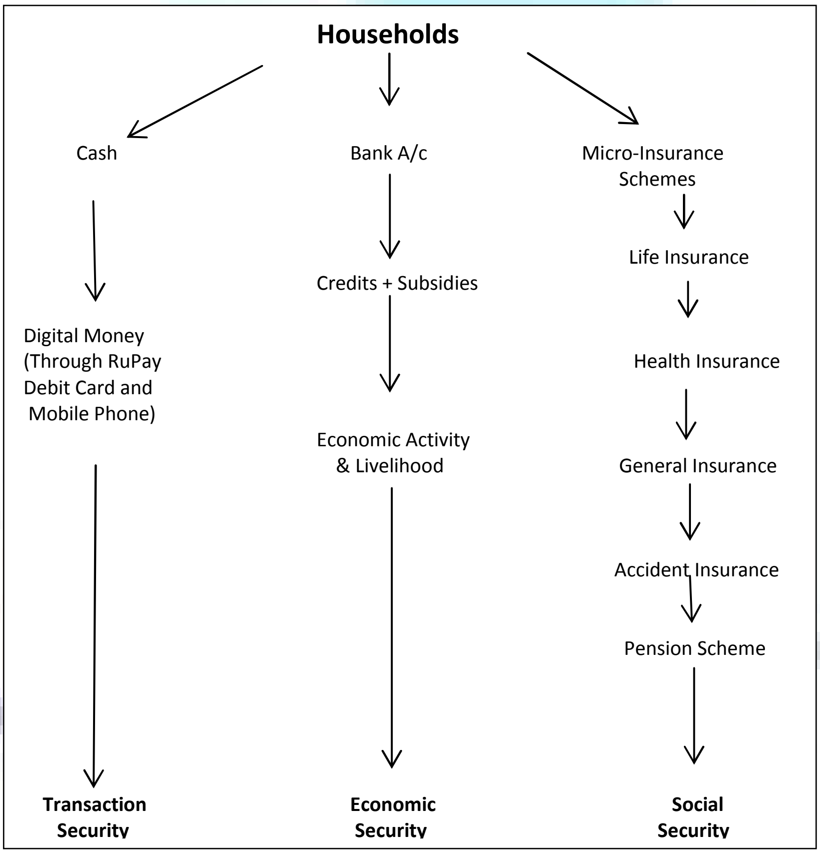
Social security and welfare: PMJDY is equipped with the social security and welfare feature as it associate the bank account with the insurance and pension schemes.

Economic security: Opening and accessing bank account is the first step towards involving them into the positive economic activity which leads to the way of upgrading their economic position.

Better Disbursement: bank accounts opened are being used for direct transfer of beneficiary amount of various financial and social welfare schemes, thereby by passing the intermediary channels.

Transaction security &Better Control: The scheme is equipped with the digital money(RuPay debit card).This on one hand provide the security of transaction, on the other hand it act as better tool to control the money flow by decreasing the number of cash transactions.

FIGURE 1: IMPACT OF FINANCIAL INCLUSION ON HOUSEHOLDS



Source: PMJDY Brochure

PROGRESS AND PERFORMANCE OF THE SCHEME ACROSS INDIA

TABLE 2: SHOWING NUMBER OF ACCOUNTS OPENED UNDER PMJDY AS ON 05.02.2015 (SUMMARY)

	Rural	Urban	No Of Accounts	No Of Rupay Debit Card	Balance In Accounts (In Lacs)	No Of Accounts With Zero Balance
Public Sector Bank (PSBs)	54242286	45927643	100169929	92827111	854443.01	65271908
Rural Regional Bank (RRBs)	18830625	3347384	22178009	15354053	165628.18	16021877
Private Banks (PBs)	3261664	2040674	5302338	4612826	72742.97	3041275
Grand Total	76334575	51315701	127650276	112793990	1092814.16	84335060

TABLE 3: SHOWINGING INCREMENTAL GROWTH IN ACCOUNTS

	29 sept	29oct	29nov	29dec	30jan	05feb
No. of Rural A/c (in millions)	31.27	39.87	49.50	61.29	74.61	76.34
No. of Urban A/c (in millions)	21.71	27.65	33.73	41.39	50.12	51.31
Total A/c (in millions)	52.98	67.52	83.23	102.68	124.73	127.65
Combined balance in A/c (in Crore)	3971.52	5027.57	6494.10	7930.65	10415.84	10928.14
No. of Rupay Card issued(in Millions)	17.85	34.23	52.57	82.11	109.91	112.80

Source: compiled by author with the help of http://pmjdy.gov.in and http://financialservices.gov.in

The Table reveals that till Feb 05, 2015, approx. 127650276 bank accounts of which 76334575 are in rural (59.80 %) and 51315701 in urban areas (40.20 %), with Rs.1092814.16 Lacs have been opened under the scheme. Until the end of 1st week of Feb, 66 per cent of the new accounts opened were without any balance. This was 10.91 percentage points less than in September.

Performance of Public sector banks (PSBs) is at the top followed by Regional Rural Banks (RRBs) and Private banks (PBs). PSBs are contributing more in PMJDY which is evident from the fact that their number of accounts opened, number of RuPay Debit Card issued and balance in accounts opened are more than 80%. However, RRBs and PBs are contributing less which is reflected from the fact that their number of accounts opened, number of RuPay Debit Card issued and balance in accounts opened are near to 17% and 3% respectively.

According to the latest data available with the finance ministry, State Bank of India tops the list with 26.59 million accounts opened across its branches till 05 Feb this year. Punjab National Bank which opened 7.32 million accounts came in second, closely followed by Bank of Baroda with 6.78 million bank accounts.

Among private lenders, ICICI Bank stood on top with 2076520 accounts followed by HDFC Bank that opened 945806 accounts. Jammu & Kashmir Bank came next with 942539 accounts and Axis Bank opened 442507. Federal Bank opened 231685 accounts as of Feb 05 this year.

Most recently in joint sitting of Parliament at the beginning of budget session President Mr Pranab Mukherjee mentioned that PMJDY coverage has reached close to 100% with a record breaking 13.2 crore new bank account being opened, 11.5 crore Rupay debit cards being allotted and more than 11,000 crore being deposited.

Now the scheme has found place in the Guinness Book of World Records.

POTENTIAL ISSUES AND CHALLENGES IN SCHEME

There is no doubt that this comprehensive financial inclusion program is a major step for economic growth of India, but there are a number of potential issues and challenges that can't be denied and may pose a debatable threat to its effectiveness.

In PMJDY there is big possibility of duplicity as people are opening multiple accounts under the scheme-a report of business standard said.

Literacy rate of India is not up to standard and uniform at every place. So it is very tough task to explain everything about the use and benefits of these financial schemes.

Since a type of sudden flood of account has been started under this scheme, it led to laxity in basic due-diligence.

A particular section of society, more susceptible to fraud and easily be trapped into parting with card details -- can become a target of financial malfeasance and money laundering. News has been heard about how the poor and uneducated people fall prey to rackets promising money rewards and lotteries.

Many reports has been published about how people are using an account in somebody else's name to do illegal activities, this is called money mule. Accounts are being sold for Rs 500-1500 for this purpose.

India is the land of geographical and culture diversity. Tough area like jammu-kasmir, north-east, and other naxalite affected areas are not easily coverable and accessible. Secondly cultural and psychological barriers such as language, racism, belief, orthodox mind set, suspicion or fear of financial institution must be resolved.

Financial feasibility of these accounts is major issue. As approx. 70-75% of accounts have no money. Maintaining these low balance or inactive accounts are putting severe strain and adding unwanted cost to the banking sector.

There is no clarity about from where the funds for overdraft (credit) facility of Rs 5000 each, thereafter loss due to non-recovery of this credited fund will come from.

In the same way there is ambiguity about who will bear the cost of accidental insurance coverage of 1 lack each.

Telecom connectivity and coordination between mobile companies & banks are other major issues. Hilly and tribal areas are primarily affected by these problems.

CONCLUSION AND SUGGESTIONS

Realization of inclusive growth mainly depends on impartial distribution of growth opportunities, financial and social benefits. And financial inclusion is considered as a major tool and opportunity for comprehensive growth. Services like Credit, saving, insurance etc. come under the roof of financial inclusion.

Though a number of efforts & steps have been taken in this regard by GOI in association with RBI. But the previously taken efforts are not sufficient enough to fully confront the financial exclusion issue. Pradhan Mantri Jan Dhan Yojna has been launched to overcome this, by ensuring banking facility to every household. So that more and more people may contribute positively in economic growth and development of the country. But the path to attain the desired outcome is not so easy with a number of potential hindrances. Financial inclusion should be seen both as business opportunity as well as social responsibility of banks. Financial literacy/awareness level should be increased. A proper coordination should be maintained among different stakeholders like govt, banks, SHGs, NGOs, civil societies etc. in order to place India at high economic growth position.

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CONSUMER MOTIVATIONS FOR BLOOD DONATIONS IN DEVELOPING COUNTRY: A STUDY ON RAJSHAHI CITY IN BANGLADESH

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ABSTRACT

This study aims to identify consumer motivations for blood donations from a developing country perspective where, due to the identified problem, only 3-6% of people aged from 18-65 years donate blood. The research specifically focuses on addressing three research objectives: determining the main reasons why people do not want to donate blood, finding out what factors would convince people to donate blood, and determining how income has an effect on blood donations and how these people can be convinced to donate blood. Using survey research a questionnaire was designed, using nominal, ordinal and interval scales in order to get the answers of the mentioned questions. A Pre-test questionnaire was conducted before data was collected to ensure that questions were understandable. The sample size was 200 and included men and women living in the northern divisional city Rajshahi of Bangladesh. To analyse the data a number of different statistical tools were used. Inferential statistics includes factor analysis, Chi Square and one-way ANOVAs which enabled the researcher to make applications about the broader group of Rajshahi city residents. Descriptive statistics within the sample population showed that most of the respondents had not donated blood before and that the main reason for those who are donors is the fact that the blood helps others. Chi-square comparisons and One-way ANOVAs were conducted to examine possible relationships between numbers of donors and demographic factors such as area of living or income brackets. The findings can be utilized by hospitals or individual blood donation centres to identify ways for better attraction of possible donors.

KEYWORDS

Blood donation, consumer motivation.

1. INTRODUCTION

Donating blood is considered as a noble cause for saving human life. The demand on supplying blood is increasing worldwide day by day in order to meet massive need of blood and ensure a safe and adequate supply of it (Masserr et *al*. 2008). However, blood agencies are facing enormous challenges from recruiting and retaining blood donors (Masserr et *al*. 2008). Every year the need of blood is increasing due to many reasons such as accidents and diseases both in the developing and underdeveloped countries. As a developing country, need of blood in Bangladesh is increasing every year as well. Among these, road accidents, diseases, and accidents occurred from natural calamities are worth mentioning (Godin *et al*. 2007). As a consequence, need for blood to save critically injured human beings is becoming essential. Despite the fact that blood donation can save many human lives, research on blood donation that addresses the questions like why people donate or do not donate blood is surprisingly limited (Masserr *et al*. 2008; Godin *et al*. 2007; Farley and Stasson 2003) in a developing country like Bangladesh. Peoples' willingness to donate blood can vary due to socio-demographic, organizational, physiological, and psychological factors (Masserr et *al*. 2008). An increasing number of studies have also focused on the role of psychological factors in explaining, predicting, and promoting blood donation behaviour. However, changes in motivation and the development of self-identity as a blood donor are vital for understanding the processes whereby first-time donors become repeat donors (Masserr et *al*. 2008). Therefore, the aim of this study is to analyse the consumer motivations for blood donations. The problem that has been identified is the lack of people that donate blood even though they have the ability to. Therefore the main focus of this research is to find out why people choose not to donate blood and then to find out the methods to encourage more people to donate blood. The research focus is based on specific research objectives that have been developed for analysis. These include factors such as reasons why people do and do not donate blood, how people can be convinced to donate blood and how demographic characteristics such as age, gender and income influence blood donations.

2. BACKGROUND OF THE RESEARCH

Much research has been conducted over the years on consumer motivations for blood donations. Tihana BRKLJAČIĆ (2002) states that "50% of persons aged from 18-65 years can donate blood but only 3-6% actually does." It appears that there are many people who do not donate blood even though they have the ability to and there is much research to back this up.

According to Reid and Wood (2008) it is extremely challenging to be able to motivate people to donate blood. Therefore the aim of this research project is to look at why people choose not to donate blood and hence investigate ways in which they could be influenced to donate. When considering those people that should be targeted for blood donations is essential to look at past research and industry background in order to understand how these people could be targeted. Research conducted by Holdershaw *et al.* (2011) shows that many of the health services across the world do not have enough donated blood and find it difficult to encourage more blood donors. An examination of further secondary data and further research on the industry has shown that the need for more blood donations has increased due to enhanced medical abilities and an ageing population. It has also been found that negative publicity of the wasting of blood has discouraged people from donating blood (Mathew *et al.* 2007). Therefore it appears that there is a serious problem with the need for blood donations increasing and the amount of blood donated decreasing.

This research also found that one of the key issues regarding blood donations is that there needs to be a better education provided about the necessity of blood donations in order to encourage more people to donate blood. The main solution to this is coming up with "successful recruitment and retention strategies" so that more people will feel the need to donate blood and realise what a worthwhile cause it is (Mathew *et al.* 2007). This tries in with the aim of this research which is to find out ways that more people can be encouraged to donate blood.

Mathew *et al.* (2007) has found that because blood donations is purely a volunteer activity, an important factor for encouraging people to donate blood is-portraying blood donations as something important and meaningful. Further examination of industry background shows that more research needs to be put into providing incentives for people to donate blood in order to try and increase blood donations significantly. Finding incentives for people to donate blood is a complicated process as everyone responds in various ways to different things. For example Chmielewski *et al.* (2012) showed that the majority of respondents found it encouraging if they receive a personal letter of acknowledgement for their blood donations. However, there were still those respondents who believed that their donation is a personal matter and did not want acknowledgement for it. Therefore, when finding incentives for blood donations, it can be seen how there are many complex issues to deal with, as a fixed incentive is not going to be appealing to everyone. Another example of the complicated process of finding incentives for blood donations is the idea of post-donation refreshments. Chmielewski *et al.* (2012) believed that some donors found that post-donation refreshments were an extremely valuable reward whereas others viewed them as a necessity for the recovery process. There was also another group of donors who believed that it is too costly to provide refreshments and that the money should be put to better use. Chmielewski *et al.* (2012) also discovered that the staffs at blood donation centres play a large role in the donation experience. The majority of donors value appreciation for what they have done from the staffs and if they do not experience this then it can play a large role in discouraging them from donating again. This will tie in with the research conducted for this project as one of the aspects that will be examined is the experience of blood donation and how much impact this has on the willingness to donate again.

Yuan *et al.* (2011) showed that one of the biggest incentives for donating blood is "it feels good to help my community/help someone/do a good deed." 95.4% of the respondents chose this answer and this also fits in with the research conducted for this project as it helps to answer one of the objectives of finding ways to motivate more people to donate blood. If people can be made to feel appreciated and valued when donating blood, this can play a large role both in encouraging them to donate again and in recruiting new donors.

3. MAJOR CONTRIBUTIONS OF THE RESEARCH

The major contributions of this research are the reasons why people have not donated blood and also the reasons why people have donated blood. This will then help to provide an explanation and possible ideas for the ways of encourage more people to donate blood. This research will be useful to non-profit organisations involved in blood donations such as The Red Cross. They may use this information to create better advertising campaigns in order to encourage a greater number of individuals to donate blood.

Other benefactors of this information will be hospitals because they can use this research to convince their peers why they should be donating blood. In addition, patients in hospitals and their families can also be the benefactors of this research. Those in need of blood can give these facts and figures to their families and friends and point out the importance of blood donations and how it can save lives. This may then help encourage those outside of the hospital to donate blood themselves.

4. RESEARCH OBJECTIVES

The main objectives of the research is analyse the consumer motivations for blood donations. The researcher came up with three main research objectives based on finding out various reasons why people do and do not donate blood. This was conducted based on possible reasons why people donate blood, possible reasons why people do not donate blood and demographic characteristics in order to find out what income brackets should be targeted for encouraging more blood donations.

On the basis of the main objective, the research has the following specific objectives:

1. To ascertain the main reasons why people do not want to donate blood.

2. To know what factors would convince people to donate blood.

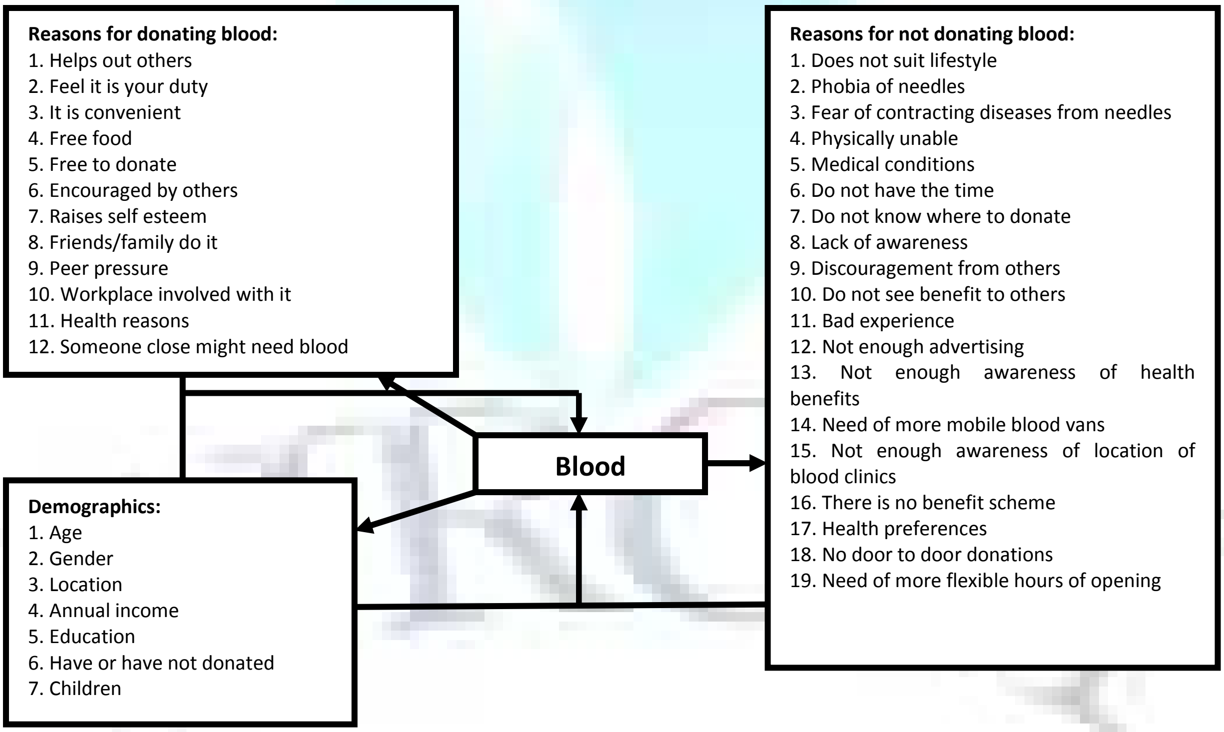
3. To know whether income has an effect on blood donations and how these people can be convinced to donate blood.

5. RESEARCH METHODOLOGY

When undertaking a research project with the size and complexity like this one, it is important to understand and cover many different factors that influence people in wanting to donate blood. As each and every one of us is different, it is important to ensure that all facets of blood donation are covered in one single succinct questionnaire. Therefore, much time and effort was placed in prior research such as basic research which has given us a greater understanding of what type of category could potentially be explored and targeted for increasing blood donation. The basic research process begun well in advance of the final questionnaire being circulated to the general population. This was to ensure the foundation that could be laid for the underlying research objectives of the study.

From the basic research a conceptual diagram (see table 1) is developed which formed the basis for what is wanted to achieve and which individuals can be targeted to increase the rate of blood donations.

TABLE 1: THE CONCEPTUAL DIAGRAM FORMULATED FOR BLOOD DONATION



In-depth interviews were conducted to help gain a greater understanding of an individual's perspective of blood donation. Two of these interviews were carried out during the early stage of the research. This was an exploratory technique designed to refine research objectives as well as provide greater insights into an individual's perceptions of donating blood. It was important to use the information gained from these interviews to assist with producing an accurate and succinct questionnaire as well as helping to further define research objectives. While no projective techniques were used during the initial stage of research project, other techniques such as exploratory research were used. This helped to further define the research problem as aimed to be built on designated research objective. Through exploratory research process it was possible to identify certain key constraints and research problems that had the potential to hinder results.

With all the basic research and exploratory research complete, it was time to design the questionnaire and this was done in conjunction with the conceptual diagram. The questionnaire as previously touched on was designed so that it would provide concise and succinct questions as not to bore or distract respondents while they completed it.

6.1 RESEARCH INSTRUMENT

Listed below are three types of scales that were used in the final questionnaire. Those scales were useful in determining consumer motivation for blood donation.

- Ordinal scale
- Nominal scale
- Interval scale

6.1.1 NOMINAL SCALE

Numbers or letters are assigned to objects served as labels which are used in nominal scale for identification or classification (Zikmund 2007). This scale is used while defining gender, relationship status or ownership status. To answer questions with nominal scale it is required to tick a box with the right provided answer or simply decide on an answer such as yes or no, where for example 0=no, 1=yes. All nominal scale options have been used in this project. Questions with possible answer of yes/no have been asked three times. Even usage of "yes" and "no" scales is often not avoided due to possible ambiguity. In this research yes/no questions were used clearly, to state basic facts such:

Have you donated blood in the past?

1=yes; 2=no

Other nominal scales were used to determine such as what is the major reason for donors to donate as well as what is the gender of respondents.

6.1.2 ORDINAL SCALE

An ordinal scale "arranges objects or alternatives according to their magnitude in an ordered relationship" for example highest formal education. 4 out of 12 question categories had ordinal scale and were used to determine:

- What was the age of respondent:
  - 18-28 o 29-39 o 40-50 o 50+
- The personal annual income of the respondent:
  - Under TkTk19,999 o TkTk20,000 - Tk29,999
  - Tk30,000- Tk44,999 o 45,000+
- Highest Formal Qualification of respondent:
  - Not completed High School o High School Graduate
  - Attended some Colleges o College Graduate o Graduate Degree
- How many times has the respondent donated blood:
  - Zero o Once o Twice o Three o Four+

There are some limitations of ordinal scale worth mentioning. For example, some of the responses such as a person with an annual income of Tk 250,000, or a respondent that has donated blood more than 10 times in his life already, will never be recorded.

6.1.3 INTERVAL SCALE

Interval scales such as nominal and ordinal scale also uniquely classify where the ordinal scale preserves order. What makes internal scale even more unique is the use of equal intervals. In this scale the respondent is encouraged to rate specific attributes by importance and by circling a chosen number which represents the level of agreement for the given statement. In questions using interval scale the respondent can decide the importance of the given matter and is able to circle a chosen number.

Interval scale is much better for marketing as it helps to specify answers which would be too generous with "yes/no" answers. Instead of asking yes/no in our survey for questions like "Does not suit your lifestyle", the interval scale gave a better overview with the scale from 1 to 7 from "strongly disagree" to "strongly agree". Out of all 3 scales used for this research, this scale was used the least. It was part of just 2 categories.

The two question groups, which used internal scale, are stated below:

- Please rate the extent to which you agree or disagree with the following statements regarding reasons for donating blood.
- Please rate the extent to which you agree or disagree with the following statements regarding reasons for why you have not donated blood.

Range of all interval scales is from 1 to 7, where 1 stands for "strongly disagree" and 7 for "strongly agree".

6.2 PRE-TEST AND FINAL QUESTIONNAIRE

Before conduction of surveys a pre-test was conducted, on a group of friends and family, to determine and implement any required changes.

TABLE 2: PRE-TEST AND FINAL QUESTIONNAIRE FORMAT

	Pre-test questionnaire format	Final questionnaire format
1.	Pre-test participants identified ambiguity in the flow of questions, as I did not give clear introduction to other parts of the questions	Final questionnaire is restricted and have clear and understandable flow
2.	Pre-test participants identified that there were two questions regarding reasons for not donating blood which confuse participants	Final questionnaire includes only one section regarding reasons for not donating blood
3.	Pre-test participants stated that it is important to ask donors about how many times they have donated blood in their lives as that would provide better overview on the situation	To the final questionnaire "How many times do you donate blood in a year" has been added
4.	Pre-test participants pointed out that if they do donate blood, asking them for reasons why they would not donate blood does not make sense	Final questionnaire has a part after the questions regarding experience in donating blood which directs to next section of the answer despondingly
5.	Pre-test participants stated that there was a lack of continuity by placing some of the reasons for not donating blood in different sections	Final questionnaire has list of all possible reasons for not donating blood in the appropriate sections

7. SAMPLING

The researcher decided to survey both male and female aged 18 and above. That decision was made due to fact that minors under the age of 18 are not eligible to donate blood without the consent of their legal guardians. The research undertaken aimed to determine key reasons why people do not donate blood and potential ways in which people can be convinced to donate. Target marketing was a key issue and researcher wanted to find out exactly which income brackets should be targeted for increased marketing in order to motivate donating blood.

The sampling frame planned was 200 questionnaires. 205 were distributed in case of any invalid questionnaires. Out of the 205 collected questionnaires, 200 were valid. Five questionnaires were invalid due to lack of completion of the back page in the questionnaire.

The sampling method used was non-probability sampling, due to the fact that the target market consisted of people 18 years of age and older. This sampling method was chosen for the survey as respondents were targeted based on their age. Non-probability sampling means that the probability of "selecting any particular member is unknown" therefore there is a reduced probability that some individuals may be selected. Systematic sampling has been utilized on students and colleagues as well adult members of the families of the researcher.

8.1 RESULTS AND ANALYSIS

8.1.1 DESCRIPTIVE STATISTICS

In this analysis, descriptive statistics were used to look at the data and provide the frequencies and means of the research objectives and answers obtained. The aim of doing descriptive analysis is to describe the combined results that have been received from respondents. Within this analysis, it is important to measure the frequencies of those that do and do not donate blood, as well as the frequencies of the reasons why the respondents choose to donate blood and why they choose not to donate blood. Another important descriptive statistic to analyse is the mean age of respondents.

After conducting a descriptive analysis on all results, Figure 1 shows that 71.5% of respondents have not donated blood and only 28.5% have donated blood.

FIGURE 1: AVERAGE RESPONDENTS WHO DONATE BLOOD

Have you donated blood?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	57	28.5	28.5	28.5
	No	143	71.5	71.5	100.0
	Total	200	100.0	100.0	

This fits in with previous research conducted in the industry in which there is only a very small percentage of people that actually donate blood. This is described in the industry background and research section of this report. Therefore this poses the question stated in research objective, one which is to determine why people do not want to donate blood. This then leads to the second research objective which is to find out what would convince people to donate blood.

FIGURE 2: REASONS WHY RESPONDENTS DONATE BLOOD (HELPS OUT OTHERS)

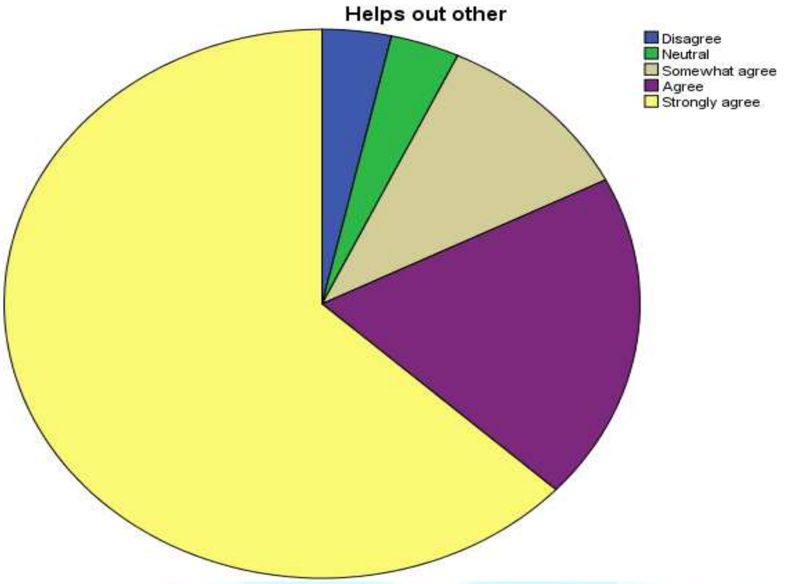


Figure 2 shows that the main reason why the respondents donate blood is because it helps out others. 63% of respondents strongly agree with this being the main reason for why they have donated blood. Therefore this could tie in with research objective two in using it as a motivator to convince more people to donate blood. If more people could realise the benefits to donating blood and how much it helps others and saves lives, then they may be convinced to donate blood.

FIGURE 3: SECOND REASON WHY RESPONDENTS CHOOSE TO DONATE BLOOD

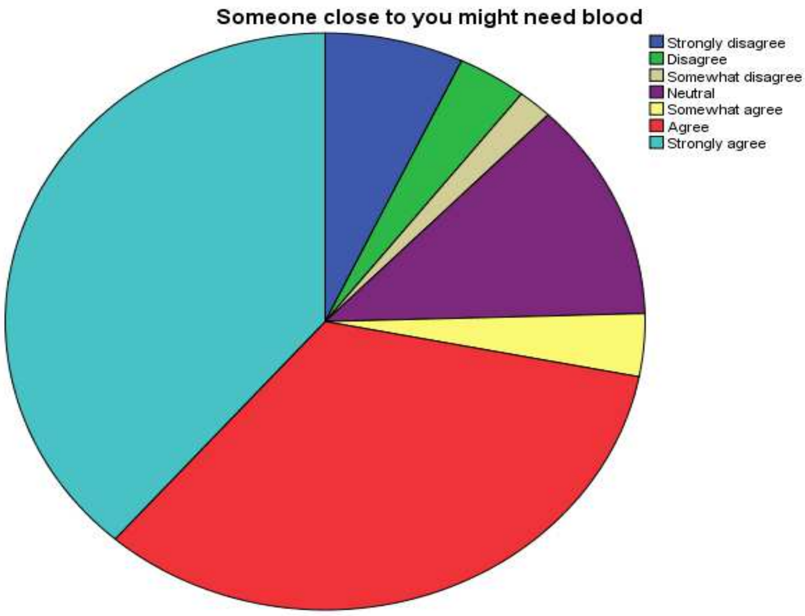


Figure 3 shows the second major reason why respondents choose to donate blood. 38.6% of respondents "strongly agreed" with the statement that someone close to you might need blood and 33.3% just "agreed." Therefore for further research this may also be used as a tool for motivating more people to donate blood.

8.1.2 DEMOGRAPHIC PROFILE OF RESPONDENTS

FIGURE: 4: AVERAGE AGE OF RESPONDENTS

What is your age

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	18-28	155	77.5	78.7	78.7
	29-39	13	6.5	6.6	85.3
	40-50	14	7.0	7.1	92.4
	50+	15	7.5	7.6	100.0
	Total	197	98.5	100.0	
Missing	System	3	1.5		
Total		200	100.0		

Descriptive analysis was also used to form a demographic profile of respondents. Figure 4 indicates that the average age of respondents was between 18-28 with 78.7% of the population being in this age bracket. This is largely because the majority of respondents were university students.

FIGURE 5: AVERAGE ANNUAL INCOME OF RESPONDENTS

What is your personal annual income

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Under $19 999	128	64.0	65.3	65.3
	$20 000-$29 999	27	13.5	13.8	79.1
	$30 000-$44 999	15	7.5	7.7	86.7
	$45000+	24	12.0	12.2	99.0
	5.00	2	1.0	1.0	100.0
	Total	196	98.0	100.0	
Missing	System	4	2.0		
Total		200	100.0		

Figure 5 shows the average annual income of respondents. 65.3% of respondents earn under Tk19 999. This information will be useful for inferential analysis in order to try and determine what income bracket needs to be convinced to donate blood. This will tie in with research objective three.

8.1.3 INFERENTIAL STATISTICS

Inferential statistics are useful for making judgments on the whole population but can only be used if the level of significance is below 5%. For the analysis of this research, there are four types of inferential analysis conducted on the results. These were chi square test, correlations, independent samples T-test and One-way ANOVA.

8.1.3.1 Chi Square Test

The Chi Square Test is aimed at looking for relationships between two nominal or ordinal variables. Within the Chi Square analysis many different variables were examined and compared. This included looking at the relationship between gender and those who donate blood, education and blood donations, number of children and blood donations, income and blood donations, geographical location and blood donations and many more factors.

8.1.3.2 Independent Samples T-test

This type of analysis is used for looking at relationships between nominal and ordinal groups with a comparison between two groups. It is done by comparing the averages between the two groups. In this analysis a T-test was conducted for many issues including blood donation versus gender, blood donation versus age, blood donation versus geographical location, how many times people donate in a year and many more. These comparisons were based on the research objectives stated above.

8.1.3.3 One-way ANOVA

The one-way ANOVA test is used to analyse variance and relationships in the data between three or more nominal or ordinal groups. Some examples of the types of analysis conducted for this particular test is the relationship between the number of donations and education, income and age. There are also many other relationships that have been analysed in conjunction with the research objectives which will be shown further on in this section.

8.2 STATISTICAL ANALYSIS

8.2.1 RESEARCH OBJECTIVE 1

8.2.1.1 Demographic

Of course the first figure is considered to look exactly at the people who do not want to donate blood. By looking at the table below, this can be inferred that 71.5% of the total survey group has not donated blood. This figure is below the expected figure that has previously been used by the Red Cross; however it is still overwhelmingly high.

FIGURE 6: THE PERCENTAGES OF PEOPLE WHO HAVE AND HAVEN'T DONATED BLOOD.

Have you donated blood?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	57	28.5	28.5	28.5
	No	143	71.5	71.5	100.0
	Total	200	100.0	100.0	

8.2.1.2 Chi-squares

Secondly, people who do not donate blood is considered. Combining this data with the previously looked at table (figure 1) the researcher is able to conduct a Chi-square test that can point out which people do not donate blood. On inspection of this data (figure 2) the researcher is able to deduct that the significant figure of the Pearson Chi-Square test is 0.02, which means that the relationship is a good one.

FIGURE 7: AWARENESS OF HEALTH BENEFITS OF BLOOD DONATION.

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	14.989[a]	3	.002
Likelihood Ratio	14.260	3	.003
Linear-by-Linear Association	.911	1	.340
N of Valid Cases	195		

a. 0 cells (0.0%) have expected count less than 5. The minimum expected count is 7.75.

By knowing these figures the researcher is now able to infer, on geographical basis, any information about why they do not donate. The researcher now needs to look at the correlation between the questions in section 3.0 regarding the reasons why people do not donate blood. This is an important section to look at and it will have importance where the answers to why people donate blood will be taken under consideration.

Using a correlation table of the section 3.0 questions, it is possible to see which questions drew a stronger relationship than others. The first strong relationship is the statement that there is not enough awareness of health benefits of blood donation, which are well documented however evidently not pressed to the public enough. The strength of the relationship is at r=0.6 which is a moderately strong relationship and shows that the people interviewed felt that there were not enough health benefits made public about blood donation.

FIGURE 8: THE 'NOT ENOUGH AWARENESS'

Not enough awareness of health benefits	Pearson Correlation	.600
	Sig. (2-tailed)	.000
	N	141

Figure 8: Table shows the 'not enough awareness' at r=0.6

Secondly, there is this issue of advertising. This proves to have a strong relationship as well at r= 0.6. This is another telling figure that shows that people believe there is not enough advertising about blood donation. This is something the researcher will look at in the recommendations.

FIGURE 9: THE MEAN R-VALUE OF ADVERTISING ISSUE

Not enough advertising	Pearson Correlation	.600
	Sig. (2-tailed)	.000
	N	141

Figure 9: Shows the mean R-value of advertising issue.

Thirdly, look at the location of blood clinics and how the surveyed people saw this issue. Researcher see that there is a stronger relationship in this field with a figure of r=6.44. This is relating to the awareness of health benefits and advertising.

FIGURE 10: THE AWARENESS OF LOCATION ISSUE WITH THE r VALUE

Not enough awareness of location of blood clinics	Pearson Correlation	.644
	Sig. (2-tailed)	.000
	N	141

Figure 10: Shows the awareness of location issue with the r value IS 6.44

It seems that people do not donate blood mostly because of the lack of awareness of all things related to blood donation. The awareness includes clinic locations, health benefits and in general the advertisements concerning blood donation. In further sections it will be discussed what can be done to solve these issues.

8.2.1.3 T-test

The t-test tables can be used to highlight particular figures easily. There are a number of issues that have been highlighted in the table which show that when people have children there is a higher chance that they are threatened by either catching a lifestyle, illness, physical inability and strangely a phobia of needles.

FIGURE 11: T-TEST TABLE OF CHILDREN AND ISSUES

Independent Samples Test

		Levene's Test for Equality of Variances				
		F	Sig.	t	df	Sig. (2-tailed)
Does not suit your lifestyle	Equal variances assumed	2.385	.125	4.758	135	.000
	Equal variances not assumed			3.980	24.502	.001
Phobia of needles	Equal variances assumed	.440	.508	2.323	137	.022
	Equal variances not assumed			2.146	25.994	.041
Fear of contracting disease from needles	Equal variances assumed	.008	.930	3.703	137	.000
	Equal variances not assumed			3.558	26.739	.001
Physically unable	Equal variances assumed	.162	.688	2.801	137	.006
	Equal variances not assumed			2.813	27.704	.009
Medical conditions	Equal variances assumed	.262	.610	4.391	137	.000
	Equal variances not assumed			4.020	25.835	.000
Do not have the time	Equal variances assumed	3.901	.050	1.535	137	.127
	Equal variances not assumed			1.728	30.925	.094
Do not know where to donate blood	Equal variances assumed	.601	.439	.516	137	.607
	Equal variances not assumed			.474	25.890	.640
Lack of awareness	Equal variances assumed	1.059	.305	.098	137	.922
	Equal variances not assumed			.090	25.891	.929
Discouragement from others	Equal variances assumed	7.297	.008	2.269	137	.025
	Equal variances not assumed			1.881	24.318	.072
Do not see the benefit to others	Equal variances assumed	6.333	.013	5.023	137	.000
	Equal variances not assumed			3.932	23.621	.001
Bad experience	Equal variances assumed	7.016	.009	3.013	137	.003
	Equal variances not assumed			2.434	23.992	.023

Figure 11: T-test table shows children and issues 3.0 cropped to show appropriate figures.

The researcher personally believe the phobia of needles factor is a coincidence and not something to consider seriously; however, from the mean figures of the three other issues it is clear they are more significant than other issues on the list at over 4 in each issue as can be seen in the table.

Parents are clearly going to have a duty of care towards their children and the risks can sometimes outweigh the reward of donating. This will need to be addressed in the recommendations in further reading.

FIGURE 12: THE MEAN VALUES GATHERED FROM THE CORRESPONDING t-TEST

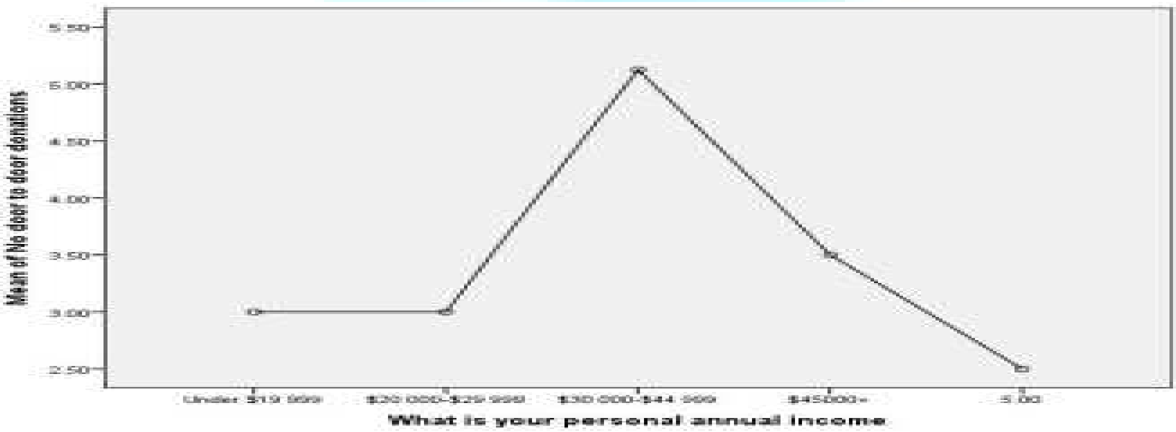
Group Statistics

	Do you have any children	N	Mean	Std. Deviation	Std. Error Mean
Does not suit your lifestyle	Yes	21	4.8095	2.06444	.45050
	No	116	2.9224	1.59429	.14803
Phobia of needles	Yes	21	4.5714	2.29285	.50034
	No	118	3.4237	2.04817	.18855
Fear of contracting disease from needles	Yes	21	4.1905	1.86062	.40602
	No	118	2.6356	1.75735	.16178
Physically unable	Yes	21	4.3810	2.10894	.46021
	No	118	2.9746	2.12217	.19536
Medical conditions	Yes	21	4.3810	2.03657	.44442
	No	118	2.4746	1.79606	.16534
Do not have the time	Yes	21	4.4762	1.63153	.35603
	No	118	3.7881	1.93418	.17806
Do not know where to donate blood	Yes	21	4.0000	2.07364	.45251
	No	118	3.7712	1.83699	.16911

8.2.1.4 ANOVA tests

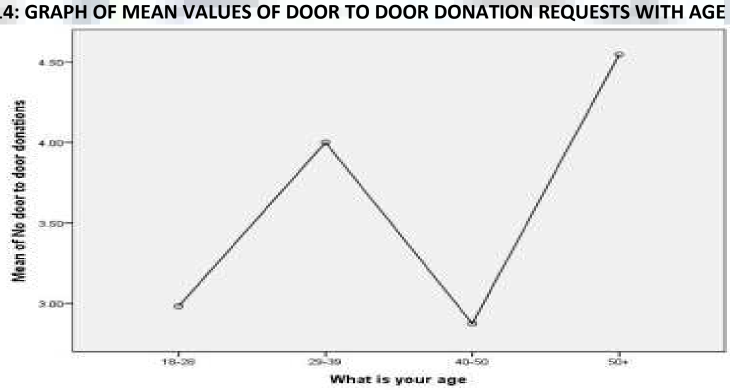
When looking at the ANOVA test the results showed significant data points in the income and issues 3.0. The figure indicates the issue of door-to-door donations. The graph below shows that the upper mean figure lies in the Tk30, 000 to Tk44, 500 bracket. One can infer from this figure that if someone earns a moderate amount of money they are going to be a younger busier person that may not have time to worry about blood donation, rather they are just worried about paying the bills.

