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**A STUDY OF DINING OUT OPTIONS OF MIDDLE CLASS FAMILIES IN MUMBAI**

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**ABSTRACT**

*This study tries to determine the effect of these factors on the dining out habits of middle class families in Mumbai. It studies factors such as the frequency of eating out, the per head amount spent by middle class families on eating out, the popularity of different cuisines amongst the middle class and various other factors related to this trend. The study tries to draw conclusions and give recommendations to the restaurant industry in Mumbai.*

**KEYWORDS**

dining out, middle class, price, taste.

**INTRODUCTION**

Mumbai is a diverse city with many different cultures and cuisines Dining out habits of middle class families have evolving as the Indian economy is poised for high growth rates. Everything from the preferred cuisine to the number of times they dine out and the type of restaurants they dine at, has changed. This change has been brought about due to a variety of factors, such as the growth of the middle class in India, the entry of foreign restaurant chains into India and the increasing income levels in the country.

For a middle class family, the choice of establishment to dine at, and the frequency of dining out, is dictated by several factors such as cost, cuisine, location, vegetarian or non vegetarian, reservations and health consciousness.

This study tries to determine the effect of these factors on the dining out habits of middle class families in Mumbai and tries to draw conclusions and give recommendations based on it.

**RESEARCH METHODOLOGY****SCOPE OF THE STUDY**

The study aims to find the dining out habits of middle class families in Mumbai. It studies factors such as the frequency of eating out, the per head amount spent by middle class families on eating out, the popularity of different cuisines amongst the middle class and its preference for vegetarian or non vegetarian food. .

**RESEARCH INSTRUMENTS**

Research instruments used gauged the quality and ability of the collected data. Some of the instruments used to collect the data and formulate are as follows:-

- Questionnaire
- Informal interviews.

**SAMPLING DESIGN**

- A survey was conducted, consisting of a sample of randomly selected middle class people.
- Middle class has been defined as a person whose monthly income is between Rs. 20000 and Rs. 100000
- The total sampling size was 61 respondents from Mumbai city.
- Convenience Sampling has been used for conducting the survey.

**LIMITATIONS OF THE RESEARCH**

- A sample size of 61 respondents to represent the entire city of Mumbai may not be adequate.
- The data received from some respondents in the form of informal interviews were not supported by written facts.
- The accuracy of data collected through questionnaires cannot be judged to be absolutely correct in case they may have not been telling the truth.
- The percentage column may not always add up to 100% and such a situation would imply that a certain number of respondents skipped that question or a certain number of respondents chose more than one option

**DATA ANALYSIS AND INTERPRETATION****TABLE NO. 1: INFORMATION OF RESPONDENTS ON HOW OFTEN THEY EAT OUT WITH THEIR FAMILY (n=61)**

Frequency	No of responses	Percentage of responses
Never	2	3
1-2 times a week	10	16
3-4 times a week	8	13
5-6 times a week	13	21
Once a month	15	25
Few times a month	12	20
Everyday	1	2

The data shows that there is no single majority as far as the frequency of dining out is concerned. However, it is more common for people to go once or few times a week, rather than never or every day. The largest percentage of people for a single category, was the "Once a month", with 25% of respondents belonging to this category. 20% respondents said they dine out with their families few times a month and just 2% of the respondents said they dine out with their families' every day. This table shows us how often middle class families in Mumbai eat out and we can use it to find on average, how frequently a middle class family in Mumbai dines out.

**TABLE NO. 2: REASON MIDDLE CLASS FAMILIES DINE OUT (n=61)**

Reason	No of responses	Percentage of responses
Family outing	15	25
Occasion such as birthdays, anniversaries etc	35	57
Festivals	17	28
Convenience	24	39
To try new cuisines	10	16
Other	0	0



This table shows us the various reasons middle class families have for dining out. Respondents were asked to select all those options that were applicable to them. The one reason that stood out, was, "Occasion (such as birthdays, anniversaries etc)". This shows us that when middle class families dine out, they do so usually to celebrate occasions such as birthdays and anniversaries. This could be due to the limited income of a middle class family that allows them to dine out only on occasions, as they may not be able to afford to dine out more frequently.

Other major reasons for middle class families to dine out with their families were, "Convenience", which could be derived from the fact that the family will not have to invest time and effort in cooking and can instead use the easier way and eat out.

**TABLE NO. 3: HOW OFTEN MIDDLE CLASS FAMILIES HAVE INDIAN FOOD WHILE DINING OUT (n=59)**

Frequency	No of responses	Percentage of responses
Always	7	11
Most of the time	19	31
Sometimes	22	36
Rarely	8	13
Never	3	5

This question aims to find the preferred cuisine of middle class families in Mumbai while dining out and the popularity of a certain cuisine amongst them. Only 11% of the respondents always had Indian food while dining out. This shows us that even though Indian food is still a popular choice amongst middle class families in Mumbai, while dining out, there is a shift towards trying new cuisines as well, as their tastes develop and more options for different cuisines and new restaurants open the city.

**TABLE NO. 4: HOW OFTEN MIDDLE CLASS FAMILIES HAVE CHINESE FOOD WHILE DINING OUT (n=59)**

Frequency	No of responses	Percentage of responses
Always	2	3
Most of the time	13	21
Sometimes	31	51
Rarely	12	20
Never	1	2

Just 3% of respondents reported that they always have Chinese food while dining out with their families, while 21% of respondents said they have it most of the time, a huge, 51% said they have it sometimes, 20% said they rarely have it and only 2% said they never have it.

Thus, we can conclude that even though Chinese food is fairly popular amongst middle class families in Mumbai, it is still not as popular as Indian or other food. However, a majority of people still have it at least sometimes and there is a definitely a market for Chinese food amongst middle class families in Mumbai.

**TABLE NO. 5: HOW OFTEN MIDDLE CLASS FAMILIES HAVE THAI FOOD WHILE DINING OUT (n=59)**

Frequency	No of responses	Percentage of responses
Always	5	8
Most of the time	13	21
Sometimes	20	33
Rarely	10	16
Never	11	18

8% of respondents said they always have Thai food, 21% said they have it most of the time, 33% reported having it sometimes, 16% said they rarely have it and 18% said they never have it.

This is fairly surprising, as the number of Thai restaurants in Mumbai is far lesser as compared to Chinese, or Indian restaurants; however it is still quite popular, with a lot of people having it sometimes or most of the time.

**TABLE NO. 6: HOW OFTEN MIDDLE CLASS FAMILIES VISIT MULTI CUISINE RESTAURANTS WHILE DINING OUT (n=59)**

Frequency	No of responses	Percentage of responses
Always	7	11
Most of the time	8	13
Sometimes	16	26
Rarely	17	28
Never	11	18

There is no single category that has a majority, however we see a larger number of responses in the sometimes, rarely and never category. That being said, there is still a fair number of people who always or most of the time, choose to dine at a multi cuisine restaurant. Hence, there could be demand for multi cuisine restaurants in Mumbai, but it will be less as compared to restaurants with single cuisines such as Indian or Italian.

**TABLE NO. 10: VEGETARIAN OR NON-VEGETARIAN PREFERENCE WHILE DINING OUT**

Preference	No of responses	Percentage of responses
Vegetarian	18	30
Non-Vegetarian	38	62

30% of the respondents said they prefer vegetarian food while dining out whereas 62% said they prefer non-vegetarian food while dining out. Hence we can infer that in some traditional families only vegetarian food would be cooked at home so the younger generation would be enjoying non vegetarian food while dining out.

**TABLE NO. 11: AMOUNT SPENT PER HEAD BY THE FAMILY WHILE DINING OUT (n=58)**

Amount	No of responses	Percentage of responses
Less than Rs 100	4	7
Rs 100-300	7	11
Rs 300-500	27	44
Rs 500 -1000	13	21
More than Rs1000	7	11

Here we try to analyze how much a middle class family usually spends per head while dining out. Only 7% of respondents spend less than a 100 rupees, per head, 11% spend between 100 and 300 rupees per head, 44% spend 300 to 500 rupees per head, 21% spend between 500 and 1000 rupees per head and 11% spend more than a 1000 rupees per head while dining out with their families.

Hence we can see that the 300 to 500 rupee range is the most popular amount amongst all the options. Considering an average middle class family includes 4 or 5 members, means that the average bill amount for a middle class family that is dining out in Mumbai is approximately Rs. 2000.

**TABLE NO. 12: PREFERRED CHOICE OF ESTABLISHMENT TO DINE OUT AT (n=61)**

Choice of establishment	No of responses	Percentage of responses
Five star hotel	11	18
Family restaurants	38	62
Fast food restaurants	20	33
Udipi restaurant	19	31
Dhaba	18	30
Street food	21	34
Food court	20	33
Other	0	0

This table shows us the popularity of various types of dining establishments amongst middle class families in Mumbai. Respondents were asked to choose all the options that applied to them. The most popular choice is family restaurants, with 62% respondents reporting eating there, followed by street food with 34% dining there, and then fast food restaurants and food courts, with 33% each. The least popular choice was five star hotels, with only 18% reporting that they ate there.

**TABLE NO. 13: FACTORS CONSIDERED WHILE CHOOSING A RESTAURANT (n=61)**

Factors	No of responses	Percentage of responses
Location	27	44
Health	13	21
Cuisine	34	56
price	25	41
Speed of service	26	43
Discount/coupons /loyalty programs	10	16
Other	0	0

This table studies the factors that affect the choice of restaurants for middle class families in Mumbai. Respondents picked all the factors that affected them. The key factor was cuisine, with 56% of respondents choosing it as a factor. The second most important factor was location followed by speed of service, and then price. Some of the less important factors were health and discounts, coupons or loyalty programs.

**TABLE NO. 14: PREFERENCE OF TRYING NEW PLACES OR STICKING TO THE SAME PLACES WHILE DINING OUT (n=56)**

Preference	No of responses	Percentage of responses
Same restaurant	15	25
New restaurants	41	67

As far as customer loyalty amongst middle class families in Mumbai with respect to their dining out preferences is concerned, only 25% said they would prefer eating at the same restaurants, whereas a larger, 67% said they would prefer trying a new restaurant. Hence we can see that customers in this segment are not very loyal, and are willing to try new places.

**TABLE NO. 15: IMPORTANCE OF VALET PARKING (n=57)**

Response	No of responses	Percentage of responses
Very important	5	8
Important	23	38
Not very important	21	34
Not important	8	13

Valet parking was considered as somewhat important, with 38% respondents calling it important and 34% saying it was not very important. Only 8% of respondents said it was very important and 13% said it was not important. This could even help us understand how many people drive themselves when they come to restaurants, as opposed to taking public transport or having a driver.

**TABLE NO. 16: HOW OFTEN MIDDLE CLASS FAMILIES MAKE A RESERVATION WHEN DINING OUT WITH FAMILY (n=58)**

Frequency	No of responses	Percentage of responses
Always	4	7
Usually	19	31
Sometimes	24	39
Never	11	18

Here we try to analyze whether middle class families in Mumbai make a reservation while dining out or not. 7% said they always make a reservation, 31% said they usually make a reservation, 39% said they make a reservation sometimes and 18% said they never make a reservation, while dining out with their families.

**TABLE NO. 17: PREFERENCE OF AMBIENCE OR FOOD (n=53)**

Preference	No of responses	Percentage of responses
Ambience	24	39
Food	29	48

48% respondents said they go to a restaurant more for the food than for the ambience, whereas 39% of respondents said they go to a restaurant for the ambience rather than for the food. Hence we can see that both, ambience and food are important to a middle class family, with food being slightly more important than the ambience.

**TABLE NO. 18: IMPORTANCE OF PRICE WHILE DINING OUT (n=60)**

Degree of importance	No of responses	Percentage of responses
Very important	9	15
Important	23	38
Not very important	22	36
Not important	6	10

Almost equal number of respondents said price was important/not very important. No clear conclusion can be drawn from this.

**TABLE NO. 19: IMPACT OF OFFERS AND DEALS ON ATTRACTING FAMILIES TO RESTAURANTS (n=55)**

Degree of importance	No of responses	Percentage of responses
Yes	24	39
No	31	51

Of the respondents, 39% said they are attracted by offers and deals at restaurants, and offers and deals do entice them to go to certain restaurants over others, whereas 51% said they are not attracted by offers and deals at restaurants.

**TABLE NO. 20: PREFERENCE OF BUFFETS OR AL A CARTE (n=51)**

Preference	No of responses	Percentage of responses
Buffet	11	18
A la carte	40	66

The respondents showed a clear preference for a la carte over buffets at a restaurant, with 66% respondents choosing a la carte, whereas only 18% chose buffets.

**TABLE NO. 22: DECISION MAKER ON WHERE TO DINE OUT (n=59)**

Decision maker	No of responses	Percentage of responses
Kids	17	28
Wife	11	18
Husband	22	36
Grandparents	9	15

In this table we can see who the decision makers are when it comes to choosing where the family goes out to eat. This can mean that targeting advertisements at the decision maker can influence where the family goes out to eat.

The husbands were the major decision makers, with the husbands deciding in 36% of the cases. This was followed by the children, who were the decision makers in 28% of the cases. Then came the wives, who were the decision makers in 18% of the cases, and lastly the grandparents who made the decision in 15% of the cases.

## CONCLUSION

Hence, to conclude about the dining habits of middle class families in Mumbai, we can say that they usually dine out as a family once or few times a month.

- They primarily dine out on occasions such as birthdays and anniversaries, but they also dine out for convenience and as a family outing or during festivals.
- They prefer Indian cuisines while dining out, but even Chinese and Thai cuisines are fairly popular.
- Non-vegetarian food is more popular amongst the middle class in Mumbai while dining out.
- The amount spent per head by middle class families in Mumbai depends on their income and social standing. Most respondents said they spend between Rs. 300 and Rs. 1000 per head per meal. A majority of those reported spending between Rs. 300 to Rs. 500 per head per meal when they dine out. Considering that an average family will consist of four or five members, middle class families spend around Rs. 1500 to Rs. 2000 per meal when they dine out with their families
- When it comes to the choice of establishment to eat at, family restaurants were the most popular choice and five star restaurants were the least popular choice amongst the middle class families in Mumbai. Street food, fast food restaurants, food courts, dhabas and udipi restaurants were also fairly popular.
- As far as the factors concerned when it came to choosing where the family ate at, middle class families looked at the cuisine, location and price more than other factors such as health and discounts.
- Middle class families in Mumbai are not loyal customers when it comes to dining out in Mumbai, and majority of the respondents said they prefer trying a new restaurant than visiting the same restaurant again.
- Valet parking at a restaurant was not rated as very important by most of the people, and in general people rated it as important or not very important.
- Most middle class families usually or sometimes made a reservation while dining out and hardly any always made a reservation.
- While dining out, food was more important than the ambience for middle class families, however ambience was also quite important for most respondents.
- Price was rated as important or not very important, by most respondents.
- Offers and deals at restaurants attracted around 39% of respondents, whereas the rest claimed they were not attracted by it.
- Most respondents said they prefer a la carte to buffets when they dine out.
- Lastly, the husband or the children in the family were most likely to decide where the family dined.

## RECOMMENDATIONS OF THE STUDY

- Dining out of middle class families is increasing and it would pay entrepreneurs to cater to this market
- The restaurants serving the middle class should also have non vegetarian items on their menu as traditional households may not cook it at home and this is a growing market.
- This is a price sensitive market and customers look for reasonable price and good taste rather than ambience.
- Such restaurants need not incur expenditure on valet parking facilities.
- It would be worthwhile to offer a la carte rather than buffet.

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## COMPARATIVE ANALYSIS OF MANDATORY DISCLOSURES AND NON MANDATORY DISCLOSURES OF INDIAN COMPANIES

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### ABSTRACT

*A country's legal environment plays an important role in the functioning of corporate sector. This paper deals with legal environment in India which affects the corporate disclosure practices of Indian companies. Company-wise trends regarding the mandatory and non mandatory disclosure practices adopted by 50 selected companies in India are worked out with the help of compound annual growth rates (CAGR). The data pertain to the seven years from 2002-03 to 2008-09. It has been concluded that mandatory reporting practices of the sampled companies was found to be better than the non mandatory reporting practices. There is inverse relationship between percent change and average disclosure score of different companies, items and sectors. The value of coefficient of correlation came to be negative in all the cases.*

### KEYWORDS

mandatory disclosures, non-mandatory disclosures, corporate sector.

### INTRODUCTION

Disclosure of information through published annual reports plays an important role in the efficient allocation of resources of the country. Corporate disclosure of information can take several forms and the annual report to stockholders is a very important form of periodical disclosure by companies. As a medium of communicating information, annual reports generally include two types of disclosure- mandatory and non mandatory disclosures. Mandatory disclosures means what the companies are required to disclose compulsorily by the law (Ubha, 2001). In context of Indian companies, the regulatory framework for financial reporting comprises: legal requirements which are prescribed by the Companies Act 1956, accounting standards and guidance notes of the Institute of Chartered Accountants of India, for healthy development of securities market and to provide adequate protection to the investors regulations issued by Securities Exchange Board of India. In addition to these, public companies are governed by the Bureau of Public Enterprises. On the other hand, non mandatory disclosures can be defined as 'disclosure in excess of requirements - representing free choices on the part of company managements to provide accounting and other information deemed relevant to the needs of users of their annual reports (Meek, et al., 1995). In this paper an endeavor has been made the comparative analysis between mandatory and non mandatory disclosures of 50 selected Indian companies. The data has been collected from the Annual Reports of the companies from 2002-03 to 2008-09.

### RESULTS AND DISCUSSIONS

#### COMPANY-WISE MANDATORY REPORTING PRACTICES

The company-wise analysis of mandatory disclosure practices is shown in Table 1. The index of mandatory disclosure was developed by the disclosed items divided by the total disclosure items i.e. 81 for non-banking companies, 77 for private sector banking institutions and 78 for public sector institutions. Total items of mandatory disclosure were 82. Out of 82 items, review & comments of CAG on the accounts U/S 619 (4) of company's act was only for public sector enterprises. The items like conservation of energy, technology absorption, foreign exchange earnings & outgo and director's responsibility statement were exempted for all the banking institutions. A perusal of table 4.4 indicated that there was an improvement in the disclosure score of all the selected companies, except the Ambuja Cement from 2002-03 to 2008-09. The compound annual growth rates of all the companies were positive. The growth rates of mandatory disclosure score of 42 companies (84%) were found to be positive and statistically significant, whereas the same was positive but statistically non-significant for 8 companies (14%).

The highest average disclosure score of the order of 0.91 was in the Ambuja Cement Ltd. and Bharat Petroleum Ltd., followed by 0.90 in the Reliance Industries Ltd., ITC Ltd., Ranbaxy Labs. Ltd., Grasim India Ltd. and Jindal Steel & Power Company Ltd., 0.89 in the Wipro Ltd., Dabur India Ltd., Indian Oil Corporation Ltd., Dr. Reddy Lab., Infosys Ltd., Tata Power Ltd., BHEL and Tata Motors Ltd., 0.88 in NTPC, BOSCH Ltd., Bharti Airtel Ltd., Tata Steel Ltd., Hindalco Industries Ltd. and Lupin Ltd.. The average disclosure score was the lowest to the tune of 0.68 in the Asian Paints Ltd., followed by 0.71 in Bank of India, 0.72 in Canara Bank, 0.73 in Punjab National Bank, 0.74 in HDFC Bank Ltd. and Ultratech Cement Ltd., 0.77 in Bank of Baroda and NMDC Ltd., 0.79 in Axis Bank Ltd. and State Bank of India, 0.80 in Kotak Mahindra Ltd. and Maruti Suzuki Ltd. and 0.81 in HDFC. However, the average disclosure score was above 0.70 in all the selected companies, except the Asian Paints Ltd. where it was 0.68.

The CAGR of mandatory disclosure was the highest of the order of 14.59 percent in Ultra Tech Cement Ltd., followed by 9.77 percent in Maruti Suzuki Ltd., 6.16 percent in Asian Paints Ltd., 2.93 percent in Bharti Airtel Ltd. 2.74 percent in Canara Bank, 2.46 percent in HDFC Bank Ltd., 2.36 percent in Lupin Ltd., 2.32 percent in GAIL India, 2.01 percent in State Bank of India, 1.70 percent in Sun Pharmaceuticals Ltd., 1.67 percent in NMDC, 1.56 percent in Punjab National Bank, 1.53 percent in Sterlite Industry Ltd., 1.51 percent in Reliance Industries Ltd., 1.45 percent in Hindustan Unilever Ltd., 1.43 percent in Grasim India Ltd., 1.34 percent in MMTC, 1.19 percent in Axis Bank Ltd., 1.10 percent in Nestle India Ltd., 1.05 percent in Hindalco Industries Ltd., 1.04 percent in NTPC, 1.03 percent in Ranbaxy Labs Ltd., 0.96 percent in Wipro Ltd., 0.94 percent in Kotak Mahindra Ltd. and 0.91 percent in Jindal Steel & Power Ltd.

TABLE 1: COMPANY-WISE TRENDS IN MANDATORY REPORTING PRACTICES OF SELECTED COMPANIES (Out of 1)

S. N.	Company	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	% change	Average	C.V.	C.G.R.	t-value
1.	Reliance Ind. Ltd.	0.86	0.87	0.88	0.91	0.93	0.93	0.93	8.05	0.90	3.38	1.51	6.92**
2.	ONGC Ltd.	0.85	0.85	0.86	0.86	0.87	0.87	0.87	2.33	0.86	1.03	0.45	6.33**
3.	ITC, Ltd.	0.89	0.89	0.91	0.90	0.92	0.90	0.90	1.11	0.90	1.17	0.24	1.08
4.	Infosys Tech. Ltd.	0.88	0.88	0.89	0.89	0.89	0.89	0.89	1.12	0.89	0.54	0.20	2.88*
5.	Bharti Airtel Ltd.	0.78	0.80	0.90	0.92	0.92	0.93	0.92	17.72	0.88	7.11	2.93	3.55*
6.	NTPC Ltd.	0.86	0.86	0.87	0.88	0.90	0.90	0.91	5.75	0.88	2.31	1.04	9.68**
7.	State Bank of India	0.74	0.74	0.75	0.81	0.81	0.81	0.82	10.67	0.79	4.70	2.01	4.86**
8.	HDFC Bank Ltd.	0.67	0.70	0.71	0.76	0.77	0.77	0.77	14.71	0.74	5.58	2.46	5.44**
9.	HDFC Ltd.	0.81	0.81	0.81	0.81	0.81	0.81	0.82	1.22	0.81	0.46	0.13	1.73
10.	Wipro Tech. Ltd.	0.87	0.87	0.87	0.90	0.91	0.91	0.91	4.55	0.89	2.26	0.96	4.86**
11.	ICICI Bank Ltd.	0.82	0.82	0.84	0.85	0.83	0.85	0.83	1.20	0.84	1.51	0.34	1.25
12.	Hindustan Uni. Ltd.	0.80	0.80	0.82	0.84	0.86	0.86	0.86	7.41	0.84	3.27	1.45	6.74**
13.	NMDC Ltd.	0.69	0.77	0.78	0.79	0.79	0.79	0.79	14.29	0.77	4.70	1.67	2.37
14.	Indian Oil Corp. Ltd.	0.86	0.88	0.89	0.90	0.90	0.90	0.90	4.60	0.89	1.70	0.68	3.70*
15.	BHEL Ltd.	0.88	0.88	0.88	0.89	0.89	0.89	0.89	1.12	0.89	0.60	0.24	3.87*
16.	MMTC Ltd.	0.79	0.81	0.79	0.81	0.84	0.85	0.85	7.50	0.82	3.19	1.34	4.66**
17.	Sun Pharma. Ind. Ltd.	0.82	0.82	0.86	0.90	0.90	0.90	0.89	8.43	0.87	4.20	1.70	3.68*
18.	Tata Motors Ltd.	0.88	0.88	0.87	0.88	0.89	0.89	0.91	3.37	0.89	1.42	0.52	2.85*
19.	Jindal Steel & Power Ltd.	0.87	0.89	0.88	0.90	0.90	0.92	0.92	5.68	0.90	2.08	0.91	6.05**
20.	GAIL India Ltd.	0.78	0.82	0.84	0.86	0.87	0.90	0.90	15.19	0.85	5.04	2.32	9.18**
21.	Bajaj Auto Ltd.	0.85	0.86	0.86	0.87	0.87	0.87	0.88	3.49	0.87	1.11	0.49	6.67**
22.	Hero Motor Corp. Ltd.	0.82	0.82	0.82	0.85	0.85	0.84	0.85	3.61	0.84	1.79	0.68	3.16*
23.	Mahindra & Mahindra Ltd.	0.85	0.87	0.86	0.88	0.88	0.88	0.88	3.49	0.87	1.38	0.53	3.25*
24.	Nestle India Ltd.	0.78	0.79	0.81	0.85	0.83	0.83	0.83	6.33	0.82	3.02	1.10	2.75*
25.	Axis Bank Ltd.	0.75	0.75	0.79	0.79	0.80	0.80	0.80	6.58	0.79	2.89	1.19	4.01*
26.	Tata Steel Ltd.	0.87	0.87	0.87	0.89	0.89	0.89	0.89	2.27	0.88	1.20	0.48	3.86*
27.	SAIL	0.84	0.84	0.86	0.87	0.88	0.88	0.87	3.53	0.86	1.95	0.78	3.76*
28.	Sterlite Ind Ltd.	0.83	0.83	0.84	0.89	0.91	0.89	0.89	7.14	0.87	3.86	1.53	3.51*
29.	Kotak Mahindra Bank Ltd.	0.77	0.78	0.78	0.81	0.81	0.81	0.81	5.13	0.80	2.25	0.94	4.44**
30.	UltraTech Cement Ltd.	0.42	0.42	0.83	0.87	0.88	0.88	0.88	111.90	0.74	30.01	14.59	2.96*
31.	Asian Paints Ltd.	0.52	0.61	0.66	0.71	0.72	0.72	0.79	51.92	0.68	13.09	6.16	5.77**
32.	Bank of Baroda	0.76	0.76	0.76	0.77	0.77	0.77	0.77	1.30	0.77	0.69	0.28	3.87*
33.	PNB	0.70	0.70	0.71	0.73	0.73	0.76	0.76	8.45	0.73	3.48	1.56	8.09**
34.	Maruti Suzuki India Ltd.	0.38	0.86	0.87	0.88	0.88	0.88	0.88	134.21	0.80	23.50	9.77	1.73
35.	HCL Tech. Ltd.	0.84	0.84	0.86	0.86	0.87	0.87	0.88	4.71	0.86	1.76	0.78	7.51**
36.	Dr. Reddy's Lab Ltd	0.87	0.87	0.88	0.89	0.90	0.91	0.91	4.55	0.89	1.92	0.88	10.95**
37.	Cipla Ltd.	0.86	0.86	0.87	0.88	0.88	0.88	0.88	2.30	0.87	1.08	0.45	4.40**
38.	Siemens Ltd.	0.81	0.82	0.84	0.89	0.87	0.83	0.83	2.44	0.84	3.35	0.47	0.71
39.	Ambuja Cement Ltd.	0.87	0.92	0.90	0.92	0.92	0.92	0.92	5.38	0.91	2.08	0.51	1.39
40.	Hindalco Ind. Ltd.	0.85	0.86	0.87	0.88	0.90	0.90	0.90	5.81	0.88	2.34	1.05	8.02**
41.	Tata Power Co. Ltd.	0.88	0.88	0.89	0.89	0.89	0.89	0.89	1.12	0.89	0.54	0.20	2.88*
42.	BOSCH Ltd.	0.85	0.86	0.89	0.89	0.89	0.91	0.89	4.65	0.88	2.31	0.89	3.25*
43.	ACC Ltd.	0.85	0.86	0.89	0.87	0.87	0.87	0.87	2.33	0.87	1.38	0.25	0.94
44.	Grasim Ind. Ltd.	0.87	0.85	0.88	0.90	0.94	0.94	0.91	4.55	0.90	3.78	1.43	3.07*
45.	Lupin Ltd.	0.81	0.81	0.86	0.90	0.91	0.92	0.91	12.20	0.88	5.42	2.36	5.04**
46.	Ranbaxy Lab. Ltd.	0.87	0.87	0.91	0.90	0.90	0.93	0.92	5.68	0.90	2.54	1.03	3.90*
47.	Canara Bank	0.67	0.67	0.68	0.74	0.75	0.76	0.77	14.71	0.72	6.13	2.74	6.50**
48.	Bharat Petroleum Cor. Ltd.	0.90	0.90	0.90	0.91	0.91	0.91	0.91	1.10	0.91	0.58	0.23	3.87*
49.	Bank of India	0.70	0.69	0.71	0.71	0.71	0.72	0.72	2.82	0.71	1.49	0.60	3.82*
50.	Dabur India Ltd.	0.87	0.88	0.89	0.90	0.90	0.90	0.90	3.41	0.89	1.35	0.56	4.31*

Source: Annual Reports of Sampled Companies.

Note: 1. \*\* &amp; \* means significant at 1% and 5% level of significance respectively.

The CAGR of mandatory disclosure score was the lowest to the tune of 0.13 percent in HDFC Ltd., 0.20 percent in Tata Power Ltd. and Infosys Ltd., 0.23 percent in Bharat Petroleum Corp. Ltd., 0.24 percent in BHEL and ITC Ltd., 0.25 percent in ACC Ltd., 0.28 in Bank of Baroda, 0.34 percent in ICICI Bank Ltd., 0.45 percent in ONGC and CIPLA Ltd., 0.47 percent in Siemens Ltd., 0.48 percent in Tata Steel Ltd., 0.49 percent in Bajaj Auto Ltd., 0.52 percent in Tata Motors Ltd., 0.53 percent in Mahindra & Mahindra Ltd., 0.56 percent in Dabur India Ltd., 0.60 percent in Bank of India, 0.68 percent in Hero Motocorp Ltd. and Indian Oil Corporation, 0.78 percent in HCL Tech. Ltd. and SAIL, 0.88 percent in Dr. Reddy Lab. Ltd. and 0.89 percent in BOSCH Ltd.

The variability (C.V.) was significantly high in Ultra Tech Cement Ltd. and Maruti Suzuki Ltd. while in all other companies, the variability was within the genuine limits. It ranged from as low as 0.46 percent in HDFC Ltd. to as high as 13.09 percent in Asian Paints Ltd. This showed that there was a steadily consist growth in the disclosure score of these companies.



TABLE 2: DISTRIBUTION OF SELECTED COMPANIES ACCORDING TO VARIATIONS IN MANDATORY REPORTING PRACTICES IN 2008-09 OVER 2002-03

% Change	No. of Companies	Percent of Companies	Average% Change	Average
Upto 10%	40	78.00	4.14	0.86
10%-20%	7	14.00	14.21	0.80
20%-30%	0	0.00	-	-
30%-40%	0	0.00	-	-
40%-50%	0	0.00	-	-
50%-60%	1	2.00	51.92	0.68
60%-70%	0	0.00	-	-
70%-80%	0	0.00	-	-
80%-90%	0	0.00	-	-
90%-100%	0	0.00	-	-
>100%	2	4.00	123.06	0.77
Total	50	100.00	11.05	0.84
r-value b/w % change and average disclosure score = -0.397				

Source: Annual Reports of Sampled Companies.

The percent change in mandatory disclosure score in 2008-09 over 2002-03 has been shown in Table 2. It is evident from the data that as high as 40 companies (80%) exhibited a change up to 10 percent with an average change of 4.14 percent. There were 7 companies (14%) which witnessed a change of 10 to 20 percent with an average change of 14.21 percent. Only 1 company (2%) was with a change of 51.92 percent, while 2 companies (4%) registered a change of more than 100 percent with an average change of 123.06 percent. The overall change was found to be as low as 11.05 percent in all the 50 selected companies.

It is interesting to note that companies with low change in mandatory disclosure depicted a higher level of disclosure score compared to those having high level of change. The average disclosure score for 40 companies with percent change upto 10 percent change was 0.86. The average disclosure score of 7 companies having a percent change of 10 to 20 percent was 0.80 and that of one company with 51.92 percent change was 0.68. However, the average disclosure score of 2 companies with more than 100 percent change came to be 0.77. Thus, there was inverse relationship between the percent change and the average disclosure score of the companies as conveyed by the r-value of -0.397. This indicated that the companies having higher average disclosure score registered lower percent change and vice-versa.