FIGURE 13: GRAPH SHOWING MEAN VALUES OF DOOR-TO-DOOR DONATIONS CROSSED WITH INCOME VALUES



The second ANOVA test depicted a factor explaining why people do not donate blood relates to the age of our participants. The researcher found that people of early to middle age cared more about the fact that there were no door to door donation systems to use. The reason for this mean value seen in the graph is due to the same reason as the previous ANOVA test. The people that are part of the demographic used this issue as a reason for not donating blood. As they are a working age, they are busy and most likely do not have time to access a blood donation clinic. Because of this they feel there should be a door-to-door blood donation service so that they do not have to face any sort of inconvenience and also because this would make the donation process more streamlined.

FIGURE 14: GRAPH OF MEAN VALUES OF DOOR TO DOOR DONATION REQUESTS WITH AGE VALUES



8.2.2 Research Objective 2

To find out what factors would convince people to donate blood.

8.2.2.1 Chi square test

Firstly, the researcher needs to take a look at the gender distribution to get an understanding of which genders can be focused on when it comes to recommendations. Looking at the chi-square, the Pearson significant figure was well below 0.05 therefore making this a valid relationship to consider in the findings.

FIGURE 15: CHI SQUARE TEST OF GENDER AND BLOOD DONATION

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)	Exact Sig. (2-sided)	Exact Sig. (1-sided)
Pearson Chi-Square	8.777[a]	1	.003		
Continuity Correction[b]	7.857	1	.005		
Likelihood Ratio	9.088	1	.003		
Fisher's Exact Test				.004	.002
Linear-by-Linear Association	8.732	1	.003		
N of Valid Cases	196				

a. 0 cells (0.0%) have expected count less than 5. The minimum expected count is 24.29.

b. Computed only for a 2x2 table

Have you donated blood? * What is your gender Crosstabulation

			What is your gender		Total
			Male	Female	
Have you donated blood?	Yes	Count	15	41	56
		Expected Count	24.3	31.7	56.0
	No	Count	70	70	140
		Expected Count	60.7	79.3	140.0
Total		Count	85	111	196
		Expected Count	85.0	111.0	196.0

The findings and the figures at the cross tabulation indicate that females are more likely to donate than males. This is a very helpful statistics to take into account as it shows which gender need to focus on in recommendations and using the same techniques which one can relax and hopefully increase.

Secondly, the researcher needs to look at the donations per year. The reason for seeking these figures is because it's important to understand if people who donate are repeat donors or if they prefer to only donate once.

CHI-SQUARE TESTS

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	131.664[a]	4	.000
Likelihood Ratio	142.966	4	.000
Linear-by-Linear Association	102.255	1	.000
N of Valid Cases	197		

a. 4 cells (40.0%) have expected count less than 5. The minimum expected count is 1.14.

When looking at this table the significant figure for the Pearson chi-square test is at 0.00, which is perfect. This means we can consider the cross tabulation figures of this issue. This shows that when people donate they prefer to donate once or twice a year. The numbers are still encouraging for three and four times a year however it would be more realistic to focus on once and twice a year considering that people are reluctant to donate in the first place.

FIGURE 16: CROSS TABULATION-HAVE YOU DONATED BLOOD V_S HOW MANY TIMES DO YOU DONATE

Have you donated blood? * How many times do you donate blood in a year Cross tabulation

			How many times do you donate blood in a year					Total
			Zero	Once	Twice	Three	Four+	
Have you donated blood?	Yes	Count	5	26	14	8	3	56
		Expected Count	38.1	10.5	4.0	2.3	1.1	56.0
	No	Count	129	11	0	0	1	141
		Expected Count	95.9	26.5	10.0	5.7	2.9	141.0
Total		Count	134	37	14	8	4	197
		Expected Count	134.0	37.0	14.0	8.0	4.0	197.0

Chi-Square Tests					
	Value	df	Asymp. Sig. (2-sided)	Exact Sig. (2-sided)	Exact Sig. (1-sided)
Pearson Chi-Square	132.679[a]	1	.000		
Continuity Correction[b]	128.880	1	.000		
Likelihood Ratio	145.408	1	.000		
Fisher's Exact Test				.000	.000
Linear-by-Linear Association	132.005	1	.000		
N of Valid Cases	197				
a. 0 cells (0.0%) have expected count less than 5. The minimum expected count is 19.33.					
b. Computed only for a 2x2 table					

Have you donated blood? * Have you donated blood in the past Cross tabulation					
			Have you donated blood in the past		Total
			Yes	No	
Have you donated blood?	Yes	Count	54	2	56
		Expected Count	19.3	36.7	56.0
	No	Count	14	127	141
		Expected Count	48.7	92.3	141.0
Total		Count	68	129	197
		Expected Count	68.0	129.0	197.0

At the same time the researcher should look at whether people who have donated in the past still donate today. This is an important statistics to consider, as it will indicate if the researcher still needs to focus on past donors as well as on current donors to come in and donate blood. From looking at the chi square test we can see a significant figure of 0.00 for the Pearson figure, which of course means the relationship, is a valid one. Regarding the figures in the cross-tabulation chart they show us that by a clear margin people who have donated in the past are repeat donors and more often than not will donate again. This means we do not have to worry about these people as much as the rest of the general public as we know that they will more often than not come in again to donate.

5.2.2.2 Correlation

When looking at the correlation table for issues 2.0, which were reasons for donating blood, there are a number of positive relationships that can be used to the advantages when considering the recommendations section in further reading.

TABLE 3: CORRELATION

Correlations

		Helps out other	You feel it is your duty	It is convenient	Free Food	It is free to donate	Been encouraged by others	Raises your self esteem	Your friends/family do it	Peer pressure	Workplace is involved with it	Health reasons	Someone close to you might need blood
Helps out other	Pearson Correlation	1	.047	-.326*	-.027	-.417**	-.063	.057	-.188	.014	.163	-.370**	-.137
	Sig. (2-tailed)		.730	.013	.844	.001	.640	.675	.162	.918	.224	.005	.311
	N	57	57	57	57	57	57	57	57	57	57	55	57
You feel it is your duty	Pearson Correlation	.047	1	.516**	.357**	.162	.275*	.402**	.385**	.275*	.121	.225	.280*
	Sig. (2-tailed)	.730		.000	.006	.229	.038	.002	.003	.038	.371	.098	.035
	N	57	57	57	57	57	57	57	57	57	57	55	57
It is convenient	Pearson Correlation	-.326*	.516**	1	.530**	.482**	.403**	.311*	.504**	.446**	.285*	.598**	.326*
	Sig. (2-tailed)	.013	.000		.000	.000	.002	.018	.000	.001	.032	.000	.013
	N	57	57	57	57	57	57	57	57	57	57	55	57
Free Food	Pearson Correlation	-.027	.357**	.530**	1	.528**	.361**	.393**	.441**	.622**	.414**	.339*	.112
	Sig. (2-tailed)	.844	.006	.000		.000	.006	.002	.001	.000	.001	.011	.407
	N	57	57	57	57	57	57	57	57	57	57	55	57
It is free to donate	Pearson Correlation	-.417**	.162	.482**	.528**	1	.395**	.376**	.403**	.230	-.011	.352**	.048
	Sig. (2-tailed)	.001	.229	.000	.000		.002	.004	.002	.085	.938	.008	.723
	N	57	57	57	57	57	57	57	57	57	57	55	57
Been encouraged by others	Pearson Correlation	-.063	.275*	.403**	.361**	.395**	1	.553**	.382**	.327*	.124	.461**	.225
	Sig. (2-tailed)	.640	.038	.002	.006	.002		.000	.003	.013	.358	.000	.092
	N	57	57	57	57	57	57	57	57	57	57	55	57
Raises your self esteem	Pearson Correlation	.057	.402**	.311*	.393**	.376**	.553**	1	.591**	.423**	.177	.522**	.294*
	Sig. (2-tailed)	.675	.002	.018	.002	.004	.000		.000	.001	.188	.000	.027
	N	57	57	57	57	57	57	57	57	57	57	55	57
Your friends/family do it	Pearson Correlation	-.188	.385**	.504**	.441**	.403**	.382**	.591**	1	.472**	.125	.504**	.323*
	Sig. (2-tailed)	.162	.003	.000	.001	.002	.003	.000		.000	.354	.000	.014
	N	57	57	57	57	57	57	57	57	57	57	55	57
Peer pressure	Pearson Correlation	.014	.275*	.446**	.622**	.230	.327*	.423**	.472**	1	.664**	.554**	.270*
	Sig. (2-tailed)	.918	.038	.001	.000	.085	.013	.001	.000		.000	.000	.042
	N	57	57	57	57	57	57	57	57	57	57	55	57
Workplace is involved with it	Pearson Correlation	.163	.121	.285*	.414**	-.011	.124	.177	.125	.664**	1	.322*	.134
	Sig. (2-tailed)	.224	.371	.032	.001	.938	.358	.188	.354	.000		.017	.322
	N	57	57	57	57	57	57	57	57	57	57	55	57
Health reasons	Pearson Correlation	-.370**	.225	.598**	.339*	.352**	.461**	.522**	.504**	.554**	.322*	1	.418**
	Sig. (2-tailed)	.005	.098	.000	.011	.008	.000	.000	.000	.000	.017		.001
	N	55	55	55	55	55	55	55	55	55	55	55	55
Someone close to you might need blood	Pearson Correlation	-.137	.280*	.326*	.112	.048	.225	.294*	.323*	.270*	.134	.418**	1
	Sig. (2-tailed)	.311	.035	.013	.407	.723	.092	.027	.014	.042	.322	.001	
	N	57	57	57	57	57	57	57	57	57	57	55	57

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

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

First, the positive relationship is 0.598 regarding the convenience factor and health reasons. This is a significant relationship to consider for recommendations. It shows that people are after a healthier lifestyle while not putting in the hard yards to do so. This could be used to the advantage in the recommendations section. Secondly there is a relationship between the free food selling point of donating blood, which is never used as an advertising effort and peer pressure. This is a relationship of 0.622, which is a moderately strong one. With these two factors being used it will make it easier to find ways to bring peer pressure into the equation. It will be able to give people instructions on what types of things they can say to their friends to make them donate blood.

The last issue is the workplace involvement, which is a great way to get more people to have access to donation clinics and peer pressure again. The relationship was a great figure at 0.664, which again gives us a great way to convince people to donate blood, because people already want to have a workplace involvement factors that adds positive relationship of peer pressure. It can again be used to the advantage in a great way and make it easier to pull more people into donation clinics.

8.2.2.3T-test

The t-test used for looking at the gender specific quality with the issues 2.0 is a great way to see which gender needs to be focused on more than the other. At the same time it will be easy to answer objective of finding out who and why people donate blood. It is found that the 4 points that had significant figures running less than 0.05, which is the cut off, were the convenience, the free food, and self-esteem and health reasons. Under all of these questions it was seen that the males entered at a higher average than females across the board. This is interesting as it was expected to see a few female numbers come up. It is however useful information to know what men are convinced by when donating blood and what we need to work on regarding the female demographic.

FIGURE 17: T-TEST

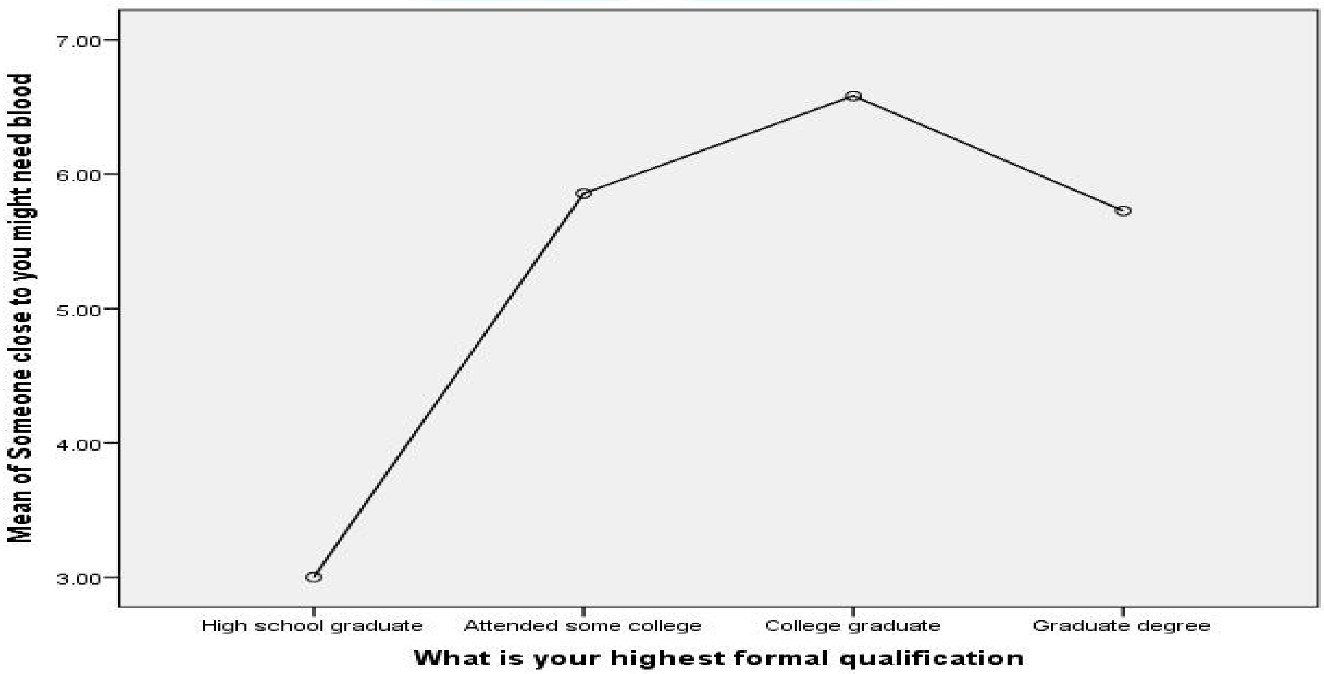
Group Statistics

	What is your gender	N	Mean	Std. Deviation	Std. Error Mean
Helps out other	Male	15	6.4667	.63994	.16523
	Female	41	6.3171	1.27356	.19890
You feel it is your duty	Male	15	5.4667	1.55226	.40079
	Female	41	5.1951	1.32702	.20725
It is convenient	Male	15	5.2667	1.57963	.40786
	Female	41	4.2683	1.58152	.24699
Free Food	Male	15	4.4667	1.99523	.51517
	Female	41	3.1220	1.95186	.30483
It is free to donate	Male	15	5.2000	1.69874	.43861
	Female	41	4.3659	2.15356	.33633
Been encouraged by others	Male	15	5.6667	1.11270	.28730
	Female	41	5.2439	1.52939	.23885
Raises your self esteem	Male	15	5.8000	1.01419	.26186
	Female	41	4.7317	1.36060	.21249
Your friends/family do it	Male	15	5.4667	1.59762	.41250
	Female	41	4.8780	2.05177	.32043
Peer pressure	Male	15	4.3333	2.16025	.55777
	Female	41	3.0488	1.73135	.27039
Workplace is involved with it	Male	15	4.2667	2.28244	.58932
	Female	41	3.0244	1.96835	.30740
Health reasons	Male	13	5.6154	1.75777	.48752
	Female	41	3.9756	2.03086	.31717
Someone close to you might need blood	Male	15	5.8667	1.68466	.43498
	Female	41	5.4390	1.87148	.29228

8.2.2.4ANOVA education

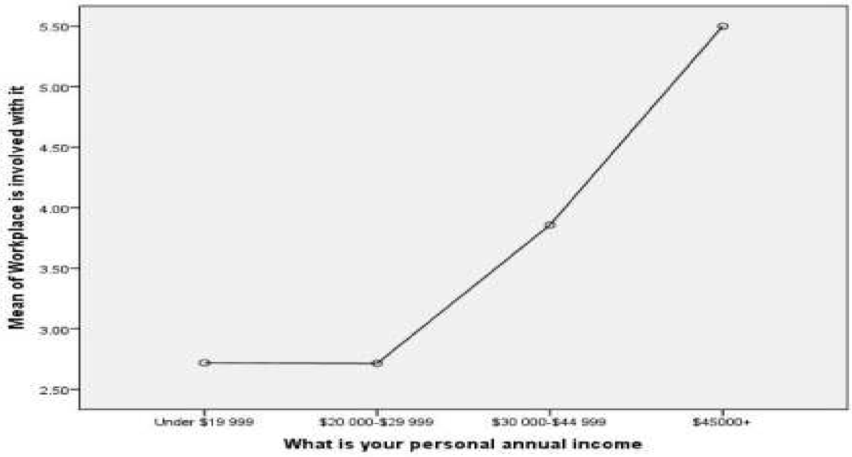
When looking at the ANOVA statistics of education and the issues 2.0 it can be observed that the only point that came up positive was the point asking if it mattered if someone close to the person needed blood. Looking at the table below it can be seen that the means for the reactions increased to around 5 which was a strong reaction. These graduates did not bother about this point and this can be understood from thinking like a teenager. Most teenagers like this as they have not yet developed strong relationships to warrant a reason to care. They also have not had the same life experience and hopefully have not yet experienced the loss of family and friends that people always do as the years progress.

FIGURE 18: AVERAGE-SOMEONE CLOSE TO YOU MIGHT NEED BLOOD Vs. HIGHEST FORMAL QUALIFICATION



When looking at the ANOVA analysis of income v_s issues 2.0 it shows that there was again only one statistic that revealed it to be a good relationship. This table below shows that the workplace that people are in is a larger factor for convincing them to donate blood once they have a higher income. One can infer that as they are earning a higher amount of money, they must be in a more stable and well paying job. Because of this they probably have built a relationship with the company and also spend a lot of time at the place of work. This can be used in analysis because it shows that it should be focusing more on lower income workers to make sure they have a place to donate blood outside of their workplace, while also paying attention to our higher mean values.

FIGURE 19: AVERAGE-WORKPLACE INVOLVED VS PERSONAL ANNUAL INCOME



8.2.3 ANOVA

Research objective 3 – Income bracket to blood donation.

Research objective 3 was to determine people from what income brackets have to be convinced to donate blood. Based on the data, gathered from our questionnaire that was circulated to the general population, it is found that there was no significant relationship between any one income bracket and the amount of blood people donated. According to the SPSS computer data analysis program any relationship between two variables with a sig. (Significant) value <0.05 should have a greater research emphasis compared to variable with a sig. value of >0.05.

TABLE 4: ISSUES FOR WHY YOU WOULD DONATE BLOOD COMPARED TO INDIVIDUAL'S INCOME BRACKETS

Independent Samples Test

		Levene's Test for Equality of Variances		t-test for Equality of Means						
									95% Confidence Interval of the Difference	
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	Lower	Upper
Helps out other	Equal variances assumed	2.596	.116	-.606	37	.548	-.32143	.53009	-1.39549	.75263
	Equal variances not assumed			-1.020	25.410	.317	-.32143	.31509	-.96985	.32699
You feel it is your duty	Equal variances assumed	.832	.368	-.436	37	.666	-.19643	.45094	-1.11012	.71727
	Equal variances not assumed			-.352	7.425	.734	-.19643	.55737	-1.49926	1.10640
It is convenient	Equal variances assumed	.013	.910	.941	37	.353	.56250	.59753	-.64820	1.77320
	Equal variances not assumed			.951	8.921	.367	.56250	.59170	-.77781	1.90281
Free Food	Equal variances assumed	.195	.661	-.382	37	.705	-.27232	.71266	-1.71632	1.17167
	Equal variances not assumed			-.350	8.142	.735	-.27232	.77712	-2.05893	1.51429
It is free to donate	Equal variances assumed	1.109	.299	.284	37	.778	.22768	.80272	-1.39878	1.85413
	Equal variances not assumed			.239	7.631	.817	.22768	.95225	-1.98680	2.44216
Been encouraged by others	Equal variances assumed	5.555	.024	.654	37	.517	.30804	.47102	-.64633	1.26241
	Equal variances not assumed			.440	6.742	.674	.30804	.70038	-1.36103	1.97710
Raises your self esteem	Equal variances assumed	7.107	.011	-.997	37	.325	-.49107	.49271	-1.48939	.50724
	Equal variances not assumed			-.664	6.715	.529	-.49107	.73968	-2.25529	1.27315
Your friends/family do it	Equal variances assumed	1.808	.187	.842	37	.405	.69643	.82663	-.97849	2.37134
	Equal variances not assumed			.711	7.634	.499	.69643	.98016	-1.58284	2.97570
Peer pressure	Equal variances assumed	.001	.975	.124	37	.902	.08036	.64617	-1.22891	1.38963
	Equal variances not assumed			.123	8.717	.905	.08036	.65438	-1.40730	1.56801
Workplace is involved with it	Equal variances assumed	.124	.726	.006	37	.995	.00446	.75112	-1.51746	1.52639
	Equal variances not assumed			.006	8.226	.996	.00446	.80936	-1.85305	1.86197
Health reasons	Equal variances assumed	.395	.534	1.215	35	.232	1.14375	.94100	-.76658	3.05408
	Equal variances not assumed			1.310	5.647	.241	1.14375	.87304	-1.02532	3.31282
Someone close to you might need blood	Equal variances assumed	1.225	.276	-1.113	37	.273	-.86161	.77404	-2.42997	.70676
	Equal variances not assumed			-1.327	11.071	.211	-.86161	.64924	-2.28945	.56624

As seen in table 4.0, the relationship between an individual's income and whether they feel as though donating blood "helps out other people" generated a sig. value of 0.116 which is far greater than the 0.05 value needed to ensure a relationship is in existence. Similarly, with the question "you feel it's your duty" the results again generated a sig. value of 0.368 which is far greater than the 0.05 required to ensure a relationship is current. This trend continued with another 8 questions which all produced results greater than 0.05 showing that no single income bracket has more individuals donating blood than any other bracket. The sig. values from these 8 questions ranged from 0.975 to 0.187.

For the 12 questions that returned a negative result for their relationship, there were 2 relationships that had a sig. value of lower than 0.05. The first one was "been encouraged by others", and it generated a sig. value of 0.024. This indicates that no matter what income bracket the individual partaking in the survey fell under they still could be encouraged by their peers, friends or family to donate blood. This could be a potential way to get people to donate blood in the future by encouraging people within the community to convey the message that blood donation is not only necessary but a great way to contribute to the community as well as make you feel good.

By targeting the individuals who already donate blood to encourage the people around them to join in and donate blood you could potentially raise the amount of blood donors using a very simple, cheap and effective advertising campaign which is known as word of mouth. Similarly the other question which generated a sig. value of less than 0.05 was the fact that it "raises your self esteem". This relationship is quite clear as it can cover all levels of income earners, and this is because donating blood has the potential to help so many people within the community. The kind, generous act of donating blood will automatically make individuals feel good about themselves as they are potentially helping a friend, family member or an individual within the community who they have never met before. Individuals who have donated blood before would have strongly agreed with this question as this may have been the sole purpose that they chose to donate blood. Similarly, those individuals who have never donated blood before, but still completed the survey would agree with the question that donating blood definitely raises your self esteem; this would therefore be the reason that "raising your self esteem" has such a low sig. value. Furthermore, you could conclude from the low sig. value that individual's emotions play a more important role than their income bracket on whether or not they choose to donate blood.

Finally, when trying to discover the basis to the research objective (determining- people from what income brackets have to be convinced to donate blood) it can be confidently concluded that there is no set relationship between any one income bracket and blood donation. While there may be a few independent correlations of individual's decisions to donate blood such as raising the individuals self esteem and being encouraged by others, there is no set evidence to say that one particular income bracket donates more blood than another. Therefore targeting one individual income bracket increased blood donations would simply not work and a blanket marketing or advertising campaign would be the only way to encourage and educate the general population to donate more blood and increase the blood donation levels right across the country.

9.1 CONCLUSION AND RECOMMENDATIONS

9.1.1 CONCLUSION

Through this survey, the answers of three research objectives have been found and these include why people donate blood, why they do not donate blood and the income levels of those who have been surveyed and if this made an impact on their reason for blood donation. The data varies from that of a previously collected secondary data slightly but still conforms to the notion that there are not enough people donating blood in our society. The data show that there were markedly more people donating blood amongst the people that have been surveyed. The data showing a change in the trend of people donating blood is debatable and one could argue the limitations of this data, as a survey group would rule the data as inconclusive. The income bracket tests that were performed showed that when people started earning a decent amount of money, their ability for time allocation for blood donation went down across the board. This coupled with a desire for in house donations and a desire for better opening hours showed that people required more information on the timetables of blood clinics and when they could access them.

Reasons for not donating blood were interesting, with such factors as needle phobias and time constraints playing a large role. As discussed above the desire by people to have more awareness about all things relating to blood donation was apparent on top of the fact that it is needed to find a way to encourage people to look past their trepidations regarding the needle. People with children and how they viewed the donation benefits and detriments were briefly taken under consideration. It is again found, a sense of time scarcity amongst people with children on top of a sense of threat of contracting an illness from unhygienic equipment. This showed that the parents felt they had a sense of duty towards their children and did not want to take risk about their health while forgetting that they indeed might need blood someday.

The most useful analysis tools were definitely the chi-square test results as they gave us a clear direction on where to look for more data and gave us a clear inference as to what our objective answers would be.

9.1.2 RECOMMENDATIONS

RESEARCH OBJECTIVE 1: WHY DO PEOPLE NOT WANT TO DONATE BLOOD?

The Red Cross and Red Crescent should be using more awareness methods to get across to the general public why it is important to donate blood and also where they can donate blood. It has become apparent that this has not been done enough and the people surveyed indicated that they did not know where blood donation clinics were and when they were open. This needs to be pressed to the public to make sure they can understand. On top of this the health benefits of donating blood, not just for the recipient but also for the donor, should be made more and a way should be thought of for convincing people to come into donate. People surveyed indicated they wished they knew more of the health benefits associated with donation regarding them. This would be achieved in an advertising campaign that made the message very clear about where they are, when they're open, and why you should do it.

RESEARCH OBJECTIVE 2: WHAT WOULD CONVINCE PEOPLE TO DONATE?

It is found that people who had donated in the past felt that they should donate again, with a very high percentage of former donors either having donated this year or with plans to do so. This is a great advantage to the Red Cross and Red Crescent as they now know they can relax on promoting to the former donors and more to the people who are either on the fence or haven't decided yet. It is also found that if people were subject to peer pressure they would be more likely to donate. Another way is by encouraging people to bring friends along to donate, as the best way to get someone in is to have a friend with them.

RESEARCH OBJECTIVE 3: INCOME

It is found that as people get older they start to earn more money. This is of course no surprise to many however it can be used to increase donations. As we know that these people are either in a family or single, they are all trying to work as much as they can to provide for themselves and therefore there is a time scarcity problem at hand. The Red Cross or Red Crescent should be looking into in-work donations, as this was a response from our participants that they wished to make this happen more often. It is also found that the ability for peer pressure to be effective was and can be used in the workplace. If we know there are a certain percentage of people who donate within a workplace people can then slowly work on peer-pressure methods to increase numbers within any working establishment over time.

Certainly, any of these objectives will be a slow journey to see any real improvement. However we believe the evidence speaks for itself with many people seeing blood donation as something they do not have the time for in their busy lives. We need to make time for them, not the other way around.

9.1.3 STRENGTHS OF RESEARCH

The main strength during this exercise was a clear intention of a target demographic and laying out questions accordingly. With the target met it was possible to conduct an efficient and meaningful survey that met many if not all of the objectives clearly. By choosing to survey mainly university areas it was possible to understand their answers with greater clarity. This gives a perspective that could not be achieved by surveying a broader age bracket.

9.1.4 WEAKNESSES OF RESEARCH

The main weaknesses during this survey are three fold. Firstly the target, regardless of being something that was aimed to restrict, meant that the data was slightly skewed when it came to finding out income bracket data and other questions that really become relevant as one gets older. This was a decision that was chosen to make at the beginning of this assessment however in hindsight it did restrict the accuracy and the ability to make recommendations for the general public. The survey was conducted in Rajshahi city, more precisely concentrating Rajshahi University areas. As a consequence this is hardly possible to generalise the result. Finally, about the point of survey size, it is true in any scientific pursuit that to get a real average and spread of numbers means one must get as many samples as possible. While 200 people for a 4 person assignment was a task in itself, it most likely would not give a true indication of valid data when comparing that of surveyed performed by the Red Cross or Red Crescent themselves.

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APPENDICES

Survey Questionnaire-Blood Donations

I am surveying people about blood donations. Your help in completing this questionnaire is much appreciated. Please be assured that all your responses are confidential and will not be linked to you in anyway.

SECTION 1

1. Have you donated blood? Yes No

If Yes move to Section 2

If No move to Section 3

SECTION 2

Reasons why you donate blood

Person you know may need blood

1. You've needed blood in the past
2. Influenced by Advertising
3. Other

Please rate the extent to which you agree or disagree with the following statements regarding reasons for donating blood.

	Strongly disagree						Strongly agree
1. It helps out others	1	2	3	4	5	6	7
2. You feel it is your duty	1	2	3	4	5	6	7
3. It is convenient	1	2	3	4	5	6	7
4. Free food	1	2	3	4	5	6	7
5. It is free to donate	1	2	3	4	5	6	7
6. Been encouraged by others	1	2	3	4	5	6	7
7. Raises your self esteem	1	2	3	4	5	6	7
8. Your friends/family do it	1	2	3	4	5	6	7
9. Peer pressure	1	2	3	4	5	6	7
10. Your workplace is involved with it	1	2	3	4	5	6	7
11. Health reasons	1	2	3	4	5	6	7
12. Someone close to you might need blood	1	2	3	4	5	6	7

SECTION 3

Please rate the extent to which you agree or disagree with the following statements regarding reasons for why you have not donated blood.

	Strongly disagree						Strongly agree
1. Does not suit your lifestyle	1	2	3	4	5	6	7
2. Phobia of needles	1	2	3	4	5	6	7
3. Fear of contracting disease from needles	1	2	3	4	5	6	7
4. Physically unable	1	2	3	4	5	6	7
5. Medical conditions	1	2	3	4	5	6	7
6. Do not have the time	1	2	3	4	5	6	7
7. Do not know where to donate blood.	1	2	3	4	5	6	7
8. Lack of awareness	1	2	3	4	5	6	7
9. Discouragement from others	1	2	3	4	5	6	7
10. Do not see the benefit to others	1	2	3	4	5	6	7
11. Bad experience	1	2	3	4	5	6	7
12. Not enough advertising	1	2	3	4	5	6	7
13. Not enough awareness of health benefits	1	2	3	4	5	6	7
14. Need of more mobile blood vans	1	2	3	4	5	6	7
15. Not enough awareness of location of blood clinics	1	2	3	4	5	6	7
16. There is no benefit scheme	1	2	3	4	5	6	7
17. Health preferences	1	2	3	4	5	6	7
18. No door-to-door donations	1	2	3	4	5	6	7
19. Need of more flexible hours of opening	1	2	3	4	5	6	7

SECTION 4

To analyse the information I will get from this survey, I need to be able to classify information. The information about yourself will not be used for identification but used only for establishing broad categories.

What is your age? (years)	[1] 18-28 [4] 50+	[2] 29-39	[3] 40-50
What is your gender?	[1] Male	[2] Female	
What is your personal annual income?	[1] Under Tk19,999 [4] Tk45,000+	[2]Tk20,000-Tk29,999	[3]Tk30,000-Tk44,999
What is your Highest Formal Qualification?	[1] Not Completed High School [4]College Graduate	[2] High School Graduate [5]Graduate Degree	[3] Attended some College
Have you donated blood in the past?	[1] Yes	[2] No	
How many times do you donate blood in a year?	[1]Zero [2]Once [5] Four +	[3]Twice	[4] Three
Do you have any children?	[1] Yes	[2] No	

Thank you for your time and effort in completing this questionnaire

CHALLENGES FACING COUNTY GOVERNMENTS IN THE IMPLEMENTATION OF INTEGRATED FINANCIAL MANAGEMENT INFORMATION SYSTEM: THE CASE OF TAITA TAVETA COUNTY

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ABSTRACT

The study sought to investigate the challenges facing county governments in the implementation of integrated financial management information system. The Kenya Government has implemented the Integrated Financial Management Information System since the year 2005 as its sole accounting system. The reason why the Kenya Government adopted the use of this system was as a result of the numerous benefits envisaged from its effective use. However, this system has still not been able to fully provide the expected benefits of integrated financial planning, implementation and control of public expenditure. The integrated financial management information system is a large-scale system which has been applied in all government offices both at the national and county levels. The Meta Theory Model and the Technology Acceptance Model are used to help explain some of the meanings, norms and issues of power experienced during the implementation of the IFMIS. Without ruling out problems of technological nature, the findings suggest that many of the problems in the IFMIS implementation may be attributed to organizational factors, and that certain issues are related to the existing organization culture and structure within government. The findings show that staff resistance and lack of skills and capacity by system users as the greatest challenges affecting integrated financial management system implementation in county governments. The desk research recommends proper training for system users and more sensitization on the system benefits.

KEYWORDS

Devolution, IFMIS, Meta Theory, Systems Implementation.

JEL CODE

General M10.

1.0 INTRODUCTION

Over the past decade, developing, transition and post-conflict countries have increasingly embarked on efforts to computerize the government operations, particularly with respect to public financial management. Most common among these have been efforts to introduce integrated financial operations across the institutions of government. The introduction of such integrated financial operation systems has become a core component of financial reforms to promote efficient, security of data management and comprehensive financial reporting, Government of Kenya (2006). According to the Strategy for Public Finance Management (PFM) Reforms in Kenya (2013 – 2018) the Government of Kenya (GOK) aims at building a public finance management system that is efficient, effective and equitable for transparency, accountability and improved service delivery.

2.0 LITERATURE REVIEW

To develop a thorough understanding of the issues in this study, extensive review of literature was undertaken. This has not only helped in identification of the research gaps but has also enabled to establish a relationship of the present study with what already exists.

2.1 TAITA TAVETA COUNTY

Taita Taveta County is one of the forty seven counties which were established through the Kenyan Act of parliament under the constitution of Kenya 2010. It is one of the six Counties in the Coastal region of Kenya. This County is divided into various administrative and political units crucial for management of the County and also service delivery to the public. In terms of political units, the County has four constituencies namely, Wundanyi, Mwatate, Voi and Taveta. These are further divided into 20 electoral wards, otherwise referred to as County assembly areas.

With regard to administrative subdivisions, the County is composed of four sub-County units which follow the same boundaries as the constituencies and hence go by the same name as those of the constituencies. The County is further divided into 32 and 90 locations and sub-locations respectively. For effective implementation of development activities, the county has been structured into eleven executive departments. To effectively manage this, systems have to be put in place and implemented. It is therefore worth to study the challenges IFMIS implementation is facing.

2.2 THEORETICAL FRAMEWORK

2.2.1 META THEORY MODEL

According to Ruchala and Mauldin (1999), research on accounting information systems has been sourced from various disciplines, basically computer science, cognitive psychology and organizational theory. In this regard, it has been asserted that previous applications of information technology in accounting systems were mainly processes of transactions that would reciprocate the manual processes. This has led to the need of incorporating various accounting sub disciplines into more research on accounting information systems. With increased focus on the design of these systems, practicing professionals will add more value to the field and thus redefine the scope of accounting information system. The changing nature of the information systems has brought about the need for an organized way of doing things. Meta theory is the integration and the synthesis of technical orientations, cognitive as well as the overarching model into the research on AIS. The Meta theory has helped in addressing the IT limitations that are imminent and addressed in previous researches such as the failure to recognize the task to which IT is being applied, the failure to recognize the adaptive nature of the artificial phenomena, the failure to account for the design science in the actual field research and the failure to direct the act of making or choosing the necessary decisions and treating all the transactions in an equal manner (Gorry and Scott-Morton, 1971).

2.2.2 TECHNOLOGY ACCEPTANCE MODEL

The TAM, suggested by Davis (1986), explains the determinants of computer acceptance in general and traces the impact of external factors on internal beliefs, attitudes, and intentions (Davis et al., 1989). The TAM consists of system usage, behavioural intention to use, attitude toward using, perceived usefulness, perceived ease of use, and external variables. System usage is the primary indicator of technology acceptance (Thompson et al., 1991; Adams et al., 1992; Straub et al., 1995; Szajna, 1996) and measured by frequency and time (Davis et al., 1989). The primary internal beliefs for technology acceptance behaviors include perceived usefulness6 and perceived ease of use7. Perceive usefulness and perceived ease of use have positive associations with technology acceptance (Davis et al., 1989). Therefore, we hypothesized the positive relationship between perceived usefulness and technology acceptance, and perceived ease of use and technology acceptance in the internal audit profession.

2.3 THE IFMIS INITIATIVE IN KENYA

Since 1997, the Government of Kenya has been implementing wide ranging public financial management reforms aimed at improving financial management, accountability, and transparency of public funds, (GOK 1997). During the first two phases over the first three years, a number of diagnostic reviews were conducted and a Financial Management Information Systems Strategy developed, (GOK, 1999)

Following a procurement delay of almost two years, a contract for the purchase of the software implementation was finally awarded in late 2002, the hardware procurement having been undertaken separately from the software. The project was to be implemented in phases, with the initial phase targeting the procurement and the accounting modules at the Treasury and two line ministries during the financial year 2003/2004.The roll-out of these two modules has since been done for all ministries and departments across government. However the budgeting, asset management, debt management, external resource and the human resource management modules are yet to be implemented. The IFMIS sought to introduce computers and train financial management staff at all levels of government to aid the data-handling processes and active use of information. However, bringing about this change in practice has proved to be an extremely complex and long-term task. One of the reasons for this is the nature of existing work practices and organizational culture that is evident in many an organization, which we argue need to be understood when developing and implementing initiatives such as the IFMIS.

3.0 IMPORTANCE OF STUDY

The study will help in establishing the challenges of IFMIS implementation in county governments in Kenya. Kenya has ambitiously adopted devolution as a strategy to improve governance and remedy institutional deficiencies that highly centralized governments have engendered. The study will further provide recommendations on how to effectively manage and tackle the challenges of IFMIS adoption to enhance service delivery and better funds management.

4.0 STATEMENT OF THE PROBLEM

Devolution in Kenya faces many challenges key among them, management of devolved funds and new system implementation. These challenges have resulted to inefficiencies in the delivery of services both at the county and national government levels. There is a broad agreement that a fully functioning IFMIS can improve governance by providing real-time financial information that managers can use to administer programs effectively, formulate budgets, and manage resources. The Ministry of Finance is charged with the responsibility of providing proper budgetary and expenditure management of government financial resources. In this regard, the ministry has been continually striving to improve financial management systems through various public financial sector reform programmes, aimed at increasing transparency, accountability, as well as responsiveness of public financial resources to enhance the quantity and quality of public service delivery to meet its developing priorities.

5.0 OBJECTIVES

The objective of the study was to investigate the challenges facing county governments in the implementation of integrated financial management information system in Taita Taveta County.

6.0 HYPOTHESES

One of the critical factors affecting devolution in Kenya is the management of devolved funds and new system implementation. This has subsequently led to inefficient delivery of services to the citizenry. This study looks at staff resistance, management commitment, system complexity and lack of skills and capacity of system users as key challenges affecting implementation of IFMIS in County governments in Kenya.

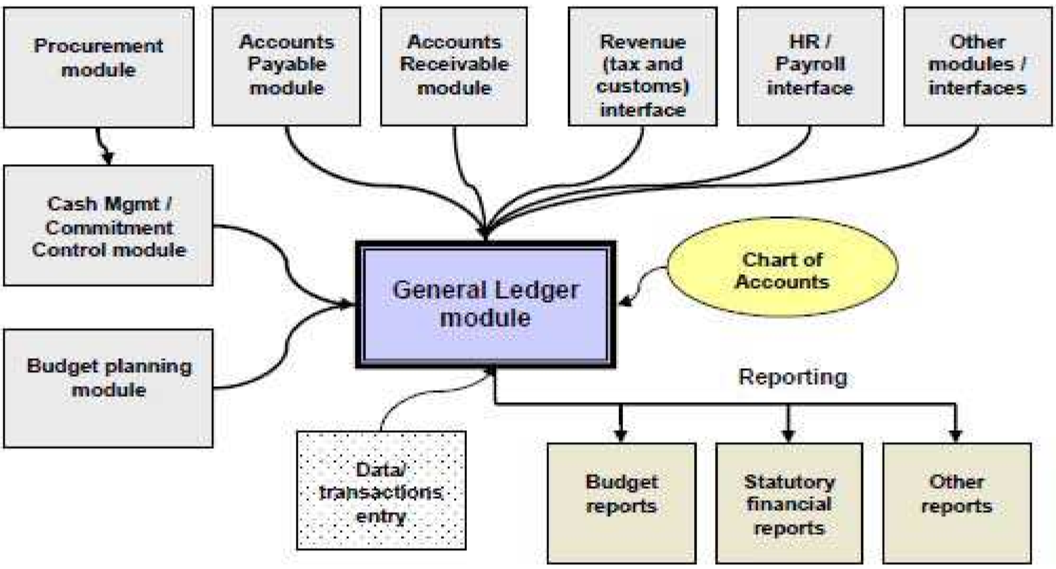
7.0 RESEARCH METHODOLOGY

The study utilized a desktop research technique in seeking facts, general information on the topic, historical background and study results that have been published or exist in public documents. The information was obtained from libraries, newspaper archives and websites, journals and magazines. A comprehensive review of existing literature i.e., Journals, Books, Magazines, Internet and Newspapers was undertaken to establish the challenges affecting the implementation of IFMIS in County governments. This methodology enabled identification of the prevalent gaps for the study.

8.0 RESULTS AND DISCUSSION

8.1 IFMIS COMPONENTS

FIGURE 1: COMPONENTS OF A TYPICAL IFMIS ADOPTED FROM GALLAGHER AND ROZNER (2008)



A more comprehensive, well integrated system will: Provide timely, accurate, and consistent data for management and budget decision-making; Support government-wide as well as agency-level policy decisions; Integrate budget and budget execution data, allowing greater financial control and reducing opportunities for discretion in the use of public funds; Provide information for budget planning, analysis and government-wide reporting; Facilitate financial statement preparation; and provide a complete audit trail to facilitate audits.

8.2 CHALLENGES OF IFMIS IMPLEMENTATION

Previously, training on financial management systems had never involved senior financial management officers as trainees since many of them are always busy with other managerial activities that include attending meetings. In addition, the functional aspects of earlier systems did not require that the senior managers get training on them.

However the introduction of IFMIS dictated that these senior officers had to attend the training, a requirement that proved to be an uphill task. At the very best these senior managers send their officers for the training. In some unfortunate cases those send for the training were considered dispensable by their bosses who could not afford to have their more reliable staff away from the office on training. This perception manifested itself in the eventual adoption and acceptance of the system. Many departments still made use of the old stand-alone systems even after the introduction of IFMIS.

Similarly, the officers who were trained on IFMIS and are responsible for collating data and generating reports ended up at best as data entry clerks since the reports from the system were generic and not easy to understand let alone to generate. Given the feasibility of the earlier systems, many users relied on reports generated by these systems and only produced reports using IFMIS mainly to comply with the Ministry of Finance directive. At the time of data collection, departments were in the process of preparing final accounts for the financial year 2014/2015. The identified challenges include staff resistance, management commitment in the implementation of IFMIS, perceived system complexity, and staff skills and capacity.

9.0 ANALYSIS AND FINDINGS

9.1 KEY EMERGING ISSUES

In most developing countries, budget execution and accounting processes were/are either manual or supported by very old and inadequately maintained software applications. This has had deleterious effects on the functioning of their public expenditure management (PEM) systems that are often not adequately appreciated. The consequent lack of reliable and timely revenue and expenditure data for budget planning, monitoring, expenditure control, and reporting has negatively impacted budget management. The results have been a poorly controlled commitment of government resources, often resulting in a large buildup of arrears; excessive borrowing, pushing up interest rates and crowding out private sector investment; and misallocation of resources, undermining the effectiveness and efficiency of service delivery. Further, governments have found it difficult to provide an accurate, complete, and transparent account of their financial position to Parliament or to other interested parties, including donors and the general public. This lack of information has hindered transparency and the enforcement of accountability in government, and has only contributed to the perceived governance problems in many of these countries

The driving factors of devolution include; promoting democratic and accountable exercise of power, fostering national unity amid diversity, enabling self-governance of the people towards their interrogation of the state, recognizing the right of communities to self-management and development, protecting and promoting the rights and interests of minorities and marginalized groups, promoting socio-economic development, ensuring equitable sharing of national and local resources, rationalizing further decentralization of state organs and enhancing checks and balances.

10.0 RECOMMENDATIONS

The ongoing standoff between the county governments and the national government on resource sharing has brought business to a standstill in the counties. Bills, such as the County Finance Bill, which gives the counties the mandate to collect revenue, have consequently not been enacted. There is no harmony of interest between the executive and legislative arms of the counties. There is a lot of suspicion and poor working relationships due to mistrust occasioned by the purported pay disparities between the two sides. Most county governors are know-it-alls. They start projects will little or no consultation with the MCAs. Members of most county assemblies belong to one party. Consequently, majority of the assemblies are run by a party that has the majority of members from one political party. These are ‘Yes assemblies’ everything that comes from the executive is passed. Most governors and MCAs didn’t have a manifesto or a blueprint of their aspirations; their aim was first to get power then other things would follow.

Therefore, to deal with these issues and harness development at the counties, the study recommends that executive arm of the Kenyan government should deal decisively on matters devolution and more specifically in the implementation of financial management systems. Partisan politics whether at the national or county level should be removed in the management of devolved funds. Transparency in the management and usage of devolved funds must be strictly adhered to. The fund managers should strictly be appointed on merit. This will eventually ensure that the objects of devolution guarantee a more inclusive form of governance, closer to the people, that would lead to fair and equitable development for all.

11.0 CONCLUSIONS

The problems faced by the citizens at the grassroots level were partly because of the centralized structure of governance in Kenya. The devolution of funds was thought to be a solution to this problem as service delivery was to be enhanced. The challenges facing the citizenry in the counties are systemic in nature. The county staff should be well trained and exposed to best working environment in terms of financial system operations. They should be sensitized and be informed on the benefits of computerized financial practices in public offices.

12.0 LIMITATIONS

Unavailability and non-disclosure of information due to the sensitivity of the information required for fear that the unknown. Most of the county offices were yet to be computerized so getting conclusive data posed a challenge.

13.0 SCOPE FOR FURTHER RESEARCH

Further research can be done on other management systems deployed in the national government. This will present a good platform for better comparison with the county governments’ performance. Results can further be compared with other states in the East African region.

14.0 ACKNOWLEDGEMENT

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REVISITING HOFSTEDE: IS IT RELEVANT IN GLOBALIZED ERA?

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ABSTRACT

Geert Hofstede, a social psychologist and anthropologist conducted an in-depth cross-cultural analysis and deliberated upon the affiliation between national culture and organizational culture. With alternative paradigms shaping up in the field of cross-cultural communication, many concerns have been raised on the relevance of Hofsede's model in this globalized era. This paper attempts to identify contemporary research works which have applied Hofstede's model of national culture. Even after three decades , this framework has explained associations between culture and management concepts like whistleblowing, consumer ethics, and compensation of employees with great ease and in a simplistic way.

KEYWORDS
Hofstede, national culture.

INTRODUCTION
There exist many nation-states in this world, each nation having its own identity, religious systems, social systems, religion, language, customs, traditions, rituals which largely shape up the national culture. Different people hold divergent perspectives about what culture is. Culture can be defined as the collective programming of mind that distinguishes members of one group or category of people from others (Hofstede, 2013). Culture holds people together by way of shared ideas, customs, and social behavior in a society. The word culture has been derived from the Latin word cults, which means 'care', and from the French word colere denoting 'to till' for example 'till the garden'. Since it holds umpteen elements, it becomes arduous to quantify study and analyze such a diverse and universal subject. Geert Hofstede, a social psychologist and anthropologist conducted an in-depth cross-cultural analysis and deliberated upon the affiliation between national culture and organizational culture. Although many researchers have built upon the pioneering works of Geert Hofstede, his work remains unsurpassable.

Hofstede studied organizational values of 116,000 International Business Machines (IBM) employees from more than 70 national subsidiaries during 1967 -1973, and generalized four key value dimensions: power distance (PDI), individualism (IDV), masculinity (MAS) and uncertainty avoidance (UAI).A fifth dimension was added to the framework in 1991 based on the works of Michael Harris Bond and his colleagues which came to be known as long term orientation (LTO). Finally Michael Minkov analyzed world values survey data of 93 representative samples of national population which added sixth dimension to the model: indulgence versus restraint. Building upon findings by Hofstede(1980), Robert J. House conducted one of the most comprehensive studies viz. "Global leadership and Organizational Behavior Effectiveness" (GLOBE) research program(1991) encompassing 61 nations to provide detailed descriptions of leadership theory and leader behavior. The study concluded that people want their leaders to be trustworthy, just, honest, decisive, and so forth. However, how these traits are expressed and enacted will differ across societies (Michael H. Hoppe, 2007). Fons Trompenaars and Charles Hampden-Turner (1997) developed another cross-cultural communication framework based on analysis of problem resolution behaviors in 40 countries. With alternative paradigms shaping up in the field of cross-cultural communication, many concerns have been raised on the relevance of Hofsede's model in this globalized era.

HOFSTEDE'S CULTURAL DIMENSIONS
Power distance Index- It is the extent to which the less powerful members of organizations and institutions (like the family) accept and expect that power is distributed unequally (Hofstede,1980).Instead of measuring the actual difference in power distribution, this dimension explains how that power is perceived. In cultures with low PDI, subordinates and superiors share a close relationship where subordinates can freely communicate with their bosses. High power-distance scores signify an existence of autocratic superior-subordinate relationship.

Individualism versus Collectivism- The degree to which individuals are integrated into groups (Hofstede, 1980). This dimension has no political connotation and refers to the group rather than the individual. Cultures that are individualistic place importance on attaining personal goals. In collectivist societies, the goals of the group and its wellbeing are valued over those of the individual.

Masculinity versus Femininity- Masculinity/ femininity refers to the role of gender in society. In highly masculine cultures there are clear gender roles for men and women. Men tend to be aggressive, competitive, and assertive while women exhibit low masculine traits. In highly feminine organizations, people develop working relationships with others. Employees cooperate with each other and tend to avoid conflicting situations. People work in good working conditions and value job security. Thus feminine cultures emphasizes upon quality of life and concern for all.

Uncertainty Avoidance- This value dimension seeks to answer the question as to how much uncertainty a society and culture is willing to accept. Cultures with high uncertainty avoidance appreciate careful planning and orderliness. Rules and regulations govern the functioning of an organization which results in stressful situations. In contract, low uncertainty avoidance score depicts flexible rules and less orderliness. Employees feel comfortable in ambiguous situations. People turn up late for important meetings and exhibit unpunctuality.

Long-Term orientation versus short-term orientation- This dimension describes how every society has to maintain some links with its own past while dealing with the challenges of the present and future, and societies prioritize these two existential goals differently (Hofstede). The long-term orientation values persistence, perseverance, thriftiness whereas short-term orientation values tradition only to the extent of fulfilling social obligations or providing gifts or favors. These cultures are more likely to be focused on the immediate or short-term impact of an issue.

It is important to note here that these five dimensions do not occur as single values but are really woven together and interdependent, creating very complex cultural interactions. Even though these five values are constantly shifting and not static, they help us begin to understand how and why people from different cultures may think and act as they do.

Indulgence versus restraint- This dimension was added because it focuses on aspects that are not covered by the other dimensions, which is happiness (Hofstede, G). Indulgence can be defined as "Stands for a society that allows relatively free gratification of basic and natural human drives related to enjoying life and having fun". Restraint can be defined as ""Stands for a society that suppresses gratification of needs and regulates it by mean of strict social norms" (Hofstede, G).

REVIEW OF LITERATURE
Ziad Swaidan (2011) identified variations in consumer ethics using Hofstede's cultural model as an independent variable and consumer ethics as dependent variable and concluded that consumers who are high in collectivism and low in masculinity display more sensitivity towards ethical problems than consumers who score low in collectivism and high in masculinity. This implies that marketers should adopt societal marketing concept with collectivist and feminine consumers and consumers with high uncertainty avoidance requires continual education about products and services on offer.

Alex W. H. Chan and Hoi Yan Cheung (2011) regressed data collected from 271 firms across 12 countries and demonstrated that culture affects ethical sensitivity which regulates the corporate governance activities across distinct regions. After controlling various economic and legal factors it was observed that cultures

with high IDV, low UAI, and low MAS have higher corporate governance scores. This study provides a strong rationale for expanding research on developing corporate governance practices from a cultural viewpoint.
Randall S. Schuler and Nikolai Rogovsky (1998) recognized the need for congruency between compensation systems and culture of host country which will result in increased levels of financial performance. Henry L. Tosi and Thomas Greckhamer (2004) also supported this view and related cultural values to various components of CEO compensation in separate countries. He showed the relationship between cultural values and CEO compensation after controlling for macroeconomic factors and corporate governance variables. It has huge implications for people aspiring to occupy key positions in different nations.
Curtis E. Clements, John D. Neill and O. Scott Stovall(2009) empirically examined the role played by cultural factors in adoption of code of ethics for professional accountants by various member organizations. Cultures with high UAI and IDV would like to preserve their own specific code of conduct.
James H. Davis and John A. Ruhe(2003) applied Hofstede's model to analyze organizational percipience about corruption levels prevalent in its own country. Gaining knowledge about which cultural attributes explain perceptions of country corruption would help multinational firms and grant advancing institutions to appraise their estimation of country risk and accommodate their outlook on corruption.
Yungwook Kim and Soo-Yeon Kim (2010) empirically investigated the association between Hofstede's cultural values of public relations practitioners'' and attitudes towards corporate social responsibility. But results of the study indicates that Hofstede's cultural values could not clarify public relations practitioners'' approach towards CSR very radically as compared to social traditionalism.
Andy C. W. Chui and Chuck C. Y. Kwok (2008) explained that national culture is an important explanatory factor in consumption of not only products but services also, for example, life insurance. Since indefiniteness and vagueness are peculiar features of life insurance consumers indulge into a lot of research in terms and conditions, reputation of country concerned and afterwards take decisions using cultural perspective.
A.A. Tavakoli, John P. Keenan and B. Crnjak-Karanovic (2003) recognized the potential of Hofstede's model of national culture to explain managerial responsiveness towards something unethical going on in their respective organizations. Findings of this study will aid managers to devise communication channels, reporting systems and management structures. Organizations should adopt measures to safeguard whistleblowers in such a way that they don't fear retaliation while blowing a whistle.
Rajesh Chakrabarti, Swasti Gupta-Mukherjee and Narayanan Jayaraman (2009) argued that cultures which are poles apart are more likely to witness successful acquisitions in the long run because contrasting cultures will necessitate careful assessment and evaluation for potential integration.
Lucia Peek, Maria Roxas, George Peek, Yves Robichaud, Blanca E. Covarrubias Salazar and Jose N. Barragan Codina (2007) surveyed business students from three NAFTA countries regarding their perceptions on engagement in whistleblowing behavior.

APPLICATIONS OF THE MODEL

Author	Year	Application	Conclusion
Zaid Swaidan	2011	Consumer Ethics	Consumers with low IDV, high UAI, low MAS and low PDI display higher sensitivity towards ethical issues.
Alex W. H. Chan and Hoi Yan Cheung	2011	Corporate Governance	Quality of corporate governance is higher in high IDV, low UAI, and low MAS cultures.
Henry L. Tosi Thomas Greckhamer	2004	CEO Compensation	High PDI cultures are associated with high ratio of CEO pay to pay of lower level employees whereas higher UAI represents lower proportions of variable compensation to lower compensation. Highly masculine cultures endorse greater inequalities in income. High IDV cultures have higher total compensation and higher proportion of variable compensation to total CEO compensation.
Curtis E.Clements John D. Neill O. Scott Stovall	2009	Convergence of International Accounting Codes of Ethics	Low IDV and low UAI cultures will adopt IFAC Code of ethics without much reluctance.
James H. Davis and John A. Ruhe	2003	Corruption	High PDI, high MAS and low IDV can be useful for predicting corruption.
Yungwook Kim Soo-Yeon Kim	2010	Corporate Social Responsibility	Low IDV, high LTO and high UAI culminates into positive outlook towards CSR and high PDI partially justifies negative outlook towards CSR .
Andy C. W. Chui Chuck C. Y. Kwok	2008	Life Insurance	High IDV, low PDI and low MAS translates into higher consumption levels of life insurance while a weak association between UAI and life insurance is established.
A. A. Tavakoli John P. Keenan B. Crnjak-Karanovic	2003	Whistleblowing	Low PDI, high MAS, high IDV in U.S. culture which implies that U.S. managers will blow a whistle without fearing retaliation as compared to Croatian managers.
Rajesh Chakrabarti Swasti Gupta-Mukherjee Narayanan Jayaraman	2009	Mergers	In long run, integration would be highly successful if the two firms come from cultures which are distant from each other.
Randall S. Schuler Nikolai Rogovsky	1998	Compensation	High IDV cultures should employ individual compensation practices High IDV, Low UAI, low PDI cultures should offer share options and stock-ownership plans to employees. Highly MAS cultures have less preference for flexible benefits.
Lucia Peek Maria Roxas George Peek Yves Robichaud Blanca E. Covarrubias Salazar Jose N. Barragan Codina	2007	Whistle Blowing	Results of the studies partially supported the hypothesis that Mexican and U.S. students being highly MAS cultures will not believe that sexual harassment is taking place in the organization.

CONCLUSION

Culture is a fuzzy set of basic assumptions and values, orientations to life, beliefs, policies, procedures and behavioural conventions that are shared by a group of people, and that influence (but do not determine) each member's behavior and his/her interpretations of the 'meaning' of other people's behavior (Spencer-Oatey, 2008). Culture holds people together by way of shared ideas, customs, and social behavior in a society. Geert Hofstede, a social psychologist and anthropologist conducted an in-depth cross-cultural analysis and deliberated upon the affiliation between national culture and organizational culture. Hofstede's cultural dimensions are the most widely used cultural indices in the international business literature and contain a relatively large number of observations (Chui, A.C.W. and Kwok C.C.Y (2008). Although many researchers have built upon the pioneering works of Geert Hofstede, his work remains unsurpassable for many reasons. Many researchers have extensively used the model for explaining the interactions between national culture and management (Williamson, 2002). Even after three decades, this framework has explained associations between culture and management concepts like whistleblowing, consumer ethics, and compensation of employees with great ease and in a simplistic way. But Hofstede's work is being widely criticized on account of many reasons. Firstly, since the respondents were restricted to a single organization, it could be biased. Secondly, many researchers argue that the framework has become outdated in recent times. But rejecting Hofstede's model of national culture, before more satisfactory models have been developed, would be to throw away valuable insight (Williamson, 2002).

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VARIABLE AFFECTION ON FINANCIAL INVESTMENT OF SALARIED PEOPLE AT NANDED CITY DURING 2012-2013: AN EMPIRICAL STUDY

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ABSTRACT

Most of us just save money but don't get the profit from this money through investment schemes. Another important thing is that there is lack of financial literacy among scattered people. They don't have any idea about use of investment avenues where they can invest, How should convert the money from saving to investment. Everybody should know that from which investment avenues are taken benefit. Therefore, this study attempts to understand the level of preferences about investment avenues of salaried people. The aim of this paper, It is observed that well educated salaried people whether they keep any objective before investment or not, or do they prefer to investment by income? This paper also identify which are the independent variables are affected on investment of salaried people.The regression method is used for analyzing these casual relationships between dependent and independent variables. It is found that some positive & negative variables tested through ANOVA table.

KEYWORDS

salaried investors, financial investment, preferences, independent variable.

JEL CLASSIFICATION

G02, D14, C12, C30.

INTRODUCTION

Every person in life he thinks that we should have good health as well as good wealth. But everybody cannot get both. Very few people have good health and they have proper understanding how to maintain good wealth. Keeping two things in mind, person may be lower, middle, rich class. Wealth is not only in the form of money besides, increase in the immobile assets was considered to be the safest way of protecting wealth. Those who are in business would like to invest huge amount of liquid asset so that they might use it for investment. Savings of the household is very crucial portion for capital formation in the country. In India, savings segment contributes twenty nine percent to GDP. Excess of income over expenditure by any economic unit is called saving. Saving is done by abstaining from present consumption for a future use. In fact, sometimes savings automatically come from households as a matter of habit. When this excess fund is employed with an aim of achieving additional income in value it is called investment. Gross Domestic Saving is divided into household sector, private and public sector. Household sector shows largest portion in Gross Domestic Savings. This sector is divided in two sector namely financial saving and physical savings. Financial saving include the saving in the form of currency, bank fixed deposit, Life insurance, Provident and pension fund, share and debenture, mutual fund etc,.Physical saving include investment in real estate, gold, commodities etc., are known as physical investment.

All these avenues are grouped in to Risky & Non Risky investment. Some of the avenues have been continuously using by savers or investors. Besides, in the new era some of the investment avenues are emerging & it overcome on previous avenues. The choices of investment avenues have been changed by awareness of people, innovative technique, ideas, and experiences. Sometimes to choose a proper investment is decided on the basis of person's attitude whether he would like to take risk or not, whether he belong to salaried or self-employed.

SIGNIFICANCE OF THE STUDY

Government of India has recognized the importance of spreading financial literacy to intensify efforts to channelize domestic savings to investments. However, increasing range and complexity of product has made it very difficult for an ordinary person to take an informed decision. Financial literacy develops confidence, knowledge and skills to manage financial products and services enabling them to have more control of their present and future circumstances. Financial literacy will also help in protecting society and individuals against exorbitant financial schemes and exorbitant interest rate charged by moneylenders.

It is expected that financial education can lead to multiplier effects in the economy. A well educated household would resort to regular savings, which in turn would lead to investment in right channels and income generation. Thus, the financial will be of individuals, will in turn increase the welfare of the society.

REVIEW OF LITERATURE

1) Romeo M. Bautista and Mario B. Lamberte (1990) found that from his study on "comparative saving behavior of rural and urban households in the Philippines" the saving behavior of rural and urban household's differences by region, rural-urban, and by income class. Certain household characteristics have a significant influence on savings. The findings also bear out the hypothesis that the marginal propensity to save out of transitory income is higher than that out of permanent income.MPS rates vary widely among household. It is very difficult to generalize about the relative size of the marginal saving rates between rural and urban households.

2) Krishnamurthy (1997), found the amount of savings rural households are willing to makeIn shape of financial assets is dependent upon the a) surplus available with the householdsb) Willingness to save in these assets; c) awareness about and easy accessibility to the various types of financial investment avenues.The study concluded that financial assets have increasingly become an important way to save the surplus income over consumption.

3) Jan Tin (2000) analyzed that changes in socio-demographic conditions have significant impact of the saving behavior of individual in the financial markets. This analysis is tested by regression analysis.

4) Ch.Pavani & P.Anirudh (2010): described that some demographic variables like population, age, sex, education, income level, marital status, occupation religion, death rate average size of a family, average age at marriage & some psychographic variables such as interest, opinion attitudes values of an investor which influence on investment of investors.

OBJECTIVES OF THE STUDY

- To understand the behavior approach of salaried people about financial investment at nanded city.
- To analysis the ratio of age-wise investment in financial investment avenues of salaried people.
- To examine an investment of salaried investor's on the basis of income.
- To identify some positive or negative factors which might affect on investment of salaried people.

HYPOTHESIS

- **H01** : There is no significant difference between age and financial investment.
- **H02** :There is no significant difference between income and financial investment.
- **H03** :There is negative relationship between financial investment and some independent variables (such as investment decision, sector wise, source etc.,)

RESEARCH METHODOLOGY

SAMPLING PLAN & TECHNIQUES OF ANALYSIS

As a Sampling area nanded city was chosen for analyzing the people who are investing in different types of investment avenues. A Structured Questionnaire was used as a tool for collecting data in this study. Before collecting the data the questionnaire was first checked with few respondents to check whether the questions have given applicable to objective of research. Thereafter, questionnaire was modified, some questions were omitted, and few questions were added. The researcher had personal interview of brokers who are situated in nanded city. Taking recent information and previous information on this study through primary data the salaried people were selected as sample unit of this study. Around 140 from salaried have been selected from sampling area. Salaried people were taken from employees of Collector office, Zilla parished, Muncipal Co-operation. On other side & Lecturers (Assi, Asso, Prof.) have been selected. Getting the information of income and expenditure is very difficult to collect from salaried people. Therefore, researcher has used purposive (judgmental) sampling method to this study. Judgment sampling has been deployed as the researcher judged the potential respondents who could provide fairly accurate information to provide possible solutions to the defined problem. The primary data have been properly sorted, classified, edited, tabulated in a proper format and analysed by statistical tools. He also used Statistical Package for Social Sciences (SPSS).The researcher used the statistical tools (Regression, ANOVA) for analyzing data & drawing the result.

ANALYSIS & INTERPRETATION

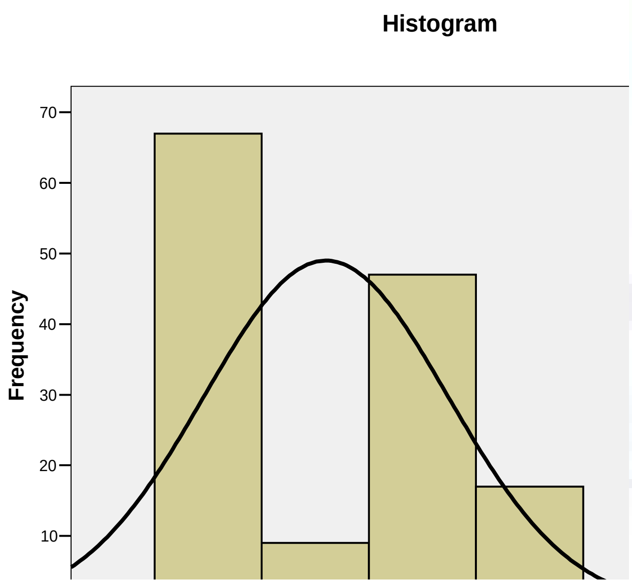
TABLE 1: FINANCIAL INVESTMENT PREFERENCE

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1.00	67	47.9	47.9	47.9
	2.00	9	6.4	6.4	54.3
	3.00	47	33.6	33.6	87.9
	4.00	17	12.1	12.1	100.0
	Total	140	100.0	100.0	

TABLE 2: STATISTICS OF SALARIED PEOPLE FOR PREFERENCES TO FINANCIAL INVESTMENT

N	Valid	140
	Missing	0
Mean		2.1000
Median		2.0000
Mode		1.00
Std. Deviation		1.13986
Minimum		1.00
Maximum		4.00

FIGURE 1: HISTOGRAM OF PREFERENCE OF FINANCIAL INVESTMENT



In order to test the determination of investment of salaried people, There are number of variables may be affected. It can be possible to quantify the effect of each of these independent variables on the investment of salaried people with the help of regression analysis. Salaried people have been stratified in sampling element & analysed separate regression result.

1) REGRESSION MODEL: (Employed of Muncipal co-operation)

EM =$\beta0$ + $\beta1$(AG)+$\beta2$(QU)+$\beta3$(AI)+$\beta4$(EX)+$\beta5$(SE)+$\beta6$(ID)+$\beta7$(SO)+$\beta8$(IO)+$\beta9$(SOU)+ε--equation no. 1.

Where,

EM = percentage of investment of municipal employed

AG = Age

QU = Qualification

AI = Annual Income

EX = Investment Experience
SE = Sector-wise
ID = Investment Decision
SO = Saving Objective
IO = Investment Objective
SOU = Source

TABLE 3: MODEL SUMMARY

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.787(a)	.620	.448	1.35681

a Predictors: (Constant), source, income, quali, invesobjec, saviobjec, Sectorwise, Age, decision, experience.

TABLE 4: ANOVA

Model	Sum of Squares	Df	Mean Square	F	Sig.
Regression	59.981	9	6.665	3.620	0.008(a)
Residual	36.819	20	1.841		
Total	96.800	29			

a.predictors: (Constant), source, income,z qualification, investment objective, sectorwise, Age, investment decision, experience (b.) percentage of investment

TABLE 5: COEFFICIENTS

Model	Unstandardized Coefficients		Standardized Coefficients		T	Sig.
	B	Std. Error	Beta			
(Constant)	1.932	3.634			0.532	0.601
Age	-1.019	0.595	-0.438		-0.713	0.102
Qualification	0.552	0.631	0.136		0.874	0.392
Income	0.982	0.619	0.365		1.585	0.129
Experience	0.363	0.346	0.281		1.050	0.306
Sectorwise	-0.577	0.229	-0.702		-2.519	0.020
Decision	0.341	0.219	0.399		1.557	0.135
Saving objective	0.139	0.146	0.206		0.951	0.353
Investment objective	0.204	0.168	0.266		1.213	0.239
Source	-0.332	0.202	-0.241		-1.646	0.115

2) REGRESSION MODEL : (Employed of Collector office)

EC =β0 + β1(AG)+β2(QU)+β3(AI)+β4(EX)+β5(SE)+β6(ID)+β7(SO)+β8(IO)+β9(PU)+β(SU) + ε1---equation no. 2

Y = Table 6. Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
2	0.849(a)	0.721	0.575	0.73626

a Predictors: (Constant), source, income, qualification, investment objective, saving objective, Sectorwise, Age, decision, experience.

TABLE 7: ANOVA

Model	Sum of Squares	Df	Mean Square	F	Sig.
Regression	**26.667**	**10**	**2.667**	**4.919**	**0.001(a)**
Residual	**10.300**	**19**	**0.542**		
Total	**36.967**	**29**			

a.predictors: (Constant), source, income, qualification, investment objective, sectorwise, Age, investment decision, experience
b. percentage of investment

TABLE 8: COEFFICIENTS

Model	Unstandardized Coefficients		Standardized Coefficients		T	Sig.
	B	**Std. Error**	**Beta**			
(Constant)	-0.10	1.917			-0.005	0.996
Age	0.640	0.302	0.524		2.123	0.047
Qualification	-0.377	0.358	-0.136		-1.051	0.306
Income	-0.513	0.293	-0.376		-1.753	0.09
Experience	0.089	0.134	0.101		0.661	0.516
Sectorwise	0.062	0.101	0.124		0.616	0.545
Decision	0.334	0.131	0.664		2.552	0.019
Saving objective	-0.045	0.075	-0.110		-0.596	0.558
Investment objective	0.106	0.099	0.185		1.074	0.296
Purpose	0.084	0.134	0.119		0.630	0.536
Source	0.007	0.103	0.008		0.065	0.949

a. Dependent Variavle: employees of collector office

3) REGRESSION MODEL : (Employees of Zilla Parished office)

EC =β0 + β1(AG)+β2(AI)+β3(EX)+β4(SE)+β5(ID)+β6(SO)+β7(IO)+β8(PU)+β9(SU) + ε2--equation no. 3

TABLE 9: MODEL SUMMARY

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
	0.834(a)	0.695	0.558	1.15187

a Predictors: (Constant), source, income, qualification, investment objective, saving objective, Sectorwise, Age, decision, experience, purpose

TABLE 10: ANOVA

Model	Sum of Squares	Df	Mean Square	F	Sig.
Regression	60.431	9	6.715	5.061	0.001(a)
Residual	26.536	20	1.327		
Total	86.967	29			

a.predictors: (Constant), source, income, qualification, investment objective, sectorwise, Age, investment decision, experience
b. percentage of investment of zilla parished employees.

TABLE 11: COEFFICIENTS

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
(Constant)	10.103	3.025		3.340	0.003
Age	-1.485	0.493	-0.689	-3.014	0.007
Income	0.303	0.460	0.119	0.659	0.518
Experience	0.070	0.272	0.051	0.256	0.801
Sectorwise	-0.774	0.191	-1.020	-4.061	0.001
Decision	0.436	0.223	0.438	1.959	0.054
Saving objective	0.004	0.119	0.005	0.032	0.975
Investment objective	0.539	0.149	0.724	3.627	0.002
Purpose	-0.553	0.231	-0.504	-2.394	0.027
Source	-0.243	-0.243	-0.179	-1.357	0.190

a. Dependent Variavle: employees of zilla parished office

4) REGRESSION MODEL : (University Teacher)

UT =β0 +β1(AG)+β2(AI)+β3(EX)+β4(SE)+β5(ID)+β6(SO)+β7(IO)+β8(PU)+β9(BI) +β10(SU) + ε4---------------------------------equation No.4.

TABLE 12: MODEL SUMMARY

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
	0.774(a)	0.600	0.497	1.04576

a Predictors: (Constant), source, income, qualification, investment objective, saving objective, Sectorwise, Age, decision, experience, purpose

TABLE 13: ANOVA

Model	Sum of Squares	Df	Mean Square	F	Sig.
Regression	63.849	10	6.385	5.838	0.000(a)
Residual	42.651	39	1.094		
Total	106.500	49			

a.predictors: (Constant), source, income, qualification, investment objective, sectorwise, Age, investment decision, experience
b. percentage of investment of zilla parished employees

TABLE 14: COEFFICIENTS

Model	Unstandardized Coefficients		Standardized Coefficients		T	Sig.
	B	Std. Error	Beta			
(Constant)	2.544	1.564			1.626	0.112
Age	-0.453	0.245	0.-314		-1.847	0.072
Income	0.291	0.306	0.141		0.951	0.348
Experience	0.138	0.169	0.129		0.813	0.421
Sectorwise	0.022	0.079	0.035		0.276	0.784
Decision	0.071	0.081	0.114		0.881	0.384
Saving objective	0.150	0.069	0.291		2.181	0.035
Investment objective	-0.078	0.090	-0.124		-0.862	0.394
Purpose	0.161	0.091	0.260		1.761	0.086
Before invest	0.150	0.089	0.208		1.690	0.099
Source	-1.28	0.182	-0.082		-0.707	0.484

a. Dependent Variable: University teachers

RESULTS

The value of R square equals 0.620, which shows the percentage of the total variation of the dependent variable (investment of municipal employees) that can be explained by the independent variables (AG, QU, AI, EX, SE, ID, SO, IO, SOU.) shown in the model summary (table 3). The value of R square is significant as indicated by the p value (0.008) of F statistics as given in the ANOVA table. (table 4). All the independent variables tested in four equations. The constant term in this model, 1.93 represents a baseline investment score of municipal employees which will be up or down according to the characteristics of the individual respendent. The coefficients for the independent variables indicate the direction and magnitude of the effect on investment. In other words, the ratio between change in dependent variable due to change in independent variable . The sectorwise factor is found to be significant at the 5% level of significance for the sample group. Age, Sectorwise & source these variables are negatively related, Qualification, Annual income, investment experience, investment decision, saving objective, investment objective are positively related. However, all these variables in the test are found to be insignificant at the 5% level. In the equation no. second the regression model has been prepared for investment of employed of collector office. This result shows that the value of R square is significant as indicated by the p value (0.001) of F statistics as given in the ANOVA table (7). Age & investment decision are found to be significant at the 5% level of significance for the sample group. Qualification, annual income, saving objective are negatively related. Investment experience, sectorwise, investment objective, purpose, source are positively related. In the equation no, third the regression model has been prepared for investment of employed of zilla parished. This result shows that the value of R square is significant as indicated by the p value (0.003) of F statistics as given in the ANOVA table (10). Age, Sectorwise, investment decision, Investment objective, purpose are found to be significant at the 5% level of significance for the sample group. Age, sectorwise, purpose, source are negatively related. Annual income, investment experience, investment decision, saving objective, investment objective are positively related. In the equation no. Fourth the regression model has been made for investment of employed of university teacher. This result shows that the value of R square is significant as indicated by the p value (0.000) of F statistics as given in the ANOVA table (13). Saving objective are found to be significant at the 5% level of significance for the sample group.Age, investment objective, source are negatively related. Annual income, experience, sectorwise, decision, saving objective, purpose, before investment, are positively related.

CONCLUSION

We have analysed number of independent variables which are affected on investment of salaried people making four different regression equations. This regression results shows that considering all four equations, Age & source are such type of variables which are always negatively affected on investment of salaried people. Similarly, Annual income, experience, saving objective, investment objective are most of the times positively affected on investment. The result also shows that there is significant relationship between Age & Investment regarding employed of collector office and zilla parished.in vice-versa, there is no significant relationship between Age & investment about employed of municipal co-operation and university teacher.

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DOES GOOD CORPORATE GOVERNANCE AFFECT PERFORMANCE OF COMPANIES?

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ABSTRACT

This paper examines the affect of complying with corporate governance practices on company performance, as the failure of Satyam Computers Ltd. in India and financial institutions around the world during global financial crisis 2008 highlighted this issue and raised questions. The paper further explores the effect of global financial crisis and collapse of Satyam Computers in India on Indian economy by constructing a measure of corporate governance, CG Score, after taking into consideration Indian perspective on corporate governance and international best practices too. The study takes implementation of good governance as independent variable and aims to find its effect on two key performance measures namely, operating performance, using return on assets (ROA) and financial performance, using return on equity (ROE). Based on the sample of companies which have been constituents of the CNX 100 Index for each of the two years, 2007-08 and 2008-09, the data analysis is done by using the statistical package for social science (SPSS) version 16.0. whereby the importance of independent directors in audit and remuneration committee is revealed.

KEYWORDS

Corporate Governance, Collapses, Clause 49, Board Committees.

INTRODUCTION

Corporate governance is the way in which the internal management of companies are determined to take decisions and act in the best interests of all the stakeholders maximising their wealth. In the past decade, there has been major focus on the issue of corporate governance and on how various structures in corporate governance framework help to build and maintain long term sustainability of organisation is the most discussed topic among researchers worldwide.

Since decades, corporate governance is in discussion worldwide due to massive breakdowns in the way the organisations are governed. The countries around the world saw major corporate collapses, the first major failure was of Penn Central Transportation Company in the mid of 20th century and thereafter there were series of them which renewed the interest in the corporate governance practices of modern corporations since 2001, due to the high-profile collapses of dozens of large U.S. firms such as Enron Corporation, WorldCom and thereafter the failure of Swissair, the collapse of Parmalat, Vivendi in Europe, the scandal of HIH in Australia revealed that companies worldwide are facing failures in corporate governance. The failure of corporate governance system throughout raises concern for regulators around the world for introducing mechanisms to build back investors' confidence in the system. In the aftermath of financial scandals of Poly Peck, BCCI and pension funds of Maxwell Communication Group in the U.K., the world saw emergence of good corporate governance practices in the form of codes and standards. The Sarbanes-Oxley legislation in the USA, the Cadbury Committee recommendations for European companies and the OECD principles of corporate governance are the best known among the corporate governance norms and standards around the globe, following which many other committees have been appointed in different countries of the world including U.S.A., South Africa, Malaysia, Japan, Germany, France and India. The issue of governance has gained momentum with the fall of Satyam Computer Services Ltd. in India and of large investment institutions all over the world during the financial crisis 2008-09. There is a strong criticism against the failure of companies' in spite of all the standards of governance being laid down.

GOVERNANCE AND PERFORMANCE- A LITERATURE SURVEY

The characteristics of boards, namely, the size of the board, board leadership and proportion of outsiders on the board, form major part of most research studies. Researchers have mixed findings for all board characteristics leading to inconclusive findings. Some researchers followed the practise of using a set of corporate governance indicators in the form of index or score to determine whether these indicators have effect on company's performance. Rechner & Dalton (1991) argued that the choice between CEO duality versus independent board leadership will influence organizational performance. Bhagat & Bolton (2007) found that CEO-Chair separation is significantly positively correlated with operating performance as measured by ROA. Wagner, Stimpert & Fubura (1998) analysed the data from 259 large US companies and confirms the existence of relationship between insider/outsider composition and performance. Liang & Li (1999) examined the relation of board structure with firm performance in a sample of 228 small private firms in Shanghai, China. Weir, Laing & McKnight (2002) recognised the substitutability of internal and external governance mechanisms in determining performance of UK companies for the period 1994-1996. Gompers, Ishii & Metrick (2003) used 24 governance rules to construct a "Governance Index" to proxy for the level of shareholder rights at about 1500 large firms during the 1990s. Bauer et al. (2008) found that well-governed firms significantly outperform poorly governed firms by up to 15% a year but not all aspects of corporate governance matter to shareholders, by employing a unique data set provided by Governance Metrics International(GMI). Drobetz (2003) measured the relationship between the corporate governance system and firm performance of German firms through Corporate Governance Rating (CGR) as a proxy for firm-specific governance quality.