It was observed 0 to 10 percent change was seen in Bharat Petroleum Ltd., ITC Ltd., Infosys Ltd., BHEL, Tata Power Ltd., ICICI Bank Ltd., HDFC Ltd., Bank of Baroda, Tata Steel Ltd., CIPLA Ltd., ONGC, ACC Ltd., Siemens Ltd., Bank of India, Tata Motors Ltd., Dabur India Ltd., Bajaj Auto Ltd., Mahindra & Mahindra Ltd., SAIL, Hero Motocorp Ltd., Wipro Ltd., Dr. Reddy Lab. Ltd., Grasim Ltd., Indian Oil Corporation Ltd., BOSCH Ltd., HCL Tech. Ltd., Kotak Mahindra Ltd., Jindal Steel and Power Ltd., Ranbaxy labs. Ltd., NTPC Ltd., Hindalco Industries Ltd., Nestle India Ltd., Axis Bank Ltd., Sterlite Industry Ltd., Hindustan Unilever Ltd., MMTC, Reliance Industries Ltd., Sun Pharmaceuticals Ltd. and Punjab National Bank. The 7 companies having 10 to 20 percent change included State Bank of India, Lupin Ltd., NMDC, HDFC Bank Ltd., Canara Bank, GAIL India and Bharti Airtel Ltd. The single company with a percent change of 50 to 60 percent was Asian Paints Ltd., while the 2 companies with more than 100 percent change were UltraTech Cement Ltd. and Maruti Suzuki Ltd.

#### COMPANY-WISE NON MANDATORY DISCLOSURE PRACTICES

The company wise analysis of non mandatory disclosure practices is shown in Table 3. The index of voluntary disclosure was developed by the disclosed items divided by the total disclosure items i.e. 83. A perusal of table 3 indicated that there was an improvement in the disclosure score of all the selected companies, except MMTC from 2002-03 to 2008-09. The compound annual growth rates of all the companies, except MMTC were positive. The growth rates of voluntary disclosure score of 41 (82%) companies were found to be significantly positive while the same were positive in non-significant manner for 8 (16%) companies. The growth rate was negative only in 1 (2%) company.

The highest average disclosure score of the order of 0.70 was in Reliance, followed by 0.69 in Infosys, 0.63 in Dr. Reddy Lab, 0.62 in NTPC, 0.59 in ITC Ltd., 0.57 in Tata Steel and ONGC, 0.56 in Indian Oil Corporation and Dabur, 0.55 in Hindalco Industries, 0.54 in ACC, 0.53 in SAIL, 0.52 in Sterling Industry, 0.51 in BOSCH Ltd. And Tata Power, 0.50 in Hindustan Unilever, GAIL India, Siemens Ltd, Ranbaxy and Bharat Petroleum, 0.49 in Wipro, BHEL, Bharti Airtel and Asian Paints and 0.48 in Jindal Steel & Power and Lupin.

The average disclosure score was lowest to the tune of 0.30 in Axis Bank, followed by 0.31 in Bank of India and State Bank of India, 0.34 in MMTC, 0.36 in Bank of Baroda, 0.37 in HCL Technologies and CIPLA, 0.38 in Kotak Mahindra and Nestle, 0.39 in Sun Pharmaceuticals and Canara Bank, 0.40 in Ambuja Cement, 0.41 in Ultra Tech Cement, Maruti Suzuki, Punjab National Bank and ICICI Bank, 0.42 in Hero Motocorp and HDFC Bank, 0.43 in HDFC, 0.44 in Tata Motors and Mahindra & Mahindra, 0.45 in NMDC, 0.47 in Bajaj Auto and Grasim. Thus, the average disclosure score ranged from as low as 0.30 in Axis Bank to as high as 0.70 in Reliance.

The CAGR of voluntary disclosure was highest of the order of 28.25 percent in UltraTech Cement, followed by 14.11 percent in Hero Moto Corp, 12.81 percent in BHEL, 9.55 percent in Nestle, 9.30 percent in Kotak Mahindra, 9.17 percent in Mahindra & Mahindra, 7.16 percent in HDFC Bank, 7.06 percent in Bharti Airtel, 6.76 percent in Bank of Baroda, 4.81 percent in Asian Paints, 4.52 percent in Tata Power, 3.96 percent in Maruti Suzuki, 3.78 percent in Tata Motors, 3.77 percent in Tata Steel, 3.73 percent in HCL Technologies, 3.66 percent in ONGC, 3.56 percent in Jindal Steel & Power, 3.43 percent in Canara Bank, 3.34 percent in State Bank of India, 3.31 percent in Wipro, 3.10 percent in Dr. Reddy Lab., 2.86 percent in ACC, 2.74 percent in Lupin, 2.50 percent in Reliance, 2.48 percent in Axis Bank, 2.41 percent in GAIL India and 2.23 percent in Indian Oil Corporation.

The CAGR of voluntary disclosure score was lowest to the tune of 0.21 percent in Hindalco Industries, followed by 0.25 percent in Grasim, 0.37 percent in ICICI Bank, 0.52 percent in CIPLA, 0.61 percent in BOSCH Ltd., 0.75 in Bank of India, 0.78 percent in Ranbaxy, 0.94 percent in Bharat Petroleum, 0.97 percent in India, 0.78 percent in Ranbaxy, 0.94 percent in Bharat Petroleum, 0.97 percent in Bajaj Auto and Hindustan Unilever, 1.10 percent in Sun Pharmaceuticals, 1.18 percent in Infosys, 1.20 percent in NMDC, 1.25 percent in Siemens Ltd., 1.37 percent in HDFC, 1.59 percent in SAIL, 1.62 percent in Sterlite Industry, 1.85 percent in NTPC, 1.94 percent in Ambuja Cement, 1.99 percent in Punjab National Bank and ITC Ltd. and 2.19 percent in Dabur.

The variability was significantly high in UltraTech Cement while in all other companies, the variability (C.V.) was within the genuine limits. It ranged from as low as 0.74 percent in Hindalco Industries to as high as 28.48 percent in BHEL.



TABLE 3: TRENDS IN NON-MANDATORY REPORTING PRACTICES OF SELECTED COMPANIES FROM 2002-03 TO 2008-09 (Out of 1)

S. No.	Company	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008	2008-2009	% change	Average	C.V.	C.G.R.	t-value
1	Reliance Ind. Ltd.	0.62	0.62	0.73	0.74	0.71	0.72	0.72	15.52	0.70	7.23	2.50	2.26
2	ONGC Ltd.	0.51	0.54	0.53	0.57	0.57	0.62	0.62	23.40	0.57	8.13	3.66	7.34**
3	ITC, Ltd.	0.56	0.56	0.56	0.61	0.61	0.61	0.61	9.62	0.59	4.87	1.99	3.84*
4	Infosys Tech. Ltd.	0.67	0.67	0.67	0.71	0.71	0.71	0.70	4.84	0.69	3.17	1.18	2.94*
5	Bharti Airtel Ltd.	0.39	0.39	0.51	0.53	0.52	0.53	0.59	52.78	0.49	15.56	7.06	4.50**
6	NTPC Ltd.	0.57	0.63	0.57	0.63	0.63	0.65	0.65	13.21	0.62	5.48	1.85	2.21
7	State Bank of India	0.29	0.29	0.29	0.29	0.31	0.34	0.34	18.52	0.31	8.22	3.34	4.18**
8	HDFC Bank Ltd.	0.34	0.34	0.37	0.44	0.45	0.47	0.49	43.75	0.42	15.26	7.16	7.63**
9	HDFC Ltd.	0.41	0.41	0.44	0.44	0.44	0.44	0.44	7.89	0.43	3.65	1.37	2.87*
10	Wipro Tech. Ltd.	0.44	0.44	0.51	0.51	0.52	0.53	0.53	19.51	0.49	7.63	3.31	4.40**
11	ICICI Bank Ltd.	0.41	0.42	0.41	0.41	0.42	0.42	0.42	2.63	0.41	1.39	0.37	1.58
12	Hindustan Uni. Ltd.	0.49	0.49	0.49	0.51	0.51	0.49	0.54	8.70	0.50	3.12	0.97	2.10
13	NMDC Ltd.	0.43	0.43	0.43	0.51	0.45	0.43	0.47	10.00	0.45	6.53	1.20	0.99
14	Indian Oil Corp. Ltd.	0.53	0.53	0.54	0.59	0.58	0.58	0.59	12.24	0.56	5.38	2.23	4.09**
15	BHEL Ltd.	0.34	0.34	0.34	0.61	0.61	0.60	0.60	75.00	0.49	28.48	12.81	3.50*
16	MMTC Ltd.	0.35	0.35	0.35	0.35	0.32	0.32	0.32	-9.09	0.34	5.06	-2.02	3.91*
17	Sun Pharma. Ind. Ltd.	0.38	0.38	0.38	0.39	0.39	0.40	0.40	5.71	0.39	2.51	1.10	6.34**
18	Tata Motors Ltd.	0.40	0.40	0.40	0.47	0.47	0.47	0.47	18.92	0.44	9.13	3.78	3.80*
19	Jindal Steel & Power Ltd.	0.42	0.45	0.46	0.49	0.51	0.52	0.52	23.08	0.48	7.72	3.56	7.17**
20	GAIL India Ltd.	0.44	0.48	0.48	0.55	0.52	0.52	0.52	17.07	0.50	6.89	2.41	2.38
21	Bajaj Auto Ltd.	0.46	0.46	0.46	0.47	0.47	0.47	0.49	6.98	0.47	2.44	0.97	3.92*
22	Hero Motor Corp. Ltd.	0.19	0.38	0.38	0.48	0.48	0.48	0.52	166.67	0.42	27.12	14.11	3.12*
23	Mahindra & Mahindra Ltd.	0.33	0.35	0.38	0.48	0.52	0.51	0.54	61.29	0.44	19.31	9.17	6.22**
24	Nestle India Ltd.	0.27	0.28	0.38	0.44	0.44	0.44	0.44	64.00	0.38	20.49	9.55	3.93*
25	Axis Bank Ltd.	0.28	0.28	0.29	0.31	0.31	0.32	0.31	11.54	0.30	5.83	2.48	4.54**
26	Tata Steel Ltd.	0.52	0.53	0.52	0.59	0.59	0.59	0.65	25.00	0.57	8.70	3.77	5.26**
27	SAIL	0.52	0.52	0.52	0.53	0.54	0.56	0.56	8.33	0.53	3.66	1.59	6.01**
28	Sterlite Ind Ltd.	0.51	0.51	0.51	0.52	0.53	0.55	0.55	8.51	0.52	3.73	1.62	6.01**
29	Kotak Mahindra Bank Ltd.	0.25	0.34	0.35	0.42	0.42	0.43	0.46	86.96	0.38	19.06	9.30	4.51**
30	UltraTech Cement Ltd.	0.08	0.31	0.43	0.52	0.52	0.52	0.52	585.71	0.41	40.54	28.25	2.30
31	Asian Paints Ltd.	0.41	0.43	0.48	0.52	0.53	0.53	0.54	31.58	0.49	10.51	4.81	5.39**
32	Bank of Baroda	0.28	0.30	0.35	0.38	0.38	0.40	0.42	50.00	0.36	14.17	6.76	6.90**
33	PNB	0.39	0.39	0.41	0.43	0.42	0.43	0.43	11.11	0.41	4.72	1.99	4.40**
34	Maruti Suzuki India Ltd.	0.35	0.38	0.42	0.42	0.42	0.45	0.45	27.27	0.41	8.74	3.96	5.82**
35	HCL Tech. Ltd.	0.33	0.32	0.38	0.37	0.37	0.39	0.42	25.81	0.37	8.86	3.73	4.33**
36	Dr. Reddy's Lab Ltd	0.56	0.58	0.63	0.66	0.67	0.67	0.67	19.23	0.63	7.10	3.10	4.55**
37	Cipla Ltd.	0.37	0.37	0.37	0.37	0.37	0.38	0.38	2.94	0.37	1.42	0.52	2.88*
38	Siemens Ltd.	0.47	0.48	0.49	0.51	0.51	0.52	0.51	6.82	0.50	2.98	1.25	4.44**
39	Ambuja Cement Ltd.	0.38	0.39	0.39	0.41	0.41	0.42	0.42	11.43	0.40	4.30	1.94	7.72**
40	Hindalco Ind. Ltd.	0.54	0.55	0.55	0.55	0.55	0.55	0.55	2.00	0.55	0.74	0.21	1.73
41	Tata Power Co. Ltd.	0.44	0.45	0.45	0.55	0.55	0.55	0.55	24.39	0.51	10.64	4.52	4.07**
42	BOSCH Ltd.	0.49	0.51	0.52	0.52	0.52	0.52	0.52	4.35	0.51	1.65	0.61	2.81*
43	ACC Ltd.	0.48	0.51	0.54	0.57	0.57	0.57	0.57	17.78	0.54	6.64	2.86	4.38**
44	Grasim Ind. Ltd.	0.46	0.47	0.47	0.47	0.47	0.47	0.47	2.33	0.47	0.86	0.25	1.73
45	Lupin Ltd.	0.45	0.45	0.45	0.48	0.48	0.51	0.53	16.67	0.48	6.19	2.74	6.86**
46	Ranbaxy Lab. Ltd.	0.48	0.48	0.49	0.51	0.49	0.51	0.51	4.44	0.50	1.95	0.78	3.72*
47	Canara Bank	0.35	0.35	0.38	0.42	0.42	0.42	0.42	18.18	0.39	7.97	3.43	4.44**
48	Bharat Petroleum Cor. Ltd.	0.48	0.48	0.48	0.51	0.51	0.51	0.51	4.44	0.50	2.32	0.94	3.86*
49	Bank of India	0.30	0.30	0.30	0.31	0.31	0.31	0.31	3.57	0.31	1.87	0.75	3.86*
50	Dabur India Ltd.	0.52	0.52	0.57	0.57	0.57	0.57	0.59	14.58	0.56	5.27	2.19	3.93*

Source: Annual Reports of Sampled Companies.

Note: 1. \*\* &amp; \* means significant at 1% and 5% level of significance respectively.

This showed that there was a steadily consistent growth in the disclosure score of the companies.

**DISTRIBUTION OF COMPANIES ACCORDING TO VARIATIONS IN NON MANDATORY DISCLOSURE PRACTICES**

The percent change in voluntary disclosure score in 2008-09 over 2002-03 has been shown in Table 4. It is evident from the analysis of data that there was only 1 company (2%) where change was negative to the tune of -9.09 percent. As much as 18 companies (36%) exhibited a change up to 10 percent with an average change of 5.78 percent. There were 15 companies (30%) which witnessed a change of 10 to 20 percent with an average change of 15.70 percent, while 6 companies (12%) were having change of 20 to 30 percent with an average change of 24.83 percent. Only 1 company (2%) each was with a change of 31.58 percent, 52.78 percent, 75.00 percent and 86.96 percent. There were 2 (4%) companies each which registered a change of 62.62 percent and more than 100 percent with an average change of 376.19 percent. The overall change was found to be 33.94 percent in all the 50 selected companies.

It is interesting to note that companies with low change in voluntary disclosure depicted a higher level of disclosure score as compared to those having high level of change. Thus, there was inverse relationship between the percent change and the average disclosure score of the companies as conveyed by the r-value of -0.143. This indicated that the companies having higher average disclosure score registered lower percent change and vice-versa.

The negative percent change was observed in MMTC, while 0 to 10 percent change was seen in Hindalco Industries, Grasim, ICICI Bank, CIPLA, Bank of India, BOSCH Ltd., Bharat Petroleum, Ranbaxy, Infosys, Sun Pharmaceuticals, Siemens Ltd., Bajaj Auto, HDFC, SAIL, Sterlite Industry, Hindustan Unilever, ITC Ltd. and NMDC. The companies having change of 10 to 20 percent included Punjab National Bank, Ambuja Cement, Axis Bank, Indian Oil Corporation, NTPC, Dabur, Reliance, Lupin, GAIL

TABLE 4: DISTRIBUTION OF COMPANIES ACCORDING TO VARIATIONS IN NON-MANDATORY REPORTING PRACTICES IN 2008-09 OVER 2002-03

S. No.	Percentage	No. of Companies	Percent of Companies	Average % Change	Average
1	Negative	1	2.00	-9.09	0.34
2	Upto 10%	18	36.00	5.78	0.48
3	10%-20%	15	30.00	15.70	0.49
4	20%-30%	6	12.00	24.83	0.48
5	30%-40%	1	2.00	31.58	0.49
6	40%-50%	2	4.00	48.88	0.39
7	50%-60%	1	2.00	52.78	0.49
8	60%-70%	2	4.00	62.65	0.41
9	70%-80%	1	2.00	75.00	0.49
10	80%-90%	1	2.00	86.96	0.38
11	90%-100%	0	0.00	-	-
12	>100%	2	4.00	376.19	0.41
	Total	50	100.00	33.94	0.47

r-value b/w % change and average disclosure score = -0.143

Source: Annual Reports of Sampled Companies.

India, ACC, Canara Bank, State Bank of India, Tata Motors, Dr. Reddy Lab and Wipro. In companies like Jindal Steel & Power, ONGC, Tata Power, Tata steel, HCL Technologies and Maruti Suzuki, there was a change of 20 to 30 percent. Only 2 companies with more than 100 percent change were Hero Motocorp and Ultra Tech Cement.