RELEVANCE OF THE STUDY

The issue of governance has gained momentum with the fall of Satyam Computer Services Ltd. in India and of large investment institutions all over the world during the financial crisis 2008-09. There is a strong criticism against the failure of companies' in spite of all the standards of governance being laid down. The aim of "Good Corporate Governance" is to enhance the long-term value of the company through the rules relating to the Board of Directors and management as the most important aspects of corporate governance. The prevailing Corporate Governance practices in India are largely based on the recommendations of various high level committees, notably the Kumar Mangalam Birla Committee and N R Narayanmurthy Committee. The corporate governance in India is strengthened in the form of various committees set up by regulatory bodies from time to time and thereby Clause 49 of corporate governance is framed to make stronger governance standards for Indian corporate. Since compliance with corporate governance principles is considered important and in India the system is developed after failure of companies globally, it becomes relevant to find whether the corporate governance principles complied by firms in India reward them with higher performance levels. As the financial crisis that begun in developed countries has impact on economies worldwide, it remains a concern whether India too is affected due to financial meltdown and to what extent.

OBJECTIVES OF THE STUDY

The study on corporate governance has been conducted to examine if compliance with corporate governance principles has effect on the performance of companise and to determine whether global financial crisis has impact on the performance of Indian companies.

DESIGN OF THE STUDY

To study the effect of corporate governance on performance of firms, dependent and independent variables are decided after taking into consideration Indian perspective on corporate governance and international best practices too.

VARIABLES DESCRIPTION

The effect of corporate governance on firm performance is analysed with the help of following dependent and independent variables selected in the study.

- **DEPENDENT VARIABLES**

To study the affect of corporate governance on firm performance, two key performance areas are taken, namely, operating performance, using return on assets (ROA) and financial performance, using return on equity (ROE).

➢ Return on equity

This is one of the most important indicators of a firm's profitability and potential growth. It measures a firm's efficiency at generating profits from every unit of shareholders' equity and thus shows how well a company uses its investment funds to generate earnings growth. ROE is equal to profit after tax (after preferred stock dividends but before common stock dividends) divided by total shareholder's equity, expressed as a percentage.

ROE = (PAT-Dividend to Preference shareholders)/ (Paid up equity capital+ Reserves & Funds – Revaluation Reserve)

➢ Return on Assets

The ratio indicates the profitability of a company in relation to its total assets. It measures how efficient the management is at utilizing company assets to generate earnings. ROA is equal to profit before interest and tax (pure measure of efficiency that is not affected by management financing decision) divided by average of firm assets. As many companies see wide swings in assets during the course of a year, the average of the firm's assets is taken.

ROA = PBIT/Average Assets

- **INDEPENDENT VARIABLES**

The corporate governance variables selected in the study are first examined individually and then on the basis of different categories formed for them. Finally for analysing the effect of financial crisis, the corporate governance score is computed on the basis of all the variables.

➢ Corporate Governance variables

The independent variables are taken from the mandatory and non-mandatory principles of good corporate governance as provided in Clause 49 of the Listing agreement. As the most important role is played by the board of directors in the governance of the company through monitoring and decision making activities, the focus is on the principles related to board of directors. Further to find how far the company is committed towards following good corporate governance practices, the list is prepared as 'Governance Commitment' based upon factors identified in international best practice guidelines and other principles as considered relevant for good corporate governance. The principles herein determine the commitment of company towards governance practices going beyond the formal requirements laid down by SEBI.

TABLE 1.1: PRESENTS CORPORATE GOVERNANCE VARIABLES CONSIDERED IN THE STUDY

Mandatory Principles in Clause-49		
Board Characteristics	(a)	At least 50% of the board comprise non-executive members.
	(b)	Proportion of independent directors to the total directors.
	(c)	Atleast four board meetings were held in the financial year.
Board Committees		
Audit Committee	(a)	Size of Audit Committee is atleast three members.
	(b)	The chairman of the Audit Committee is an independent director.
	(c)	Audit Committee consists solely of non executive directors.
	(d)	At least 2/3 of the members are independent directors.
	(e)	Audit Committee had atleast four meetings in the financial year.
Shareholders' Grievance Committee	(a)	The chairman of the SGC is a non-executive director.
Non Mandatory Principles		
Remuneration Committee	(a)	Size of Remuneration Committee is atleast three members.
	(b)	The chairman of the Remuneration Committee is an independent director.
	(c)	Remuneration committee consists solely of non executive directors.
	(d)	Remuneration committee is comprised majority of independent directors.
Others	(a)	Directors serve on no more than 15 additional boards.
	(b)	Adoption of Whistleblower policy by the company.
	(c)	Director term limit exists
	(d)	Training of board members
	(e)	Performance of the board is reviewed regularly.
Governance Commitment		
	(a)	The CEO and Chairman duties are separated.
	(b)	Size of board of directors is at least six but not more than 15 members.
	(c)	CEO serves on no more than two additional boards.
	(e)	Independent directors serve on no more than ten additional boards of other companies.
	(f)	Audit committee consists solely of independent directors.
	(g)	Remuneration committee is comprised solely of independent directors.
	(h)	Remuneration Committee had atleast four meetings in the financial year.
	(i)	Formation of Nomination Committee.
	(j)	All directors attended at least 80% of board meetings.
	(k)	All independent directors attended at least 80% of board meetings.
	(l)	All independent directors attended at least 80% of Audit Committee meetings.
	(m)	Mandatory retirement age for directors exist.

- Development of Corporate Governance Score

A new measure of corporate governance named as "CG Score" is developed from a comprehensive set of corporate governance variables, the approach used is similar to that of Gompers, Ishii and Metrick (2003). Brown & Caylor (2004), Padgett & Shabbir (2005) and Drobetz et al. (2003) too constructed indices incorporating the firms' corporate governance choices following the approach of Gompers et al. by categorizing each governance attribute into a binary variable and computing the score based on equal weighting scheme i.e. all the principles are assigned equal weights to avoid making value distinctions for complying with different principles. As per GIM (2003), "although many of the provisions can be made stronger or weaker, we made no strength distinctions and coded all provisions as simply 'present' or 'not present'. This methodology sacrifices precision for the simplicity necessary to build an index. Thus this simple index does not accurately reflect the relative impacts of different provisions; it has the advantage of being transparent and easily reproducible." The 'CG Score' in the study is developed as a measure of governance quality in firms through a list of 30 principles of good corporate governance. It is constructed by assigning one point for compliance with each principle and zero for non-compliance, and then summing up each firm's 30 binary variables. With this scoring system, a firm's CG Score can vary between 0 and 30 with 30 indicating perfect compliance and 0 indicating complete non-compliance. Thus, the higher the CG Score, the better the firm is governed.

SAMPLE DESCRIPTION

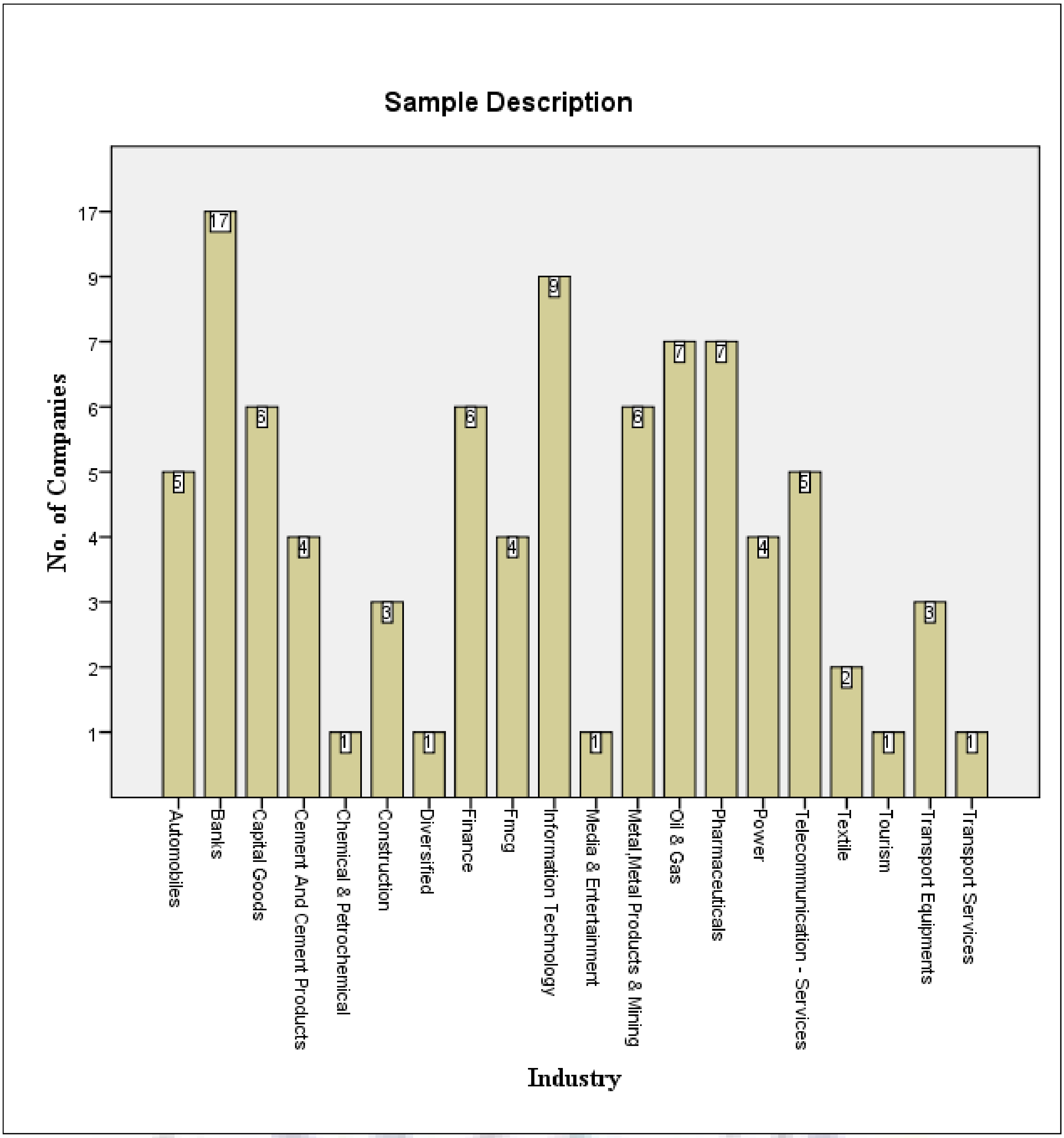
To find out the relationship between corporate governance and firm performance, firms from CNX 100 are selected and data is collected for 2007-08 and 2008-09 as observation period. The CNX 100 index combines the Nifty50 and the CNX Nifty Junior, it provides investors and market intermediaries with an appropriate benchmark that captures the performance of the top 100 most liquid and large market capitalization securities. The sample is taken for companies which have been constituents of the CNX 100 Index for each of the two years, 2007-08 and 2008-09. The Index as on 30.04.2007 was taken and changes in its composition were incorporated to reach the total number of companies constituting the Index for both the years. The total numbers of firms included in the Index are 100 but adding 12 firms that got listed during 2007-08 and removing 19 firms that were de-listed within 2007 to 2009, give the final sample of 93 companies after incorporating these changes. The final sample includes 4 companies that were excluded from the Index with effect from March 27, 2009, due to the fact that they form part of the index for almost both the years. The sample covers firms in 20 industry sectors with Banks having largest number of firms and Information Technology, the second highest among all sectors.

Table 1.2 and Fig 1.1 below summarize the profile of the sample that is used in the study.

TABLE 1.2: INDUSTRY CLASSIFICATION

Industry	No. of Companies
Automobiles	5
Banks	17
Capital Goods	6
Cement And Cement Products	4
Chemical & Petrochemical	1
Construction	3
Diversified	1
Finance	6
FMCG	4
Information Technology	9
Media & Entertainment	1
Metal, Metal Products & Mining	6
Oil & Gas	7
Pharmaceuticals	7
Power	4
Telecommunication – Services	5
Textile	2
Tourism	1
Transport Equipments	3
Transport Services	1
	93

FIG. 1.1



DATA SOURCE

The source of information regarding corporate governance is annual reports of companies available at the specific company websites. Information about corporate governance was readily accessible from the 'Report on Corporate Governance' as every listed company is required to report the extent to which they complied with the Corporate Governance Principles laid down in Clause 49 of the listing agreement in their annual reports. With respect to the data relating to performance, the information is gathered from *Prowess*, the corporate database of the Centre for Monitoring of the Indian Economy (CMIE).

RESEARCH METHODOLOGY

The study is divided in two parts, one is related to effect of corporate governance on firm performance and another relates to effect of global financial crisis on corporate governance and firm performance in India. All the data were analysed using the statistical package for social science (SPSS) version 16.0. In analysing the effect of corporate governance on performance of companies, each of the 30 corporate governance variables are tested for their effect on performance measures; ROA and ROE through Independent Samples T test. The study is then undertaken to find the effect of global financial crisis and collapse of Satyam Computers in India on changes in firms' compliance with corporate governance principles and upon firm performance at two time points, 2007-08 and 2008-09, that is changes in performance are shown for 2007-08 and 2008-09 in contrast with the changes in corporate governance for the same time through Wilcoxon Signed ranks method. Further, to study the impact on banks and IT firms in the sample Paired Sample T test is conducted.

CORPORATE GOVERNANCE AND FIRM PERFORMANCE

The hypothesis for all the corporate governance variables is framed as:

H_o: $\mu_1=\mu_2$, there is no significant difference between the performance (ROE and ROA) of firms complying with the principle and firms that do not comply with the principle.

H_a: $\mu_1 \neq \mu_2$, there is significant difference between the performance (ROE and ROA) of firms complying with the principle and firms that do not comply with the principle.

The hypothesis is tested by Independent Samples t test and findings are reported in Table 1.3 as under:

TABLE 1.3: EMPIRICAL RESULTS

CG Variable	Result	
	ROA	ROE
Board Size	Insignificant	Insignificant
Board Leadership	Insignificant	Insignificant
% Non Executive Directors	Insignificant	Insignificant
% Independent Directors	Insignificant	Insignificant
Directors #Independent Directors in Meeting	Insignificant	Insignificant
CEO<=2 Directorships	Insignificant	Insignificant
All Independent Directors in Audit Committee	Significant at α=.004	Insignificant
All Non Executive Directors in Audit Committee	Insignificant	Insignificant
Majority Independent Directors in Audit Committee	Significant at α=.000	Insignificant
Remuneration Committee=Independent Director Chair	Insignificant	Insignificant
All Non Executive Directors in Remuneration Committee	Insignificant	Insignificant
All Independent Directors in Remuneration Committee	Significant at α=.006	Insignificant
Remuneration Committee Majority Independent Directors	Insignificant	Insignificant
Remuneration Committee Meetings	Insignificant	Insignificant
Nomination Committee	Significant at α=.005	Insignificant
Independent Directors<=10 Directorships	Insignificant	Insignificant
Independent Directors attended 80% Board Meetings	Insignificant	Insignificant
Independent Directors attended 80% Audit Committee Meetings	Insignificant	Insignificant
Whistle Blower Policy	Insignificant	Insignificant
Director Term Limit	Insignificant	Insignificant
Board Training	Significant at α=.036	Insignificant
Retirement Age	Insignificant	Insignificant
Performance Review	Insignificant	Insignificant

The results show that among all the governance variables, the role of audit and remuneration committee is highly significant when they are composed of independent directors only. None of the mandatory or non mandatory principles given in Clause 49 is significant in improving the performance; instead all the non mandatory principles result in decline in performance. Moreover, board training and existence of nomination committee leads to significant fall in Return on Assets of the company. It clearly shows the importance of credibility of financial statements and pay structures and role of implementing the governance practices except those specified in India. The implementation gap in non mandatory principles and box ticking approach for mandatory principles could be the reason for the results achieved in the analysis.

IMPACT OF GLOBAL FINANCIAL CRISIS ON INDIAN ECONOMY

Global financial crisis that became full blown in the second half of 2008 interrupted India's growth momentum too. With increasing integration of Indian economy and its financial markets with the world, the country does face the impact due to slowdown of economies worldwide. The corporate governance score, 'CG Score' is obtained based on the corporate governance variables taken in the study for studying the effect of global financial crisis on corporate governance practices of sample firms. The effect on performance measures is also assessed by comparing ROE and ROA for the two years, 2007-08 and 2008-09.

Table 1.4 below shows how the CG Score has varied for different firms in the sample from 2007-08 to 2008-09.

TABLE 1.4: TREND IN THE BEHAVIOUR OF THE CG SCORE OVER TIME (2008 TO 2009)

Trend	Number of Firms	% of the Total
Increasing	34	36
Decreasing	**37**	40
Stable	22	24
Total	93	100

As the table indicates number of firms that have become less compliant increased over those that are more compliant with corporate governance principles that shows marginal decline in the compliance of corporate governance practices among sample firms. But the difference between the two is small and also most of the firms are having the same level of compliance in 2009. Overall more than half of the sample firms have either increased their corporate governance practices or have same level of governance.

Wilcoxon Signed ranks method is employed which tests the null hypothesis that the medians of dependent variables are same. The hypothesis is framed as:

1) H_o: $m_1=m_2$, there is no significant difference between median CG Score in 2008 and median CG Score in 2009.

H_a: $m_1 \neq m_2$, there is significant difference between median CG Score in 2008 and median CG Score in 2009.

2) H_o: $m_1=m_2$, there is no significant difference between median ROA in 2008 and median ROA in 2009.

H_a: $m_1 \neq m_2$, there is significant difference between median ROA in 2008 and median ROA in 2009.

3) H_o: $m_1=m_2$, there is no significant difference between median ROE in 2008 and median ROE in 2009.

H_a: $m_1 \neq m_2$, there is significant difference between median ROE in 2008 and median ROE in 2009.

TABLE 1.5: WILCOXON SIGNED RANKS TEST STATISTICS

	CGScore09 - CGScore08	ROE09 - ROE08	ROA09 - ROA08
Z	-.567[a]	-4.978[b]	-4.776[b]
Asymp. Sig. (2-tailed)	.571	.000	.000

a. Based on negative ranks (statistic for 2009 < statistic for 2008).

b. Based on positive ranks (statistic for 2009 > statistic for 2008).

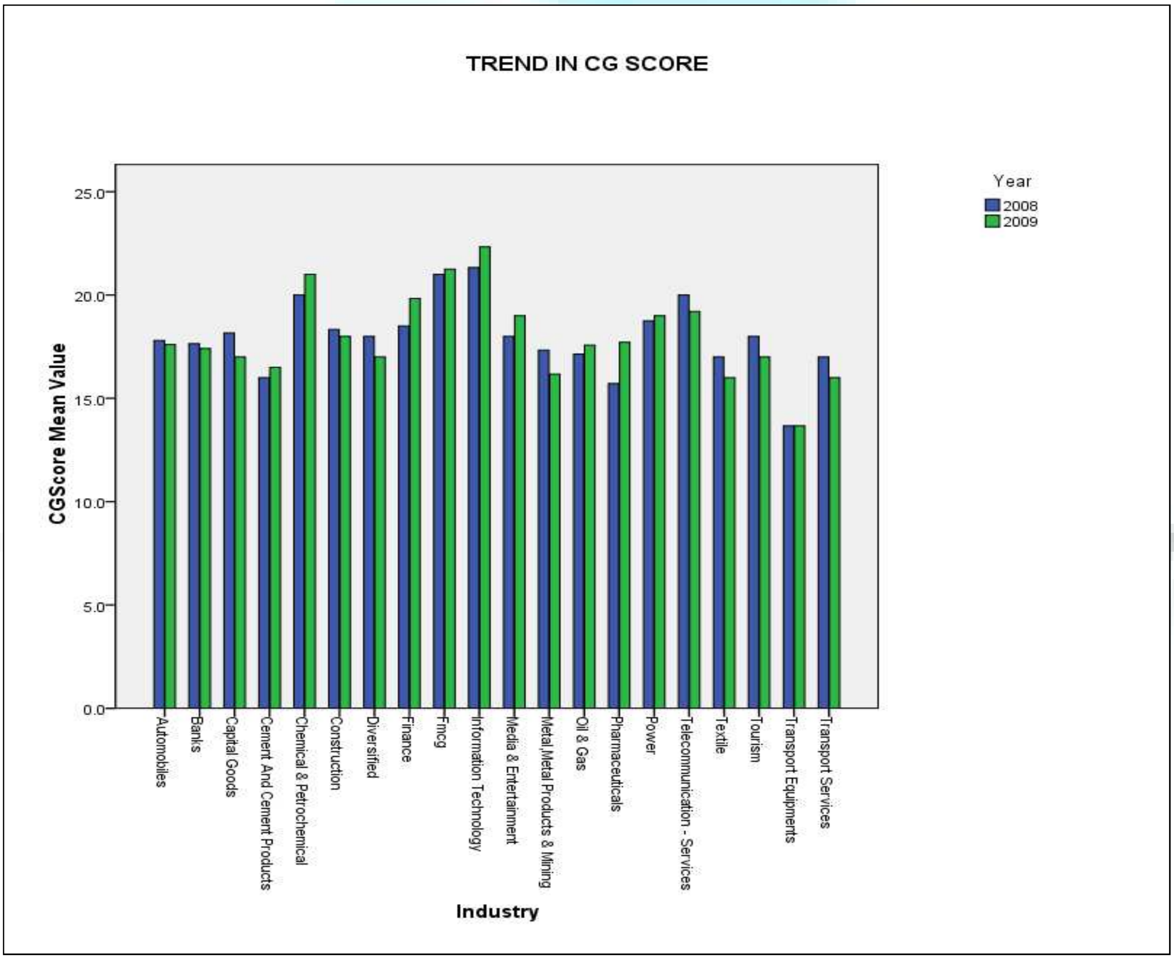
The results give insignificant *z* statistic for difference in CG Score but the difference in performance measures is highly significant with α=.000 for both ROE and ROA. Thus it is concluded that firms underperforms in 2009 as compared to their median performance level in 2008 whereas the change in compliance with corporate governance principles in 2009 is insignificant. Thus the results prove that the Indian economy is affected due to slowdown of economies worldwide with performance of Indian companies declining significantly whereas there is no change in corporate governance practices of companies. The effect of financial meltdown in India is seen in the form of reduced capital flow and contraction of export demand due to constrained financial conditions worldwide. All the sectors faced problems in raising funds from international sources where they were getting funds from foreign investors at a lower cost due to India's growth potential. It affected their growth plans hence leading to decline in performance.

A detailed analysis of different sectors is presented in Table 1.6 showing sectoral trend in CG Score over period of the study and Fig. 1.2 depicts mean CG Score for different sectors over 2007-2009. As can be seen from the table the mean CG Score shows declining and increasing trend for almost equal number of companies. Certain sectors including finance, IT, pharmaceuticals have registered a substantial increase in 2009 over the previous year whereas capital goods, metal, textiles, tourism and transport service have declined substantially.

TABLE 1.6: SECTORAL TRENDS

Industry Classification	No. of companies	Sectoral Trend in the Corporate Governance		Sectoral Trend in the Performance Measures			
		CG Score Mean Values		ROE Mean Values		ROA Mean Values	
		2008	2009	2008	2009	2008	2009
Automobiles	5	17.80	17.60	25.2	16	18.46	12.55
Banks	17	17.65	17.41	16.29	**17**	6.92	**7.31**
Capital Goods	6	18.17	17.00	26.83	20	16.11	11.31
Cement And Cement Products	4	16.00	**16.50**	34.25	23.5	32.48	22.08
Chemical & Petrochemical	1	20.00	**21.00**	40	33	24.98	17.57
Construction	3	18.33	18.00	24	13.67	12.72	8.17
Diversified	1	18.00	17.00	16	15	8.35	8.26
Finance	6	18.50	**19.83**	20.67	17.83	11.4	10.93
Fmcg	4	21.00	**21.25**	16.33	12.67	17.16	14.57
Information Technology	9	21.33	**22.33**	23.22	**24.11**	22.12	**22.12**
Media & Entertainment	1	18.00	**19.00**	14.00	13.00	17.21	15.99
Metal, Metal Products & Mining	6	17.33	16.17	21.50	17.00	19.53	14.73
Oil & Gas	7	17.14	**17.57**	17	7	12.94	7.66
Pharmaceuticals	7	15.71	**17.71**	25.14	2.86	20.29	8.74
Power	4	18.75	**19.00**	11.5	**11.75**	9.85	9.83
Telecommunication - Services	5	20.00	19.20	27.6	19.4	9.86	**9.89**
Textile	2	17.00	16.00	6	-10	7.03	-0.63
Tourism	1	18.00	17.00	19	8	18.94	10.36
Transport Equipments	3	13.67	13.67	20.67	15.33	17.19	14.96
Transport Services	1	17.00	16.00	24	21	26.54	24.16
Total	93						

FIG. 1.2



Performance measures (ROA and ROE) have shown increase in banks, ROE has increased in IT whereas ROA remain same for the sector. ROE has increased for power sector too but ROA has shown increase in telecom industry. Out of 20 industry sectors, only IT has shown increase in both the performance measures and

CG Score. Banks too have shown increase in performance with only minor fall in CG Score. Otherwise, all other sectors that have increased CG Score in 2009 do not have corresponding increase in performance measures. Based on the findings and evidence related to the jumps in CG Score and performance measures, a tentative conclusion can be drawn that increase in corporate governance practices do not necessarily lead to corresponding increase in performance of the company. Further analysis is undertaken for banks and IT sector in India as they are the only sectors where both the performance measures are either same or have increased. The variables taken in the study for both Banks and IT industry is tested for their normality by applying Kolmogorov-Smirnovtest, thus Paired Samples T test is employed to tests the null hypothesis that the means of dependent variables are same.

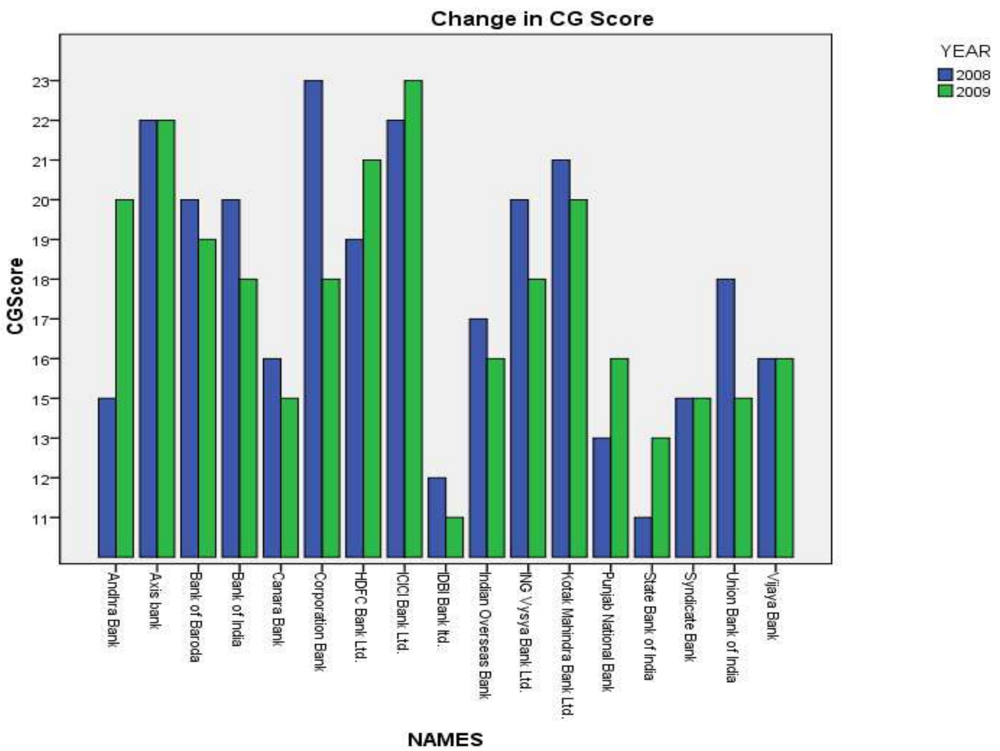
IMPACT OF CRISIS ON BANKS IN INDIA

The global financial crisis resulted in collapse of major banks and financial institutions worldwide but the Indian banks remain insulated from the crisis due to well regulated banking system. Table 1.7 below shows how the CG Score has varied for 17 banks in the sample from 2007-08 to 2008-09.

TABLE 1.7: BANKING COMPANIES TREND IN THE BEHAVIOUR OF THE CG SCORE OVER TIME (2008 TO 2009)

Trend	Number of Firms	% of the Total
Increasing	5	29
Decreasing	9	53
Stable	3	18
Total	17	100

FIG. 1.3



As the table indicates, numbers of banks that have become less compliant increases over those that are more compliant with governance principles. The graph shows change in CG Score across all banks taken in the study, it depicts that the governance practices of large renowned banks such as HDFC Bank Ltd., ICICI Bank Ltd., PNB and SBI has increased manifold and banks like Corporation Bank, UBI have lower CG Score in 2009. Therefore the analysis is undertaken to find whether the change in CG Score of banks is significant and whether their performance has also changed significantly in 2009.The test is here used to determine whether there is a statistically significant difference between pre and post CG Score and performance measures of sample banks. The purpose is to see if banks have improved their compliance with corporate governance principles and whether their performance has changed due to crisis.

TABLE 1.8: PAIRED SAMPLES TEST

	Paired Differences					t	df	Sig. (2-tailed)
	Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference				
				Lower	Upper			
Pair 1 CG Score 08 – CG Score09	.235	2.359	.572	-.978	1.448	.411	16	.686
Pair 2 ROE08 - ROE09	-.706	2.974	.721	-2.235	.823	-.979	16	.342
Pair 3 ROA08 - ROA09	-.388	.504	.122	-.647	-.129	-3.171	16	.006

The significance value α>0.05 for both CG Score and ROE show that the change is not significant in them whereas the high α=.006 for ROA proves significant change in bank's ROA, but the increase in ROE is not significant which proves the banks are affected but not much. The major cause of the crisis was low interest rate environment and easily available credit because of abundant liquidity in the US economy. The Indian banking system has prudential policies put in place by RBI which reduce the effect of crisis on them. RBI took proactive steps to manage domestic liquidity with its monetary policy through Liquidity Adjustment Facility (LAF) and other key policy rates. Also, the high credit quality of banks and adequate Capital Adequacy Ratio (CAR) helped them to withstand the crisis. ROA is significantly improved through continuous monitoring and concerted efforts of banks to bring down their gross and net NPAs during the year by making aggressive efforts for loan recovery. Since some banks face mark to market losses due to their almost negligible exposure to derivatives accompanied by slower GDP growth and depressed capital market conditions, their profitability remain under pressure due to which ROE could not be significantly improved.

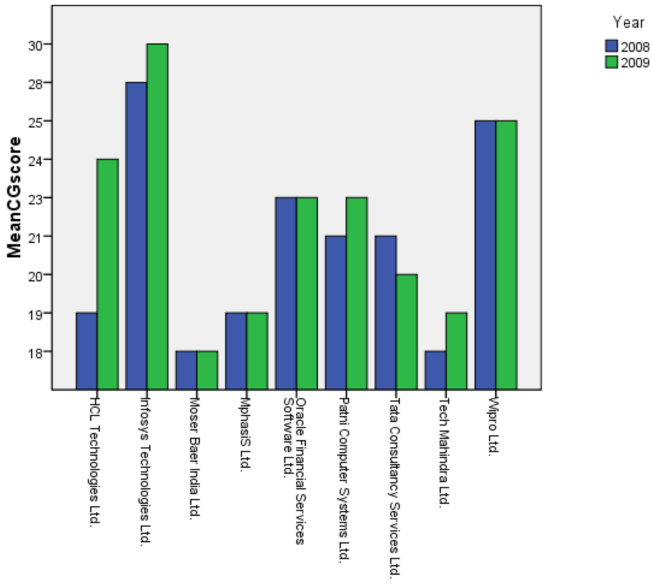
IMPACT OF CRISIS AND SATYAM'S FAILURE ON INDIAN IT INDUSTRY

The Indian IT industry faced challenges in 2009 due to major developments in world as well as in India too. The collapse of fourth major IT firm Satyam Computers in India was cited as case of corporate governance failure in the company that created need for reviewing corporate governance practices. The worldwide financial meltdown too resulted in collapse of major banks and financial institutions worldwide which were large customers of Indian IT firms. Thus analysis is done to find if corporate governance practices of IT firms improved and whether these developments affected their performance. Table 1.9 show how the CG Score has varied for the different IT firms from 2007-08 to 2008-09.

TABLE 1.9: IT COMPANIES TREND IN THE BEHAVIOUR OF THE CG SCORE OVER TIME (2008 TO 2009)

Trend	Number of Firms	% of the Total
Increasing	**4**	44
Decreasing	1	11
Stable	**4**	44
Total	9	100

FIG 1.4: CHANGE IN CG SCORE



As the table indicates, number of firms that have become more compliant and those which have same level of compliance with governance principles is same. It shows overall better compliance of corporate governance principles in sample firms. The graph in Fig. 1.6 shows change in CG Score of across all IT companies taken in the study. HCL Technologies has major improvement in its corporate governance practices and Infosys too increases its CG Score even after being the best governed company. Tata Consultancy Services Ltd. is the only firm whose compliance level decline in 2009.

The Paired Samples t test is used to determine whether there is a statistically significant difference between pre and post CG Score and performance measures of IT firms in sample taken for study. The purpose is to see if they have improved their compliance with corporate governance principles and whether their performance has changed due to recent developments.

TABLE 2: PAIRED SAMPLES TEST

	Paired Differences					t	df	Sig. (2-tailed)
	Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference				
				Lower	Upper			
Pair 1 CG Score 08 -CG Score09	-1.000	1.803	.601	-2.386	.386	-1.664	8	.135
Pair 2 ROE08 - ROE09	-.889	9.545	3.182	-8.226	6.448	-.279	8	.787
Pair 3 ROA08 - ROA09	.003	9.551	3.184	-7.338	7.344	.001	8	.999

The results of the test give insignificant α for all the variables that show increase in CG Score and ROE is not significant, leading to acceptance of null hypothesis. The insignificant increase in ROE and same average ROA is due to the fact that slowdown in global economy impacted IT industry. But the industry is not adversely affected and has marginally higher performance because India is a low cost destination with high quality services that help firms in marketing their services to other countries and the current scenario force them to act quickly. Also, collapse of Satyam Computers is one such case in the system which should not be generalised to entire industry. Moreover, downsizing in firms help in increasing the productivity of industry as employees work hard to keep their jobs secure.

RECOMMENDATIONS

The corporate governance principles should actively be reviewed by regulatory bodies on an ongoing basis and make improvements therein for effective corporate governance system. In this regard various suggestions are made to make corporate governance stronger:

STRENGTHEN THE PRINCIPLES

The principles that are desirable for improving governance of the company should have proper guidelines framed for implementing them. For example:

- Evaluation of director's performance: Director's role is most important as they act as representative of shareholders to protect their interest. Thus evaluation of their performance as whether they monitor the decisions of management, attend regular meetings, ask frequent questions for protection of shareholder's rights need to be there for strong system.

- Nomination committee: The committee should be formed with its charter to guide its members with well laid down code of conduct in considering candidates for nomination on board. The committee should be composed of only independent directors to avoid any kind of favouritism or informal networks due to management's influence.

ENHANCE MANDATORY PRINCIPLES

The mandatory principles of corporate governance can be made more effective through following changes:

- The principles can be modified to replace non executive non independent directors with independent directors wherever required.
- The audit committee should be composed only with independent directors.
- The remuneration committee should be made mandatory with independent chairman as well as all the members being independent directors.
- The committees of board should not have any executive or non executive directors, only independent directors can be part of board committees.
- There should be mandatory rotation of members on committees to avoid loss of independence.

STRENGTHEN THE ROLE AND RESPONSIBILITY OF AUDIT COMMITTEE

Audit committee is important in governing the reliability of company's financial statements through continuous investigation in company. They can conduct surprise audits, at the time of success too they should make regular enquiry to avoid failure in future. They can try to design regular fraud audits to maintain check on the practices followed by the management. The appointment and reappointment of independent and skilful external auditors will be greatly helpful in this regard. The committee can also plan to have joint audits and peer reviews as they could generate a sense of responsibility in the auditing firm. Due to peer pressure, the audit firm become bound to follow high professional standards.

GUIDELINES FOR WORKING OF REMUNERATION COMMITTEE

The pay structures are now designed with fixed and variable pay components (based on performance), thus it becomes important to avoid short term bias of executives to improve their variable pay. This can be done by evaluating performance of executives over range of years instead of single year and then payouts should be spread over several years. Also, the time period should be specified to retain stock options even if they retire from the company so that executives consider long term consequences of their actions.

STRONG INDEPENDENT BOARD

A company's board can perform its duty with due diligence only when it is independent of management. Proper checks need to be maintained to see if there exists any relationship of the board member with company directly or indirectly through incorporating more stringent guidelines in the definition of independent director. Independent directors should ask frequent questions, more and more questions to challenge strategies framed by executive colleagues. The mandatory principles can provide for sufficient number of nominee directors to be included in the board as financial institutions can take active part in overseeing the performance and quality of management in a company.

CONCLUSIONS

Corporate governance system is important for the company to prosper in the long term by gaining trust of market participants through effective decision making. In the study undertaken to find the effect of corporate governance practices on performance of the company, the results obtained lead to the following conclusions:

IMPORTANCE OF INDEPENDENT DIRECTORS IN BOARD COMMITTEES

One of the most important norms for corporate governance structures is the composition of board with sufficient number of independent directors to avoid influence of management in decisions of the company. Independent directors monitor the management of the company and align their interest with those of shareholders. The results of the analysis found audit and remuneration committee as most important board committees and their independent composition serves the true purpose to the company, as:

- Audit committee: Audit committee is the sub committee of board of directors which is supposed to play a crucial role in increasing the reliability of financial statements. The majority of independent directors with inquiring mind in audit committee can challenge the management for any proposal that could hamper the company in long term. Auditors will also be subject to oversight and discipline by independent composition of audit committee as well as face restrictions on non-audit services to the company.
- Remuneration committee: The committee has to decide on different components of salary, the most important being performance related pay to align interest of directors with company. The role of independent directors is important here for reviewing compensation arrangements of managers impartially. It is important to avoid influence of management in pay structure of directors such that short term incentives are replaced through inclusion of components based on their performance.

INEFFECTIVE ROLE OF CORPORATE GOVERNANCE PRINCIPLES

The compliance of firms with Clause 49 of corporate governance, mandatory as well as non mandatory are not found to be satisfactory in improving the performance of firms. The composition of audit committee with majority independent directors is the only mandatory guideline found to have significant positive effect in improving performance of the company. All the non mandatory principles lead to decline in performance of the company and 'board training' have significant adverse effect on performance of company. For compliance with international governance principles, the results for fully independent audit and remuneration committee is significant but the existence of nomination committee is found to have adverse impact on performance of the company significantly. Thus the role of mandatory and non mandatory principles as principles of good corporate governance in India gets restricted giving way to compliance with international guidelines.

IMPACT OF FINANCIAL CRISIS AND FALL OF SATYAM ON INDIA

The performance of Indian companies is highly impacted with their performance measures moving down during 2009 due to integration with world economy. The collapse of Satyam is cited as case of corporate governance failure in the company, still there is no significant increase in the compliance with corporate governance principles by the sample firms.

STRENGTH OF INDIAN ECONOMY

The performance of Indian companies is adversely affected in 2009 but in some industries performance has improved. The further analysis of banks and IT sector show the strength of Indian economy. The crisis has impact on banks and financial institutions around the world but Indian banks remain insulated from its effect due to well regulated banking system but their corporate governance practices have not improved. Moreover, the IT industry too has higher earnings in 2009 even after suffering loss of demand from its main customers i.e. banks and financial institutions but their corporate governance practices do not improve significantly. The significant increase in banks' ROA without corresponding increase in their compliance with corporate governance principles also proved that corporate governance has no significant effect on performance.

LIMITATIONS OF STUDY

1) The period of study encompass the global financial crisis which could have effect on results.
2) The conclusions are based on companies constituting CNX100 representing only 20 sectors of Indian economy during the period 2007-08 and 2008-09.
3) The study does not consider qualitative aspects of corporate governance variables.
4) The effect of asset tangibility and level of debt on performance ratios taken in the study i.e. ROA and ROE respectively is not considered.

ANNEXURE I

LIST OF SAMPLE FIRMS		
Sr. No.	**Name of Company**	**Industry**
1	ABB Ltd.	Capital Goods
2	ACC Ltd.	Cement And Cement Products
3	Aditya Birla Nuvo Ltd.	Textile
4	Ambuja Cements Ltd.	Cement And Cement Products
5	Andhra Bank	Banks
6	Apollo Tyres Ltd.	Transport Equipments
7	Ashok Leyland Ltd.	Automobiles
8	Asian Paints Ltd.	Chemical & Petrochemical
9	Aventis Pharma Ltd.	Pharmaceuticals
10	Axis bank	Banks
11	Bank of Baroda	Banks
12	Bank of India	Banks
13	Bharat Electronics Ltd.	Capital Goods
14	Bharat Forge Ltd.	Transport Equipments
15	Bharat Heavy Electricals Ltd.	Capital Goods
16	Bharat Petroleum Corporation Ltd.	Oil & Gas
17	Bharti Airtel Ltd.	Telecommunication - Services
18	Biocon Ltd.	Pharmaceuticals
19	Cairn India Ltd.	Oil & Gas
20	Canara Bank	Banks
21	Chennai Petroleum Corporation Ltd.	Oil & Gas
22	Cipla Ltd.	Pharmaceuticals
23	Container Corporation of India Ltd.	Transport Services
24	Corporation Bank	Banks
25	Cummins India Ltd.	Transport Equipments
26	DLF Ltd.	Construction
27	GAIL (India) Ltd.	Oil & Gas
28	GMR Infrastructure Ltd.	Construction
29	Grasim Industries Ltd.	Cement And Cement Products
30	HCL Technologies Ltd.	Information Technology
31	HDFC Bank Ltd.	Banks
32	Hero Honda Motors Ltd.	Automobiles
33	Hindalco Industries Ltd.	Metal,Metal Products & Mining
34	Hindustan Unilever Ltd.	Fmcg
35	Housing Development Finance Corporation Ltd.	Finance
36	I T C Ltd.	Fmcg
37	ICICI Bank Ltd.	Banks
38	IDBI Bank ltd.	Banks
39	Idea Cellular Ltd.	Telecommunication - Services
40	IFCI Ltd.	Finance
41	Indian Hotels Co. Ltd.	Tourism
42	Indian Overseas Bank	Banks
43	Infosys Technologies Ltd.	Information Technology
44	Infrastructure Development Finance Co. Ltd.	Finance
45	ING Vysya Bank Ltd.	Banks
46	Jaiprakash Associates Ltd.	Diversified
47	Jindal Steel & Power Ltd	Metal,Metal Products & Mining
48	Kotak Mahindra Bank Ltd.	Banks
49	Larsen & Toubro Ltd.	Capital Goods
50	LIC Housing Finance Ltd.	Finance
51	Lupin Ltd.	Pharmaceuticals
52	Mahindra & Mahindra Ltd.	Automobiles
53	Maruti Suzuki India Ltd.	Automobiles
54	Moser Baer India Ltd.	Information Technology
55	MphasiS Ltd.	Information Technology
56	National Aluminium Co. Ltd.	Metal,Metal Products & Mining
57	Nirma Ltd.	Fmcg
58	NTPC Ltd	Power
59	Oil & Natural Gas Corporation Ltd.	Oil & Gas
60	Oracle Financial Services Software Ltd.	Information Technology
61	Patni Computer Systems Ltd.	Information Technology
62	Power Finance Corporation Ltd.	Finance
63	Power Grid Corporation of India Ltd.	Power
64	Punjab National Bank	Banks
65	Ranbaxy Laboratories Ltd.	Pharmaceuticals
66	Raymond Ltd.	Textile
67	Reliance Capital Ltd.	Finance
68	Reliance Communications Ltd.	Telecommunication - Services

69	Reliance Infrastructure Ltd.	Power
70	Reliance Industries Ltd.	Oil & Gas
71	Reliance Natural Resources Ltd.	Oil & Gas
72	Siemens Ltd.	Capital Goods
73	State Bank of India	Banks
74	Steel Authority of India Ltd.	Metal,Metal Products & Mining
75	Sterlite Industries (India) Ltd.	Metal,Metal Products & Mining
76	Sun Pharmaceutical Industries Ltd.	Pharmaceuticals
77	Suzlon Energy Ltd.	Capital Goods
78	Syndicate Bank	Banks
79	Tata Communications	Telecommunication - Services
80	Tata Consultancy Services Ltd.	Information Technology
81	Tata Motors Ltd.	Automobiles
82	Tata Power Co. Ltd.	Power
83	Tata Steel Ltd.	Metal,Metal Products & Mining
84	Tata Teleservices (Maharashtra) Ltd.	Telecommunication - Services
85	Tech Mahindra Ltd.	Information Technology
86	UltraTech Cement Ltd.	Cement And Cement Products
87	Union Bank of India	Banks
88	Unitech Ltd.	Construction
89	United Spirits Ltd.	Fmcg
90	Vijaya Bank	Banks
91	Wipro Ltd.	Information Technology
92	Wockhardt Ltd.	Pharmaceuticals
93	Zee Entertainment Enterprises Ltd.	Media & Entertainment

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PARADIGM OF INDIAN TOURISM IN THE CHANGING SCENARIO

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LUCKNOW

ABSTRACT
All through the last decade, the tourism industry has seen many noteworthy changes that will have a historic impact on probable tourist demand. On the one hand, the rise of e-tourism, the democratization of travel and the inclination to book and to make up one's trip online rather than to buy a standard tourist package proposed by a tour operator, stood out with regard to the new traveler's preferences. Where as on its conflicting, many of the challenges like natural disasters such as earthquakes, tsunamis, floods and drought as well as health issues, such as dengue, avian and swine influenza has changed our perception of holiday and leisure. Therefore, it would be mesmerizing to hypothesize about the potential trends in travel that we can expect to see over the next decades. Tourism industry in India is escalating and it has massive prospective for generating employment and earning huge amount of foreign exchange besides giving a fillip to the country's overall economic and social expansion. But much more leftover is to be done. Eco-tourism must to be encouraged so that tourism in India helps in preserving and sustaining the diversity of the India's natural and cultural environments. Tourism in India should be urbanized in such a way that it accommodates and entertains visitors in a way that is minimally intrusive or destructive to the environment and sustains & supports the native cultures in the locations it is operating in. Moreover, this paper will enable to understand motto that tourism is a multi-dimensional action, and basically a service industry, it would be essential that all divisions of the Central and the governments of the respective states, non-governmental sector and charitable organizations become active partners in the endeavour to attain sustainable growth in tourism, if India is to become a world player in the tourism industry.

KEYWORDS
Eco-tourism, natural disasters, employment, foreign revenue and multi-dimensional.

INTRODUCTION - TOURISM
The word "tour" is derived from the Latin 'tornare' and the Greek'tornos,' meaning 'a lathe or circle; the association around a central point or axis.' This meaning changed in modern English to represent 'one's turn.' The suffix -ism is defined as 'an action or process; typical behavior or quality' whereas the suffix -ist denotes one that performs a given action. When the word tour and the suffixes -ism and -ist are combined, they suggest the action of movement around a circle. One can disagree that a circle represents a starting point, which ultimately proceeds back to its beginning. Therefore, like a circle, a tour represents a journey that is a round trip, i.e., the act of leaving and then returning to the original initial tip, and therefore, one who experiences such a journey can be called a tourist.

Over the decades, tourism has experienced continued growth and diversification to become one of the fastest growing economic sectors in the world.

REVIEW OF LITERATURE
Tourism has become a thriving global industry with the supremacy to shape developing countries in mutually positive and negative ways. No doubt it has become the fourth largest industry in the global economy. Similarly, in developing countries like India tourism has become one of the key sectors of the economy, contributing to a large percentage of the National Income and generating huge employment opportunities. It has become one of the best ever growing service industry in the country with great potentials for its further development and diversification.

However, there are pros and cons concerned with the expansion of tourism industry in the country. In this paper the researcher has attempted to highlight the development as well as the negative and positive impacts of tourism industry in India is highlighted.

India is a country of all reason & all season and full of an assortment of varieties of tourist attractions & tourism resources. India's rich tradition of heritage has created glorious architectural styles, temple cities and towns with other fascinating splendid monuments. India's Hills & mountains offer some of the finest sites in the globe to linguistically chill out & rejuvenate the mind, body & soul. The vast coastline covering nine states really offers a unique experience of beach tourism. So in a true sense, India posses the necessary qualities of 'Incredible India', it's an ecstasy for all types of Tourists.

All through the last decade, the tourism industry has seen many remarkable changes that will have a historic impact on potential tourist demand.

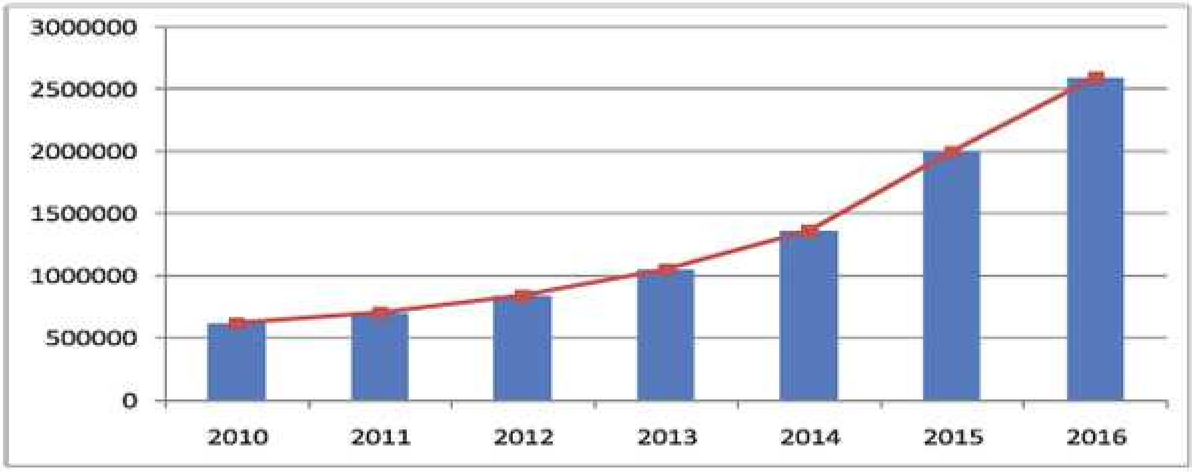
OBJECTIVE
On the one hand, the rise of e-tourism, the democratization of travel and the tendency to book and to make up one's trip online rather than to buy a standard tourist package projected by a tour operator, stood out with view to the new traveler's preferences. Where as on its contrary, many of the challenges like natural disasters such as tsunamis, volcanic eruptions and earthquakes as well as health issues, such as avian and swine influenza, have changed our insight of holiday and leisure.

Therefore, it would be mesmerizing to hypothesize about the future trends in travel that we can anticipate to see over the subsequently decades.

DEVELOPMENT OF TOURISM IN INDIA
PRESENT SITUATION AND FEATURES OF TOURISM IN INDIA
Today tourism is the largest service industry in India, with a contribution of 6.23% to the national GDP and providing 8.78% of the total employment. India witnesses more than 5 million annual foreign tourist arrivals and 562 million domestic tourism visits. The Ministry of Tourism is the nodal agency for the development and promotion of tourism in India and maintains the "Incredible India" campaign.

According to World Travel and Tourism Council, India will be a tourism hotspot from 2009-2018, having the highest 10-year growth potential. As per the Travel and Tourism Competitiveness Report 2009 by the World Economic Forum, India is ranked 11th in the Asia Pacific region and 62nd overall, moving up three places on the list of the world's attractive destinations. It is ranked the 14th best tourist destination for its natural resources and 24th for its cultural resources, with many World Heritage Sites, both natural and cultural, rich fauna, and strong creative industries in the country. India also bagged 37th rank for its air transport network. The India travel and tourism industry ranked 5th in the long-term (10-year) growth and is expected to be the second largest employer in the world by 2019.

FIG. 1



Interpretation of graph in numbers -

Year	2010	2011	2012	2013	2014	2015	2016
No of Arrivals	650,000	75000	850,000	1,050,000	1,350,000	2,000,000	2,500,000

Moreover, India has been ranked the "best country brand for value-for-money" in the Country Brand Index (CBI) survey conducted by Future Brand, a leading global brand consultancy. India also claimed the second place in CBI's "best country brand for history", as well as appears among the top 5 in the best country brand for authenticity and art & culture, and the fourth best new country for business. India made it to the list of "rising stars" or the countries that are likely to become major tourist destinations in the next five years, led by the United Arab Emirates, China, and Vietnam.

Tourist Attractions in India: India is a country known for its lavish treatment to all visitors, no matter where they come from. Its visitor-friendly traditions, varied life styles and cultural heritage and colourful fairs and festivals held abiding attractions for the tourists. The other attractions include beautiful beaches, forests and wild life and landscapes for eco-tourism; snow, river and mountain peaks for adventure tourism; technological parks and science museums for science tourism; centres of pilgrimage for spiritual tourism; heritage, trains and hotels for heritage tourism. Yoga, ayurveda and natural health resorts and hill stations also attract tourists.

The Indian handicrafts particularly, jewellery, carpets, leather goods, ivory and brass work are the main shopping items of foreign tourists. It is estimated through survey that nearly forty per cent of the tourist expenditure on shopping is spent on such items.

Despite the economic slowdown, medical tourism in India is the fastest growing segment of tourism industry, according to the market research report “Booming Medical Tourism in India”. The report adds that India offers a great potential in the medical tourism industry. Factors such as low cost, scale and range of treatments provided in the country add to its attractiveness as a medical tourism destination.

Initiatives to Boost Tourism: Some of the recent initiatives taken by the Government to boost tourism include grant of export house status to the tourism sector and incentives for promoting private investment in the form of Income Tax exemptions, interest subsidy and reduced import duty. The hotel and tourism-related industry has been declared a high priority industry for foreign investment which entails automatic approval of direct investment up to 51 per cent of foreign equity and allowing 100 per cent non-resident Indian investment and simplifying rules regarding the grant of approval to travel agents, tour operators and tourist transport operators.

CONSTRAINTS

The major constraint in the development of tourism in India is the non-availability of adequate infrastructure including adequate air seat capacity, accessibility to tourist destinations, accommodation and trained manpower in sufficient number.

Poor visitor experience, particularly, due to inadequate infrastructural facilities, poor hygienic conditions and incidents of touting and harassment of tourists in some places are factors that contribute to poor visitor experience.

PROCLIVITY OF TOURISM

NEW EMERGING OUTBOUND MARKETS

Among the biggest emerging outbound markets, we can cite here China and India with over a billion people each, many of which are starting to travel internationally. If we look, for instance, at the number of Chinese people who traveled abroad, it rose considerably between 2011 (34,524 million travelers) and 2013 (57,386 million travelers) thus marking a 66 per cent increase over the two years.

This implies that inbound destinations interested in those promising markets should get prepared for this large influx by:

- Improving their infrastructure, mainly road and airport infrastructures;
- Preparing communication media in relevant languages;
- Ensuring better air connections by seeking common ground with other airline companies or Tour-Operators;
- Initiating in-depth studies on tourists’ travel needs from those markets.

GREEN TOURISM

Green tourism, also known as nature-based tourism or sustainable tourism, is in great demand and will continue its growth in the future since many travelers are now aware of the negative impact tourism might have on the environment and have, therefore, become more responsible with regard to sustainability.

CLIMATE CHANGE AND ALTERNATIVE FUTURE TRANSPORT

When thinking of the warming of the planet, the erratic weather patterns and the natural disasters that will likely occur and are occurring already, we can describe global climate change as one of the worst disasters to hit the humanity.

Furthermore, destinations should expect climate change to have an impact on tourists’ purchasing trends. We will gradually see new means of transport gaining ground to the detriment of air traffic: Will tourists be willing to fly across the ocean if they consider the carbon footprint of their flights?

Travelers may opt for journeys made by train, boat or coaches especially that these modes are nowadays offering more comfort, great web accessibility and timetables suitability. In addition, shorter trips within the same continent or the same geographical region will more likely outweigh the long ones.

TRAVEL WITH A MISSION

Another important future trend is travels that incorporate an added-value rather than just a classic lazy sun and see vacation: Many travelers are nowadays looking for real travel experiences that enrich their culture and let them live and feel the authenticity. Furthermore, they seek out travels that involve volunteering (e.g. providing support to a population in need, humanitarian actions, etc.) or that include a particular mission, for instance, learning a new language, exploring new culinary techniques, attending a seminar, a concert or an event, etc.

As a result, tour operators are now becoming specialists rather than generalists: Some are positioned as experts in golf vacations while others are specialized in cultural tours and so on.

SOCIAL MEDIA

Social media includes web-based and mobile technologies used to turn communication into interactive dialogue between organizations, communities and individuals. The last decade has witnessed an unprecedented rise of social media in many different forms: Collaborative projects (e.g. Wikipedia), blogs and micro-blogs (e.g. twitter), content communities (e.g. You Tube), social networking sites (e.g. Facebook), etc.

Businesses currently refer to social media as consumer-generated media since they are relatively inexpensive and accessible to anyone compared to industrial or traditional media. In the US, for example, social networking now accounts for 22 per cent of all time spent online.

However, if destinations or tourism authorities decide to use these online platforms to make promotions or to bring updates, it is crucial that they understand how to deal with social media to become effective influencers and thus cleverly pass the desired message to public. Furthermore, organizations should always bear in mind that people are nowadays resistant to marketing in general and especially to direct social marketing and hence they should find better tricks to be socially powerful. Some studies came up to these organizations with two important suggestions: Either to establish themselves as "experts" in a particular field or area, thereby become influencers in that particular field or area, or try to gain trust and credibility as most people prefer to learn from other people like them who share their experiences rather than from marketers.

SAFETY AND SECURITY

Tourism is very different from what it was prior to the notable terrorist and criminal attacks the world has recently witnessed. Modern tourism is a multifaceted and complex industry involving many stakeholders. Safety and security need, therefore, to be priorities for any tourism destination.

Furthermore, policies and practices that protect both tourists and locals, and also that address how a crisis should be managed if the need arises are an essential component of tourism development. To reach the safety goal, governments should work on the implementation of an action plan that may include the following:

• Devoting special and sufficient budgets for safety issues: There is a common perception, especially in developing countries, that governments want tourists to receive extraordinary services within the confines of ordinary budgets. As a result, law enforcement agencies generally suffer from a lack of funding, manpower shortages and low-morale staff due in part to low pay and lack of resources.

• Involving all stakeholders in crime prevention programmes (e.g. hoteliers, airline companies, the local population, transportation agencies, restaurants, bars, taxi drivers, etc.) since safety is everyone's responsibility. This can be achieved through a better coordination between stakeholders as well as through appropriate planning and awareness campaigns.

• Security professional tourism training: Security professionals, who work in tourism areas, need to be sensitive to the special needs of the transient person. In fact, they need to know how to reduce crimes' probability and how to comfort the tourist if he/she is a victim of a crime.

• Property inspections with minimal safety standard: it is often easier to prevent a crime than to deal with it post facto.

In brief, as today's tourists seek places that are safe and secure, countries should continue to get heavily involved in developing policies that protect their population and visitors from perceived unsafe situations.

WORKFORCE DEVELOPMENT

The success of the tourism and hospitality sector is based on the continually evolving challenge of "selling the intangible". Thus, the human factor is of an increased importance. If we look, for instance, at destinations and companies selling tourism services, they are struggling to differentiate themselves beyond just the physical product. In other words, it is the human element that creates their competitive advantage and what makes or breaks a tourism experience.

Nevertheless, due to the large human resource needs of the tourism industry, there is often a lack of qualified employees available to the industry. Destinations that want to consolidate their positions in the future world travel market should then work hard on upgrading their workforce. This can be achieved by:

• Developing a sustainable workforce, either through education and training of their own workforce, or through migration policies.

• Implementing appropriate educational policies for all tourism organizations (hotels, amusement parks, restaurants, bars, etc.). These policies should be designed and developed by relevant tourism entities within the government and not by other entities, as in some instances, educational policies are set by the ministry of education!

• Creating human resource councils that address the needs of the tourism sector at a local, regional or national level and aiming at reducing the gap between what is offered and what is needed, and focusing on quality control and related issues.

ECONOMICAL AND SOCIAL SCENARIO OF INDIAN TOURISM

Tourism industry in India has several positive and negative impacts on the economy and society. These impacts are highlighted below.

POSITIVE IMPACTS

1. Generating Income and Employment: Tourism in India has emerged as an instrument of income and employment generation, poverty alleviation and sustainable human development. It contributes 6.23% to the national GDP and 8.78% of the total employment in India. Almost 20 million people are now working in the India's tourism industry.

2. Source of Foreign Exchange Earnings: Tourism is an important source of foreign exchange earnings in India. This has favourable impact on the balance of payment of the country. The tourism industry in India generated about US$100 billion in 2008 and that is expected to increase to US$275.5 billion by 2018 at a 9.4% annual growth rate.

3. Preservation of National Heritage and Environment: Tourism helps preserve several places which are of historical importance by declaring them as heritage sites. For instance, the Taj Mahal, the Qutab Minar, Ajanta and Ellora temples, etc, would have been decayed and destroyed had it not been for the efforts taken by Tourism Department to preserve them. Likewise, tourism also helps in conserving the natural habitats of many endangered species.

4. Developing Infrastructure: Tourism tends to encourage the development of multiple-use infrastructure that benefits the host community, including various means of transports, health care facilities, and sports centers, in addition to the hotels and high-end restaurants that cater to foreign visitors. The development of infrastructure has in turn induced the development of other directly productive activities.

5. Promoting Peace and Stability: Honey and Gilpin (2009) suggests that the tourism industry can also help promote peace and stability in developing country like India by providing jobs, generating income, diversifying the economy, protecting the environment, and promoting cross-cultural awareness. However, key challenges like adoption of regulatory frameworks, mechanisms to reduce crime and corruption, etc, must be addressed if peace-enhancing benefits from this industry are to be realized.

NEGATIVE IMPACTS

1. Undesirable Social and Cultural Change: Tourism sometimes led to the destruction of the social fabric of a community. The more tourists coming into a place, the more perceived risk of that place losing its identity. A good example is Goa. From the late 60's to the early 80's when the Hippy culture was at its height, Goa was a haven for such hippies. Here they came in thousands and changed the whole culture of the state leading to a rise in the use of drugs, prostitution and human trafficking. This had a ripple effect on the country.

2. Increase Tension and Hostility: Tourism can increase tension, hostility, and suspicion between the tourists and the local communities when there is no respect and understanding for each other's culture and way of life. This may further lead to violence and other crimes committed against the tourists. The recent crime committed against Russian tourist in Goa is a case in point.
3. Creating a Sense of Antipathy: Tourism brought little benefit to the local community. In most all-inclusive package tours more than 80% of travelers' fees go to the airlines, hotels and other international companies, not to local businessmen and workers. Moreover, large hotel chain restaurants often import food to satisfy foreign visitors and rarely employ local staff for senior management positions, preventing local farmers and workers from reaping the benefit of their presence. This has often created a sense of antipathy towards the tourists and the government.
4. Adverse Effects on Environment and Ecology: One of the most important adverse effects of tourism on the environment is increased pressure on the carrying capacity of the ecosystem in each tourist locality. Increased transport and construction activities led to large scale deforestation and destabilization of natural landforms, while increased tourist flow led to increase in solid waste dumping as well as depletion of water and fuel resources. Flow of tourists to ecologically sensitive areas resulted in destruction of rare and endangered species due to trampling, killing, disturbance of breeding habitats. Noise pollution from vehicles and public address systems, water pollution, vehicular emissions, untreated sewage, etc. also have direct effects on bio-diversity, ambient environment and general profile of tourist spots.

ENVIRONMENTAL IMPACT OF TOURISM IN INDIA
The tourism industry in India can have several positive and negative impacts on the environment which are as here below.

POSITIVE IMPACTS

1. DIRECT FINANCIAL CONTRIBUTIONS

Tourism can contribute directly to the conservation of sensitive areas and habitat. Revenue from park-entrance fees and similar sources can be allocated specifically to pay for the protection and management of environmentally sensitive areas. Special fees for park operations or conservation activities can be collected from tourists or tour operators.

2. CONTRIBUTIONS TO GOVERNMENT REVENUES

The Indian government through the tourism department also collects money in more far-reaching and indirect ways that are not linked to specific parks or conservation areas. User fees, income taxes, taxes on sales or rental of recreation equipment, and license fees for activities such as rafting and fishing can provide governments with the funds needed to manage natural resources. Such funds can be used for overall conservation programs and activities, such as park ranger salaries and park maintenance.

3. IMPROVED ENVIRONMENTAL MANAGEMENT AND PLANNING

Sound environmental management of tourism facilities and especially hotels can increase the benefits to natural environment. By planning early for tourism development, damaging and expensive mistakes can be prevented, avoiding the gradual deterioration of environmental assets significant to tourism. The development of tourism has moved the Indian government towards this direction leading to improved environmental management.

4. RAISING ENVIRONMENTAL AWARENESS

Tourism has the potential to increase public appreciation of the environment and to spread awareness of environmental problems when it brings people into closer contact with nature and the environment. This confrontation heightens awareness of the value of nature among the community and lead to environmentally conscious behavior and activities to preserve the environment.

6. PROTECTION AND PRESERVATION OF ENVIRONMENT

Tourism can significantly contribute to environmental protection, conservation and restoration of biological diversity and sustainable use of natural resources. Because of their attractiveness, pristine sites and natural areas are identified as valuable and the need to keep the attraction alive can lead to creation of national parks and wildlife parks.
In India, new laws and regulations have been enacted to preserve the forest and to protect native species. The coral reefs around the coastal areas and the marine life that depend on them for survival are also protected.

NEGATIVE IMPACTS

1. DEPLETION OF NATURAL RESOURCES

Tourism development can put pressure on natural resources when it increases consumption in areas where resources are already scarce.
(i) Water resources: Water, especially fresh water, is one of the most critical natural resources. The tourism industry generally overuses water resources for hotels, swimming pools, golf courses and personal use of water by tourists. This can result in water shortages and degradation of water supplies, as well as generating a greater volume of waste water. (www.gdrc.org/uem/eco-tour/envi/index.html). In dryer regions like Rajasthan, the issue of water scarcity is of particular concern.
(ii) Local resources: Tourism can create great pressure on local resources like energy, food, and other raw materials that may already be in short supply. Greater extraction and transport of these resources exacerbates the physical impacts associated with their exploitation. Because of the seasonal character of the industry, many destinations have ten times more inhabitants in the high season as in the low season. A high demand is placed upon these resources to meet the high expectations tourists often have (proper heating, hot water, etc.).
(iii) Land degradation: Important land resources include minerals, fossil fuels, fertile soil, forests, wetland and wildlife. Increased construction of tourism and recreational facilities has increased the pressure on these resources and on scenic landscapes. Direct impact on natural resources, both renewable and nonrenewable, in the provision of tourist facilities is caused by the use of land for accommodation and other infrastructure provision, and the use of building materials (www.gdrc.org/uem/eco-tour/envi/index.html)
Forests often suffer negative impacts of tourism in the form of deforestation caused by fuel wood collection and land clearing e.g. the trekking in the Himalayan region, Sikkim and Assam.

2. POLLUTION

Tourism can cause the same forms of pollution as any other industry: air emissions, noise, solid waste and littering, releases of sewage, oil and chemicals, even architectural/visual pollution (www.gdrc.org/uem/eco-tour/envi/index.html).
(i) Air and Noise Pollution: Transport by air, road, and rail is continuously increasing in response to the rising number of tourist activities in India. Transport emissions and emissions from energy production and use are linked to acid rain, global warming and photochemical pollution. Air pollution from tourist transportation has impacts on the global level, especially from carbon dioxide (CO2) emissions related to transportation energy use. And it can contribute to severe local air pollution. Some of these impacts are quite specific to tourist activities where the sites are in remote areas like Ajanta and Ellora temples. For example, tour buses often leave their motors running for hours while the tourists go out for an excursion because they want to return to a comfortably air-conditioned bus.
Noise pollution from airplanes, cars, and buses, as well as recreational vehicles is an ever-growing problem of modern life. In addition to causing annoyance, stress, and even hearing loss for humans, it causes distress to wildlife, especially in sensitive areas (www.gdrc.org/uem/eco-tour/envi/index.html).
(ii) Solid waste and littering: In areas with high concentrations of tourist activities and appealing natural attractions, waste disposal is a serious problem and improper disposal can be a major despoiler of the natural environment - rivers, scenic areas, and roadsides.
In mountain areas of the Himalayas and Darjeeling, trekking tourists generate a great deal of waste. Tourists on expedition leave behind their garbage, oxygen cylinders and even camping equipment. Such practices degrade the environment particularly in remote areas because they have few garbage collection or disposal facilities (www.gdrc.org/uem/eco-tour/envi/index.html).
(iii) Sewage: Construction of hotels, recreation and other facilities often leads to increased sewage pollution. Wastewater has polluted seas and lakes surrounding tourist attractions, damaging the flora and fauna. Sewage runoff causes serious damage to coral reefs because it stimulates the growth of algae,

which cover the filter-feeding corals, hindering their ability to survive. Changes in salinity can have wide-ranging impacts on coastal environments. And sewage pollution can threaten the health of humans and animals. Examples of such pollution can be seen in the coastal states of Goa, Kerela, Maharashtra, Tamil Nadu, etc.

3. DESTRUCTION AND ALTERATION OF ECOSYSTEM

An ecosystem is a geographic area including all the living organisms (people, plants, animals, and micro-organisms), their physical surroundings (such as soil, water, and air), and the natural cycles that sustain them. Attractive landscape sites, such as sandy beaches in Goa, Maharashtra, Kerela, Tamil Nadu; lakes, riversides, and mountain tops and slopes, are often transitional zones, characterized by species-rich ecosystems. The threats to and pressures on these ecosystems are often severe because such places are very attractive to both tourists and developers. Examples may be cited from Krushedei Island near Rameswaram. What was once called paradise for marine biologists has been abandoned due to massive destruction of coral and other marine life. Another area of concern which emerged at Jaisalmer is regarding the deterioration of the desert ecology due to increased tourist activities in the desert.

Moreover, habitat can be degraded by tourism leisure activities. For example, wildlife viewing can bring about stress for the animals and alter their natural behavior when tourists come too close. Safaris and wildlife watching activities have a degrading effect on habitat as they often are accompanied by the noise and commotion created by tourists.

CONCLUSION

This analysis clearly highlights that destinations seeking to maintain or strengthen their position in the future world of travel should start working on a long-term action plan comprising a set of strategies that comply with these eight trends. In any case, the above study deserves a deep reflexion as it might spark other ideas and create interesting debates.

Tourism industry in India is growing and it has vast potential for generating employment and earning large amount of foreign exchange besides giving a fillip to the country's over all economic and social development. But much more remains to be done. Eco-tourism needs to be promoted so that tourism in India helps in preserving and sustaining the diversity of the India's natural and cultural environments. Tourism in India should be developed in such a way that it accommodates and entertains visitors in a way that is minimally intrusive or destructive to the environment and sustains & supports the native cultures in the locations it is operating in. Moreover, since tourism is a multi-dimensional activity, and basically a service industry, it would be necessary that all wings of the Central and State governments, private sector and voluntary organizations become active partners in the endeavour to attain sustainable growth in tourism if India is to become a world player in the tourism industry.

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DEPOSITORY SYSTEM IN INDIA: AN OVERVIEW

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ABSTRACT

In India the need for setting up a depository was realized after the large scale of irregularities in securities transactions of 1992 exposed the limitations of the prevailing system. Therefore, the need for depository system was realised for the growth of primary market, which would reduce the time between the allotment of shares and transfer of entitlements arising out of each allotment.Depositories gave a new dimension and a new scope for conducting transactions in capital market- primary as well as secondary, in a more efficient and effective manner, in a paperless form on an electronic book entry basis. It provided electronic solution to the aforementioned problems of bad deliveries and long settlement cycle

KEYWORDS

depository system, depositories, electronic system.

INTRODUCTION

In India the need for setting up a depository was realized after the large scale of irregularities in securities transactions of 1992 exposed the limitations of the prevailing system. Therefore, the need for depository system was realised for the growth of primary market, which would reduce the time between the allotment of shares and transfer of entitlements arising out of each allotment.Depositories gave a new dimension and a new scope for conducting transactions in capital market- primary as well as secondary, in a more efficient and effective manner, in a paperless form on an electronic book entry basis. It provided electronic solution to the aforementioned problems of bad deliveries and long settlement cycle. The earlier settlement system on Indian stock exchanges was very inefficient as it was unable to take care of the transfer of securities in a quick/speedy manner. Since, the securities were in the form of physical certificates; their quick movement was again difficult. This led to settlement delays, theft, forgery, mutilation and bad deliveries and also to added costs. To wipeout these problems, the Depositories Act 1996 was passed. It was formed with the purpose of ensuring free transferability of securities with speed, accuracy & security.

A Depository is an organization where the securities of share holders are held in the electronic format the request of the share holder through the medium of a depository participant. A depository holds the securities of investors in electronic form just like a bank holds cash of its customers. As in a Bank, investors can deposit/withdraw and transfer securities.This system is also known as Scrip Less Trading system. A depository is a centralized warehouse of securities (like shares, debentures, bonds, government securities, mutual fund units etc.) in dematerialized form. The eligible securities are warehoused in the depository in computerized form to enable securities trading and other transactions in electronic mode. Thus, the recordings are done in the form of a book-entry and securities are not issued or exchanged in physical form. The depository system offers an efficient transfer mechanism by interfacing with the stock market related clearing operations.

Depository means a company formed and registered under Companies Act, 1996 and which has been granted a certificate of registration under section 12(1A) of the Securities and Exchange Board of India Act, 1992".It is system whereby it transfer and settlement of scrip's take place not through the traditional method of transfer deeds and physical delivery of scrip's through the modern system of effective transfer takes of ownership of securities by means of book entry on the ledgers of the depository without physical movement of scrip's.

DEPOSITORIES ACT, 1996

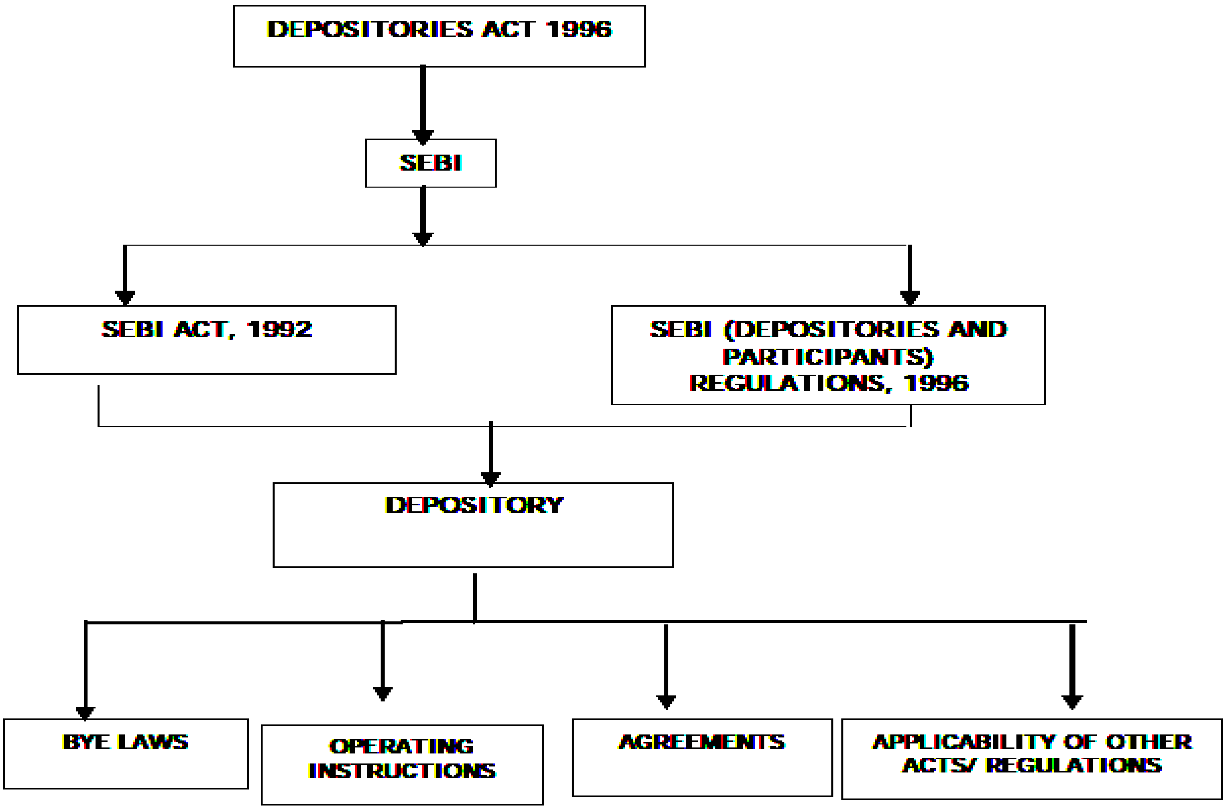
The Depositories Act was passed by the parliament in the August, 1996. Which lays down the legislative frame work for facilitating the dematerialisation and book entry transfer of securities in a depository. The Act provides that a depository, which is required to be a company under the Companies Act,1956, and depository participant i.e. agents of the depository need to be registered with Stock Exchange Board of India (SEBI). The Depositories Act, 1996 provides for the establishment of depositories in securities with the objective of ensuring free transferability of securities with speed, accuracy and security by:

(a) making securities freely transferable subject to certain exceptions;
(b) dematerialization of the securities in the depository mode; and
(c) providing for maintenance of ownership records in a book entry form.

The Act has made the securities of all companies freely transferable in the depository mode, restricting the company's right to use discretion in effecting the transfer of securities. The other procedural and the transfer deed requirements stated in the Companies Act have also been dispensed with.

CHART 1

The schematic diagram of legal framework of regulation of depositories is shown below:



FEATURES OF A DEPOSITORY SYSTEM

1. In the depository system, securities are held in depository accounts, which is more or less similar to holding funds in bank accounts.
2. Transfer of ownership of securities is done through simple account transfers.
3. This method does away with all the risks and hassles normally associated with paperwork.
4. Consequently, the cost of transacting in a depository environment is considerably lower as compared to transacting in certificates.

CONSTITUENTS OF DEPOSITORY SYSTEM

The depository system comprises of:

1. Depository
2. Depository Participant (DP)
3. Security Issuers , Registrars and Share Transfer Agents
4. Stock Exchanges and Stock Brokers
5. Clearing Corporation/ Clearing House and Clearing Members
6. Banking system
7. Investors

1. DEPOSITORY

It is an organization where the securities are held in electronic form and carries out the securities transaction by book entry. Depository functions like a securities bank, where the dematerialized physical securities are traded and held in custody. This facilitates faster risk free and low cost settlement. In India a depository has to be promoted as a corporate body under Companies Act, 1956. It is also to be registered as a depository with SEBI. It starts operations after obtaining a certificate of commencement of business from SEBI. It has to develop automatic data processing systems to protect against unauthorized access. A network to link up with depository participants, issuers and issuer's agent has to be created. Depository, operating in India, shall have a net worth of rupees one hundred crore and instruments for which depository mode is open need not be a security as defined in the Securities Contract (Regulations) Act 1956. The depository, holding securities, shall maintain ownership records in the name of each participant. Despite the fact that legal ownership is with depository, it does not have any voting right against the securities held by it. Rights are intact with investors.

Depository is much like a bank and performs many activities that are similar to a bank depository:

a) Enables surrender and withdrawal of securities to and from the depository through the process of 'demat' and 'remat',
b) Maintains investors' holdings in electronic form,
c) Effects settlement of securities traded in depository mode on the stock exchanges,
d) Carries out settlement of trades not done on the stock exchanges (off market trades).

There are two depositories in India at present i.e.

A. NSDL: National Securities Depository limited

National Securities Depository Limited is the first depository to be set-up in India. It was incorporated on December 12, 1995. NSDL is a public limited company managed by a professional Board of Directors. The Industrial Development Bank of India (IDBI) - the largest development bank in India, Unit Trust of India (UTI) - the largest Indian mutual fund and the National Stock Exchange (NSE) - the largest stock exchange in India, sponsored the setting up of NSDL and subscribed to the initial capital. NSDL commenced operations on November 8, 1996. The aim is to provide facilities for holding and handling securities in electronic form.

TABLE 1

As on Jan 31 2015	
Number of certificates eliminated (Approx.)	1807
Number of companies in which more than 75% shares are dematted	5571
Average number of accounts opened per day since November 1996	3577
Presence of demat account holders in the country	89% of all pincodes in the country

Source: Website of NSDL

B. CDSL: Central Depository Services (India) Limited

CDSL was set up with the objective of providing convenient, dependable and secure depository services at affordable cost to all market participants. CDSL received the certificate of commencement of business from SEBI in February 1999. All leading stock exchanges like the National Stock Exchange, Calcutta Stock Exchange, Delhi Stock Exchange, The Stock Exchange, Ahmadabad, etc have established connectivity with CDSL.

TABLE 2: FACTS AND FIGURES AS ON 31ST JANUARY 2015

	NSDL	CDSL
Year operation started	1996	1999
Promoters	IDBI, UTI and NSE	BSE, SBI, BOB, HDFC, Standard chartered Bank, Union Bank etc.
Number of Accounts	1,36,97,744	9433059
Value of demat securities (In Crore)	117,01,061	145,62,750
Number of companies	10,843	12,801
DP service centres	15,936	11,422

Source: website of CDSL and NSDL

2. DEPOSITORY PARTICIPANTS (DP)

DP is an agent of the depository and functions as the interacting medium between the depository and the investor. A DP is investors' representative in the depository system and as per the SEBI guidelines, financial institutions/banks/custodians/stock brokers etc. can become DPs provided they meet the necessary requirements prescribed by SEBI. DP is also an agent of depository which functions as a link between the depository and the beneficial owner of the securities. DP has to get itself registered as such under the SEBI Act. The relationship between the depository and the DP will be of a principal and agent and their relation will be governed by the bye-laws of the depository and the agreement between them. Application for registration as DP is to be submitted to a depository with which it wants to be associated. The registration granted is valid for five years and can be renewed. Eligibility criteria for depository participants are;

i. A public financial Institution as defined in section 4A of the Companies Act
ii. A bank included in the Second Schedule to the Reserve Bank of India Act
iii. A foreign bank operating in India with the approval of the Reserve Bank of India
iv. A recognized stock exchange
v. An institution engaged in providing financial services where not less than 75% of the equity is held jointly or severally by these institutions
vi. A custodian of securities approved by Government of India, and
vii. A foreign financial services institution approved by Government of India.