### CONCLUSION

From the above discussed analysis, it has been concluded that the mandatory disclosure of companies was higher than the voluntary disclosure. There have been, by and large, improvements in the disclosure practices of companies in 2008-09 over 2002-03. There is inverse relationship between percent change and average disclosure score of different companies, items and sectors. The value of coefficient of correlation came to be negative in all the cases. It has been concluded that mandatory reporting practices of the sampled companies was found to be better than the voluntary reporting practices.

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## LEVERAGING EMPLOYEE ENGAGEMENT IN THE HOSPITALITY INDUSTRY: A COMPARATIVE STUDY OF INDIAN HOTELS COMPANY LIMITED V/S ITC-HOTELS DIVISION

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### ABSTRACT

The foremost emphasis of this research is to discover if employee engagement leads to the competitive advantage in the hospitality industry and to comprehend the significance of Employee Engagement as a Human Resource Initiative. Two hotels have been selected on the basis of judgement sampling, Indian Hotels Company Limited (IHCL) and ITC (Hotels Division). The data was collected through both primary and secondary sources including Surveys, Questionnaires from employees, Internet, references from books, past collection of data from HRD and was tabulated through flow charts, pie charts, bar graphs. The Objectives of the research were; To study the current initiatives that are being adopted by the hotels to engage the employees, To suggest improvements in the current Employee Engagement initiatives, To suggest innovative Employee Engagement initiatives with the needs that will emerge out of the study. Some outcomes of the research were that few employees felt lack of empowerment when their views were overlooked, some also felt the need of improvement of inter departmental and intradepartmental communication, thus resulting in employee disengagement. As such, employee engagement has emerged out as a catalyst for success in business in this dynamic and competitive market place at present.

### KEYWORDS

Workplace culture, empowerment, organizational commitment

### JEL CODE

J28

### INTRODUCTION

Employee engagement is the extent to which employees feel passionate about their jobs, are committed to the organization, and put discretionary effort into their work. An engaged employee is enthusiastic and passionate about the work.

There are dissimilarities among attitude, behaviour and outcomes with regards to engagement. An employee might take pride in his task (attitude); speaks high about the company to their clients (behaviour). Outcomes may lead to fewer accident rates, higher productivity, fewer fights, more creativity, lower attrition, etc. These three aspects of engagement reinforce each another.

Authentic values are evident in engaged organisations have which displays an environment of trust and fairness with mutual respect for each other, where commitments – between employers and staff – are well defined and fulfilled.

Though employee engagement leads to enhanced productivity and performance, it cannot be achieved by playing with the emotions and by manipulating employees' commitment. Employees can comprehend these acts quickly which leads to lower morale and disengagement in workplace. By contrast, engaged employees voluntarily offer enhanced effort, not as something extra, but as an integral part of their daily activity at work.

In particular, engagement is a both ways process: organisations take initiative to engage the employee, who has an option to select the level of engagement to offer for the employer. Each strengthens the other.

An engaged employee experiences a blend of job satisfaction, organisational commitment, job involvement and feelings of empowerment. It is a concept that is greater than the sum of its parts.

Though there is a debate regarding the exact meaning of employee engagement there are three things one is sure about: it is definitely measurable; it can be linked with performance; and it changes from poor to great. The important thing is that the employers can make a great impact on people's level of engagement.

### NEED FOR STUDY

Recently, **Make in India** initiative is launched by Government of India, to encourage companies to invest in the manufacturing sector in India. It was initiated by Prime Minister, Narendra Modi on 25 September 2014. The main focus is to concentrate on 25 sectors of the economy for job creation and skill development. Tourism and hospitality, which manufactures and delivers quality services for guest satisfaction is instrumental for the Indian economy playing an important role in the development of the image of India. It accounts for around 12.4 per cent of the total employment in India and is one of the most significant amongst these 25 sectors. The tourism and hospitality sector in India is highly optimistic with a significant number of Indian hotel chains starting up their expansion plans.

The policies and changes done by the Government of India have been evident in giving the required thrust to the Indian tourism and hospitality industry and attracting a large number of foreign tourists every year. As such, the Indian players of tourism and hospitality industry demands motivated and dedicated employees as the workforce to delight the domestic as well as foreign guests with their professional skills and create an image of optimism and positivity about Indian brands in the global hospitality marketplace.

In this regard, the present study is an effort to compare two leading Indian hotel brands in respect to the quality of employee engagement efforts taken by the management and the involvement and motivation of the workforce in providing quality guest services.

### COMPANY PROFILE

#### ITC-HOTELS DIVISION

Launched in 1975, **ITC Hotels**, India's premier chain of luxury hotels has become synonymous with Indian hospitality. ITC Hotels pioneered the concept of 'Responsible Luxury' in the hospitality industry, drawing on the strengths of the ITC group exemplary sustainability practices. Responsible Luxury personifies an ethos that integrates world-class green practices with contemporary design elements to deliver the best of luxury in the greenest possible manner.

The Responsible Luxury commitment of ITC Hotels blends elements of nature to deliver a unique value proposition to guests, conscious of their responsibility to be planet positive. Today, these unique interventions have made ITC Hotels the greenest luxury hotel chain in the world with all its ten premium luxury hotels LEED (Leadership in Energy and Environmental Design) Platinum certified.

With over 90 hotels in 67 destinations, **ITC Hotels** has set new standards of excellence in the hotel industry in Accommodation, Cuisine, Environment and Guest Safety.

#### **ITC HOTELS PROPERTIES ARE CLASSIFIED UNDER FOUR DISTINCT BRANDS**

**ITC Hotels** has an exclusive tie-up with Starwood Hotels & Resorts in bringing its premium brand, the '**Luxury Collection**', to India.

**ITC Hotels - Luxury Collection** is super deluxe and premium hotels located at strategic business and leisure locations. The ten hotels which are part of this collection are: ITC Grand Chola in Chennai, ITC Maurya in Delhi, ITC Maratha in Mumbai, ITC Sonar in Kolkata, ITC Grand Central in Mumbai, ITC Windsor & ITC Gardenia in Bengaluru, ITC Kakatiya in Hyderabad and ITC Mughal in Agra and ITC Rajputana in Jaipur.

**WelcomHotels** offer five-star hospitality for the discerning business and leisure traveller. Currently there are three hotels under this brand namely, WelcomHotel Rama International Aurangabad, WelcomHotel Vadodara and WelcomHotel Grand Bay Vishakhapatnam. Two other WelcomHotel Sheratons - Sheraton Park Hotel and Towers, Chennai and Sheraton New Delhi offer warm, comforting services to the global traveller and a chance to connect.

**Fortune Hotels** operates mid-market to upscale properties in the first-class, full-service business hotel segment all over India, in major metros, mini metros, state capitals and business towns, promising business and leisure travelers a wide choice of destinations and accommodation.

**WelcomHeritage** brings together a chain of palaces, forts, havelis and resorts that offer a unique experience. WelcomHeritage endeavours to preserve ancient royal homes and the historical Indian grandeur and opulence for the future Indian generations. WelcomHeritage provides a fine range of hotel services inside these architectural legacies present across India.

ITC Hotels has established that if provided with an opportunity to work and become self-sufficient, people who are differently-able can significantly contribute to the workplace, families and the community. **ITC Hotels** has taken a positive step in this direction by employing people who are differently-able across its hotels. **ITC Hotels** believes that everyone should be treated with sensitivity and empathy. The models it has created have been effective and have succeeded in sensitising other employees to the needs of those differently-able. Keeping in mind their specific skills, many differently able have been employed in diverse functions like housekeeping, teleworking, and bakery and as musicians. Special badges for the visually impaired, whistles for hearing impaired employees to communicate in an emergency and sign language classes for the staff to communicate with them are just a few examples of how **ITC Hotels** has created an atmosphere of sensitivity and caring.

#### **INDIAN HOTELS COMPANY LIMITED**

The Indian Hotels Company (IHCL) and its subsidiaries, collectively known as Taj Hotels Resorts and Palaces, is one of Asia's largest and finest groups of hotels. Incorporated by the founder of the Tata group, Jamsetji Tata, the company opened its first property, the Taj Mahal Palace, in Bombay in 1903. The Taj, a symbol of Indian hospitality, completed its centenary year in 2003.

Taj Hotels Resorts and Palaces comprises 93 hotels in 53 locations, including 25 Ginger hotels across India, with an additional 16 international hotels in the Maldives, Malaysia, Australia, UK, US, Bhutan, Sri Lanka, Africa and the Middle East. From world-renowned landmarks to modern business hotels, idyllic beach resorts to authentic grand palaces, each Taj hotel offers an unrivalled fusion of warm Indian hospitality, world-class service and modern luxury.

The most significant additions to the Taj portfolio have been The Pierre, the iconic landmark hotel on New York's Fifth Avenue, the Taj Cape Town in South Africa and the latest Taj Falaknuma Palace in Hyderabad.

Taj also encompasses a unique set of iconic properties rooted in history and tradition that deliver truly unforgettable experiences, a collection of outstanding properties with strong heritage hotels or palaces which offer something more than great physical product and exceptional service. This group is defined by the emotional and unique equity of its iconic properties that are authentic, non- replicable with great potential to create memories and stories.

#### **TAJ HOTELS RESORTS AND PALACES PROPERTIES ARE CLASSIFIED UNDER SIX DISTINCT BRANDS**

**Taj (luxury full-service hotels, resorts and palaces)** is the flagship brand for the world's most discerning travellers seeking authentic experiences given that luxury is a way of life to which they are accustomed. Spanning world-renowned landmarks, modern business hotels, idyllic beach resorts, authentic Rajput palaces and rustic safari lodges, each Taj hotel reinterprets the tradition of hospitality in a refreshingly modern way to create unique experiences and lifelong memories.

**Taj Exotica** is the resort and spa brand found in the most exotic and relaxing locales of the world. The properties are defined by the privacy and intimacy they provide. The hotels are clearly differentiated by their product philosophy and service design. They are centred on high end accommodation, intimacy and an environment that allows its guest unrivalled comfort and privacy.

**Vivanta by Taj Hotels & Resorts** span options for the work-hard-play-hard traveller across metropolitan cities, other commercially important centers as well as some of the best-loved vacation spots. Stylish & sophisticated, Vivanta by Taj delivers premium hotel experiences with imagination, energy & efficiency. It's the flavour of contemporary luxury, laced with cool informality and the charming Taj hospitality. Created for the cosmopolitan global traveller and bon vivant, Vivanta by Taj Hotels & Resorts create experiences that will amuse, invigorate & inspire you

**The Gateway Hotel** (upscale/mid-market full service hotels and resorts) is a pan-India network of hotels and resorts that offers business and leisure travellers a hotel designed, keeping the modern nomad in mind. At the Gateway Hotel, we believe in keeping things simple. This is why; the hotels are divided into 7 simple zones- Stay, Hangout, Meet, Work, Workout, Unwind and Explore.

**Ginger** (economy hotels) is IHCL's revolutionary concept in hospitality for the value segment. Intelligently designed facilities, consistency and affordability are hallmarks of this brand targeted at travellers who value simplicity and self-service.

**Taj Safaris** are wildlife lodges that allow travellers to experience the unparalleled beauty of the Indian jungle amidst luxurious surroundings. They offer India's first and only wildlife luxury lodge circuit. Taj Safaris provide guests with the ultimate, interpretive, wild life experience based on a proven sustainable ecotourism model.

#### **REVIEW OF LITREATURE**

##### **September 24, 2013: How 24,000 Employees Worldwide Keep One Brand Promise**

Taj Hotels Resorts and Palaces couldn't make things more challenging for itself if it tried. Hospitality is always a tough industry, but in addition to running more than 100 hotels around the world, Taj rents luxury jets, provides travel services, and has an air catering business. Maintaining a brand identity and consistent service standards can be tricky for any company, but Taj must do this on land, on water, and in the sky with 24,000 people, every minute of every day.

*Today, almost every important hotel brand is entering India in a big way. Our old assumptions are being challenged.*

Taj has overcome difficulties with a few strategic commitments. It's committed to engagement, which helps its 24,000 employees deliver the brand promise to thousands of customers every day. It's committed to well-being, which keeps employees healthy, happy, and engaged. And it's committed to delighting customers, whether they are princes or paupers. It's an approach that works, as you'll see in the following conversation with H.N. Shrinivas, senior vice president of human resources at Taj.

*-- Interviewed by Jennifer Robison (Gallup's Business Journal)*

##### **April 3, 2013: 32 Companies That Understand and Live Employee Engagement**

It is now commonplace to conduct employee engagement surveys in companies around the world. Many companies approach engagement as an annual event -- they see it as something to list on their website to help with recruiting, or simply as a score they need to improve each year.



The leaders of these companies should remember, though, that when they integrate employee engagement into everything they do, it becomes a powerful tool that drives real business outcomes, things like lower absenteeism, higher productivity, and higher profitability. Concentrating an organization's efforts on employee engagement isn't just about creating an engaged workforce, it's about what that engaged workforce allows your company to do.

Gallup recognizes the exceptional work of organizations each year for their understanding that employee engagement drives real business outcomes, and for mastering how to engage their workforces, by presenting them with the Gallup Great Workplace Award. This year, we would like to recognize 32 distinguished organizations as recipients of the Gallup Great Workplace Award.

Gallup Great Workplace Award winners span the globe and represent all facets of business from healthcare to hospitality, retail to manufacturing, and banks to insurance. These award winners average a ratio of engaged employees to actively disengaged employees that is more than five times the ratio in the U.S. and more than 20 times the ratio of workforces globally.

#### **Indian Hotels Company Limited (four-time winner)**

-- **Kerry Garman**

*(The Gallup Blog)*

August 10, 2012

#### **Employee Recognition: 5 Keys from Taj Hotels Resorts**

Employee recognition—making people feel appreciated—is one of the key activators of employee engagement. In fact, in my book *Employee Engagement 2.0* I show how recognition is a top three creator of **Workplace Superheroes**, along with the drivers Growth and Trust. Many best practices for recognition can be gleaned from a company that many in the west are unfamiliar with, Taj Hotels Resorts and Palaces, which operates 93 luxury hotels across India and 16 other hotels in other parts of the world. Even with so many locations, and over 13,000 employees, the Taj still continues to deliver unprecedented levels of service to its guests.

An interesting article in Harvard Business Review, *The Ordinary Heroes of the Taj*, links the Taj's employee service training to their heroic performance during more than one terrorist incident. Although linking service and rewards practices to performance during crisis seems a bit specious, the article does give a glimpse of just how Taj Hotels makes their employees feel appreciated.

1. **Expressions of gratitude must come from immediate supervisors**, who are central to determining how employees feel about the company. This bears out the old saying suggesting that people join companies, but leave managers.
2. **The timing of the recognition is usually more important** than the reward itself. A verbal "thank you" at the time of exceptional work is better than a financial thank you six months later.
3. **The Taj Group created a Special Thanks and Recognition System (STARS)** that links customer delight to employee rewards. The important point here is that **they have a system for thanking employees ongoing**.
4. Employees accumulate points throughout the year for compliments from guests, **compliments from colleagues**, and their own suggestions. Appreciation from one's peers can be more powerful than praise from management.
5. **At the end of each day, a STARS committee reviews all nominations and suggestions.** At the end of *each day*. Wow! That keeps the momentum going.

-- **Kevin Kruse**

*(Forbes)*

December 12, 2011

#### **ITC Hotels bags 'Best Employer' National Award**

The Government of India, Ministry of Social Justice and Empowerment has conferred ITC Hotels with the 2011 'Best Employer' National Award for Empowerment of Persons with Disabilities. The award was presented by Minister of Social Justice and Empowerment, Mukul Wasnik, in recognition of ITC's philosophy of an 'equal opportunities' employer in keeping with its policy to ensure respect for Human's Rights and Prevention of Discrimination at Workplace. Dipak Haksar, COO, ITC Hotels received the award at a ceremony held at Vigyan Bhawan in New Delhi recently.

ITC Hotels' human resources approach, in keeping with ITC's core values, promotes diversity and offers equality of opportunity to all employees fostering meritocracy in the organisation.

It acknowledges that every individual brings a different and unique set of perspectives and capabilities to the team. A discrimination-free workplace for employees provides the environment in which diverse talents can bloom and be nurtured. This is achieved by ensuring that a non-discrimination policy and practice is embedded across the Company in line with corporate principles and benchmarked business practices.

ITC's Hotels Division has created a unique value proposition redefining the fine art of Indian hospitality. ITC Hotels has pioneered the concept of 'Responsible Luxury' blending world class green practices with contemporary design elements to deliver the best in luxury in the greenest possible manner with 'eco-embedded' products and 'eco easy' services.

-- **Team**

*(The Hotel Times)*

November 28, 2011

#### **What made these hotels 2011's Best Places to Work in India?**

This year, Great Places to Work in India Survey 2011 positioned three global hotel brands in its list of finest places to work for. The names included The Marriott International, The Oberoi Group which operates under the Oberoi and Trident brands in several cities in India and across the world. In view of the augmented list of 50 best places to work world over, up from 25 around 2003, Marriott International flawlessly maintained its resolute ranking at number 5 in the Survey this year, which is coincidentally the same position it notched in 2007 in a list of 29 companies. The other two stalwarts ranked at 33 and 45 respectively. Every year, Great Places to Work Institute conducts a global research based on data from more than 10 million employees in 45 countries representing over 5,500 organizations of varying sizes, industries and structures to dig out the best places to work for. It precisely "measures the behaviours and the environment that forms the underpinning of world's most desirable workplaces and successful businesses."

Notably, each year, a number of brands appear and disappear from the list, courtesy the precise and uncompromising parameters of judgment of the survey.

## **RESEARCH METHODOLOGY**

Judgement sampling has been used as these two hotels happens to be the reputed ones in Private Sector in Delhi and at the same time it involves the choice of subjects which are most advantageously placed or in the best position to provide the information required. In both these hotels, exploratory study was conducted whereby the employees of the executive band and below and management of the executive band and above were interviewed. Also, the respondents of the survey have carefully chosen as they could reasonably be expected to have expert knowledge by virtue of having gone through the experience of employee engagement themselves and might perhaps be able to provide good data or information to the study. We understand that Judgement sampling may curtail the generalizability of the finding due to the fact that we are using a sample of experts who are conveniently available to us. However, it is the only viable sampling method for obtaining the type of information that is required from very specific pockets of people who are very knowledgeable and understand the Primary Data.

#### **Data Collection**

Both Primary & Secondary methods of data collection were used:

- **Primary Data**

Primary data was collected through an unbiased, undisguised structured questionnaire which was administered to the employees and management of both the hotels for the purpose of getting the information.

• Secondary Data

Secondary data was collected through reference with books, journals and internet which has been used to a large extent. Apart from that, some newspaper and magazine articles also provided great help for the said purpose.

STATISTICAL TOOLS USED

The data collected were tabulated and interpreted with the help of tools that are used in data analysis such as, pie charts, bar diagrams, percentages, tables etc.

DATA ANALYSIS AND INTERPRETATION

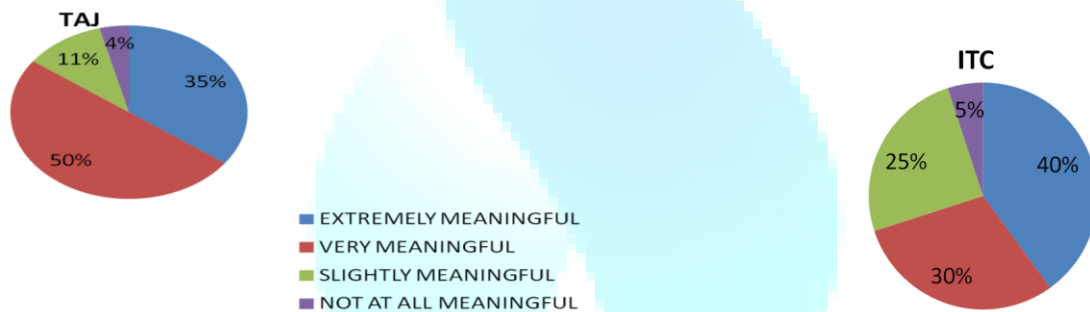
The sample employees of both the organizations were at first asked to give their views on the meaningfulness of their work. The response suggested that the employees of Taj find their job as more meaningful than the employees of ITC.

FIGURE 1



Then employees of both the hotels were asked to provide their response for the extent to which they find their work challenging. The response provided by the sample suggested that both the organizations almost take equal efforts in providing challenges at the workplace.

FIGURE 2



Then the employees were asked about the extent of stress felt in their job in a typical week. The results of the respondents suggest that the employees of Taj were more stressed than the employees of ITC.

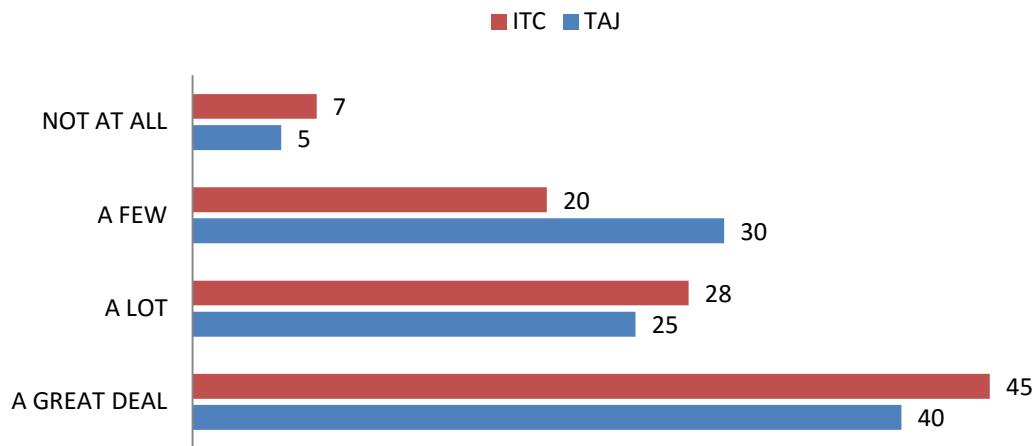
FIGURE 3



Next, the employees of both the hotel were asked about the opportunities given to them to be promoted at the work. The response to this question suggests that the employees of ITC are given better opportunities to be promoted at their workplace than the employees of Taj.

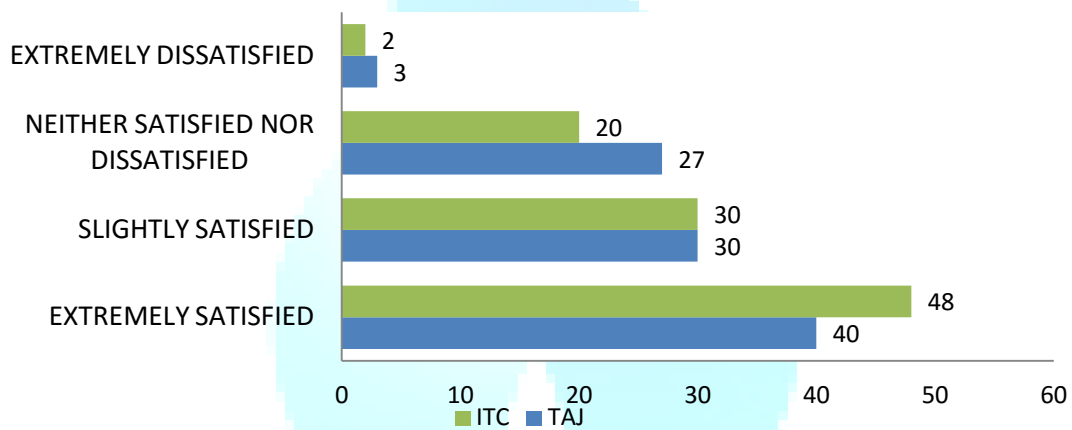


FIGURE 4



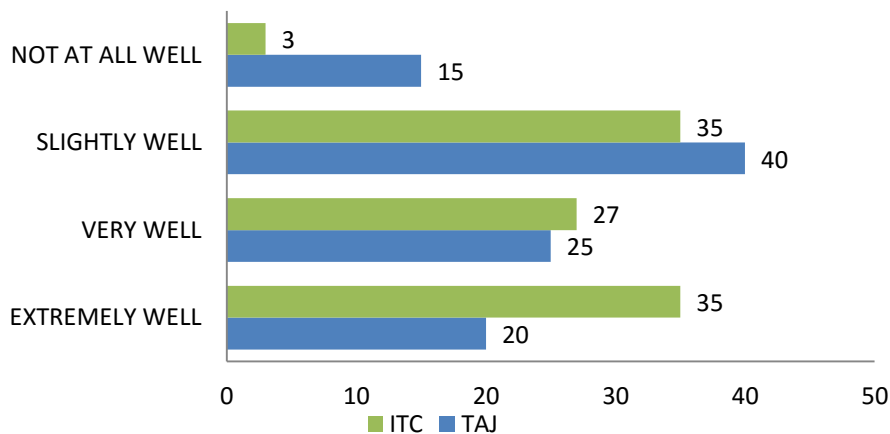
The respondents were then offered to give their views on the employee benefits in terms of their level of satisfaction. It was again seen that the employees of Hotel ITC are more satisfied than their counterparts in Hotel Taj.

FIGURE 5



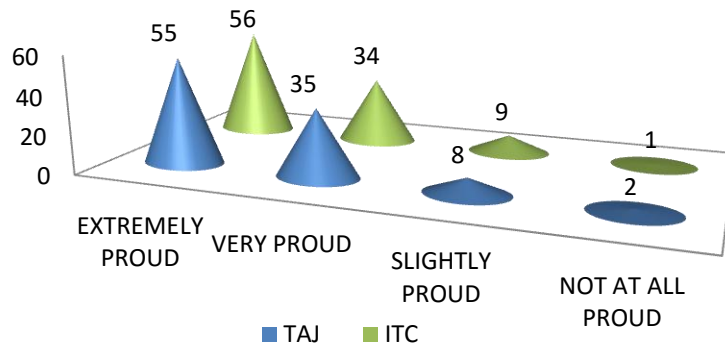
It was then asked to the respondents of both the hotels to put forward their opinions about the salary they get for the work done. Here again, the employees of ITC are far superior in considering that they are very happy with the amount paid to them for their work.

FIGURE 6



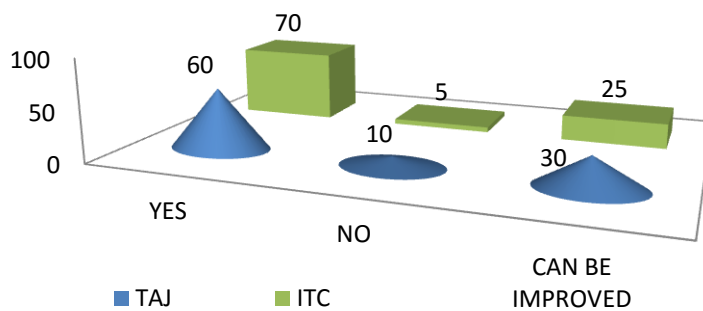
Then, the sample employees of both the hotels were required to give their suggestions regarding the pride they carry about their employers' brand. Here, employees of both Taj and ITC feel almost equally proud about the brand of their respective employer.

FIGURE 7



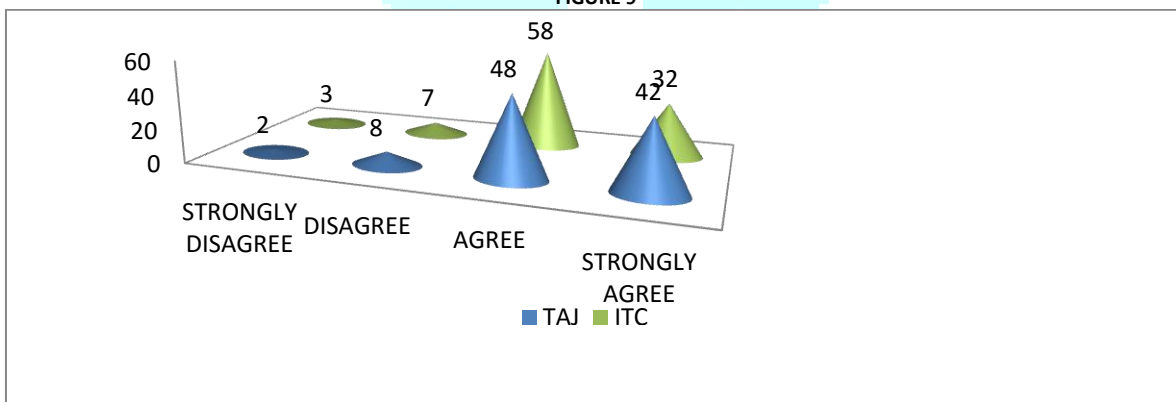
The employees of both the hotels were then asked about their opinion about the culture at workplace. The responses by the sample show that the employees of ITC believe that there is more emphasis on maintaining proper culture at the workplace than the employees at Taj. However, more employees at Taj feel that the culture at workplace can be improved for better employee engagement.

FIGURE 8



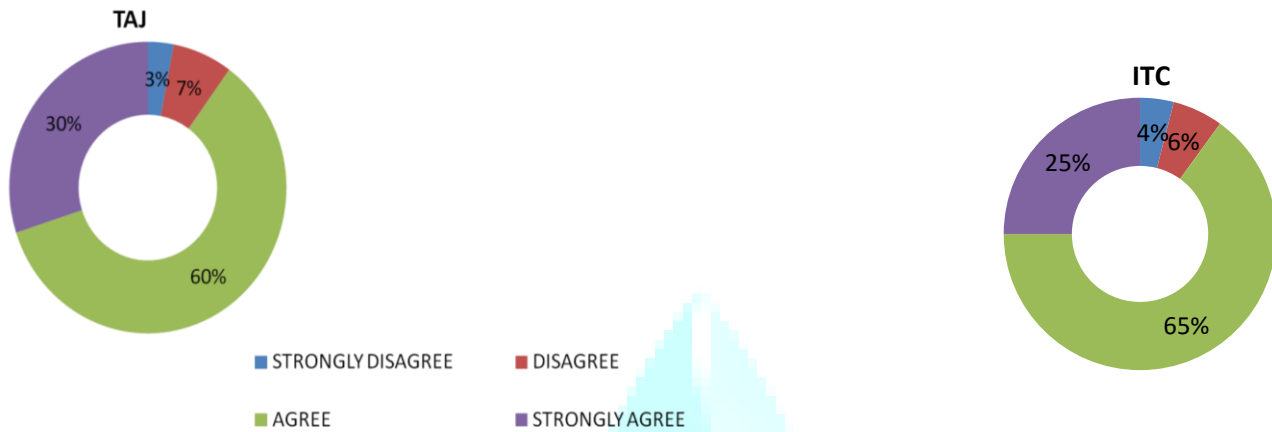
The respondents at the hotels were solicited to provide their views on their dedication towards diversity and inclusiveness in their respective hotels. It is observed that the respondents suggest that both the hotels are almost pay equal focus on diversity and inclusiveness.

FIGURE 9



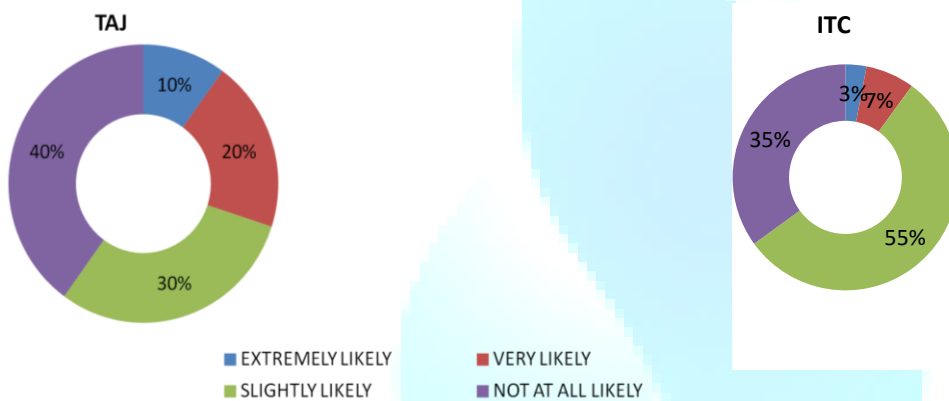
The views of the employees of both the hotels were then drawn on the recognition of strong job performance by the management. It was again suggested by the sample that both the organisations have similar orientation towards recognition of strong job performance.