3. SECURITIES ISSUERS, REGISTRARS AND SHARE TRANSFER AGENTS

There is an agreement between the depository, issuer of security and the designated registrar/ share transfer agents for the underlying security in the cases of issues like transfer of securities by their beneficial owners.The issuer is the co. which issues the securities. It maintains a register for recording the names of the registered owners of securities and the depositories. The issuer sends a list of shareholders who opt for the depository system. And only that co.'s can issue the securities which are registered under stock exchanges

4. STOCK EXCHANGES AND STOCK BROKERS

Stock Exchanges are an organized market for dealings in securities commonly referred as secondary market. One of its main functions is price discovery i.e to cause prices to reflect currently available information about a security. Stock Brokers are members of SE primarily engaged in 2 main activities i.e buy and sell securities for their clients charging a commission and as dealers or traders and dealers they buy and sell on their own a/c for trading gains

5. CLEARING CORPORATION/ CLEARING HOUSE AND CLEARING MEMBERS

A clearing corporation is a central organization created to facilitate efficient, fast and economical settlement of transactions at a SE .It being an internal department of a SE is an independent entity. The members of Clearing Corporation brokerage firms, banks or other financial institutions who are called as clearing members.

6. BANKING SYSTEM

Depository essentially plays a dual role i.e of a depository and a limited bank. It maintains current a/c's for participants and executes fund transactions relating to securities transactions for participants

7. BENEFICIAL OWNER/ INVESTOR

Beneficial owner is a person whose name is recorded as such with a depository. It means a person who is engaged in buying and selling of securities issued by the companies and is registered his/ her securities with the depository in the form of book entry. And he/ she has all the rights and liabilities associated with the securities

FACILITIES OFFERED BY DEPOSITORY SYSTEM

1. Dematerialization: It is a process of conversion of physical share – certificate into electronic – form. So, when a shareholder uses the dematerialization facility, company take back the shares, through depository – system and equal numbers of shares are credited in his account in e-form.
2. Rematerialization: Rematerialization is the exact reverse of Dematerialization. It refers to the process of issuing physical securities in place of the securities held electronically in book-entry form with a depository.

OTHER SERVICES

1. Pledging Dematerialized Shares: Dematerialized shares could be pledged; in fact, this is more advantageous as compared to pledging share certificates. After loan is repaid one can request for a closure of pledge by instructing one's DP through a standard format. The pledgee on receiving the repayment as well as the request for closure of pledge will instruct his DP accordingly. Even the locked-in securities can be pledged. The pledger continues to remain the beneficiary holder of those securities even after the securities are pledged.
2. Initial Public Offerings: Credits for public offers can be directly received into demat account. In the public issue application form of depository eligible companies, there will be a provision to indicate the manner in which securities should be allotted to the applicant. One is to mention one's client account number and the name and identification number of DP. All allotment due to investor will be credited into required account.
3. Receipt of Cash/non-cash Benefits: When any corporate event such as rights or bonus or dividend is announced for a particular security, depository will give the details of all the clients having electronic holdings in that security as of the record date to the registrar. The registrar will then calculate the corporate benefits due to all the shareholders. The disbursement of cash benefits such as dividend/ interest will be done directly by the registrar. In case of non-cash benefits, depository will directly credit the securities entitlements in the depository accounts of all those clients who have opted for electronic allotment based on the information provided by the registrar.

4. Stock Lending and Borrowing: Through the depository account securities in the demat form can be easily lent/ borrowed. Securities can be lent or borrowed in electronic form through an approved intermediary, who has opened a special 'intermediary' account with a DP. Instructions are to be given to DP through a standard format (which is available with DP) to deposit securities with the intermediary. Similarly to borrow securities from the intermediary, one has to instruct DP through a standard format (which is available with your DP).
5. Transmission of Securities: Transmission of securities due to death, lunacy, bankruptcy, insolvency or by any other lawful means other than transfer is also possible in the depository system. In the case of transmission, the claimant will have to fill in a transmission request form, (which is available with the DP) supported by valid documents.
6. Freezing Account with DP: If at any time as a security measure one wishes that no transaction should be effected in one's account, one may advise one's DP accordingly. DP will ensure that account of such investor is totally frozen until further instructions from him.

BENEFITS OF DEPOSITORY SYSTEM

A. To the nation:

1. Growing and more liquid markets
2. Increase in competitiveness in the international market place attracting many investors
3. Improved prospects for privatisation of public sector units by creating a favorable environment
4. Considerable reduction in delay
5. Minimizes settlement risk and fraud restoring investors' faith in the capital markets

B. To the investing public:

1. Reduction of risks associated with loss, mutilation, theft and forgery of physical scrip
2. Elimination of financial loss from loss of physical scrip
3. Greater liquidity from speedier settlements
4. Reduction in delays in registration
5. Faster receipt of corporate benefits
6. Reduced transaction costs through greater efficiency

C. To issuers:

1. Up-to-date knowledge of shareholders' names and addresses
2. Reduction in printing and distribution costs of new issues
3. Easy transfer of corporate benefits
4. Improved ability to attract international investors without having to incur expenditure of issuance in overseas markets

CONCLUSION

At present, the Indian stock exchanges are following screen based trading and electronic settlement system. The market width are also enlarged, quantity of investors scattered to various distance places from trading and settlement place. Depository system have a significant role at eliminating voluminous and cumbersome paper work involved in the script-based system and offers scope for 'paperless' trading through state of-the-art technology. Well-developed securities markets are the backbone of any financial system. Apart from providing the medium for channelizing funds for investment purposes, they aid in pricing of assets and serve as a barometer of the financial health of the economy. The Indian securities markets have witnessed reforms in the post-liberalization era in terms of market design, technological developments, settlement practices and introduction of new instruments. The improved banking system, adequate infrastructure and fast information technology are all going to play a crucial role in the success of depository System in India. The electronic trading and trading of securities is a step in the right direction, paperless trading will prove to be boon to the stock market in the years to come.

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A STUDY ON INCOME FROM SALARY AND SOME DEDUCTIONS WITH REFERENCE TO INDIAN I.T. ACT, 1961 AND DTC BILL, 2013

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ABSTRACT

The role of Government in a federal system like India is multifarious to govern the economy and overall society of a country. Government plays an important role in uplifting standard of living of countrymen in order make a bridge between poor and rich people. As a result, there is a need for finance for the country, which is collected in the form of revenue having from direct and indirect tax, profit from Public Sector Undertakings (PSUs) and many other sources. Direct Tax is an important source of revenue to the Government for conducting different developmental project for economic growth and removing disparity of several income groups. Calculation and collection of Income tax which forms an important part of Direct Taxes has been governed by Indian Income Tax Act, 1961 till now. On 30th August, 2009, the then Finance Ministry had come up with a proposal for a Direct Taxes Code (DTC) dealing with direct tax issues in a much simpler way. Following comments received from different stakeholders on the viability of this code, deficiencies found in this DTC-I are modified and one fresh DTC has been proposed on August 2010. However, this DTC-II was again referred to the Parliamentary Standing Committee for further modification. Adopting most of the recommendations of this Committee, Finance Ministry in India have proposed a new DTC Bill, 2013 for public discussion. This newly proposed bill is more simple and user-friendly than its previous version. Following this latest proposal made for a new code that will govern direct taxes including income taxes, an initiative has been taken in this study to identify the changes made in provisions relating to income from salary, and some important deductions from Income which are applicable to individual assessee. The implication of these changes towards tax liability of an individual assessee, economy and overall society is analyzed to comprehend Government's motives behind them as well.

KEYWORDS
Deductions, Direct Tax Code Bill, 2013, Income Tax Act, Income from Employment, Income from Salary.

INTRODUCTION
The role of Government in governing the economy and overall society in a constitutional system is multifarious. In a democratic country like India, Government assumes an important role in uplifting standard of living of countrymen. In order to perform their duties, government need fund which is collected in the form of tax, profit from Public Sector Undertakings (PSUs) and many other sources. Tax is of two types - Direct and Indirect Taxes as per Income Tax Act (IT Act), 1961. If the impact and incidence of taxation is on the same person it is called Direct Tax and if they are on different person they are called Indirect Taxes. Income tax, which is the most important constituent of Direct Taxes, impacts person with higher income more than the person with lower income So, apart from being an important source of revenue in the hands of Government, they are also used as a weapon in minimising the wide diversity of economic position between rich and poor. Presently, Central Board of Direct Taxes (CBDT), a body of Central Government of India, governs the procedure for calculation and assessment of income tax with the help of Income Tax Act, 1961. Not only language of this act is very complex but presence of numerous provisions in it also makes this act cumbersome for Indian tax payers. They often get confused with the language of this act or fail to comply with complicated provisions (Subramanian, 2010). In order to do away with this problem, on 30th August, 2009, the then Finance Ministry (FM) of Government of India had come up with a proposal for a Direct Taxes Code (DTC) dealing with direct tax issues in a much simpler way. Following comments received from different stakeholders on the viability of this code, deficiencies found in the DTC-I are modified and one fresh DTC has been proposed on August 2010 (Pandey, 2010a). However, this DTC-II was again referred to the Parliamentary Standing Committee headed by Mr. Yaswant Sinha. This committee critically analysed different provisions of this code over the period of two years and issued their recommendations in the Parliament on March, 2012. Adopting most of the recommendations of this committee, FM has published a draft bill on 1st April, 2014 (Economic Times, April 2, 2014). This new bill on DTC is much simple and user friendly than its previous version. The Union Cabinet was expected to take up the bill in the Parliament subject its approval by Prime Ministerial Office (PMO) (Economic Times, November 21, 2013). But, because of some reservations of PMO, the fate of this draft bill will depend upon decision of the Union Cabinet of the new government.

OBJECTIVE
In this research paper, an attempt has been made to identify changes proposed in this new code relating to provisions of Income from Salary and Deductions available to salaried employees. Implication of these changes on economy and society will also be analysed to understand government motives behind them.

RESEARCH METHODOLOGY
- We have considered the provisions for Income from Salary under IT Act, 1961 and Income from Employment under DTC Bill 2013 for the purpose of analysis. Structure and distribution of provisions, method of calculating gross and net income from this source as per two regulations has been thoroughly reviewed and changes proposed in the new bill have been identified
- We have considered certain expenses which are normally incurred by salaried employees in order to analyse their taxability under both the norms. This will reflect to capture comprehensive impact of DTC Bill, 2013 on taxability of salaried employees. Comparison of IT Act, 1961 and DTC Bill, 2013 in respect of certain expenses are discussed here as well.
- Impact of these changes on the different stakeholders in tax environment of India is presented.

INCOME TAX ACT, 1961 AND DIRECT TAX CODE, 2013: A COMPARATIVE STUDY

The Central Government of India has been empowered by our constitution to levy tax on income from every source except agriculture. The assessee i.e. on whose income, tax is ascertained can be categorised into individual, Hindu Undivided Family (HUF), company, firm, Association of Person, Body of Individual etc. Therefore, Indian Income Tax Department is governed by CBDT under Department of Revenue of Ministry of Finance. IT Act, 1961 is the statute governing income tax in India. Levy, administration, collection and recovery of income tax are monitored through IT Act, 1961, IT Rules, 1961, circulars issued by CBDT etc. Each year, relevant provisions of IT Act, 1961 are amended subject to changes made in Finance Act. Presently, IT Act, 2013 as amended by the Finance Act, 2013 is in force. DTC on the other hand is comprehensive regulatory piece dealing not only with income tax but also taxes on wealth, dividend distribution etc. as well. Following continuous modification from 2009, a third version of DTC is in-front of us whose provisions for income tax are claimed to be more scientific and user friendly than IT Act, 1961. In the following paragraphs, let us discuss some provisions governing income from salary and deductions under these two regulations and bring out the changes proposed in the new code.

INCOME FROM SALARY Vs. INCOME FROM EMPLOYMENT

Income can be generated by way of salary, house property, business or profession, capital gains or other source. Tax on salary income of individual employees constitutes an important segment of overall income tax revenue of the Government. Salaried employees are the most systematic tax payers of this country. As salaried employees are one of the most important tax payers in Indian economic environment, governing regulation is supposed to look after their interest. Any adverse impact on this tax liability would ultimately affect the entire economy. Changes proposed in the new bill have been identified are pointed out below:

- In the new bill, name of this source, namely Income from Salary, has been changed to Income from Employment.
- In the both the regulations, salary is any amount paid, due or allowed, whichever is earlier to an employee in the financial year by or on behalf of his former or present employer (Singhania & Singhania, 2013).
- Provisions for salary are discussed as per section 15-17 in IT Act, 1961. Whereas, in DTC Bill, it is discussed u/s 20-23. Although, names of the sections in these two laws are almost similar, there is a huge difference in their structure and content.
- Provisions for computation of gross salary in IT Act, 1961 is more detailed as compared to DTC Bill, 2013. In fact, this code does not specify the names of different allowances, perquisites and profits in lieu of salary, that constitute overall gross salary of an individual. However, from the definition of salary in this code, we assume that no changes have been made in this code in terms of items forming gross salary.
- So far as method of calculating income from salary under IT Act, 1961 is concerned, exemptions allowed from individual allowances, perquisites or profits in lieu of salary are adjusted against the individual items to arrive at gross salary.
- Professional tax is deducted from gross salary to arrive at income from salary. On the other hand, all items or sources that constitute gross salary of an individual are added first in the DTC. Then their respective exemptions and professional tax are deducted from the gross salary to arrive at income from employment. This structure is more simple and understandable than that of IT Act, 1961.
- Certain incomes (e.g. Gratuity, Commuted Pension, and Leave Salary) that are fully or partly exempt u/s 10 of IT Act, 1961 are taken into consideration while calculating income from salary with their taxable amount after adjusting for respective exemptions. Rules of exemptions of these items are discussed under Third Schedule of DTC. However, the code is silent about their consideration in calculating gross salary.
- As per IT Act, 1961, exemptions on House Rent Allowance (HRA) is calculated at lower of three: (a) actual amount; (b) (Rent Paid – 10% of Salary); and (c) 50% of salary (40% of salary, if the house is not in metro cities). Whereas the exemption limit is the lower of actual amount of HRA and amount of rent paid as per DTC. Therefore, if rents are not paid, benefits of HRA cannot be reaped.
- As per IT Act, 1961, if an employer contributes in an approved pension fund of his employee, it is fully taxable. In the DTC, a deduction of 10% is allowed on this amount.
- As per IT Act, 1961, an exemption of Rs. 1 lakh is allowed on the contribution made by an employer in the superannuation fund for an employee. Under DTC, the entire amount contributed is exempt from tax.
- As per IT Act, 1961, if employer reimburses the medical expenses of an employee, a deduction of Rs. 15000 is allowed. However, this limit has been increased to Rs. 50000 in the DTC.
- Total amount of medical facilities provided by an employer to his employee or his family member including travel and stay abroad is exempt if, Gross Total Income of that employee is less than Rs. 200000 as per the provision of current IT Act, 1961. However, DTC raise this limit to Rs. 500000 allowing more number of person availing benefit of this scheme.
- As per IT Act, 1961, health insurance premium of an employee paid by an employer is exempt in the hands of the employee, while this exemption has been removed in this recent DTC.

However, DTC is simpler and user friendly as far as provisions for income from employment are concerned. Calculation of gross salary is very easy in this regulation, as all the deductions are considered together. Most of the changes proposed in the new code are employee oriented and allow them to reap the benefit of good employer employee relationship.

DEDUCTIONS FROM GROSS TOTAL INCOME (GTI) Vs. TAX INCENTIVE

Some special categories of tax payers are allowed to have certain deductions from GTI while calculating their Taxable Income. Deductions are available if the assessee incurs certain expenditure or receives certain income which qualifies to be deducted from GTI as per applicable tax law. Therefore, provisions for deductions are to be devised very carefully. For example, if Government need fund for a particular purpose, it can allow deductions for investment in a fund that fulfils the intended purpose of the Government. Therefore, the purpose of these deductions is to encourage savings, investments, industrialization and to help the tax payers meeting their essential expenditure. However, allowing excessive deduction will reduce tax revenue of the tax authorities. Therefore, applicable tax law should consider these aspects and devise provisions for deductions carefully. Under IT Act, 1961, they are known as deductions, where DTC Bill, 2013 calls them Tax Incentive. Deductions under IT Act, 1961 are allowed u/s 80C to 80U (Singhania & Singhania, 2013). DTC, Bill, 2013 discusses provisions of Tax Incentives u/s 68 to 86.

TABLE 1: DEDUCTIONS AVAILABLE TO INDIVIDUAL ASSESSEE AS PER IT ACT, 1961 AND DTC BILL, 2013

Particulars	IT Act, 1961 (Finance Act, 2014)	DTC Bill, 2013
a) Contribution to savings in any approved fund		
Section	80C	69
Maximum limit of deduction	Rs. 150000	Rs. 100000
Applicable to	Individual, spouse and child	Individual, spouse and child
Nature of funds	Deferred annuity, provident fund, superannuation fund, savings certificate, unit linked schemes, subscription to equity and debentures etc.	Not specified
b) Contribution of life insurance premium		
Section	80C	70
Maximum limit of deduction	20% of the sum assured or Rs. 100000 whichever is lower	10% of the sum assured. [insurance premium for person with severe disability is deductible up to 15% of the sum assured]
Applicable for	Individual, spouse and child	Individual, spouse and child
c) Contribution towards health insurance premium		
Section	80D	71
Maximum limit of deduction	Rs. 15000 [Rs. 20000 for senior citizens]	Rs. 100000
Applicable for	Individual, spouse, dependent child and parents	Individual, spouse, dependent child and parents
d) Contribution towards education of children		
Section	80C	72
Maximum limit of deduction	Rs. 100000	Rs. 100000
Applicable for	Schools, Colleges and Universities in India subject to the condition that contribution towards donation shall not be considered as deduction	Schools, Colleges and Universities in India subject to the condition that contribution towards donation shall not be considered as deduction
e) Investment in Equity Linked Savings Scheme		
Section	80CCD	74
Maximum limit of deduction	Rs. 10000	50% of the amount invested or Rs. 25000 whichever is lower
Conditions	No condition applied.	i)GTI from ordinary sources should not exceed Rs. 1 lakh; ii) Retail investor; iii) Listed equity shares iv) Lock in period of 3 years
f) Payment of interest on loan for higher education		
Section	80E	75
Maximum limit of deduction	Any amount for initial year and 7 succeeding years	Any amount for initial year and 7 succeeding years
Applicable for	Individual, spouse, children etc.	Individual, spouse, children etc.
Loan taken from	Financial and approved charitable institution	Financial institution
g) Payment for medical treatment		
Section	80DDB	76
Maximum limit of deduction	Rs. 40000 [Rs. 60000 in case of senior citizen]	Rs. 40000 [Rs. 60000 in case of senior citizen]
Applicable for	Individual, spouse, dependent children, dependent parents, dependent brothers or sisters	Individual, spouse, dependent children, dependent parents
h) Payment for medical treatment of disability of dependent		
Section	80DD	78
Maximum limit of deduction	Rs. 50000 [Rs. 100000 for severe disability]	Rs. 50000 [Rs. 100000 for severe disability]
i) Payment for rent		
Section	80GG	80
Maximum limit of deduction	Lower of the following • Actual rent – 10% of GTI • Rs. 25000 • Rs. 2000/ month	Lower of the following – • Actual rent – 10% of GTI • Rs. 5000/ month
Condition	The assessee is not in receipt of HRA	The assessee is not in receipt of HRA

(Source: IT Act, 1961, Direct Tax Code Bill, 2013)

In Table 1, we have considered few expenses that are normally incurred by salaried employees. Several changes have been made on their tax treatment in the respective provision of the new code.

CHANGES IN THE PROVISIONS FOR SELECT DEDUCTIONS

The changes in DTC Bill, 2013 are identified as follows:

- Deduction for contribution to life insurance premium decreased in the code;
- Deduction for contribution to health insurance premium, investment in equity linked savings scheme, payment of rent increased in the code;
- Conditions applied for investment in savings schemes;
- Interest on loan taken from charitable institution is not allowed for deduction;
- Payment of medical treatment for dependent brothers and sisters are not allowed for deduction;
- This new code allows an individual to get deduction for treating his own disability;
- Deduction for savings in National Savings Schemes (NSS) (80CCA), specified pension fund (80CCC), special pension schemes of Central Government (80CCD), subscription to infrastructure bonds (80CCF) under IT Act, 1961 have been eliminated in this new code;
- Section 80CCE limits total deduction under Section 80C to 80CCD to Rs. 100000 whereas in DTC Bill, 2013 such limit exists only for Section 71 to 73.

IMPACT OF CHANGES IDENTIFIED ON DIFFERENT STAKEHOLDERS

There is no denying to the fact that changes in taxation law affect several section of the society. It impacts on tax liability of the assessee which in our case is individual mainly involved in any form of employment and receiving salary as their source of income. Impact on tax liability inversely affects tax revenue of the tax authorities. Overall revenue generated by the government impact overall economy as well. Changes made in tax laws also show probable changes in social outlook for some variables. In our previous section, with a view to capturing impact of DTC, 2013 on salaried employees who do not have any other source of income but incur some expenses to gain deductions, we have identified the changes made in new code with respect to Income from Employment, and specific deductions which are normally availed by salaried employees.

TABLE 2: IMPACT OF CHANGES IN THE DTC ON DIFFERENT STAKEHOLDERS

Changes in the DTC	Impact on Assessee	Impact on Tax Authority	Impact on Economy	Impact on Overall Society
Income from Employment				
Removal of exemption on HRA in case rents are not paid	Taxable income for employees living their own houses will rise to some extent. However, taxable income for employees living in rented houses will reduce.	Tax authority would be able to collect more tax from employees living in their own houses and less from employees living on rent. However, exact gain or loss by tax authority would depend upon place of residence of the employee and rental structure.	This change can increase the employees' interest towards rented property which would help leasing and renting business to flourish. However, as inclination towards living in own house would reduce; small real estate business would be affected.	Employees' inclination towards constructing and living in their own houses may reduce to some extent.
Contribution to approved pension fund is exempt up to 10% of salary	If employer contributes towards approved pension fund, tax liability of the assessee will reduce.	Tax revenue of the tax authority will reduce.	Funds mobilised through this source can be further invested in capital market and drives Indian economy towards prosperity.	This change would secure employees' regular pension payments after his retirement.
Entire amount of contribution to superannuation fund is exempt which is limited to Rs. 100,000 under IT Act, 1961	If employees have contribution towards this fund more than Rs. 3 lakh they are going to benefit more in terms of tax liability because of such change.	If employers increase their contribution towards this fund, tax authority will lose in terms of tax revenue.	Funds mobilised through this source will also help in the growth of Indian economy.	This fund is used to pay workers pension after their service is over. Naturally, excess contribution towards this fund would secure employees future after their retirement.
Medical reimbursement for treatment increased to Rs. 50000 from Rs. 15000	Employees incurring a large sum of money towards medical expenditure for himself and his family are going to benefit from such change.	If employee is spending more on medical treatment, tax authority will lose tax revenue to some extent.	Employees spending on medical treatment will rise resulting in a growth of pharmaceutical companies.	Expenses on medical treatment incurred for family members would create strong bonding between family members.
Medical reimbursement for treatment abroad are applicable for employees with salary of Rs. 500000 which was Rs. 200000 under IT Act, 1961	Only high income employees can avail benefit of this change.	Number of person availing this benefit will reduce. So tax authority will ultimately gain in terms of tax revenue.	Employees will be less inclined towards having them and their family members treated from abroad. This will have adverse impact on aviation, tourism and global pharmaceutical industry.	Belief in Indian medical system will improve.
Payment of health insurance premium by employees has been made taxable	This adversely affects tax liability of salaried employees when employers pay their health premiums.	If by nature of employment contract, employer pays health insurance premium of the employee, tax authority is set to gain more tax revenue.	There will be a general disinclination from availing health insurance benefit among employees. Naturally insurance companies providing such services will lose.	Employer would be less responsible toward protecting his employees from health hazards.
Tax Incentives				
Deduction for contribution to life insurance premium decreased	Tax liability will increase	Tax revenue will improve	Less contribution towards life insurance premiums will have an adverse impact on insurance industry. Channelization of savings through this route will decrease impacting entire economy.	Concern for own life and life of family members will decrease among individuals.
Deduction for contribution to health insurance premium increased	Tax liability will reduce.	Tax revenue will fall.	More contribution towards health insurance companies will improve the insurance industry and fund channelized through this route will lead to capital formation and growth of overall economy.	Concern for own health and health of family members will increase among individuals.
Deduction for investment in equity linked savings scheme increased and conditions applied	Tax revenue will reduce subject to conditions applied.	Tax revenue will fall	Increase in investment in this scheme will lead to savings mobilisation and economy will grow.	Application of condition makes this route of investment very important for channelization of fund.
Deduction for rent paid increased	Tax liability will decrease if rent is paid for more than 5 months.	Tax liability will reduce if similar conditions are satisfied.	Construction industry will be severely impacted.	Peoples' inclination towards staying in their own house will reduce.
Payment of medical treatment for dependent brothers and sisters are not allowed for deduction	Tax liability increases if the assessee has dependent brothers or sister.	Tax revenue will increase.	Amount spent for medical treatment will reduce to some extent impacting pharmaceutical industry.	Brothers and sisters are not considered to be eligible person to get deductions for medical treatment. It may have negative impact on social values.

DTC allows an individual to get deduction for treating his own disability	Tax liability will reduce for disable assessee	Tax revenue will decrease.	Pharmaceutical industry will see a little growth following same reason mentioned earlier.	People become more serious about their own problems and disabilities.
Deduction for savings in National Savings Schemes (NSS) (80CCA), specified pension fund (80CCC), special pension schemes of Central Government (80CCD), subscription to infrastructure bonds (80CCF) under IT Act, 1961 have been eliminated in DTC	Tax liability will increase, if assessee has investment in these schemes.	Tax revenue of the government will rise.	Post offices and other financial institutions floating these schemes will lose to some extent. Lack of fund generated through infrastructure bond will badly impact infrastructure companies. However, people will leave traditional investment avenues and move towards capital market leading to its growth.	Risk taking mentality of the people will rise.
Section 80CCE limits total deduction under Section 80C to 80CCD to Rs. 150000 whereas in DTC Bill, 2013 such limit exists only for Section 71 to 73	Tax liability will reduce as quantum of maximum deduction under different heads rises.	Tax revenue will fall.	The investors are left with more investment options. It will increase savings mobilisation and ensure economic growth.	As maximum deduction is available, it will encourage investment habit and reduce scopes of tax evasion.

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- Changes that go on reducing tax liability of salaried employees actually encourage them to pay tax properly. However, for salaried employees, scopes of tax evasion are really less. Most of the changes in this recent code are very much employee oriented and looks after their interest.
- Any change, that reduce tax liability of individual assessee also reduces tax revenue of the tax authorities i.e. government. If the Government revenue falls, they will not be able to perform developmental activities leading to economic slowdown. Social outlook about the Government is also bound to deteriorate. As most the provisions selected for our current study reduce tax revenue, impact of this code on economy and society does not seem to be very good.
- However, this code will ensure money mobilisation in different leading industries of this country leading to their growth. Application of this code will improve investment habit of salaried employees and they will participate more in risky and rewarding investment avenues. Growth of capital market and improvement in foreign reserve will also be possible with effective implementation of this code. All these attributes will ultimately go on improving overall economy.
- This code will also have important influence on social outlook of the individuals. It will instigate high family values and teach people to value their life and health. It will also improve risk orientation of concerned individual.
- On the whole, effective implementation of DTC Bill 2013 will protect interest of salaried employees to a great extent. However, Government behind every change has a motive of improving economy and social outlook of India as a whole.

CONCLUSIONS

In this current study, India's current taxation system in briefly reviewed in the light of changes proposed in direct tax environment. Current regulation governing income tax in India is very complex and separate acts for each direct tax made tax regulatory framework really cumbersome. As a measure of solution, a comprehensive code covering all direct taxes has been proposed. After several modifications, a final draft of this code has been issued on 2014. In this paper, based on gap in existing literature an initiative has been taken to identify the impact of this code of salaried employees. Therefore, changes proposed in Income from Salary and Deductions normally availed by salaried employees in DTC have been identified and their impact on individual assessee, tax authority, economy and society have been critically analysed. The analysis shows that new version of this code is really simple and easy to understand for salaried employees. Changes proposed in it are not only employee oriented, but also set to improve prominent industries in India and overall social outlook of Indian citizens. Therefore, enactment of this code is a positive move by the Indian Government from the viewpoint of salaried employees, entire economy and society.

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RISK MANAGEMENT IN E-BANKING: ISSUES AND CHALLENGES

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ABSTRACT
Technological advancements keeps broadening the frontier of possibilities in all human endeavors and thus more e-banking services are being developed and introduced. The increasing competition among the banks to penetrate in new market segments is also one of the reasons for emerging of e-banking. It is an electronic connection between bank and customers in order to manage and control financial transactions. While, implementing e-banking, several risks arises like; operational risk, security risk, reputational risk, etc., and also various challenges like; cost, technology, lack of knowledge of e-banking, etc. for the successful implementation of e-banking the risk should be reduced. Therefore, this paper is focused on various aspects of risk mitigating measures and the technology, strategies to face the challenges. This paper highlighted experiences of various countries implementing e-banking throughout the globe drawn conclusions and made suggestions for the success of e-banking.

KEYWORDS
e-banking, risks, ICT, e-banking challenges, India.

INTRODUCTION
The traditional banks alone are no longer enough to offer services to meet the need of today's high demanding customers. Electronic or online banking is the latest delivery channel to be presented by the retail banks and there is large customer acceptance rate which means delivery of banking services to customers using electronic technology either at their office or home. The development of e-banking service has encouraged the adoption of a decentralized approach to give banks more needed flexibility to distribute online access to a much larger number of employees and potential customers. (Harris, 2000, Beckett, 2000). E-banking came into being in UK and USA. Now days it has been estimated that around 40 percent of banking transaction would be done through internet. The e-banking offers huge opportunities in every sphere of business as the competitive advantage, member/client retention, increased revenues and reduced costs because of the use of advanced ICT. Understanding clients, organizational elasticity, availability of resources, system security, reputable brand name, having multiple integrated channels, e-channel specific marketing, support from top management and good client services are the vital factors for the success of e-banking. Apart from those e-banking provides convenience, comfort, confidentiality and security to the customers, they can operate from their homes by using internet or other networks, television, telephone/modems.

Now-a-days banks are increasing their customer base with the help of multiple e-delivery channels like ATMs, credit/debit/smart cards, internet banking, mobile banking, tele-banking, etc. E-banking is offered by many banking institutions due to pressures from global competitions. In case of delay of services, in the internet they might lose their market share. To be successful, banks have to offer services through e-banking facility which is subjected to risks involved in it. Hence, the study made an attempt to identify various risks and challenges involved in e-banking. Finally, the study identified various risks and suggested various risk mitigating measures and also made suggestions for facing challenges in e-banking.

REVIEW OF LITERATURE
Banks should provide their customers with convenience, meaning offering service through several distribution channels (ATM, Internet, physical branches) and have more functions available online. To access a financial institution's online banking facility, a customer with internet access would need to register with the institution for the service. Today many banks are becoming as e-banks. But they should differentiate themselves by offering better extensive online banking features. E-banking is fast becoming a norm in the developed world and they are succeeded. The main reason is the numerous benefits it can provide, both to the banks and to customers of financial services.

There is a difference in gender in the use of e-banking. Gefen& Straub (1997) found that, gender has a direct influence on adoption of technology with men and women having different rates of computer technologies adoption. There is a difference in information processing exists between men and women and as such both genders will have different rate of technology acceptance (Putrevu 2002).

Increased customer satisfaction is one of the benefits that banks experience when using e-banking. The major benefits of e-commerce adoption not anticipated by the sector are business, efficiency, improved image, competitive advantage, increased automation of processes and increased business turnover (Joze, Julie & Angela, 2002). Now a day's e-banking is facing so many challenges and risks the review on those is given below.

Roshan Lal, et. all (2012) stated that in years to come e-banking will not only be acceptable mode of banking but preferred mode of banking. The proliferation of internet and computer usage, the electronic delivery of e-banking service has become ideal for banks to meet customer expectations (Maheswari, 2011). Sharma (2011) said to address the concerns of customers quickly, banks must put in place concrete development plans and a system of controls and security that boosts competitiveness and ensure further progress.

Mohan (2006) remarked that Indian banking is at the threshold of a paradigm shift and a significant development has been achieved by banks in offering a variety of new and innovative e-banking services to customers today, which was not thought of before. India has 205 million internet users and ranks third among the internet penetration of 12.6% after China and US (Singh, 2013). Raghavan (2006) opined that, at present, over 85% of the finished payment transactions are electronic and traditional way of doing banking at the branch level has relatively little importance to electronic banking users.

Internet banking is facing several risks. The major risks of e-banking are operational risks (e.g. security risks, system design, implementation and maintenance risks); customer misuse of products and services risks; legal risks (e.g. without proper legal support, money laundering may be influenced); strategic risks; reputation risks (e.g. in case the bank fails to provide secure and trouble free e-banking services, this will cause reputation risk); credit risks; market risks; and liquidity risks (Duran, 2001, Mohammad, 2009).

Several challenges are persistent to the e-banking. In spite of being a boon for the customers the internet banking is not free from complexities and poses a set of unique challenges to banking organizations (Sikdar et. al, 2013). Kumar and Sinha (2009) identified various instances of hacking and phishing attacks reported throughout India. They remarked that, cyber crimes prove that e-banking has several loopholes that can be easily exploited and users need to be extra cautious while making online transactions. Security is one more challenge various studies suggested security tips for customers which include: changing password frequently, abstaining from revealing PIN either via mails or phone, avoiding cyber cafes for net banking etc. (Srinivas, 2009).

To avoid those challenges the possible ways are: internet banking users are advised not to reply to any mail, phone call or letter, asking for the internet banking information like login id or password, and not to click on any link provided in any mail, claiming to be the link for the bank's website are the important tips, among others (Mishra, 2011).

NEED OF THE STUDY

With the increase of the competition among the banks, every bank has to increase its business size and attract more customers by providing variety of banking services, which are more convenient and comfortable to the customers. In view the customers need and their convenience the banks have adopted information and communication technology (ICT) and providing variety of new services through e-banking. While implementing e-banking the banks are facing several problems, risks and challenges. Keeping in view the risks and challenges of e-banking the study was undertaken to give right solutions for the problems faced by the banks.

OBJECTIVES OF THE STUDY

The primary objective of the study is to identify the risks involved in e-banking and to analyse those risks. The other objectives are:

- To study the major issues and challenges of e-banking.
- To identify the major risks involved in e-banking
- To identify the risk mitigating mechanism.

RESEARCH METHODOLOGY

The study mainly focused on the theoretical aspects of identifying the risks involved in e-banking. For this the available secondary data sources were used. The available information on internet regarding the e-banking has been extensively used to complete the study.

ANALYSIS

With the expansion of internet usage, e-banking has become one of the most revolutionized components of today's economic growth. E-banking is powerful value added tool to attract new customers and retain the existing ones. With the proliferation of internet and computer usage, the electronic delivery of e-banking service has become ideal for banks to meet customer expectations. The potential competitive advantage of e-banking lies in the areas of cost reduction and satisfaction of consumer needs. Internet banking is changing the banking industry and is having the major effects on banking relationships. In true Internet banking, any inquiry or transaction is processed online without any reference to branch (anywhere banking) at any time. Providing Internet banking is increasingly becoming a "need to have" than a "nice to have" service.

E-BANKING BENEFITS

General consumers have been significantly affected in a positive manner by E-banking. Many of the ordinary tasks have now been fully automated resulting in greater ease and comfort.

- Customer's account is extremely accesses able with an online account.
- Customer can withdraw at any time through ATMs that are now widely available throughout the country.
- Customers can also have mini banks statements, balance inquiry at these ATMs.
- Internet banking is enabling the customers to operate their accounts while sitting in their offices or homes. Thus helping them to move the paper less environment.
- Payment of utility bill is a great use of e-banking.
- The growth of credit card usage also owes greatly to e-banking. The customers can shop worldwide without any need of carrying paper money with him.
- The growth of e-banking has greatly helped the banks in controlling their overheads and operating cost.
- Many repetitive and tedious tasks have now been fully automated resulting in greater efficiency.

E-BANKING - INTERNATIONAL EXPERIENCE

Banks have established e-banking system in all most all countries. Unfortunately, data on Internet banking are scarce, and differences in definitions make cross-country comparisons difficult. Even so, one finds that Internet banking is particularly widespread in Austria, Korea, the Scandinavian countries, Singapore, Spain, and Switzerland, where more than 75 percent of all banks offer such services. The study identified the e-banking experiences of some countries in the world and mentioned below:

ASIA

In Asia, the growth of e-banking is remarkable. But the major factor of restricting growth of e-banking is security, in spite of several countries being well connected via Internet. Access to high-quality, e-banking products are an issues as well. Majority of the banks in Asia are just offering basic services compared with those of developed countries. Still, e-banking seems to have a future in Asia.

EUROPE

In Europe, the Internet is accelerating the reconfiguration of the banking industry into three separate businesses: production, distribution and advice. Though e-banking in Europe is still in the evolutionary stage, it is very clear that it is having a significant impact on traditional banking activities. Unlike in the US, though large banks in the Europe have a competitive edge due to their ability to invest heavily in new technologies, they are still not ready to embrace e-banking. The e-banking usage is highest in Iceland (91 percent), Norway (89 percent) and Finland (86 percent). Finland was the first country in the world to take a lead in e-banking, which was launched in the year 1996. Internet banking is particularly widespread in Austria, Korea, the Scandinavian countries, Singapore, Spain, and Switzerland, where more than 75 percent of all banks offer such services.

The Scandinavian countries have the largest number of Internet users, with up to one-third of bank customers in Finland and Sweden taking advantage of e-banking.

UNITED STATES OF AMERICA (USA)

USA is the country which is having large e-banking network. Fifty-one percent of U.S. adults or 61 percent of internet users bank online. Thirty-two percent of U.S. adults or 35 percent of cell phone owners banking by using their mobile phones (Pew Research Center-2013).

UNITED KINGDOM (UK)

UK is one more developed country using large network of internet for banking. About 92 percent of the individuals use internet, 76 percent use internet banking in Britain. In 2013, 36 million adults (73 percent) in Great Britain accessed the Internet every day, 20 million more than in 2006, when directly comparable records began. Access to the Internet using a mobile phone more than doubled between 2010 and 2013, from 24 percent to 53 percent.

AUSTRALIA

In 2010-11, the internet accessing people at home were 13.3 million in this country. The top three reported activities were: e-mailing (91percent); research, news and general browsing (87 percent); and paying bills online or internet banking (64 percent). It is estimated that 11.4 million Australians were banking through online.

E-BANKING - INDIAN EXPERIENCES

To cope with the pressure of growing competition, Indian commercial banks have adopted several initiatives and e-banking is one of them. India is still in the early stages of e-banking growth and development. Competition and changes in technology and lifestyle in the last five years have changed the face of banking. The traditional model for banking has been through branch banking. Only in the early 1990s there has been start of non-branch banking services. The good old manual systems on which Indian banking depended upon for centuries seem to have no place today. The credit of launching internet banking in India goes to ICICI Bank. Citibank and HDFC Bank followed with internet banking services in 1999. The Government of India as well as the Reserve Bank has been taken several initiatives to facilitate the development of e-banking in India. The Government of India enacted the IT Act, 2000 with effect from October 17, 2000 which provided legal recognition to electronic transactions and other means of electronic commerce. The Reserve Bank is monitoring and reviewing the legal and other requirements of e-banking on a continuous basis to ensure that e-banking would develop on sound lines and e-banking related challenges would not pose a threat to financial stability.

India scores highest (8.5) on the happiness quotient of its banking citizens in the Asia-Pacific region with facilities like online banking, transaction efficiency, and easy access to ATMs and local branches keeping users content, but out of all these the internet banking penetration still stood at 19.2 million of total internet user population. The internet banking household penetration is 7.2 percent, whereas the total number of households in 2012 was 268 million. However, efforts are now being made in various quarters to convert internet users to internet banking users as well. For this, the banks are now engaging themselves in offering services online for 24 hours in a day and seven days in a week availability and convenience to its customers. So the challenge today to the banking industry in India is to expand the Internet banking user base and slowly increase the range of services customers use.

One of the major problems in e-banking is its services other than ATM's still does not account for a significant portion of total transactions in suburban and rural India due to the lack of awareness about all e-banking services provided by bank (Rao, 2013).