FIGURE 10



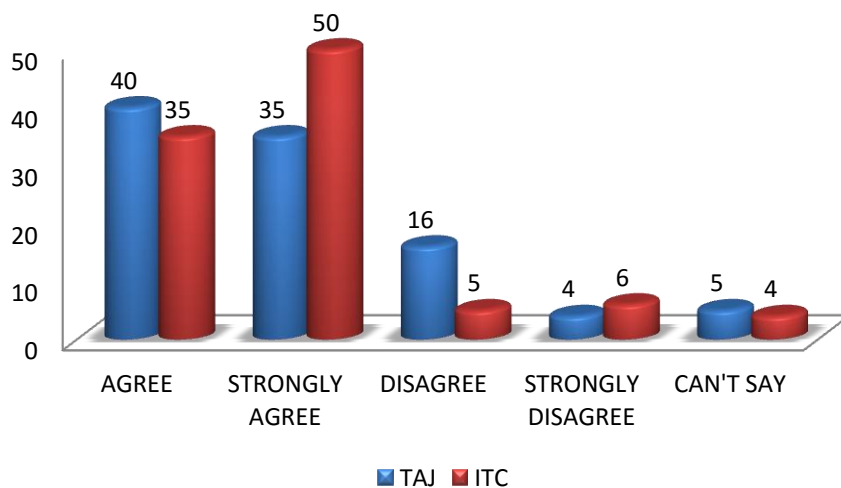
The following question solicited to the employees of both the organization about their tendency to look for another job outside their respective organizations. The response suggest that the employees of ITC are more loyal to their organization as compared to Taj and has less tendency to look for another job as compared to their counterparts at Taj.

FIGURE 11



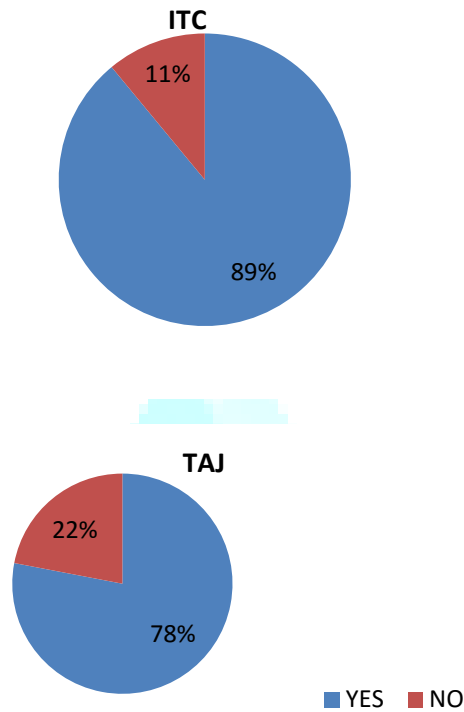
At the same time, a sample from the management of both the hotels was also interviewed with the help of a questionnaire. At first, the sample was asked about their satisfaction with the current initiatives taken by them for employee engagement. The respondents suggest that the management of ITC is more convinced with the initiatives taken than that of th management of Taj.

FIGURE 12



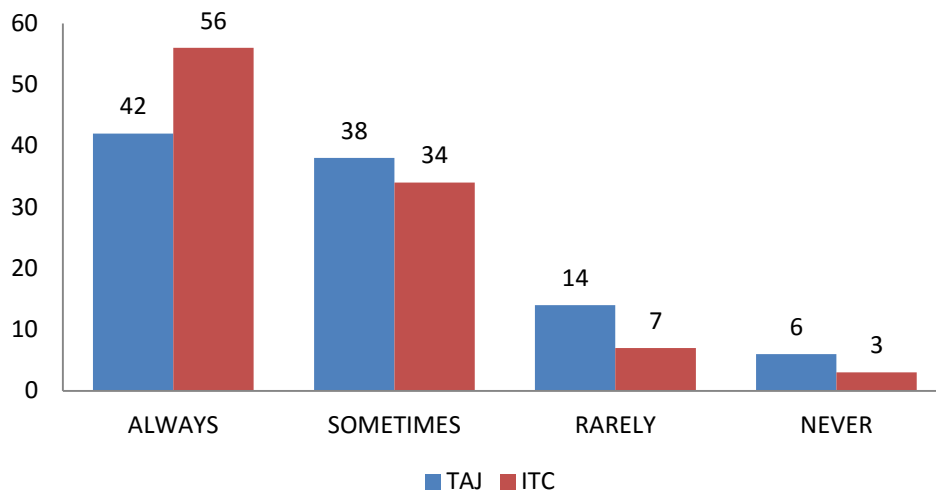
Then the management of both the organizations was enquired about the changes in current initiatives to increase employee engagement. The respondents from the management suggest that the management of ITC is more dynamic and flexible in making changes to their initiatives as compared to that of Taj.

FIGURE 13

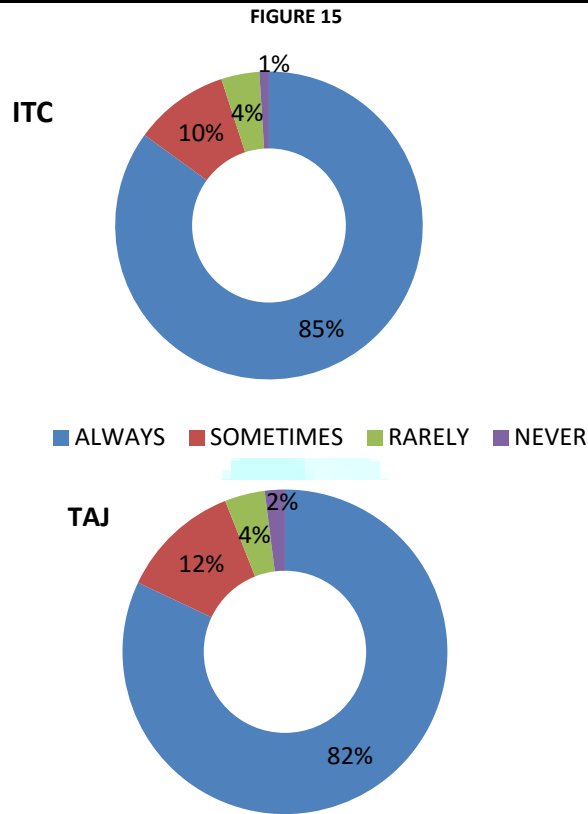


Then the management of both the hotels was asked about the involvement of employees in deciding the current initiatives for employee engagement. It was again suggested that the management of ITC are more keen to involve their employees in deciding the current initiatives for their engagement.

FIGURE 14



Again the management of both the hotels were enquired about rewarding their employees for exceeding the guest expectations. Again, the responses suggest the management of ITC is more inclined to rewarding employees than that of Taj.



At the end, the management of both the organisations was asked whether employee engagement provide more work efficiency. Again, the management of ITC was found to be more confident about the fact that employee engagement does increase the work efficiency of people in the organization.

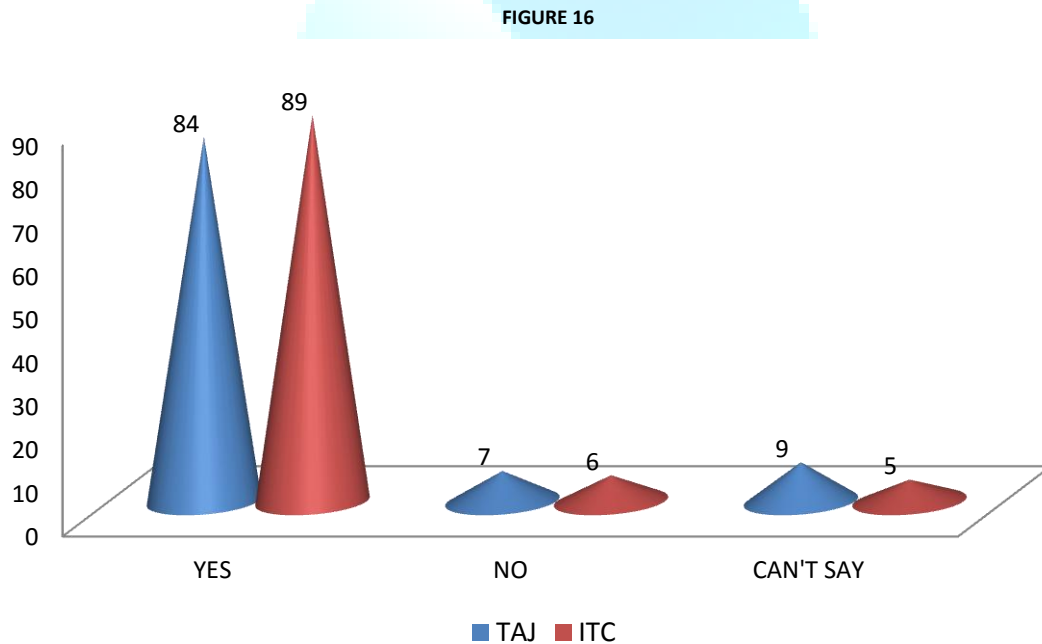
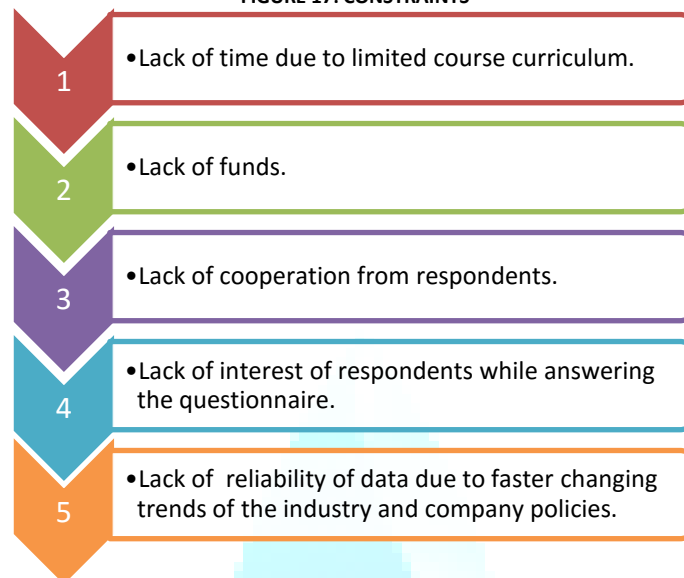


FIGURE 17: CONSTRAINTS



## CONCLUSION

As Per the above observations and analysis it seems that most of the Employees of **ITC-Hotels Division and IHCL** are engaged in their work except few Employees who are Not Engaged and few who are Nearly engaged. Those few can be changed to an Engaged Employee by their supervisors by proper planning whereas in IHCL, employees are less engaged as compared to ITC-Hotels Divisions. This could be because the initiatives taken by IHCL are not completely appreciated by the employees and hence have a scope of improvement. Management should conduct surveys within the departments for the employees taking their suggestions and resulting in improved employee engagement and employee's efficiency. Employee Engagement is the buzz word term for employee communication. It is a positive attitude held by the employees towards the organization and its values. It is rapidly gaining popularity, use and importance in the workplace and impacts in the organizations in many ways.

Employee engagement emphasizes the importance of employee communication on the success of a business. An organization should thus recognize employees, more than any other variable, as the employee acts as the powerful contributors to a company's competitive position.

Therefore employee engagement should be a continuous process of learning, improvement, measurement and action. We would hence conclude that raising and maintaining employee engagement lies in the hands of an organization and requires a perfect blend of time, effort, commitment and investment to craft a successful endeavour.

## SUGGESTIONS AND RECOMMENDATIONS

- There should be regular meetings between Management and Supervisors with the employees to suggest how they can develop with the growth of the company which could encompass their standard of living, family issues, etc.
- Differences between the management and employees may be minimised by increasing engagement practices. Organising sporting events, music concerts and get togethers could assist in achieving the said purpose.
- Those employees who feel low of being dis-engaged can be encouraged to be more participative where they can be realised that their positive ideas and views are precious for the organisation growth.
- At ITC-Hotels Division, the employee recognition awards were more than IHCL. Therefore, IHCL can introduce more employee recognition awards or other employee recognition for enhanced employee engagement.

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**QUESTIONNAIRE 1****(To be filled in by the employees)**

- |                     |                    |
|---------------------|--------------------|
| <b>Name:</b>        | <b>Department:</b> |
| <b>Designation:</b> | <b>Company:</b>    |
- How meaningful is your work?**
    - Extremely meaningful
    - Slightly meaningful
    - Very meaningful
    - Not at all meaningful
  - How challenging is your job?**
    - Extremely challenging
    - Slightly challenging
    - Very challenging
    - Not at all challenging
  - In a typical week, how often do you feel stressed at work?**
    - Extremely often
    - Slightly often
    - Very often
    - Not at all often
  - How many opportunities do you have to get promoted where you work?**
    - A great deal
    - A few
    - A lot
    - None at all
  - Are you satisfied with your employee benefits, neither satisfied nor dissatisfied with them, or dissatisfied with them?**
    - Extremely satisfied
    - Neither satisfied nor dissatisfied
    - Slightly satisfied
    - Extremely dissatisfied
  - How well are you paid for the work you do?**
    - Extremely well
    - Slightly well
    - Very well
    - Not at all well
  - How proud are you of your employer's brand?**
    - Extremely proud
    - Slightly proud
    - Very proud
    - Not at all proud
  - Are you satisfied with the culture of your workplace?**
    - Yes
    - Can be Improved
    - No
  - My organization is dedicated to diversity and inclusiveness.**
    - Strongly Disagree
    - Agree
    - Disagree
    - Strongly Agree
  - Management within my organization recognizes strong job performance.**
    - Strongly Disagree
    - Agree
    - Disagree
    - Strongly Agree
  - How likely are you to look for another job outside the company?**
    - Extremely likely
    - Slightly likely
    - Very likely
    - Not at all likely

**QUESTIONNAIRE 2****(To be filled in by the management)**

- |                     |                    |
|---------------------|--------------------|
| <b>Name:</b>        | <b>Department:</b> |
| <b>Designation:</b> | <b>Company:</b>    |
- Are your employees satisfied by the current initiatives taken by the management for employee engagement?**
    - Agree
    - Strongly Disagree
    - Can't Say
    - Strongly Agree
    - Disagree
  - Is management making any changes in the current initiatives to increase employee engagement?**
    - Yes
    - No
  - Do you seek for employee's suggestion while adopting new initiatives for employee engagement?**
    - Always
    - Rarely
    - Sometimes
    - Never
  - Do you reward your employees for any special contribution they make towards exceeding guest expectations?**
    - Always
    - Rarely
    - Sometimes
    - Never
  - Does employee engagement increases the work efficiency of employees in your organization?**
    - Yes
    - Can't Say
    - No

**MICRO CREDIT A POVERTY ALLEVIATION MANTRA**

**DR. PRAMILA CHOUDHARY**  
**HEAD**  
**DEPARTMENT OF COMMERCE**  
**S. S. L. N. T. MAHILA COLLEGE**  
**DHANBAD**

**ABSTRACT**

*Micro-credit through commercial banks has positive impact in upliftment of the life style of the poor people. It provides finance to the unemployed, small entrepreneurs, small and cottage Industries in rural as well as urban areas. It increases savings, investment, employment and finally the economic condition of the people. Micro-credit through Commercial Banks reaches to the deprived sectors of the society which were untouched from the banking sector. It also helps in empowering the women. It strengthens not only the agriculture sector but also in allied sector of the rural area. "NEW MANTRA in rural finance". Jandhan yojna with micro insurance of Modi Govt. is also a step forward to motivate poor sections of society to have confidence in banking system and take advantage of Micro finance for self employment and family protection. However, more research work and suggestion will play a more powerful economic, social and political role in Changing the life style of poorest people of either sex.*

**KEYWORDS**

C. D. ratio, collateral stake holders, credit worthy. NABARD, SHG.

**ABBREVIATION**

ADB	: Asian Development Bank
CD Ratio	: Credit Deposit Ratio
MFI	: Micro Finance Institutions
MYRADA	: Mysore Resettlement and Development Agency.
NPA	: Non Performing Assets
RRB	: Regional Rural Banks
SHG	: Self Help Group
SIDBI	: Small Industrial Development Bank of India

**INTRODUCTION**

**M**icro Credit is a financial service of small quantity provided by financial Institution to the poor. These financial services may include savings, credit, insurance, leasing, money transfer etc, which is any type of financial service, provided to customers to meet their normal financial needs, unlike normal credit, micro credit is limited with collateral substitute and credit plans services.

**IMPORTANCE**

Despite the expansion of the organized banking system deep into rural areas, it was found that a very large number of the poor continued to remain outside the fold of the normal banking system. Thus began the search for an alternative delivery mechanism which would meet the requirement of the poor and especially the women member of such households. It was then the idea of organizing self help group (SHGs) started to take shape. SHG is group of about 10-20 person from a homogenous class who come together for addressing the common problems. They collect voluntary savings on a regular basis and use the pooled resources to make small interest bearing loans to their members.