STATISTICS RELATED TO e-BANKING IN INDIA

Number of Banks in India	Public sector banks-27, private sector banks-19, foreign banks in India-25, foreign banks with branches in India-29, foreign banks with representative offices in India-32
Number of E-banking users in India (2013)	205 million users
Number of ATM's in India (end of October 2014)	Onsite-91,967 Offsite-81,730
Point of Sale (end of October 2014)	On line-11,11,228 Off line- 348
Number of mobile banking users (2013-2014)	35.5 million
Number of transactions through mobile banking (2013-2014)	94 million
Value of mobile banking transactions (2013-2014)	224 billion
NEFT (2014)	Number of transactions- 873.02 million Amount of transactions- 55,339.15 billion
RTGS (2014)	Number of transactions - 89.6 million Amount of transactions- 7.45 Lakhs (Rs. billion)
Credit cards (Nov 2013-Oct 2014)	Number of outstanding cards as at the end of the month- 19.9 million Number of transactions - ATM- 35.73 lakh POS- 568 million Amount of transactions - ATM - 19,608.75 (Rs. Million) POS- 16.15 lakh
Debit cards (Nov 2013-Oct 2014)	Number of outstanding cards as at the end of the month- 441.6 million Number of transactions - ATM- 6.69 billion POS- 709.4 million Amount of transactions - ATM- 21.3 million (Rs. Million) POS- 11.06 lakh

Based on the above global and Indian experiences it is identified that, the coverage in India is very less. The security problems through the globe are high. To avoid this problem new security measures are required. It is also observed that, the awareness and usage of internet is low in India. More education and awareness creating programmes are needed in India.

RISKS INVOLVED IN E- BANKING

During the provision of electronic banking services and the use of electronic money banks are faced with a certain set of specific risks, such as:

OPERATIONAL RISK

Operational risk, also referred to as transactional risk is the most common form of risk associated with e-banking. Operational risk arises from potential loss due to deficiencies in the system reliability and integrity. Operational risk may arise due to the abuse by clients or improper designed or implemented electronic banking or electronic money system. Different forms of operational risk are: security risks (reliability and integrity of the system), the risks of designing, implementing and maintaining the system, the risks of misuse of products or services by customers.

SECURITY RISK

Security risk appear in relation to control of information with which the bank interacts with the environment, electronic money transfers, as well as prevention of fraud or forgery. Example of a possible security risk is unauthorized access to the system and hackers who enter the internal systems. This means that confidential information may be overjoyed by unauthorized persons. To manage this risk banks can apply certain measures like implementation of communication security measures, such as "fire wall", passwords, encryption technology and authentication of users.

RISK OF DESIGN, IMPLEMENTATION AND MAINTAINING

Risks of design, implementation and maintenance of the system have an important impact on the development of electronic banking and electronic money. This risk may be slow down the system which can have negative consequences to clients of the bank. It is not uncommon for banks to take foreign providers and experts for the implementation, operation and support which provide smooth conducting electronic banking and electronic money activities.

RISK OF MISUSE OF PRODUCTS AND SERVICES

Misuse of products and services by customers, whether intentional or unintentional, is another source of operational risk. The risk increases due to inadequate education of customers, by banks, on security measures during the verification of electronic money transfers. Personal information of bank customers who participate in electronic banking (credit card number, bank account number, etc.) must be specially protected during the electronic money transactions.

REPUTATIONAL RISK

Reputational risk is the risk of getting significant negative public opinion, which may result in a critical loss of funding or customers. Such risks arise from actions which cause major loss of the public confidence in the banks' ability to perform critical functions or impair bank-customer relationship. It may be due to banks' own action or due to third party action. The main reasons for this risk may be system or product not working to the expectations of the customers, significant system deficiencies, significant security breach (both due to internal and external attack), inadequate information to customers about product use and problem resolution procedures, significant problems with communication networks.

LEGAL RISK

Legal risk arises from violation of, or non-conformance with laws, rules, regulations, or prescribed practices, or when the legal rights and obligations of parties to a transaction are not well established. Given the relatively new nature of Internet banking, rights and obligations in some cases are uncertain and applicability of laws and rules is uncertain or ambiguous, validity of some agreements formed via electronic media and law regarding customer disclosures and privacy protection causing legal risk.

MONEY LAUNDERING RISK

As Internet banking transactions are conducted remotely banks may find it difficult to apply traditional method for detecting and preventing undesirable criminal activities. Application of money laundering rules may also be inappropriate for some forms of electronic payments. Thus banks expose themselves to the money laundering risk. This may result in legal sanctions for non-compliance with "know your customer" laws.

CROSS BORDER RISKS

Banks accepting foreign currencies in payment for electronic money may be subjected to market risk because of movements in foreign exchange rates. Internet banking is based on technology that, by its very nature, is designed to extend the geographic reach of banks and customers. Such market expansion can extend beyond national borders. This causes various risks. It includes legal and regulatory risks, as there may be uncertainty about legal requirements in some countries and jurisdiction ambiguities with respect to the responsibilities of different national authorities. Such considerations may expose banks to legal risks associated with non-compliance of different national laws and regulations.

STRATEGIC RISK

This risk is associated with the introduction of a new product or service. Degree of this risk depends upon how well the institution has addressed the various issues related to development of a business plan, availability of sufficient resources to support this plan, credibility of the vendor (if outsourced) and level of the technology used in comparison to the available technology etc.

CREDIT RISK

It is the risk that a counter party will not settle an obligation for full value, either when due or at any time thereafter. Banks may not be able to properly evaluate the credit worthiness of the customer while extending credit through remote banking procedures, which could enhance the credit risk. Presently, facility of electronic bill payment in Internet banking may cause credit risk if a third party intermediary fails to carry out its obligations with respect to payment.

LIQUIDITY RISK

It arises out of a bank's inability to meet its obligations when they become due without incurring unacceptable losses, even though the bank may ultimately be able to meet its obligations.

RISK OF UNFAIR COMPETITION

Internet banking is going to intensify the competition among various banks. The open nature of internet may induce a few banks to use unfair practices to take advantage over rivals. Any leaks at network connection or operating system etc., may allow them to interfere in a rival bank's system.

RISK MITIGATING MECHANISM

To use any risk mitigating measure the risk assessment is necessary. It is a permanent process which takes place in three phases. In the first phase it is necessary that the bank identifies and quantifies the opportunities and risks. The second phase determines the potential for banks in the level of risk tolerance, based on the assessment of loss that the bank will be able to submit. In the third stage it is necessary to assess whether the risk exposure within the range limit. After the evaluation of risks and determine their levels of tolerance, the bank's management should start with risk management and their control. The study identified several risks mentioned above. The problem is how to reduce those risks? There are different ways and means to reduce the risks those are given below.

For operational risk mitigation banks' system must be technologically equipped to handle these aspects which are potential sources of risk. Appropriate system architecture and control is an important factor in managing various kinds of operational and security risks. The education of the staff as well as users, avoid operational risk. Managing the operational risk include access control, use of firewalls, cryptographic techniques, public key encryption, digital signature etc.

Possible measures to avoid reputational risk are to test the system before implementation, backup facilities, contingency plans including plans to address customer problems during system disruptions, deploying virus checking, deployment of ethical hackers for plugging the loopholes and other security measures.

There should be a privacy rule from the bank and this must be communicated to all prospective clients. Also client permission should be sought before dissemination of information to external parties to reduce legal risk. To avoid money laundering risk, banks need to design proper customer identification and screening techniques, develop audit trails, and conduct periodic compliance reviews, frame policies and procedures to spot and report suspicious activities in Internet transactions.

For reducing strategic risk, banks need to conduct proper survey, consult experts from various fields, establish achievable goals and monitor performance. Proper evaluation of the creditworthiness of a customer and audit of lending process are a must to avoid such risk. It is important for a bank engaged in electronic money transfer activities that it ensures that funds are adequate to cover redemption and settlement demands at any particular time. Failure to do so, besides exposing the bank to liquidity risk, may even give rise to legal action and reputational risk.

The risk management frame work consists of risk identification, risk managing strategies and risk monitoring. It means identifying various kinds of risks involved in the project. Then measuring the level of risk it is nothing but quantifying the risk. Finally, ranking the all risks based on level of existence. The risk mitigated techniques or strategies generally used are: reduction of risk, retention of risk and risk transfer.

E - BANKING MAJOR ISSUES AND CHALLENGES

The basic features of e banking (and e-commerce in general) carry a number of challenges for risk management (electronic banking group) they are:

1. The major challenges that electronic banking is facing is the security variability, lack of knowledge of end users, failure of bank transitions, user interface etc.
2. The competitive pressures to prepare new business applications. The competition is intensifying challenges for management to ensure that adequate strategic assessment, risk analysis and security research carried out before implementation of new applications.
3. Transnational e-banking integrated as possible into existing computer systems to achieve immediate processing of electronic transactions to reduce human errors and frauds that occur with manual processes.
4. Increase of technical complexity for many operational and safety issues and the continuing trend towards greater number of partnership arrangements, outsourcing and alliances with third parties, of which many are subjected to regulation.
5. The challenge of security, data protection, procedures and standards of diary keeping privacy of clients. Because, the internet is global open network which can be accessed anywhere in the world of the unknown, routing messages through unknown locations and via wireless devices that are developing fast.
6. Technological issues including costs, soft ware, infrastructure, managerial challenges of people and organistional issues, business challenges of customers services and legal issues.

The key challenges are cost, knowledge of e-commerce and managing change. To address these, the banks must develop cost effective technology, customer awareness programmes, etc.

CONCLUSION

To meet the expectations of customers, banks must have effective capacity, business continuity and plans for every eventuality. Banks should develop appropriate plans for responding to incidents, including communication strategies, which ensure business continuity, control of reputation risk and limiting the obligations under the disturbances in their e-banking. Identification of risk is possible in several ways; the most common methods are related to empirical experience of banks, as well as the exchange of experiences between the commercial banks. Risks in banking are an integral part of the job. E- Banking provided significant benefits to the bank and its clients. E-banking need to be consistent and should provide timely services in accordance with high customer expectations. Banks must be able to provide e-banking services to all end users and to be able to maintain such availability in all circumstances.

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FINANCIAL LITERACY AMONG INVESTORS: THEORY AND CRITICAL REVIEW OF LITERATURE

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ABSTRACT

Financial Literacy means knowledge of basic economic and financial concepts, as well as the ability to use that knowledge and other financial skills to manage financial resources effectively for a lifetime of financial comfort. In this paper, an attempt is made to examine the burning issue of "financial literacy among investors," from multiple perspectives. Accordingly the existing literature on the subject has been reviewed and critically analyzed on various bases i.e., definitions developed, importance elucidated, determinants identified, demographics studied, impact of financial education and various geographical locations covered. To conclude, it can be said that the eminent area of financial literacy holds many unexplored dimensions which researchers can take up in future.

JEL CLASSIFICATION
D14, G02, G20, P46.

KEYWORDS
Financial Literacy, Financial Education, Investors, Cognitive Ability.

1. INTRODUCTION

Financial literacy has become a major area of research in recent years, both in the investment and retirement literature with respect to the increasing complexity of financial products and more frequent need to save for retirement. Studies find individuals are generally financially uninformed and lacking in basic financial principles. Also in the last few decades, financial markets around the world have become increasingly accessible to the "small investor" as new products and financial services have come on the market Nonetheless, many of these products are complex and difficult to grasp, especially for financially unsophisticated investors. At the same time, changes in the pension landscape are encouraging increased reliance on the individual. Now there is greater responsibility on an individual regarding investment of his saving which provides them both security and return for the future.

Over the recent years, also in our country financial landscape has been changed considerably. Financial landscape has become complex over the past few years with the introduction of many new financial products. In order to understand risk and return of these products, there must be a minimum level of financial literacy. Financially literate individuals can make effective use of financial products and services and there will be less chances of cheat by people selling financial products which are not suitable for them. Financial literacy also helps in improving the quality of financial services and contributes to economic growth and development of a country (Bhushan and Medury 2013).

India is among the world's most efficient financial markets in terms of technology, regulation and systems. It also has one of the highest savings rate in the world. In spite of the same, India is still one of the poorest countries in the world. While savings are more in India, where the savings are invested is a cause for concern. Wealth creation for the investor and the economy will remain a distant dream, unless the common man becomes a wiser investor and is protected from wrong doings.

In layman words, financial literacy is nothing but knowledge about personal management of finances. It gives you the twin benefit of protecting you from financial frauds as well as planning for financially secure future (Kumari & Viz 2012). Financial literacy gives consumers the knowledge and skill required to assess the suitability of various financial products and investments available in the financial market. This benefits the consumers by translating itself in benefits to the economy as a whole. Financial literacy is first and foremost about empowering and educating consumers so that they are knowledgeable about finance in a way that is relevant to their lives and enables them to use this knowledge to evaluate products and make informed decisions.

From the regulatory perspective, financial literacy empowers the common person and thus reduces the burden of protecting the common person from the elements of market failure, attributable to, de facto, information asymmetries (Ramakrishnan 2012). Financial literacy is also an integral component of customer protection. Despite concerted efforts, the current state of transparency coupled with the difficulty of consumers in identifying and understanding the fine print from the large volume of convoluted information, leads to an information asymmetry between the financial intermediary and the customer.

From decision making perspective, financial literacy refers to the ability to make informed judgments and to take powerful choices in regards to the utilization and administration of cash. It is viewed as a vital prerequisite for working viably in current society (Atkinson and Messy 2011). It empowers an individual to comprehend the vitality of investment funds. Financial literacy is progressively critical for household's decisions about on how to invest wealth and how much to borrow in financial markets. Mounting proof demonstrates that the individuals who are less financially educated are more inclined to have issues with debt, are more averse to save, are more prone to take part in high-cost credit, and are less liable to plan for future.

The rest of the paper is framed as follows. Section 2 lays the objectives of the study. Literature review is presented in Section 3. Critical analysis of extant studies constitutes Section 4 of the paper. Section 5 discusses scope for future research. Summary and conclusions of the present work are provided in Section 6.

2. OBJECTIVES OF THE STUDY

The present work has multiple objectives which are listed below.

1. To develop a consensus on definition of financial literacy.
2. To highlight the importance of financial literacy.
3. To enumerate major determinants of financial literacy.
4. To examine the extant studies on the basis of demographics studied.
5. To investigate the literature that measured the impact of financial education on financial literacy.
6. To probe whether financial literacy levels significantly differs across geographical regions.

3. LITERATURE REVIEW

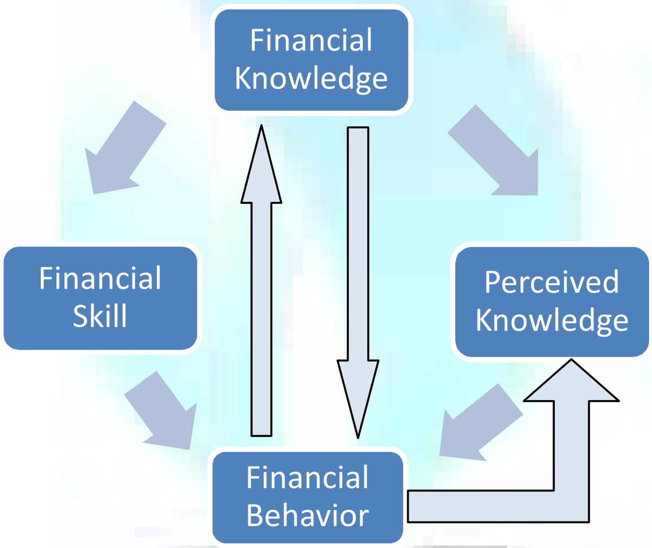
This section of literature review has been segregated on the basis of meaning, importance, determinants, demographics, the impact of education and various geographic locations.

3.1 MEANING OF FINANCIAL LITERACY

In order to enhance comparability and consistency across the evidence base, core concepts must be clearly defined. However, as happens in many research areas, different researchers and organizations have defined financial literacy in different ways. This section examines the breadth of existing conceptual and operational financial literacy definitions, compares financial which financial literacy applies.

It is tempting to accept the **PACFL (2008)** (Presidents Advisory Council on Financial Literacy) definition. However, that definition largely rests on the ability to use knowledge and skills towards achieving financial well-being, and is hence quite behaviorally based. While practically relevant, such a focus limits insight into mechanisms for impacting financial literacy. We would argue that financial knowledge, skills, and behavior, as well as their mutual relationships, should all be considered in an overarching conceptualization of financial literacy. In particular, financial knowledge represents a particularly basic form of financial literacy. Financial knowledge, in turn, is reflected in perceived financial knowledge and influences financial skills that depend on knowledge. Actual financial behavior, in turn, depends on all three (actual knowledge, perceived knowledge, and skills). Finally, the experience gained through financial behavior feeds back to both actual and perceived financial knowledge. Still, the relationships are likely to be imperfect, as each also depends on other factors internal and external to the individual (e.g., attitudes, resources). Figure (1) presents these logical relationships among financial literacy components.

FIGURE 1: CONCEPTUAL MODEL OF FINANCIAL LITERACY



Accordingly, a composite definition of financial literacy that builds off of those given by PACFL (2008) and various researchers is:

Financial Literacy means knowledge of basic economic and financial concepts, as well as the ability to use that knowledge and other financial skills to manage financial resources effectively for a lifetime of financial well-being. Being precise about what is meant by financial literacy, including which components are being considered, will help clarify research and ultimately lead more fluidly to practical interventions. For example, lessons learned through a focus on financial knowledge will help inform knowledge-based financial education, but be only one factor to designing behavioral interventions. Those are more likely to depend on other financial skills, perceptions of knowledge, attitudes, and environmental factors. Similarly, measures should accurately reflect conceptual definitions, and conclusions should be restricted to financial-literacy components that are actually measured.

Still others, like **Moore (2003)** elaborated that individuals are considered financially literate if they are competent and can demonstrate the knowledge which they have learned. Financial literacy cannot be measured directly so proxies must be used. Literacy is obtained through practical experience and active integration of knowledge. As people become more literate they become increasingly more financially sophisticated and it is conjectured that this may also mean that an individual may be more competent.

Mandell (2007) described financial literacy as the ability to evaluate the new and complex financial instruments and make informed judgments in both choice of instruments and extent of use that would be in their own best long-run interests.

Lusardi (2008a, 2008b) explained the financial literacy as knowledge of basic financial concepts, such as the working of interest compounding, the difference between nominal and real values, and the basics of risk diversification while Lusardi and Tufano (2008) focused on debt literacy, a component of financial literacy, defining it as “the ability to make simple decisions regarding debt contracts, in particular how one applies basic knowledge about interest compounding, measured in the context of everyday financial choices.

Hung et al. (2009) tried to provide a composite definition of financial literacy and approach for measurement of financial literacy. They found that financial literacy consistently predicting the financial behavior. However, financial literacy is not consistently predictive of total savings measures. The results of their study suggested that the less financially literate may be less likely to engage in recommended financial practices, such as planning for retirement.

3.2 IMPORTANCE OF FINANCIAL LITERACY

Financial literacy is important for several reasons. Financially literate consumers are able to sail through tough financial times because of the fact that they might have accumulated savings, purchased insurance and diversified their investments.

"Financial literacy is also directly correlated with positive financial behaviour such as timely payment of bills and loan installments, saving before spending and using credit card judiciously." (Atkinson and Messy, 2011) Financial education is increasingly important, and not just for investors. It is becoming essential for the average family trying to decide how to balance its budget, buy a home, fund the children's education and ensure an income when the people retire. Of course people have always been responsible for managing their own finances on a day to day basis – spend on a holiday or save for new furniture; how much to put aside for a child's education or to set them up in life – but recent developments have made financial education and awareness increasingly important for financial well-being. Now a days, consumers are not just choosing between interest rates on two different bank loans or savings plans, but are rather being offered a variety of complex financial instruments for borrowing and saving, with a large range of options. At the same time, the responsibility and risk for financial decisions that will have a major impact on an individual's future life, notably pensions are being shifted increasingly to workers and away from government and employers.

As life expectancy is increasing, the pension question is particularly important as individuals will be enjoying longer periods of retirement (Thilakam, 2012). Individuals will not be able to choose the right savings or investments for themselves, and may be at risk of fraud, if they are not financially literate. But if individuals do become financially educated, they will be more likely to save and to challenge financial service providers to develop products that truly respond to their needs, and that should have positive effects on both investment levels and economic growth.

3.3 DETERMINANTS OF FINANCIAL LITERACY

Determinants are the indicators or the predictors of the financial literacy. So before measuring the financial literacy it is necessary to find out the factors which affect the financial literacy. The financial behaviour assesses how the individual deals with continuous saving habits etc. Financial attitude influences the behaviour of the individual. Financial attitude is the opinion of the individual about the belief in planning, their propensity to save and consume. So, the combination of financial knowledge, attitude and behaviour determines the level of financial literacy of an individual. There are also other factors of the financial literacy which are discussed by various researchers as follows.

Lusardi et al. (2009) found that both educational attainment and cognitive ability are important determinants of financial literacy, but they are not the sole determinants. In fact, many variables continued to be important predictors of financial literacy, even after accounting for education and cognitive ability. Moreover, education and cognitive ability alone fail to account for the wide variation in financial knowledge among the young. They also found that financial knowledge among the young is strongly influenced by family background.

Jappelli (2010) used the panel data to offer a comprehensive assessment of literacy across the world based on a survey of executives in 55 countries, in 1995-2008. The advantage of the dataset is strict international comparability, which allows financial literacy to be related to the quantity and quality of human capital, technological infrastructure, economic, and financial development. The drawback to it is that the survey respondents are a selected group of managers and country-experts, and that data are only available in aggregate form, preventing analysis of specific socioeconomic groups. The descriptive analysis shows that literacy varies quite substantially among countries, and the regression analysis shows that its level depends on educational achievement, social interactions (as proxies by the share of urban population), and mandated savings in the form of social security contributions.

Mahdavi & Horton (2014) focused on measuring the degree and determinants of financial literacy among educated women in a sample of alumnae of a highly selective women's college. They used descriptive statistics and multiple regressions to analyze effects of HHI (house hold income), degree types, marital status, having children, employment status, parents' education, sources of financial information, and influences on money attitudes. They found that the FKI score increased with higher HHI. In terms of degrees obtained, they found that women with MBA degrees had the highest FKI score.

3.4 DEMOGRAPHICS

In this sub-section only those studies are included which examined the Financial Literacy across various demographic factors like age, income, gender, etc.

Volpe et al. (2002) examined investment literacy of 530 online investors. They found that level of investment literacy varied with people's education, experience, age, income and gender. Women had much lower investment literacy than men and older participants performed better than young participants.

Worthington (2006) used the logit regression models to predict financial literacy of Australian adults. Their findings suggests that financial literacy is found to be highest for persons aged between 50 and 60 years, professionals, business and farm owners. Financial literacy is lowest for unemployed, females and those from non-English speaking background.

Al-Tamimi and Kalli (2009) assessed the financial literacy of the UAE investors. The results indicate that the financial literacy of UAE investors is far from the needed level. The financial literacy is found to be effected by income level, education level and workplace activity.

Agarwal et al. (2010) evaluated financial literacy of online Indian investors of Hyderabad city. The findings suggest that participants are generally financially literate. Variations in financial literacy level were observed across demographic and socio-economic groups.

Almenberg and Soderbergh (2011) examined the relationship between financial literacy and retirement planning of Swedish adults. They found significant differences in financial literacy between planners and non-planners. Financial literacy levels were found lower among older people, women and those with low education or earnings.

Lusardi (2012) found that both in USA & other countries there is low level of financial literacy among adult population and especially very low level of financial literacy among particular group of population like old age persons, women, and those with low educational attainment. This is problematic because numeracy has been found to be linked to financial decision making, and many governments and employers around the world are increasingly shifting the responsibility for saving, investing, and borrowing onto individuals.

Bhusan & Medury (2013) showed that in India people are still not much aware about their finance related issues. The results suggest that level of financial literacy varies significantly among respondents based on various demographic and socio-economic factors. It can be concluded that financial literacy level gets affected by gender, education, income, nature of employment and place of work whereas it does not get affected by age and geographic region.

3.5 FINANCIAL EDUCATION IMPACT ON FINANCIAL LITERACY

In this subsection the impact of financial education on financial literacy as propagated by different researcher has been described.

Walstad (2006) utilizing National Council on Economic Education standardized tests, such as the BET (Basic Economic Test) for elementary students have shown economic literacy gains as demonstrated in pre and post test data in comparison to control groups. The most effective educational means have generally been shown to be 'practice oriented' in student learning outcome measures.

Sanders et al. (2007) tried to examine the financial education impact on financial literacy. A total of 67 survivors completed a pre-test and a post-test two weeks following the implementation of the curriculum. They found that survivors who participated in REAP showed greater and significant differences in their knowledge when compared to survivors who did not participate in REAP (Redevelopment Opportunities for Women's Economic Action Program)

Sprenger (2007) showed that future-oriented people are the most likely to agree to attend financial education. Since future-oriented individuals are already more likely to manage their personal finances better, the authors conclude that selection into financial education contributes to an overestimation of positive impacts.

Walstad et al. (2010) tried to investigate in what ways the financial knowledge of high school student is affected by a financial education program. They observed that there is an increase in level of financial literacy because of financial education irrespective of student's characteristics and the course in which the curriculum was used.

Xio et al. (2010) examined the association between financial knowledge, financial education and risk credit behavior. Their findings suggest that both high school and college personal finance courses may contribute student's subjective finance knowledge but does not show a direct impact on objective credit knowledge.

Fonseca et al. (2012) studied the effects of household financial decision making on women's financial literacy. According to the latter, the division of labor in financial decision making is not based on gender, but rather on the level of educational attainment, with the level of education positively linked to knowledge of finance and financial decision making.

Postmus et al. (2014) examined the effect of financial education curriculum using a longitudinal randomized control study, with data collected over four time periods spanning 14 months. Study participants were recruited from 14 different advocacy organizations located in seven different states and Puerto Rico. They found that group had an average improvement a half point to over a full point on self-reported financial knowledge, financial intentions, and financial behavior and a decrease in financial strain.

Singh and Sehrawat (2014) found high degree of positive correlation between education and financial literacy. They reported that people do not implement their own decisions because of the lack of confidence. The benefit of various financial literacy programs is of long term nature. In short term one can cross check their decisions by taking advice from financial experts and boost their confidence.

3.6 GEOGRAPHICAL LOCATIONS

Many researchers examine the financial literacy across various geographical regions and they found that financial literacy level is higher in urban area as compare to rural area. Some of them are discussed below.

Fornero and Monticone (2011) showed that financial literacy varies widely among Italian regions. While there is a distinct North-South divide in terms of financial literacy—with Southern regions showing much lower levels of financial knowledge than the Northern regions—there are also sharp differences in financial literacy among the regions in the North of Italy.

Klapper and Panos (2011) also documented large differences in financial literacy in Russia. According to their work, these differences seem to be explained by living in rural versus urban areas. This is consistent with the evidence provided in other papers that, in the absence of formal education, people acquire financial literacy via interactions with others.

Bumcrot et al. (2011) constructed a hierarchical regression model in which demographic variables – age, gender, ethnicity, income, education, and marital status – were entered in the first block, and state was entered in the second block for understanding the degree to which geographical variations in financial literacy are attributable to variations in the demographic characteristics of the states. They found a significant effect of geography. Their study highlighted two main findings- financial literacy is rather low in the population and most Americans are not familiar with fundamental concepts that should form a basis for financial decision-making.

Thilakam (2012) made an empirical analysis of rural investors, level of awareness towards modern savings/investment avenues and their perception towards availability of various financial services among the people who are living in Coimbatore district of Tamilnadu in India. It has been found out that investors' perceptions towards feasibility of financial services offered by various agencies in rural areas significantly differ from one another.

4. CRITICAL ANALYSIS

Financially literacy is pivotal for positive financial behavior, rational financial decision making, overall financial welfare and sailing through tough financial times. This is because financially literate investors are more likely to make choices and decisions which would lead them to make optimal financial decisions, thus maximizing their financial well-being.

Major factors which determine financial literacy among investors are financial education, cognitive ability, maturity and family background. Relative importance of these determinants will vary from investor to investor.

Since financial literacy is a very subjective term, various researchers have defined it differently. The most widely accepted of financial literacy in literature is provided by Lusardi. Lusardi defines the financial literacy as knowledge of basic financial concepts, such as the working of interest compounding, the difference between nominal and real values, and the basics of risk diversification.

A plethora of studies have incorporated demographics as part of their framework. Different researchers have analyzed financial literacy for investors belonging to different age category, income groups and gender. They have thus arrived at varying results which are not directly comparable.

Various researches on the subject have confirmed the notion that financial education significantly enhances financial literacy among investors and it is perhaps the most significant factor influencing financial literacy. This is significant as it indicates that concerted efforts in imparting financial education would make valuable increments to an investor's level of financial literacy, irrespective of their general education level, age, income, gender and family background.

Previous studies which attempted to measure financial literacy among investors, encountered several problem in achieving their objective. The main issues where lack of a common construct, lack of uniform questionnaire, over or underestimation of their financial knowledge by investors while replying, incorrect responses, inherent inability of questions in capturing cognitive ability, possibility of measurement errors and that individual answers might incorrectly measure their true financial knowledge. They have applied regression analysis, chi-square test, factor analysis, non parametric tests and various other inferential statistics techniques on their data sets to draw meaningful conclusions regarding financial literacy of their study subjects. Due to problems mentioned above and application of varied statistical techniques, financial literacy as measured by different researches cannot be generalized and directly compared.

Researchers in their attempt to capture financial literacy have surveyed investors transcending national boundaries. They have studied investors in countries as diverse as Italy, India, Australia, USA, Russia and several others. They reported different levels of financial literacy across different geographical regions and nationalities.

5. SCOPE FOR FUTURE RESEARCH

- Probing the level of financial literacy amongst developing or emerging markets.
- Analyzing the impact of financial literacy on investor behaviour.
- Scrutinize whether financial literacy level significantly varies across different geographical regions.
- Developing a comprehensive set of factors which can determine, measure and explain financial literacy.
- Investigate whether financial literacy varies across countries with different levels of economic and social development.
- Examine financial literacy among young entrepreneurs, finance managers and proprietors of medium, small and micro enterprises (MSMEs).

6. SUMMARY AND CONCLUSION

In this paper, an attempt has been made to study various facets of financial literacy among investors. The literature on financial literacy has been analyzed by segregating extant studies on multiple bases such as meaning, importance, various determinants, demographics, impact of financial education, measurement, geographical locations covered and those which incorporate investor protection in their research.

Financial Literacy means knowledge of basic economic and financial concepts, as well as the ability to use that knowledge and other financial skills to manage financial resources effectively for a lifetime of financial comfort.

To conclude, it can be said that the area of financial literacy holds promising prospects for future researches as it has many facets which are still unexplored or underexplored. Study of financial literacy grows in significance with growing importance of financial matters in our lives and increasing complexity of financial products and services. Financial literacy of investors is particularly un-probed in developing or emerging markets where a growing middle class of investors, present themselves as a group whose financial knowledge must be examined.

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WOMEN'S PROPERTY RIGHTS IN KAUTILYA'S *ARTHASHASTRA*

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ABSTRACT

Since ancient times, there has been a respectful place for woman in India. Property rights of woman are an important indicator of their social position. Property is a comprehensive word. There has been great importance of property since ancient time. It consisted of land, animals, jewelry, treasury bills and money sufficient for the maintenance of any person. After independence various measures have been adopted in India for the empowerment and security of women. Mainly it includes reservation for women in education, various jobs, legislative bodies etc. But, without any financial security, all talks of equality and rights of women are simply empty talks. The purpose and scope of this paper has been to explore the property rights of women in the Arthashastra of Kautilya. This article has divided women into three segments such as the wife, the widow and the daughter to explain their property rights.

KEYWORDS

Kautilya, property rights, women.

INTRODUCTION

Kautilya (350 BC- 270 BC) was the great political and economic thinker having the specialization of various fields of life. He is also known as Chanakya or Vishnugupta. He was the chief advisor and Prime Minister of the Indian Emperor Chandragupta Maurya. Chandragupta Maurya (340 BC – 298 BC) was the founder of the Maurya Empire and the first emperor to unify most of Greater India into one state. After unifying much of India, Chandragupta and his chief advisor Kautilya passed a series of major economic and political reforms. He established a strong central administration patterned after Kautilya's text on politics, the *Arthashastra*. The *Arthashastra* of Kautilya is a piece of work of exceptional interest and value. In modern times also it is accepted as the famous compendium of ancient Indian political and economic thought. The *Arthashastra* of Kautilya possesses a great interest and importance not only to the students of Sanskrit literature, History and Political Science, but also to the students of Indian economy. The treatise consists of various topics like statecraft, economics, espionage, administration, war science, ecology, women empowerment and various other aspects related to human living.

One of the most important issues for which the Kautilya's *Arthashastra* has much relevance today is rights and empowerment of women. Kautilya considered the fact that women should be economically empowered. He made the provision of property rights for them to make their position sound in the family. Women's property rights are the property and inheritance rights enjoyed by women as a category within society at any point in time. It appears from *Arthashastra* that the purpose of giving women the right to own property is to afford protection in case of a calamity

RESEARCH METHODOLOGY

The present paper is based on the content analysis methodology. It is also called textual analysis. It is a standard methodology in the social sciences on the subject of communication content. It is the study of recorded human communications, such as books, websites, paintings and laws. Thus, content analysis is a technique for gathering and analyzing the content of text. The content can be words, phrases, sentences, paragraphs, pictures, symbols, or ideas. This paper is based on secondary data gathered from various sources such as books, journals, magazines, newspaper and websites.

WOMEN PROPERTY (*stridhana*) RIGHTS IN KAUTILYA'S *ARTHASHASTRA*

Property rights of women reflect their economic position in the society. Many questions, about ancient times, may be raised in this regard, e.g., was woman merely a slave? Did she have any individual rights? What were her rights to property? Were these rights static or did they vary with the changes in the political social life? The paper seeks to find out answers to these questions in the light of the information provided by the *Arthashastra* of Kautilya. In ancient times woman property was called *stridhana*. Maintenance of '*stridhana*' was a legal compulsion and violation was subject to punishment. The state was to implement the observance of the rules pertaining to this financial arrangement. Kautilya mentioned that-

वृत्तिराबन्ध्र्य वास्त्रीधनम्।
परद्विसाहस्त्रा स्थाप्या वृत्ति;, आबन्ध्या-नियमः।
(3.2.)

Thus in kautilya's *Arthashastra,* there are two forms of woman property for a married woman-

- Maintenance (*Vritti*)
- Ornaments (*Abandhyam*)

Vritti: *Vritti* was an endowment of a maximum of two thousand *panas* which was kept for the maintenance of woman.

Abandhyam: Jewellery was called the *abandhyam*. All the ornaments and valuable goods given at the time of marriage came under the category of *abandhyam*. There was no limit of ornaments. Before seeing the woman's property rights given in Kautilya's *Arthashastra* it is necessary to understand the various forms of marriages prevailed during ancient time. In ancient times eight types of marriages were considered:

TABLE 1

Type of Marriage	Description
1. Brahma	Making a gift of the daughter, after adorning her with ornaments.
2. Prajapatya	The joint performance of sacred duties by a man and a woman without the prior consent of the woman's father.
3. Arsa	The husband presented a pair of cow to the father of the wife.
4. Daiva	The giving away of a girl to the officiating priest inside a sacrificial altar.
5. Gandharva	Lovers marrying secretly.
6. Asura	Giving away of a girl in exchange for bride price.
7. Raksasa	By forcible seizure.
8. Paisaca	Abduction of a woman while she is sleeping or intoxicated.

Source: Kautilya's *Arthashastra*

Brahma, Prajapatya, Arsa and Daiva - these four types of marriage were considered as lawful and sacred with the consent of father. The later four became lawful only.

Woman's property rights are understood in this paper by dividing them into three parts-

1) Property rights of wife

2) Property rights of widow
3) Property rights of daughter

PROPERTY RIGHTS OF WIFE
According to Kautilya, a wife's property consisted of an amount for her support and her jewellery. Although woman was the full owner of her *stridhana* yet she could not use it freely. She could use that amount only in some specific situations. Woman could use her *stridhana* for the maintenance of herself, her sons and daughter-in-law. She could also use it in a situation if the husband had gone on a journey without providing sufficient means for the maintenance of the family. In some cases the husband also had the right to spend from *stridhana*. It was not an offence for the husband to use his wife's property for the performance of religious acts or to meet emergencies such as disease, famine and unanticipated dangers. Or they could jointly use this by there mutual consent if they had a daughter and a son. If the wife had not objected to her husband using her property over a period of three years, she lost any claim to compensation in case of first four types of marriage. In case of Gandharva and Asura marriages, husband should repay all stidhana with interest. And in Rakshasa and Paisacha marriages the husband could not use the property of her wife. If he did so, he had to pay the penalty for theft.
If the wife dead before her husband, her *stridhana* should be divided as follows:
- sons and daughters in equal shares;
- daughters in equal shares if there are no sons;
- the husband, if there are no children.

The gifts given by the relatives should revert back to the owners.

PROPERTY RIGHTS OF WIDOW
During that time, widow remarriages were allowed. When the husband was dead, the widow, who was desirous of leading a pious life, should immediately receive the endowment, ornaments and the dowry. But if after receiving these, she marries again, she must be made to return all *stridhana* with interest. If she was desirous of having a family (remarriage), she should receive her *stridhana* (given to her by her father-in-law and her late husband) at the time of remarriage. In case she remarries without the consent of her father-in-law, she did not get that property. If a widow who had sons married again, should forfeit her woman's property. Her sons should receive that property. If the reason behind the remarriage is the maintenance of sons, she should supplement the woman's property for the sake of the sons. The woman's property of a widow without having sons should go to the heirs after her death. If the woman died while her husband was living, her property was divided among sons and daughters, among daughters only if she had no sons. But in the absence of these (son and daughter) the husband was the owner of it. A widow did not inherit all the property of her husband; if there were no heirs, the king took the property leaving only the amounts needed for her maintenance. A remarrying widow was also obliged to leave her property, at the time of remarriage, to the sons by the first marriage

PROPERTY RIGHTS OF DAUGHTER
It appears from *Arthashastra* that daughters had the share equal to brothers in her mother's *stridhana* as mentioned in (3. 2. 36). After the death of a woman her woman's property would be inherited by her sons and daughters (whether the husband is still alive or dead). In the absence of children, the husband, if alive, would receive a part of it and the other parts would be shared by the respective contributors. Although the kautilyan society was son dominated society, yet he accepted the share of daughters in father's property also. To quote-
"The sons (shall inherit) the estate of a man with sons, or the daughters, born in the pious marriages." (3. 5. 10)
It also clears from the above *sloka* that daughters inherited father's property only when, if there was no sons. It was in the case of first four types of marriage only. The order of inheritance in case of each type of marriage is given below which also shows that the position of daughters was less important than sons. The main reason is that in traditional Hindu family sons occupy a supreme position because they carry on the family line while daughters leave their parents' house on getting married.

TABLE 2

Types of Marriage	Order of Inheritance
Brahma, Prajapatya, Arsa, Daiva	-Sons, if they were living -Daughters, if there were no sons -The father of the deceased, if alive -If father has died, then equally between brothers and nephews
Gandharva, Asura, Raksasa, paisaca	-Sons, if they were living -Brothers or persons who had been living with the deceased -Daughters

Source: Kautilya's *Arthashastra*

In short, property passed down the male line, except when there were only daughters.
Although the daughters were given less priority in inheritance, yet kautilya made her position sound than earlier thinkers who considered no share of women in father's property.

LOSS OF PROPERTY RIGHTS
According to Kautilya, a woman would loss all her property (i.e. her *stridhana*, gifts from her family and her dowry) in the following cases:
- If she is guilty of treason,
- or misconduct,
- or becoming a vagrant

CONCLUSION
To conclude it can be said that Kautilya gave a deep insight for the financial position of woman. Various laws had been defined by him in *Arthashastra* related to woman's property. It appears that during Kautilya's period, women were financially dependent on men. Only a few castes were there in which woman played a vital role in the work participation. At that time marriage becomes the mean of livelihood for women. A huge amount was to be kept at the time of marriage by the husband, the relatives of the husband and the relatives of the woman who is to be married. It was called *stridhana*. The amount of the fund depended on the financial capabilities of the donors involved and the existing social custom. But it should at least be sufficient to cover the subsistence of the woman and her children in case her husband dies, remarries or abandons her for any reason in which the woman has no fault on her part. kautilya was also in the favour of financial support of widows. The wife and the widow of all castes did not inherit their husband's all property. Kautilya's *Arthashastra* conferred right of remarriage to widows – provided that she hands over the property of the deceased husband to his relatives. There is no doubt that daughter were also having rights in the property of their father in Kautilya's system. But it was only in the case when there were no sons. But even then Kautilya's policies, regarding woman, were more liberal than other ancient thinkers of his time. By giving her some property rights he made her position sound in the family.

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A STUDY OF FOREIGN INSTITUTIONAL INVESTMENT (FII) & ITS IMPACT ON STOCK MARKET IN INDIA

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ABSTRACT

In an emerging economy like India, stock market is one of the important pillars of growth; the measurement of volatility and the factors affecting volatility holds great importance to the economy. One such factor that affects the movement of the stock market is FIIs. FIIs were first allowed to enter in the Indian stock market in the year 1992 but the first trade happened in the year 1993, since then the investment from FIIs became a very important aspect for the Indian markets. During the period of last 10 years the Indian stock market has seen some phenomenal growth, with the fast growth came huge volatility which shocked the market in the year 2008. Since then despite of government and regulatory actions the markets in India are passing through a phase of instability and uncertainty.