**OBJECTIVE OF THE PAPER**

There is no research in Indian Context which explores the relationship between Micro credit, poverty alleviation and Women Empowerment in the economically backward state like Jharkhand. Therefore, the objective of the paper is to analyse and develop a framework of micro credit as effective tool of poverty alleviation and women empowerment if taken with a right, honest and sincere motivation.

**HISTORICAL PERSPECTIVE**

The history of micro Credit is as old as our communities. It has existed in various forms in all societies. Money lending has been one of the oldest professions in the world. The feature of micro Credit in its earlier forms was that it was purely dealt by the informal sector. Even after Institutional finance came into being as banking sector emerged, the need for 'micro credit' characteristically for the poorer sections in the society was unmet by the formal banking sector. The nature of the formal banking sector, with its emphasis on collateral security based lending", could not cater to the needs of the smaller borrowers who were typically resource poor and possessed negligible assets to offer as collaterals security. Hence, the moneylender remained the only source of credit for the rural poor household (apart from relatives and friends). There is extensive literature and knowledge available on the exploitative ways of the moneylenders, forcing the rural poor into indebtedness for life.

Poverty has many dimensions and stems from several factor – economic, social and cultural. Although lack of opportunities for livelihood (economic) and denial of opportunities (Social) are largely seen as a major casual factor for poverty, it is accentuated in the Indian context by lack of access to affordable credit and has now been, recognized as another significant contributory factor.

The poor Indian farmer is born in debt, lives and dies with debt. It is not so much debt per se, but the price paid for the debt, which makes them poorer. The predatory lending practices – usury by Indigenous moneylenders have been perpetuating the legacy of Poor's debt bondage.

The issue of usurer has been before us for long. This continues to remain as a significant casual factor in compounding the problem of poverty. The present scenario continues to be one of grave concern as the issue still proves to be elusive and intractable. Thanks to micro Credit intervention, there are encouraging and positive signs of addressing this problem.

The poor on account of this high cost of debt face a lifelong risk of helplessness with virtual mortgage of life itself. The approach to address the poverty, now, is increasingly focused on enhancing the access to credit. Not only the access to but also adequacy and affordability are the key issues in making the credit available, equally important is the timeliness. In this context, the micro Credit has emerged as an effective instrument to address this age-old problem of poor.

**WHY IS MICRO CREDIT GROWING?**

The concept of Micro Credit is based on the Credit delivery system for the poor and is little concerned with the size of finance. Its growing importance is due to the following facts:

- It promises to reach the poor: support income generation activities for their enterprises.

- It can help in building financially self – sufficient locally managed institution.
- It builds on the traditional systems of savings. It provides similar services with greater flexibility, at a more affordable price and on a sustainable basis.
- Micro Credit activities can strengthen existing formal financial institutions by expanding their markets for both saving and credit.
- It has received a lot of impetus by the growing number of success stories both in extending its reach to rural poor and becoming self- sustainable institutions.
- Over the years, it has been able to offer Innovative products like using group based collateral, use of social and peer pressure and promise of higher repeat loans, reducing transaction costs drastically, achieving greater outreach and high loan repayments.

The most apparent trend is that an increasing number of stakeholders are supporting projects in micro- Credit.. Many banks and other stakeholders have specific programmes for micro- Credit in India and if this trend continues unabated, the money supply to the sector should certainly see a huge upward swing in the next few years. That this will most certainly happen is clear, when we consider the following facts:

1. NABARD has set a goal of reaching 1 Million SHGs over the next ten years.
2. SIDBI which has promoted a specialized foundation for Micro-Credit is likely to add another Rs. 100 Crores to micro-finance wholesaler Kitty.
3. CASHE, a specialized project of CARE India funded by DFID, is likely to contribute an investment in excess of Rs. 70 Crores over a Seven- year period.
4. This year's – 2014-15 (Central Government) budgetary allocation proposes a five – fold increase in SHG- Bank linkage in the current financial years.
5. RBI's credit policy for the year 1999-2000 calls for promoting flow of funds to micro-finance under its priority sector programme.
6. International stakeholders such as the World Bank (WB), the Asian Development Bank (ADB), are in the process of finalizing their country strategy for India, which again should result in significant resources commitment to micro-finance in India.

Therefore, given the above situation, it is clear that what is on the anvil is increased resource flow to micro- Credit. While this certainly a welcome feature, sudden inflow of large amounts of credit could well turn out to be counter- productive because of the pressure that it may create for practitioner MFIs (to disburse large amounts of credit to clients)

### MICRO-CREDIT AND EMPOWERMENT OF WOMEN

The importance of women to the economic development of India was first recognized during the counter's struggle for independence. Empowerment is a social action process that promotes participation of people, organization and communities in gaining control over their lives in their community. There is urgent need of empowering women especially in rural area. The formation of Self Help Group and Micro-Financing will enhance their socio-economic position in this society. Small loans can make good business sense among the women. It has been noticed that women in particular stand to gain a lot from micro-finance because it gives them an independent means of generating wealth and becoming self – reliant in a society that does not offer them much scope for entrepreneurship and since it is women who run the household, a higher standard of living for women ensures better governance and a healthier and more prosperous future for the children and a better future for the nation. The success of micro-credit initiatives has often been attributed to their particular focus on empowering women and encouraging their self-reliance through developing their own means of incomes. It appears that there is a positive correlation between credit availability and women's empowerment. It is observed that majority or rural women who are associated with self- help group activity positively successes to gain themselves empowered. S.H.G's are helping more than 17 million village women to improve their income, educate children and buy assets. (Source: NABARD Report, 2008.) Women in rural India lived in virtual isolation, unable to access even the most basic of services. But, with the formation of women's Self –help Groups, these women are now achieving social and physical mobility. It is recognized that while the empowerment of women is a process that will not happen automatically, SHG is a suitable means for the empowerment of women. The impacts of SHGs on socio-economic status of women are significant.

Micro Credit programmes are currently being promoted as a key strategy for simultaneously addressing both poverty alleviation and women's empowerment. Whereas financial service provision leads to the setting up or expansion of micro-enterprises there are a range of potential impacts including:

- Increasing women's income levels and control over income leading to greater levels of economic independence.
- Access to network and markets giving wider experience of the world outside the home, access to information and possibilities for development of other social and political roles.
- Enhancing perceptions of women's contributed to household income and family welfare, increasing women's participation in household decisions about expenditure and other issue and leading to greater expenditure on women's welfare.
- More general improvement is changing attitudes towards women's role in the household and community.

### SIGNIFICANCE

Micro Credit provides financial services such as micro-finance, micro- saving or micro – insurance to poor people. Micro Credit helps hard working small entrepreneurs to start and expand their small business and the income from these businesses provides better food, housing, health care and education for their entire family. Micro finance is provision of thrift, credit and other financial services and products of very small amounts to the poor in rural semi- urban and urban areas for enabling them to raise their income level and improve living standards. Rural development, special schemes and rural banking could not tackle the under spread poverty in rural areas. That the existing banking policies and procedure is not suited to immediate needs of the poor. What they really needed was better access these services and products rather than cheap subsidized credit. The priority of rural poor appeared to be consumption credit, saving, production credit and insurance. They demand short period credit for emergent needs, which was usually met by informal sources at exploitative interest rate. As poor borrowers were unable to offer banks any security for small consumption loans but also in recovery of loans.

Against this background, a need was felt for alternative policies, system and procedure, savings and loan product complementary services and new delivery mechanism which will fulfill the requirement of the poorest especially for the women member of such households.

Micro Credit does not only fulfill the shortage of physical capital amongst the poor but also creates social awareness among corporate level to marginalized market segment of the society. It gives services such as deposits, loans, payment services, money transfers, insurance to poor and low income households and their micro enterprises. The main objective is to develop institutional financial self- sufficiency and to penetrate breath and depth-wise. across the low income groups / individual profitably.

Micro credit movement helps in improvement of women in the society at grass-root level, this system helps the women to come out and join a mainstream activity in the village. In many areas where there have been support from NGO's or a strong SHGs. Women enjoy the pro-active role and they come out from their traditional role. Women have been able to mobilize capital and in the process have acquired skills that have enhanced their economic, social and political power; 'Gramin Credit' according to Muhammad Yunus, is based on the fact that the poor has skill, which remains unutilized or under – utilized. 'Gramin Credit' promotes credit as human rights and is targeted at the poor, particularly poor women. The most distinctive feature is that it is not based on any collateral or legally enforceable contracts, but on trust. It provides credit to people. In order to obtain loans a borrower must join a group of borrowers. A new loan becomes available to borrowers if her previous loan is repaid and all loans are paid back in installments. (Weekly or bi-weekly)

Another unique features of 'rural credit' is that it gives high priority to building social capital through the formulation of groups and centres, develops leadership qualities and undertakes a process of discussion among borrower. It lays special emphasis on protections of the environment and children education and provides scholarship and student loan for higher education.

Approximately 75 million households need micro- Credit. Out of this nearly 60 millions are in rural areas and 15 million are urban slum dweller. The current annual credit use by this households is estimated to be Rs. 500,000 millions & this does not include housing which can be estimated Rs.10,000 million annually. Thus, micro-finance is a major weapon for the poor people for their development. Now a day's micro- finance especially SHGs are working for the rural empowerment in our country. Majority of S.H.G.'s are managed by women entrepreneurs in India. (Source: NABARD report, 2012.)

Commercial bank is the backbone of Indian economy as well as Indian banking sector. It accepts deposit and provides short – term and medium – term loans advance mostly for productive purpose, on approval securities like cash credit, overdraft, loans and advances and also short terms loans, like personal loans to finance working capital.

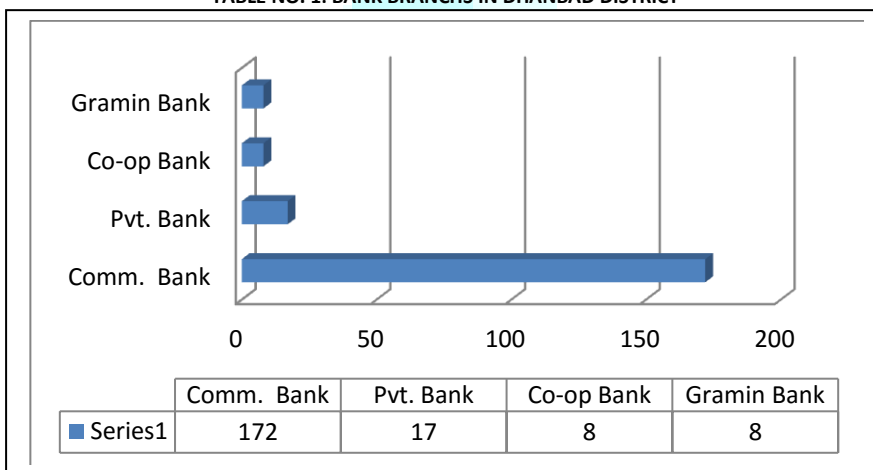
NABARD has given guideline to all Commercial Banks, Regional Rural Banks (RRBs) and Co-operative Banks regarding micro-finance. It has given special emphasis in micro- finance to the poor, marginal farmers and small entrepreneurs. The basic objective of Micro-finance is to provide small finance to the deprived sector of society for this upliftment.

Thus, the importance of present study increases as more and more commercial banks are providing finance for the self- employment to unemployed youth through PMRY. It also provides loans to BPL groups especially for women in rural areas to increase their regular income. It also provides subsidies to BPL group. Both Centre and State Government provide scheme of employments programme such as Kisan Credit Card, Swarn Jayanti Gram SwarajYojna (SJGSY) etc. There is a tremendous scope of micro-finance through Commercial Banks. Thus, the study of commercial banks is the need of hour for the benefits of last benches of the society. A Micro study of Dhanbad district on banker’s micro credit status will be an Eye opener of its future need of expansion.

**A CASE STUDY OF DHANBAD DISTRICT**

Dhanbad is a Populous Teenaged state of Jharkhand with 25 lakhs population. It is also known as Industrial City as it is the coal capital of India. It is surrounded by other Industrial cities like Ranchi, Jamshedpur, and Bokaro. There are a number of other coal based industrial units available in the District. The district has been selected as the second district in the state for expansion of Rural Industries Projects. A detailed potential survey has been undertaken in 2011-12 by NABARD for promotion of micro credit process. The district has 172 Commercial Bank Branches, 8 Central Cooperative Bank Branches, 17 Private Banks and 8 branches of Jharkhand Gramin Bank in total – 205 branches.

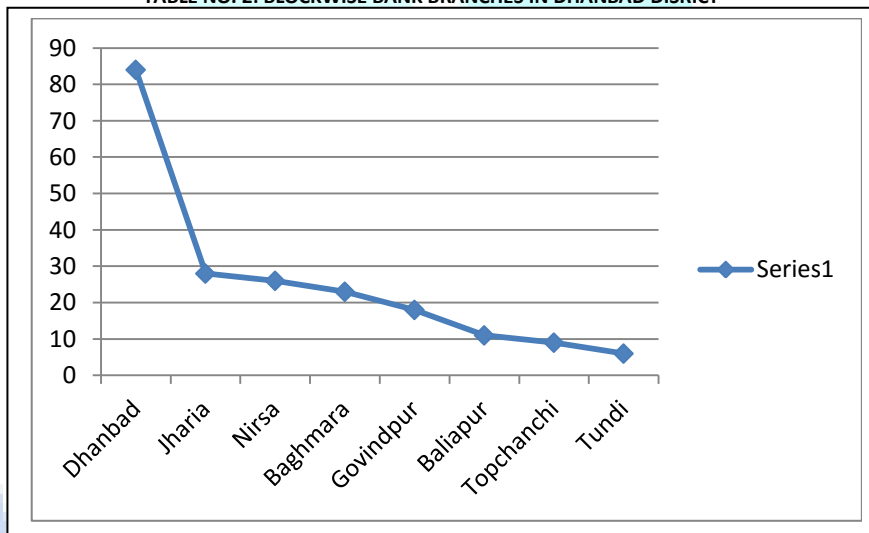
**TABLE NO. 1: BANK BRANCHS IN DHANBAD DISTRICT**



Source: Author’s compilation at District Level

Dhanbad District has eight Blocks Except Jharia and Dhanbad blocks the other six blocks are rural or urban oriented rural in which status of bank branches are as depicted in the Table below.

**TABLE NO. 2: BLOCKWISE BANK BRANCHES IN DHANBAD DISTRICT**



Source : Author’s compilation

From this it appears that highest number of bank branches is 84 in the urban populated Dhanbad block followed by 28 in Jharia Block and 26 in Nirsa. Rest 5 blocks are either rural or rural oriented when we analyse the rural bank branches of the district we find the micro credit business is still in its infancystage, because of lack of dedicated N.G.O.’s in the district and retarded expansion of Bank Linkage Programme to S.H.G.’s in a big way. Out of 1036 S.H.G’s bank linkage have been made for only 432. The lead bank Bank of India of the district provided Micro Credit to 112 S.H.G’s

The Bankers / Officials should have attitudinal change towards S.H.G.’s. The need to realize that the poor is credit worthy and financing them through micro credit to forms S.H.G.’s should be taken as a Credit Worthy Proposition. It is only after this step the C.D. ratio ( Credit- Deposit ratio) of Dhanbad District will improve.

**CREDIT DEPOSIT RATIO OF THE DISTRICT**

Credit Deposit Ratio (C.D. Ratio) is very important from the view point both Micro and Micro level Economic growth of the region. Creation of Credit by commercial Banks adds fire to the fuel in creating jobs to self employed man power of the country. Advancing loans at Micro level to grass root population is a

real source of poverty alleviation. Hence credit should always be at higher side than deposits because banks not only deal in money but can also create money. By micro finance the “banking awareness to masses is bound to come “Jandhan Yojna” is a step ahead in this direction. It has been observed that credit Deposit ratio in the district is very poor. Banks are reluctant in providing micro finance to weaker sections of the society, because of weak loan recovery status. The personal interactions of researcher with the beneficiaries of micro- credit it can safely be concluded that they take micro-credit under Govt. Plans considering safe not to be returned. Such beneficiaries allow those loans to be N.P.A. (Non performing Assets) in the Bank’s account. Time to time exemption is also allowed under Govt. policy either in full or in part. In the district about 80% S.H.G’s are women managed, but only on papers. In reality hundreds or other male members of the families of women members of S.H.G.’s are deeply involved and the result is N.P.A. As such in order to ensure success of the micro credit programme motivations both to beneficiaries and banks are ultimate urgent need of the hour. Awareness C.D. Ratio in the district. The national level of C. D. ratio is 72% and that of state level is 54% whereas the average C. D. ratio of Dhanbad District is much much lower and deserve constant, sincere and dedicated attention of Bankers.