KEYWORDS
FII, Indian stock market.

FOREIGN INSTITUTIONAL INVESTMENT: AN INTRODUCTION
The term Foreign Institutional Investor means an institution established or incorporated outside India which proposes to make investment in India in securities. Provided that a domestic asset management company or domestic portfolio manager who manages funds raised or collected or brought from outside India for investment in India on behalf of a sub-account, shall be deemed to be a Foreign Institutional Investor.
Foreign Investment refers to investments made by residents of a country in financial assets and production process of another country. Entities covered by the term 'FII' include "Overseas pension funds, mutual funds, investment trust, asset management company, nominee company, bank, institutional portfolio manager, university funds, endowments, foundations, charitable trusts, charitable societies etc.(fund having more than 20 investors with no single investor holding more than 10 per cent of the shares or units of the fund)" (GOI (2005)). FIIs can invest their own funds as well as invest on behalf of their overseas clients registered as such with SEBI. These client accounts that the FII manages are known as 'sub-accounts'.

WHY FIIs REQUIRED?
With rapid changes in the economy because of liberal economic policies and fast pace changes due to globalization, Indian market has become a focus point for foreign investors. Organizations tend to target for large volume of trade in this era of globalization. Trade flows are indeed one of the most visible aspects of globalization. International investment is a powerful source in propelling the world toward closure economic integration. It facilitates and persuades large productivity and help in shaping up balance of payments. FII flows in India have continuously grown in importance.

REASONS FOR VOLATILITY IN INDIAN STOCK MARKET
Investment by FIIs whether in-word or out-word has been always a matter of debate in the Indian market. The protective mentality of the investors in India has always led to criticism about the functioning of regulators of the market in controlling volatility of the market. According to most of the Indian investors, the volatility in the Indian markets is due to the following reasons:
1. Weak market structure
2. Lack of efficient government regulations
3. Vague investment norms & regulatory policy for FII investments
4. Unrestricted movement of foreign exchange rates
5. High rate of Inflation
6. Unstable government policies etc.

Out of all theses variable the influence of FII is considered to one of the most significant on the Indian market. Over the last one decade investors in India has criticized FIIs the most for bringing volatility in Indian markets. The present study is based on studying the role that FII plays in bringing volatility to the Indian market.

INVESTMENTS BY FII's
There are generally two ways to invest for FIIs.
- **EQUITY INVESTMENT**

100% investments could be in equity related instruments or up to 30% could be invested in debt instruments and 70% in Equity Instruments.
- **100% DEBT**

100% investment has to be made in debt securities only

DETERMINANTS OF FII FLOWS IN INDIA
1. RISK
Whenever risk in home market increases, the foreign investors would start going back to their home country thereby creating a deficiency of funds in domestic market, hence so as to attract investment domestic interest rate would increase thereby to ensure that the above equality is restored.
2. INFLATION
At the time of high inflation, the **real return** on fixed income securities like bonds and fixed deposits **declines.** Thus a bond which gives say around 7.5% interest rate actually gives a real return of just 1% if the inflation is 6.5%. If the inflation increases further, the real return would decline more.
3. INTEREST RATES
For the business, cost of borrowing rises this has a negative result on their profit margins. As a result they **might even delay any investment activity which may be funded by borrowing** to some later period when the interest rates are lower so as to reduce their investment costs. Over the past few year RBI has altered the repo rate reverse repo rate, CRR and SLR. This has led to an change in base rate and hence the general interest rate in the economy.
4. GOOD NEWS /BAD NEWS
If say there is some bad news in the nation which decreases the asset price and hence decreases the return and as a result FII would withdraw from the market. However on the other hand, if there is good news, asset prices would increase; thereby increasing return and hence FII would be attracted. But the sensitivity with which investors withdraw is greater than with which they invest i.e. they would be more cautious while investing than at the time of withdrawing. This is primarily due to their basic nature of being risk averse, thus they would react more vigorously to bad news than to good news.

5. **EQUITY RETURNS**

The equity return in India is the main driving force for foreign institutional investment, which is significant at all levels. That is increase in the returns in US stock market adversely affects the portfolio investment flowing to India. Predictable risk in foreign market adversely affects FII flow to India.

6. **GDP OF INDIA**

GDP and FII's have more or less direct relationship. The reason is change in capital account. When interest rates were high India was attracting lot of investments so the credit balance was high for that period. It kept on increasing form 2003-04 to 2007-08 and interest rates also kept on increasing from 2003-04 to 2007-08. Besides these, there are various other factors like rules and regulation , taxation , govt. policies etc which affect the FII flows in India.

HISTORY OF FII CHANGE

The Indian stock market is one of the oldest in Asia but still it is considered to be a developing market. In the pre-independence era the market was highly dominated by the East India Company, but after the independence in 1947 the government of India could not develop the market to its potential. Few reasons for such poor development of the market were poor technology, high dependence on traders, a closed system of trading, and the presence of the market was evident in few industrial cities of the country only. It was the time in early 1990s that Indian stock market got the attention of the investors and then the growth story is unprecedented. In the duration of growth the market saw some great frauds and crashes, but still the growth was unthinkable. In 1994 NSE started functioning for the first time in India on a screen based automatic order matching system followed by BSE which till then enjoyed monopoly in the Indian stock markets.

In January 2008 the market reached 21 *k mark.* Following the US subprime crisis the Indian markets showed some of the greatest intraday falls it has ever seen. In an open economy like India, stock market is considered to be one of the most important parts of the financial market, a sudden change in the price levels can have some huge and long lasting effect on the economy of the country. The price movements in the stock market depend majorly on institutional investors, retail investors and regulators of the market. As the markets in India are now moving towards free float the role of regulators is negligible. So, the major driving forces in the market remain institutional and retail investors. Retail investors do not have a big part to play in the movement of the market as they do not have huge stock to invest. Hence, the major driving force that dominate price movements in the Indian markets are institutional investors and due to this reason the movement of institutional investors whether it be domestic or foreign becomes a very important factor to be studied.

As previously stated FIIs started investing in the year 1993 but the real boom in FII investments came in the year 1995 when SEBI allowed pension funds, mutual funds or investment trusts incorporated outside India to invest in stocks and debentures listed on the Indian Stock Exchanges. Since then FIIs became a very important part of Indian stock market. FIIs now are inevitable part of the Indian stock market. Over the last five years the role and dominance of FIIs in the Indian stock market has increased although the regulators have attracted a lot of criticism by various parts of the society and financial market for inadequate control over FIIs and their role as regulators of the market.

IMPACT OF FIIs ON INDIAN STOCK MARKET

FIIs have played a very important role in building up India's forex reserves, which have enabled a host of economic reforms. FIIs are now important investors in the country's economic growth despite sluggish domestic sentiment. According to The Morgan Stanley Report, FII strongly influence short-term market movements during bear markets. However, the correlation between returns and flows reduces during bull markets as other market participants raise their involvement reducing the influence of FIIs. The correlation between foreign inflows and market returns is high during bear and weakens with strengthening equity prices due to increased participation by other players. The equity return has a significant and positive impact on the FII. But given the huge volume of investments, foreign investors could play a role of market makers and book their profits, i.e., they can buy financial assets when the prices are declining thereby jacking-up the asset prices and sell when the asset prices are increasing. Hence, there is a possibility of bi-directional relationship between FII and the equity returns. India opened its doors to foreign institutional investors in September, 1992. This event represents a landmark event since it resulted in effectively globalizing its financial services industry.

POSITIVE IMPACT: FII flows can be considered both as the cause and the effect of the stock market reforms. The market reforms were initiated because of the presence of them and this in turn has led to increased flows.

1. **ENHANCED FLOWS OF EQUITY CAPITAL**: FIIs are well known for a greater appetite for equity than debt in their asset structure. Not only it can help in supplementing the domestic savings for the purpose of development projects like building economic and social infrastructure but can also help in growth of rate of investment, it boosts the production, employment and income of the host country.
2. **MANAGING UNCERTAINTY AND CONTROLLING RISKS:** FIIs promote financial innovation and development of hedging instruments. FIIs not only enhance competition in financial markets, but also improve the alignment of asset prices to fundamentals. FIIs in particular are known to have good information and low transaction costs. By aligning asset prices closer to fundamentals, they stabilize markets. In addition, a variety of FIIs with a variety of risk-return preferences also help in dampening volatility.
3. **IMPROVING CAPITAL MARKETS**: FIIs as professional bodies of asset managers and financial analysts enhance competition and efficiency of financial markets. By increasing the availability of riskier long term capital for projects, and increasing firms incentives to supply more information about them, the FIIs can help in the process of economic development.
4. **IMPROVED CORPORATE GOVERNANCE:** Good corporate governance is essential to overcome the principal-agent problem between share-holders and management. Information asymmetries and incomplete contracts between share-holders and management are at the root of the agency costs. Bad corporate governance makes equity finance a costly option. Incentives for shareholders to monitor firms and enforce their legal rights are limited and individuals with small share-holdings often do not address the issue since others can free-ride on their endeavor. FIIs constitute professional bodies of asset managers and financial analysts, who, by contributing to better understanding of firms' operations, improve corporate governance.

NEGATIVE IMPACT: If we see the market trends of past few recent years it is quite evident that Indian equity markets have become slaves of FIIs inflow and are dancing to their tune. And this dependence has to a great extent caused a lot of trouble for the Indian economy. Some of the factors are:

1. **POTENTIAL CAPITAL OUTFLOWS:** "Hot money" refers to funds that are controlled by investors who actively seek short-term returns. These investors scan the market for short-term, high interest rate investment opportunities. "Hot money" can have economic and financial repercussions on countries and banks. When money is injected into a country, the exchange rate for the country gaining the money strengthens, while the exchange rate for the country losing the money weakens. If money is withdrawn on short notice, the banking institution will experience a shortage of funds.
2. **PROBLEM TO SMALL INVESTORS:** The FIIs profit from investing in emerging financial stock markets. If the cap on FII is high then they can bring in huge amounts of funds in the country's stock markets and thus have great influence on the way the stock markets behaves, going up or down. The FII buying pushes the stocks up and their selling shows the stock market the downward path. This creates problems for the small retail investor, whose fortunes get driven by the actions of the large FIIs.
3. **ADVERSE IMPACT ON EXPORTS:** FII flows leading to appreciation of the currency may lead to the exports industry becoming uncompetitive due to the appreciation of the rupee.

CONCLUSION

Compared to security markets in developed economies, Indian markets being narrower and shallower, allows foreign investors with access to significant funds, to become the dominant player in determining the course of markets. Because of their over sensitive investment behaviour and herding nature, FIIs are capable of causing severe capital out flight abruptly, tumbling share prices in no time and making stock markets unstable and unpredictable. In the process, more often than not, the domestic individual investors are on the receiving end, losing their precious savings in such outrageous speculative trading. India as an emerging economic power cannot afford to be intimidated down by the FIIs every now and then. We need formidable Domestic Investors which can pump in liquidity even during cash crunch circumstances thereby fuelling the development. The foreign investment in India should be encouraged, but only from a strategic long term perspective. Derivative instruments which facilitate long term foreign investment with specified lock in periods should be introduced. Sustained long term foreign investments would not only contribute to India's growth but also help in curbing volatility, maintaining currency stability and creating environment for inclusive economic development.

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THE IMPACT OF INFLATION RATE AND INTEREST RATE ON REAL ECONOMIC GROWTH RATE: EVIDENCE FROM INDIA

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ABSTRACT

This study attempts to investigate the impact of inflation rate and interest rate on the real economic growth rate in India for the period 1980-2013.Data was sourced from secondary sources and the study adopted Vector Autoregressive (VAR) model, Impulse Responses Functions and Variance Decompositions in order to find the interrelationship between the variables. The result obtained shows that, inflation rate and interest rate have a negative impact on economic growth rate of India. And also the overall result obtained from Variance Decompositions shows that, economic growth rate own shocks explain most of the Forecast Error Variance, and also it recorded a higher variations in the inflation rate and interest rate equations. Therefore the result implied that, Indian economic growth is strong to withstand with the negative effects of inflation rate and interest rate due to effective government policy and macroeconomic stability in the country. The study further uses Granger-Causality Test to find out the direction of causality between the three variables. During the periods, the study found that there exist a unidirectional relationship between economic growth rate and inflation rate, running from economic growth rate to inflation rate. The policy implications of this study is that, in order to achieve higher and sustained economic growth government should concentrate on macroeconomic stability, the necessary infrastructure, controlling inflation and raising public investment. Moreover, interest rate should be suitable to produce deposits which directly accomplish the requirements of investments and therefore people have the chance to save their money with the banks.

KEYWORDS

Economic Growth, Inflation, Interest rate.

JEL CLASSIFICATION

O40, E31, E43.

INTRODUCTION

Economic growth is the increase in the market value of the goods and services produced by an economy over time. It is conventionally measured as the percent rate of increase in real gross domestic product, or real GDP Of more importance is the growth of the ratio of GDP to population (GDP per capita), which is also called *per capita income*. An increase in growth caused by more efficient use of inputs is referred to as *intensive growth*. GDP growth caused only by increases in inputs such as capital, population or territory is called *extensive growth*. Growth is a process, it is not a single event; rather, it is an unfolding series of events. We define growth in terms of the economy's ability to produce goods and services, as indicated by its level of potential output. Growth suggests that the economy's ability to produce goods and services is rising. A discussion of economic growth is thus a discussion of the series of events that increase the economy's ability to produce goods and services.

Interest rate is one of the macroeconomic growth factors; national economies, and the international economy, consist of the activity of labor, along with the use of resources such as land, buildings, minerals and capital in the form of money and credit. When an economy is growing, this typically means that it is generating more income from increased output of goods and services. When there is economic slowdown, which means either that the rate of growth of the economy, measured in terms of economic output, is decreasing or that economic output is actually shrinking.

The up and down volatility of interest rate is closely related with inflation rates. Its high or low rates also impact the economic boom (high GDP) and extending to influence economic growth rate. Inflation in an economy means that prices are of goods and services in the economy are generally rising.

REVIEW OF LITERATURE

The scholarly literature on these phenomena has proliferated, as have specific studies of the impacts of some macroeconomic variables on the others on cross-countries, regions and on particular countries. The present study reviewed some of those literatures mostly on the impact of macroeconomic variables on the economic growth rate.

A way back, Fischer (1993) used both cross-section and panel data that included both industrialized and developing economies to present a seminal contribution to the literature in exploring the possibility of a non-linear relationship between inflation and economic growth in the long-run. In his study, he found that the existence of significant negative association between inflation and economic growth. He also observed that inverse relationship dampens inflation rates after 40% in addition to establishing the existence of non-linearities in the inflation-growth nexus.

Understanding the relationship between inflation and real growth has all along been a key concern in macro-economic research. According to Rangarajan (1998), the question, in essence, presupposes a possible trade-off between price stability and growth either in the long or short run.

Bruno and Easterly (1998) conclude that there was no evidence of a growth-inflation tradeoff in a sample which excluded discrete high inflationary crisis. On the other hand, there was ample evidence to show that growth turned sharply negative when inflation crossed past a high threshold rate of 40 % per annum. They also argue that the failure of investigators in detecting a meaningful relationship between inflation and growth can be attributed to a stylized rapid recovery of output after inflation which, on an average, renders the overall statistical relationship insignificant.

In a study of 17 countries, Cordon (1990) finds that although there are outliers, evidence generally supports the view that high growth is associated with low inflation.

A more recent work by Paul, Kearney and Chowdhury (1997) involving 70 countries (of which 48 are developing economies) for the period 1960-1989 found no causal relationship between inflation and economic growth in 40 % of the countries; they reported bidirectional causality in about 20 % of countries and a unidirectional (either inflation to growth or vice versa) relationship in the rest. More interestingly, the relationship was found to be positive in some cases, but negative in others.

Umaru and Zubairu, (2012) in their attempt to find the effect of inflation on the growth and development of the Nigerian Economy, found that all the variables in the unit root model were stationary and the results of causality revealed that GDP caused inflation and not inflation causing GDP. The results also revealed that inflation possessed a positive impact on economic growth through encouraging productivity and output level and on evolution of total factor productivity.

Papers in a VAR model examine the interrelationship of output growth, inflation, and money growth in India. Rangarajan and Arif (1990) using annual data over the period from 1961 to 1985 conclude that the price level has no response to the changes in real output. Das (2003) working with money, price, and output of India over the period from April 1992 to March 2000 shows a negative relationship between price and output.

In India, Mallick and Agarwal (2007) found that none of the three measures of real interest rate (call rate, 91 T Bill rate, and 364 T Bill rate) seemed to exert any direct influence on growth of real output. This unusual result they ascribed to the possibility that investment, which is an important determinant of growth, is conditioned by several factors other than real interest rate alone.
Mohanty, Chakraborty and Gangadaran (2012), on the other hand, highlighted the presence of inverse relationship between growth and real lending rates in India, with empirical evidence on real lending rates Granger causing both overall GDP and non-agricultural GDP growth. Tokuoka (2012) found evidence of negative impact of increase in real interest rate on corporate investment in the macroeconomic data (with the impact ranging between 51 to 34 bps in different estimates for 100 bps change in real interest rate), while for the firm level data profitability, liquidity and leverage were highlighted as the key determinants of corporate investment in India.

IMPORTANCE OF THE STUDY
It was predicted by International Monetary Fund (IMF) that, Indian economic growth rate will surpass China's in 2016. Many previous studies examined the relationship between macroeconomic variables in India such as inflation, economic growth, exports, exchange rate, interest rate and stock prices etc. None of these previous studies focused on what this study attempt to investigate using the study's methodology. Therefore, this study contributes to the existing literature on real growth rate of India's economy; it will examine the impact of inflation rate and interest rates on the real economic growth rate of India's economy

STATEMENT OF RESEARCH PROBLEM
India is developing economy which its economic growth rate experiencing up and down due to some macroeconomic factors such as inflation, interest rates, exchange rates, oil prices, stock prices etc.
Measuring real economic growth of a country aims to assess whether growth can cope with the growing demands of the society including the population and prosperity growth rates; and how to maintain and confine the depletion rate of its national natural resources.

OBJECTIVES
The broad aim of this study is to evaluate the impact of macroeconomic variables on real economic growth rate of India, thus, Study is concerned to analyze: -
1. The relationship between Interest rate and inflation rate,
2. The relationship between inflation rate and economic growth rate.
3. The relationship between interest rate and economic growth rate.
4. The Effect of interest rate and inflation rate on real economic growth rate.
5. The causal relationships between real economic growth rate, inflation rate and interest rate.

HYPOTHESES
For a meaningful study and constructive direction there is a need for a tentative explanation for which the evidence necessary for testing the study is least potentially available. Therefore in the light of this study, the hypotheses stipulated for testing the study are as follows;
Ho-1: There is no significant effect of interest rate on economic growth.
Ho-2: There is no significant effect of inflation on economic growth.

RESEARCH METHODOLOGY
SOURCES OF DATA
Data were collected from secondary sources. These include Reserve Bank of India (RBI), Central Statistics Office (CSO) and World Bank publications. The data comprised Real Economic Growth Rate, Inflation rates and Real Interest rates for the period 1980 - 2013. The information generated formed the basis of data presentation and analysis.
MODEL SPECIFICATION
The backbone of analysis in this research is based on vector autoregression (VAR).Vector autoregression (VAR) is an econometric model used to capture the evolution and the interdependencies between multiple time series, generalizing the univariate AR models. All the variables in a VAR are treated symmetrically by including for each variable an equation explaining its evolution based on its own lags and the lags of all the other variables in the model. Based on this feature, Christopher Sims advocates the use of VAR models as a theory-free method to estimate economic relationships, thus being an alternative to the "incredible identification restrictions" in structural models.
A VAR model describes the evolution of a set of k variables (called endogenous variables) over the same sample period (t = 1, ..., T) as a linear function of only their past evolution. The variables are collected in a k × 1 vector yt, which has as the ith element yi,t the time t observation of variable yi. For example, if the ith variable is GDP, then yi, t is the value of GDP at t.
A (reduced) p-th order VAR, denoted VAR (p), is
$y_t = c + \Phi_1 y_{t-1} + \cdots + \Phi_p y_{t-p} + \varepsilon_t$
where c is a k × 1 vector of constants (intercept), Φ_i is a k × k matrix (for every i = 1, ..., p) and et is a k × 1 vector of error terms
The i-periods back observation y_{t-i} is called the i-th lag of y. Thus, a pth-order VAR is also called a VAR with p lags.
{yt} is covariance-stationary if Eyt and E(yt-Eyt)(yt−j-Eyt−j)′ are independent of t for any j.
TRANSFORMATION OF DATA
To get a better result of fitting and capture the variations in these three variables, the variables were transformed into their logarithmic form.

RESULTS AND DISCUSSION
For the effectiveness of this study, both descriptive and analytical techniques were employed. For the analysis of the time series data, certain statistical techniques were employed. This includes the unit root test of testing stationarity, VAR lag order selection, VAR stability conditional check, and VAR normality residual check.
THE UNIT ROOT TEST OF TESTING STATIONARITY
A time series is said to be stationary when it has constant mean and variance over time, and the covariance between two variables does not depend on the actual observed time, but rather on their lag length of time. Consider a simple auto-regression model of order one:
$y_t = \rho y_{t-1} + \varepsilon_t$
Where ρ is the parameter to be estimated and ε_t is an independent error with zero mean and constant variance.
The test for unit root is done by employing a Schwarz Information Criterion to determine the automatic lag. The results of Augmented Dickey Fuller (ADF) show that all variables LREGR, LINFR and LINTR are stationary in their levels. The unit root test results are presented below:

TABLE 1: UNIT ROOT TEST OF VARIABLES IN LEVELS

Variable	LREGR	LINFR	LINTR
t-adf (lag)	-4.6182 (0)	-3.2312 (0)	-4.6867 (0)
Critical Value (5%)	-2.9571	-2.9540	-2.9604

Source: Author's Computation using E-views

VAR LAG ORDER SELECTION

An important preliminary step in model building and impulse response analysis is the selection of the VAR lag order. In this project we use some commonly used lag-order selection criteria to choose the lag order, such as AIC, HQ, SC, LR and FPE. Lag length selection criteria shown in the above table; suggest inclusion of 5 lags in the VAR, following the Akaike Information criteria. While the Schwarz's Information Criteria, Final predictor error, Hannan-Quin information criteria and Sequential modified LR test statistic each suggest 1 lag respectively.

VAR LM TEST FOR SERIAL CORRELATION

The LM test shown in Table 2 shows that no presence of serial correlation at all orders. Specifying 12 lags removes all rejections of the null (no serial correlation) at the 5% level.

TABLE 2: VAR LM TEST FOR SERIAL CORRELATION

Lags	LM-Stat	Prob	Lags	LM-Stat	Prob
1	7.464756	0.5888	**7**	5.903635	0.7495
2	6.673166	0.6711	**8**	5.804989	0.7593
3	6.784980	0.6595	**9**	13.69908	0.1334
4	5.846767	0.7552	**10**	9.005366	0.4368
5	2.787481	0.9721	**11**	7.350719	0.6007
6	2.017801	0.9912	**12**	9.745937	0.3714

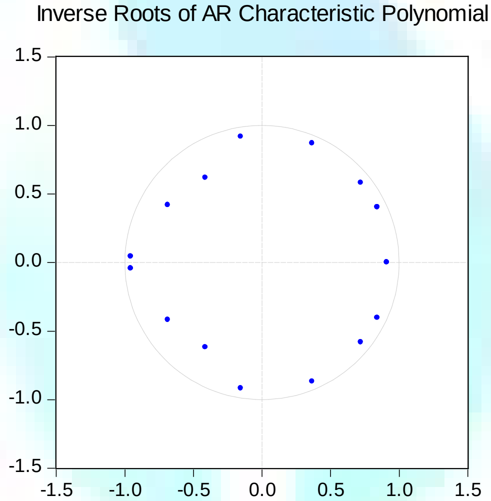
Source: Author's Computation using E-views

VAR NORMALITY RESIDUAL TEST

Using Cholesky VAR residual normality test, the result obtained shows that the probability value of Jarque-Bera for all the three components are greater than 0.05 and the joint probability is 0.8892. This suggests the acceptance of null hypothesis which says residuals are multivariate normal.

VAR STABILITY CONDITIONAL CHECK

FIGURE 1: VAR STABILITY CONDITION CHECK



The stability condition for VAR estimation requires that the roots of the related characteristic equations lie within the unit circle (solutions can be real or imaginary). If satisfied, the variables will be jointly covariance stationary, or ‗non-explosive'. In the present 3-variate 5 lag model there are 15 roots to check, all of which lie within the unit circle as Figure 1 shows.

VAR

An unrestricted vector-autoregression is generated to explore the significant relationship between real economic growth rate, inflation rate, interest rate, and real gross domestic product. (Table 3) presents the matrix generated from VAR base on fifth lag. In VAR, ordering of the endogenous variables and the right length of lag is very essential. Using the Choleski factorization, the real economic growth rate is placed in the first followed by, inflation rate and interest rates. The lag order is five as suggested by Akaike Information Criterion.

The equation used in order to determine VAR for lregr, linfr and lintr, is as follows:

$$\mathrm{lregr_t} = \beta_{1,1}\mathrm{lregr_{t-1}} + \cdots + \beta_{1,4}\mathrm{lregr_{t-5}} + \beta_{1,5}\mathrm{linfr_{t-1}} + \cdots + \beta_{1,8}\mathrm{linfr_{t-5}} + \beta_{1,9}\mathrm{lintr_{t-1}} + \cdots + \beta_{1,12}\mathrm{lintr_{t-5}} + \varepsilon_{1t}$$
$$\mathrm{linfr_t} = \beta_{2,1}\mathrm{lregr_{t-1}} + \cdots + \beta_{2,4}\mathrm{lregr_{t-5}} + \beta_{2,5}\mathrm{linfr_{t-1}} + \cdots + \beta_{2,8}\mathrm{linfr_{t-5}} + \beta_{2,9}\mathrm{lintr_{t-1}} + \cdots + \beta_{2,12}\mathrm{lintr_{t-5}} + \varepsilon_{2t}$$
$$\mathrm{lintr} = \beta_{3,1}\mathrm{lregr_{t-1}} + \cdots + \beta_{3,4}\mathrm{lregr_{t-5}} + \beta_{3,5}\mathrm{linfr_{t-1}} + \cdots + \beta_{3,8}\mathrm{linfr_{t-5}} + \beta_{3,9}\mathrm{lintr_{t-1}} + \cdots + \beta_{3,12}\mathrm{lintr_{t-5}} + \varepsilon_{3t}$$

TABLE 3: VAR

	Lregr	linfr	lintr
lregr	0.054524	-0.159725	-0.115557
	(0.14309)	(-0.45443)	(-0.46966)
linfr	-0.152205	-0.671583	0.506932
	(-0.38320)	(-1.83306)	(1.97661)
lintr	-1.045008	-0.168953	-0.069451
	(-2.23568)	(-0.39186)	(-0.23001)

Source: Author's Computation using E-views

The VAR result shows that, real economic growth rate has a negative relationship with inflation rate, though it is not statistically significant. There also exits a negative relationship between real economic growth rate and interest rate, and the relationship is statistically significant. However, it has a positive relationship to itself, though not statistically significant.

On the other hand, from the inflation rate equation, it is clearly indicates a negative relationship between inflation rate and real economic growth rate, though it is not statistically significant. Furthermore, there is a negative relationship between inflation rate and interest rate and also a negative relationship to itself. In all the cases the coefficients are not statistically significant.

Moreover, there is a negative correlation between interest rate and real economic growth rate, and also a negative relationship to itself. However, the relationship between interest rate and inflation rate is positive and statistically significant.

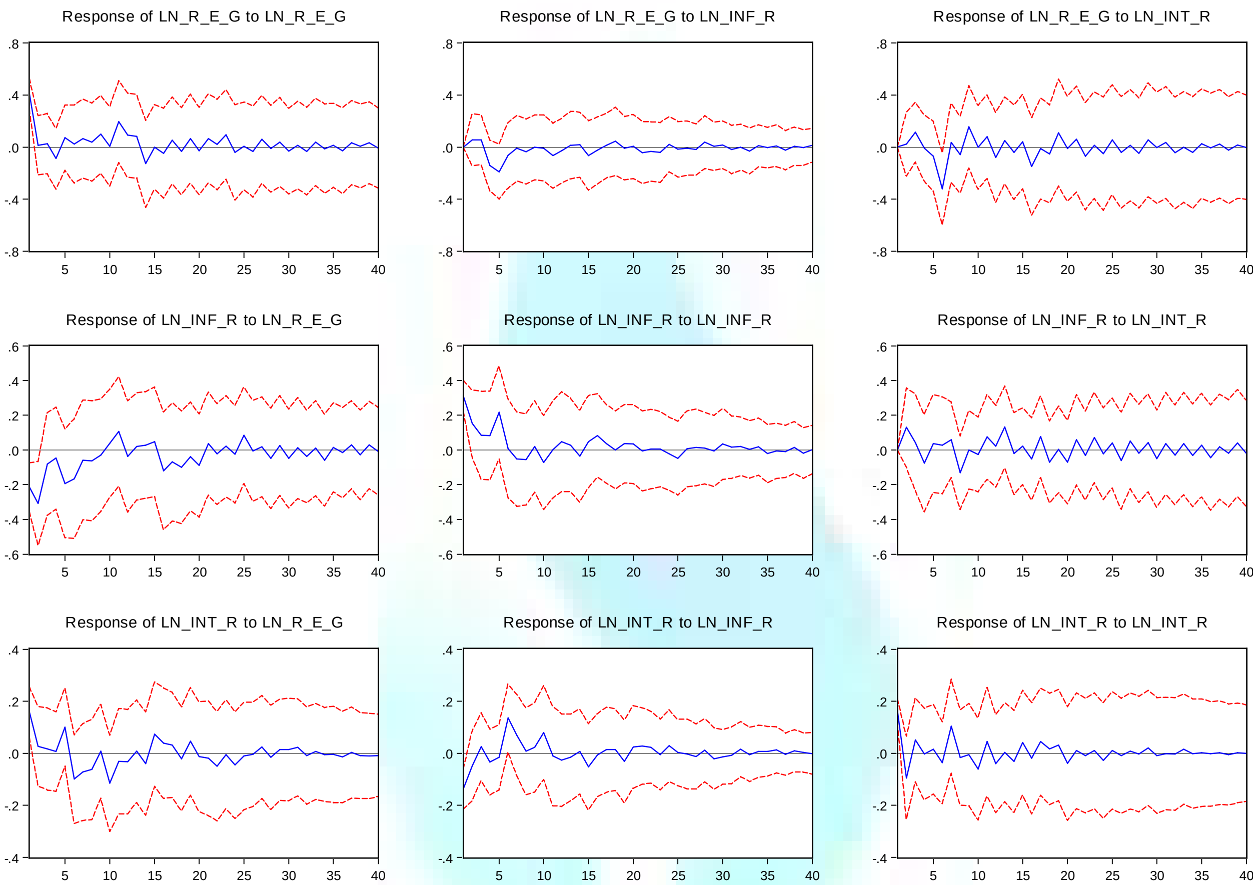
The entire results of VAR are somehow confusing and tedious to analyse. However, evidence from impulse response and variance decomposition would be utilized to analyse the impacts of the variables on the dependent variable under the period of the study.

IMPULSE RESPONSES FUNCTIONS

The impulse responses function results are presented in both tables and graphs. The graphical presentation of the results is shown below in (Figure 2).

FIGURE 2: IMPULSE RESPONSES FUNCTIONS

Response to Cholesky One S.D. Innovations±2 S.E.



REAL ECONOMIC GROWTH RATE SHOCKS

When the impulse is real economic growth rate, the response of inflation rate has an obvious fluctuation; there is a highest positive effect on the 2nd period and a lowest negative effect on the 4th period. The response of interest rates has an obvious fluctuation; it has the highest positive effect on the 10th period and lowest negative effect on the 6th period.

The responses of inflation rate is mostly negative, this suggest that inflation has a negative effects on economic growth. This supports most of the literatures which argued that inflation has a negative impact on economic growth. The researchers that support this argument are Rangarajan (1998), Fischer (1993), and Cardon (1990) among others. All these researchers found the existence of negative relationship between inflation and economic growth. The result confirmed that inflation has impacts on economic growth, but most of these impacts are negative.

On the other hand, interest rate also shows almost a negative relationship with economic growth. This shows that it has a negative impact on economic growth. This support the research conducted by some researchers that interest rate has a negative relationship with economic growth. Among such researchers are Mohanty, Chakraborty and Gangadaran (2012), the researchers highlighted the presence of inverse relationship between growth and real lending rates in India, with empirical evidence on real lending rates Granger causing both overall GDP and non-agricultural GDP growth. Tokuoka (2012) found evidence of negative impact of increase in real interest rate on corporate investment in the macroeconomic data (with the impact ranging between 51 to 34 bps in different estimates for 100 bps change in real interest rate), while for the firm level data profitability, liquidity and leverage were highlighted as the key determinants of corporate investment in India.

This means interest rate has impacts on economic growth, and most of these impacts are negative.

INFLATION RATE SHOCKS

On the other hand, when the impulse is inflation rate, the response of real economic growth rate has an obvious fluctuation, the highest positive effect is on the 11th period and the lowest negative effect is on the 2nd period. The response of interest rate also has an obvious fluctuation; there is highest positive effect on the 2nd and 13th period respectively, while the lowest negative effect is on the 8th periods. In this equation, most of the negative effects are from real economic growth rate. This reaffirm that inflation rate and economic growth rate are negatively related, which means inflation is influencing economic growth negatively.

INTEREST RATES SHOCKS

Furthermore, when the impulse is interest rates, the response of real economic growth rate has an obvious fluctuation; there is a highest positive effect on the 1st period and lowest negative on the 10th period. The response of inflation rate has an obvious fluctuation, the highest positive effect is on the 6th period and the lowest negative effect is on the 1st period. In this equation inflation responses are mostly negative. This supports the research conducted by the World Bank (1993) which found that interest rates have a positive relationship with economic growth, but when inflation is included, the coefficient for the real interest rate is no longer statistically significant, while the negative coefficient on the rate of inflation is.

VARIANCE DECOMPOSITIONS

The variance decompositions results are presented in both tables and graphs. The tabulated presentation is shown below in (Table 4).

TABLE 4: VARIANCE DECOMPOSITION

	S.E. [a]	ε^{lregr}	ε^{linfr}	ε^{lintr}
lregr	0.7967	48.3930	14.4402	37.1668
		(24.3095)	(18.2362)	(23.5321)
linfr	0.8021	47.2066	33.6185	19.1749
		(24.0028)	(19.2831)	(22.8805)
lintr	0.4695	40.9142	28.4758	30.6101
		(24.2004)	(18.6020)	(24.0457)

[a] Monte Carlo's standard errors are shown in parentheses

Source: Author's Computation using E-views

VARIANCE DECOMPOSITIONS OF REAL ECONOMIC GROWTH RATE

The results explain that for the changes in real economic growth rate variable, the variance decompositions are mostly explained by itself. It accounts for 48%, while interest rate shows 37% which much higher compared to inflation rates with 14% respectively. This means that inflation rate has no strong impact on real economic growth rate of India. The result signifies that the shocks of interest rate to real economic growth rate are much higher than the shocks of inflation rate. This result implies that inflation can change or it may have weak impact on real economic growth rate due to change of government policy.

VARIANCE DECOMPOSITION OF INFLATION RATE

For inflation rate variable, own shocks for the variance decomposition accounts for 34%, this is less than the real economic growth variation with 47%. This reaffirm that under the period of the study, inflation rate has no strong impact on Indian economic growth. On the other hand, interest rates explain shocks for about 19%.

VARIANCE DECOMPOSITION OF INTEREST RATES

The variance decompositions for variable interest rate is not determine mainly by own shocks, its shocks account for 31%, while the shocks of inflation rate is 28% respectively. In this equation too, the movement of real economic growth rate has the highest percentage of variation, which accounts for 41%. This result shows that in most cases interest rate is unable to influence economic growth due to effective monetary policies in India. On the other hand, the result reaffirm that inflation rate has a strong influence on real interest rate.

GRANGER CAUSALITY TEST

Granger causality test is a technique for determining whether one time series is useful in forecasting another. Two causality tests are implemented. The first is a F-type Granger-causality test and the second is a Wald-type test that is characterized by testing for nonzero correlation between the error processes of the cause and effect variables. Granger causality test can be applied in a multivariate context. Suppose that the variables of a VAR are categorized into two groups, as represented by the (n1*1) vector y1, and the (n2*1) vector y2. The VAR may then be written y1t = c1 +A1 ʹ x1t + A2 ʹ x2t + ε1t, y2t = c2 + B1 ʹx1t + B2 ʹx2t + ε2t. The group of variables represented by y1 is said to be block-exogenous in the time series sense with respect to the variables in y2 if the element y2 in are of no help in improving a forecast of any variable contained in y1 that is based on lagged values of all the elements of y1 alone. In the VAR model above, y1 is block-exogenous when A2 = 0.

TESTING ANALYSIS

Granger causality test is a technique for determining whether one time series is useful in forecasting another. It can determine whether there is causality relationship between variables. We work the Granger causality test; the results are presented in the following table.

TABLE 5: GRANGER-CAUSALITY RESULTS

Direction of Causality	Null Hypothesis	F-statistic (Computed)	P-Value	Decision
LINFR→LREGR	No Causality	0.05368	0.9478	Do not Reject Null
LREGR→LINFR	No Causality	4.28949	0.0246	Reject Null
LINTR→LREGR	No Causality	0.58712	0.5640	Do not Reject Null
LREGR→LINTR	No Causality	1.30070	0.2916	Do not Reject Null
LINTR→LINFR	No Causality	1.89574	0.1720	Do not Reject Null
LINFR→LINTR	No Causality	2.63290	0.0925	Do not Reject Null

Source: Author's Computation using E-views

From the above results, there is a unidirectional (one-way) causality between real economic growth rate and inflation with the direction of causality running from real economic growth rate. Thus; it is real economic growth rate lead to inflation, this support the research conducted by Umaru and Zubairu (2012) in their attempt to find the effect of inflation on the growth and development of the Nigerian economy, they found causality revealed that GDP caused inflation and not inflation causing GDP. On the other hand, Paul, Kearney and Chowdhury (1997) in their attempt to find any meaningful relationship between inflation and economic growth involving 70 countries. They found that almost 40% of the countries reported a unidirectional causality either inflation to growth or vice versa.

Finally, there is no any directional causation either between real economic growth rate and interest rate or between interest rate and inflation rate.

FINDINGS

The VAR results using 5 lags showed that, the sign of the coefficients are found to be positive at a particular lag and negative at other lags in the same equation. And also it was found that in most cases the coefficients are not statistically significant.

The precise clarification of VAR is given by impulse responses functions and variance decompositions analysis. The result obtained from impulse response function shows that the variables have interrelationship, though the relationship is found to be mixed. But most of the relationships were found to be negative except the relationship between inflation rate and interest rate, in which most of the relationship is positive.

On the other hand, the variance decompositions analysis shows that real economic growth rate own shocks explain most of the forecast error variance. Furthermore, real economic growth rate also recorded higher shocks in inflation rate and interest rate equations compared to their own shocks. This result shows that even though it was found in impulse responses functions that, the impacts of inflation rate and interest rates on economic growth are mainly negative, which confirmed that the two variables have significant influence on economic growth of India. However, the variance decompositions result showed how strong Indian economic growth is to withstand with these negative impacts of the inflation rate and interest rate. This can be attributing to the effective government policy and macroeconomic stability of the country.

One important finding in these results is that, the movement of interest rate is stronger to influence the economic growth than that of inflation rate. This means interest rate has more impact on economic growth of India than inflation rate.

Moreover, from the granger causality test, the study discovered a unidirectional (one way) causality between real economic growth and inflation rate with the direction of causality running from real economic growth rate to inflation rate; this means growth lead to inflation.

RECOMMENDATIONS

In view of the above findings, this paper recommends:

1. In order to boost the economic growth, government should adopt a tight monetary policy to reduce inflation as the results indicate that inflation has significant negative impact on economic growth. Thus, policy makers should focus on maintaining inflation at a low rate (single digit).This implied that controlling inflation is a necessary condition for promoting economic growth.

2. The government should curtail unproductive expenditure, which is bad for both growth and inflation, in favour of investment. Providing stability and the necessary infrastructure can set the stage for the use of other more direct policy measures aimed at promoting growth.
3. The study also suggests that higher and sustained growth can be achieved by controlling inflation and raising public investment. To promote growth and keep inflation low, the government needs to control budget deficits.
4. Government should concentrate on macroeconomic stability and the necessary infrastructure which are among the preconditions for sustained growth.
5. Finally, Interest rate should be suitable to produce deposits which directly accomplish the requirements of investments and therefore people has the chance to save their money with the banks. Government should lower real interest rates which can stimulate growth and investment.

CONCLUSION

This paper examines the dynamic interactions among real economic growth rate (regr), inflation rate (infr) and interest rate (intr). More specially, the effect of inflation rate and interest rate shocks on real economic growth rate is analysed by using multivariate vector autoregressive model (VAR). For the effectiveness of the research several econometrics tools has been employed. The research findings show that inflation rate and interest rate has significant impact on economic growth of India.

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