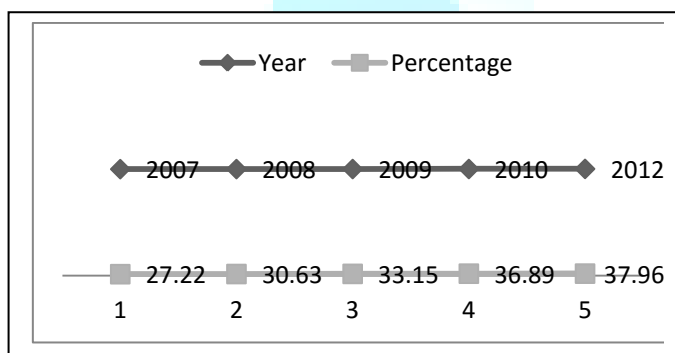
**CREDIT DEPOSIT RATIO**

National average	72%
State Average	4%

**DHANBAD DISTRICT AVERAGE C. D. RATIO**

2007	27.22%
2008	30.63%
2009	33.15%
2010	36.89%
2012	37.96%

TABLE NO. 3: C.D. RATIO OF DHANBAD DISTRICT



Source: Author’s Compilation from District Credit Plan report prepared by Lead Bank – Bank of India of the district.

Therefore, it is but natural that under ‘Jan Dhan Yojna’ Micro credit must also be expanded in a liberal way.

**ROAD AHEAD**

Indian rural finance sector is at crossroads today. Following the financial sector reforms with its emphasis on profitability as the key performance benchmark, banks are increasingly shying away from rural lending as well as rationalizing their branch network in rural areas. Burgess & Pande (Ibid) have brought out this fact in their study by stating that while between 1977 and 1990 (pre reform period) more bank branches were opened in financially less developed areas, the pattern was reversed in post reform period. Thus while, access of credit to the rural poor has reduced in post reform period, the policy recommendation is to fill this gap through micro-credit. The SHG Bank linkage programme has witnessed phenomenal growth and the current strategy is to focus on 13 underdeveloped states as also graduate the existing SHGs to the next stage of micro enterprises.

At this stage, the paper argues that if SHG Bank linkage programme has to contribute to poverty reduction, there is an imperative need for integrating impact assessment as a necessary design feature of the programme. The significance of bringing the focus back to ‘people’ from ‘institutions’ and adoption of localized people centric approach can hardly be overemphasized. In line with the tenets of commercial microfinance, it is critical that scarce public resources are used judiciously and with better targeting, adequate emphasis on impact assessment is an integral part of the triangle of factors necessary for judging microfinance intervention.

Mainstreaming of impact assessment in the SHG Bank linkage programme will call for extra efforts and resources as also create conflict with the present focus on numerical growth. Realization of substantial trade off between sustainable economic impact and exponential growth, calls for courageous public policy decisions.

Though, the paper is focused on pointing the missing link of impact in the current paradigm of rural finance focusing mainly on institutional viability, other critical issues having a bearing on impact also merit attention. The SHG- Bank linkage programme at present has no explicit social or economic benchmark for inclusion of members into groups to be credit linked in line with the flexible approach of the programme. However, as seen above the extension of credit in infertile local context has negligible chances of leading to productive investment. Similarly inclusion of core poor in the programme, who had little experience of economic activities, also limits productive use of capital. Segmentation of credit demand based on economic and social status is key to optimum utilization of scarce resources. Robinson (2001) is probably right in observing that commercial microfinance is not meant for core poor or destitute but is rather aimed at economically active poor. She opines that providing credit to people who are too poor to use it effectively helps neither the borrower nor the lender and would only lead to increasing of debt burden and erosion of self confidence and suggest that this segment should not be the target market for financial sector but of state poverty and welfare programmes. In addition to this, irrespective of socio-economic status, credit can be put to little productive use in resource deficient and isolated areas. In such areas, credit flow has to follow public investments in infrastructure and provisions of forward and backward linkages for economic activities. Homogenization of service delivery without fully taking into account situational context and client needs will continue to have limited impact.

**CONCLUSION**

The Indian economy at present is at a crucial juncture, on the one hand , the optimists are talking of India being among the top 5 economies of the world by 2050 and on the other is the presence of 260 million poor forming 26% of the total population. The enormity of the task can be gauged from the above numbers and if India is to stand among the comity of developed nations, there is no denying the fact that poverty alleviation and reduction of Income inequalities has to be the topmost priority. India’s achievement of the MDG of having the population of poor by 2015 as well as achieving a broad based economic growth also hinges on a successful poverty alleviation strategy.



In this backdrop, the impressive gains made by SHG- Bank linkage programme in coverage of rural population with financial services offers a ray of hope. To cut short micro credit is the "NEW MANTRA in rural finance". Jandhan yojna with micro insurance of Modi Govt. is also a step forward to motivate poor sections of society to have confidence in banking system and take advantage of Micro finance for self employment and family protection.

#### SCOPE FOR FURTHER RESEARCH

As such the role of micro – finance in economic, social and human capital upliftment of the poor is manifold. Micro credit improve cash flow in the hands of the poor which has to be converted in creation of wealth. Each bank should set- up a Micro- finance cell to encourage beneficiaries to convert their loan into investment a lot of more research work and suggestion for micro credit will play a more powerful economic social and political role in changing the life style of poorest people, and ray of hope for hopeless and empowerment of women folk.

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**THE MEDIATING ROLE OF JOB SATISFACTION BETWEEN LEADER-MEMBER EXCHANGE, ORGANIZATIONAL CULTURE AND ORGANIZATIONAL COMMITMENT: STUDIES ON CIVIL SERVANTS IN THE LOCAL GOVERNMENT TARAKAN, INDONESIA**

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**ABSTRACT**

*This research is aimed to investigate the mediating role of job satisfaction between leader-member exchange, organizational culture and organizational commitment. This research is a survey conducted to 3.997 employees of local government in Tarakan, Indonesia. The technique of taking sample used was proportional and simple random sampling method. The sample size was confirmed to 364 workers. A total of 364 questionnaires were distributed, 321 questionnaire were returned, resulting a response rate of 88,19%. Of the returned questionnaires, 321 were suitable for data analysis. A 64-item questionnaire consisting of leader-member exchange, organizational culture, job satisfaction and organizational commitment. The findings of the study show that : (1) leader-member exchange was significantly and positively related to job satisfaction and organizational commitment, (2) organizational culture was significantly and positively related to job satisfaction and organizational commitment, (3) job satisfaction was significantly and positively related to organizational commitment, (4) leader-member exchange was significantly and positively related to organizational commitment with job satisfaction as mediate, (5) organizational culture was significantly and positively related to organizational commitment with job satisfaction as mediate.*

**KEYWORDS**

Job satisfaction, leader-member exchange, organizational culture, organizational commitment.

**INTRODUCTION**

Organizational commitment is an important issue in the study of organizational behavior. This is because the extent of the relationship between organizational commitment with a wide variety of behaviors in the workplace (Porter, Steers, Mowday, and Boulian, 1974; Koch and Steers, 1978; Angel and Perry, 1981).

Graen and Scandura (1987) says that the leader-member exchange emphasis on the relationship with the leader of every member of the organization. The focus of the superior-subordinate relationship is to maximize the success of the organization through the interaction of the two sides (Truckenbrodt, 2000). In the research Lee (2005), leader-member exchange has been found to have a relationship with organizational commitment. Other research has also shown that leader-member exchange has a positive relationship with commitment (Wayne, Shore, and Liden, 1997; Nystrom, 1990). But Green, Anderson, and Shivers (1996) states that no significant relationship.

One of the variables that determine the success of the organization in achieving its goals are the organizational culture (Robbins, 2006). Organizational culture becomes highly significant for the survival of the organization, especially when associated with the organization's efforts to address various issues in the adaptation of various developments and external changes and the integration of the internal forces (Schein, 1990). Studies on organizational culture relationships with organizational commitment mentioned, there is a relationship between organizational culture with organizational commitment (Mathieu and Zajac, 1990). However, other studies on the relationship of organizational culture with the organizational commitment mentioned, there is a weak relationship between organizational culture and organizational commitment (Lahiry, 1994).

Based on the review of previous studies on the relationship of leader-member exchange, organizational culture and organizational commitment are research gaps which can be followed in this study. The research gap was on the relationship leader-member exchange, organizational culture on organizational commitment gives different results / inconsistent. Differences in the results of this study raise questions that require further explanation, because there might be other variables that mediate the relationship between leader-member exchange, organizational culture with organizational commitment.

Luthans (2006) stated that one of the factors that influence job satisfaction is the control or supervision (supervisory) which oversees the organization means of individuals for work. Individuals who receive supervision in a more humane and friends will be happy than if the organizations that are watched by unfriendly way. Research Dunham, Grube, and Castaneda (1994) showed that the reliability of the organization, job satisfaction, and perceptions of participative management contributes to a high enough affective commitment. It is therefore important to explore leader-member exchange on job satisfaction causing organizational commitment. In this study, job satisfaction is used as a mediating variable relationship between leader-member exchange with organizational commitment.

Wallach (1983) stated that job satisfaction depends on the match between individual characteristics and organizational culture. A further research by Sheridan (1992) has found a positive relationship between organizational culture and job satisfaction. The results of several studies suggest that job satisfaction is a strong and positive impact on organizational commitment (Mathieu and Zajac, 1990; McNeese-Smith, 2001). It is therefore important to explore the organizational culture on job satisfaction which causes organizational commitment. In this study, job satisfaction is used as a mediating variable relationship between organizational culture and organizational commitment.

The issues of leader-member exchange, organizational culture, job satisfaction and organizational commitment occurred in local government of Tarakan in Indonesia. Phenomena that occur in local government of Tarakan e.g. the level of disciplinary punishment that has been given to civil servants in the local government Tarakan were high at 1.03% of the 3,997 civil servants. This was disclosed by the Kabid Renbang BKD, M. Sa'aduddin Hakim, Psi, explaining that in the period of 2013 to 2014, 41 civil servants got disciplinary penalties. 41 civil servants who received disciplinary punishment, for minor disciplinary punishment was 17 people with details of 3 people with a verbal warning, 11 people with writing one, and 3 people were not satisfied with a written statement. Disciplinary penalties were 6 people with a delay penalty periodic salary increases for 1 (one) year. Heavy disciplinary punishment was given to 18 people with details of 6 people with punishment demotion for 3 (three) years, 9 people with punishment honorable discharge without its own request (PDHTAPS), and 3 people with dismissal without penalty with respect (PTDH). An overview of employee discipline denotes a condition to be an early indication of a weak commitment to the organization and the possible factor of job dissatisfaction, so that the research on the relationship between leader-member exchange, organizational culture and organizational commitment mediated by job satisfaction to be important to look at these problems and provide solutions.

Based on the research results described gap and phenomena that occur in local government of Tarakan, it is necessary to investigate the mediation role of job satisfaction in relation leader-member exchange, organizational culture and organizational commitment of civil servants in the local government of Tarakan.

## REVIEW OF LITERATURE

### JOB SATISFACTION

Job satisfaction is an individual thing. Each individual has a different level of satisfaction vary. Employees who joined in an organization will take the wishes, needs, desires and past experiences that shape work expectations (Tett and Meyer, 1993). So that job satisfaction is the general attitude that employees have toward their work and directly related to the individual needs including challenging work, a fair wage and work environment that supports and co-workers (Bhuian and Menguc, 2002; Kreitner and Kinicki, 2005; Mottaz, 1988).

Correspondence between one's expectations are raised and rewards are received from work indicates that job satisfaction is closely related to aspects of justice, the psychological contract between the individual and the organization, and motivation of the individual. The more aspects of the work in accordance with the wishes and expectations of the individual, the higher the level of job satisfaction is happening in the organization (Davis and Newstrom, 1993).

Lawler (1973) in Staw (1991), suggests there are four (4) theoretical approach underlying job satisfaction is commonly known, include: 1) The theory of Compliance (Fulfillment Theory), 2) Theory of Difference (Discrepancy Theory), 3) Balance Theory (Equity Theory), and 4) Two Factor Theory (Two-Factor Theory).

Luthans (2006) states that there are several factors that affect job satisfaction are: the work itself, payment, promotion, co-workers, working conditions, supervision.

Another expert opinion, stating that a person's job satisfaction associated with 5 aspects or components namely (Smith, Kendall and Hulin, 1969): salary, promotion, supervision, the work itself, co-worker.

### LEADER-MEMBER EXCHANGE

Traditional leadership theory attempted to explain leadership as a function of the personal characteristics of a leader, an overview of the situation, or the interaction between the leader and the group. But this theory has failed to recognize that the relationship between leaders and subordinates who actually have an impact on the attitudes and behavior of subordinates (Gerstner and Day, 1997).

Gerstner and Day (1997) says that, leadership can affect the performance of individuals and groups. Dansereau, Graen, and Haga, (1975) adds, an alternative approach to understanding the influence of leadership in effecting the employee is focused on the relationship group (Dyad) between the leader and each employee.

Graen and Uhl-Bien (1995) explains that, leader-member exchange theory differs from other leadership theories, it explicitly focuses on dyadic relationship and the unique relationship between the leader and each employee. The theory of leader-member exchange offers a better way to understand the nuances of the relationship between superiors and subordinates.

Graen and Scandura (1987) says, leader-member exchange high quality is usually seen in the form of manifestation of competent and motivated. Leader-member exchange of high quality is characterized as a manifestation of form trust, respect, loyalty, and support. Furthermore, Gerstner and Day (1997) added that the quality of the leader-member exchange positively related to the competence, satisfaction, commitment, clarity of roles, and negatively related to the conflict as well as the subordinate role of resignation.

### ORGANIZATIONAL CULTURE

Organizational culture is a pattern of basic assumptions that are shared by a group of people after they learn and believe in the truth of that assumption patterns as a way to resolve the various issues relating to the external adaptation and internal integration, so that the pattern of basic assumptions that need to be taught to new members as how to think and express their feelings in relation to the problems of the organization (Schein, 1990).

Strong organizational culture according to O'Reilly, Chatman, and Caldwell, (1991) is a control system that gives expectations about how should the behavior of the members of the organization, so that it will support the effectiveness of the organization.

High-performance organizations have a culture of the organization is not only strong but also adaptive, or have a strong internal focus and a strong external focus. Internal focus is characterized by consistency and involvement, while the external focus is the ability to adapt to the environment and a clear mission. Denison and Misra (1995) states that the organizational culture that supports organizational effectiveness has elements of adaptability, engagement, consistency, and mission. Successful organizations must be able to make a balance of the four elements.

### ORGANIZATIONAL COMMITMENT

Organizational commitment is a state where an employee support organization to maintain membership in the organization. According to Robbins (2006), high job involvement means favoring a particular job, so the high organizational commitment means an impartial organization that recruits individuals.

Commitment to the organization means more than just formal membership, for it encompasses organizations like the attitude and willingness to seek a high level of effort for the benefit of the organization for the achievement of objectives (Robbins and Judge, 2008).

Commitment to the organization involves three attitudes is the identification with the goals of the organization, feeling of involvement in the tasks of the organization, and the feeling of loyalty to the organization. So interpreted that organizational commitment is a form of identification, loyalty and engagement expressed by employees of the organization (Gibson, 2000).

Greenberg and Baron (1997), states that the organization's commitment illustrates how far someone identify and involve themselves in the organization and the desire to remain in the organization. So that the commitment shown is not merely a passive loyalty, but also involves active relationships with labor organizations that have goals and give all the effort for the success of the organization (Steers and Porter, 1983).

Mowday, Porter, and Steers (1982) defines organizational commitment as: the relative strength of an individual's identification with and involvement in a particular organization. This definition shows that organizational commitment has loyalty means more than passive, but involves an active relationship and the desire of employees to make a meaningful contribution to the organization.

Based on the various definitions of commitment to the organization, it can be concluded that the commitment to the organization reflect the three main dimensions, namely affective commitment is deemed to reflect the orientation of the organization, consideration loss if left the organization, and moral burden to continue to be in the organization (Meyer and Allen, 1997).

Allen and Meyer (1990) divides the antecedents of organizational commitment is based on three components of organizational commitment, namely: 1) Antecedents of affective commitment consists of: personal characteristics, characteristics of the job title, work experience, as well as structural characteristics. Structural characteristics include the size of the organization, the presence of trade unions, the extent of control, and the centralization of authority. Of the four antecedents, the most influential antecedents are work experience, especially the experience of the psychological need to feel comfortable in the organization and competent in performing job roles. 2) Antecedents continuant's commitment consists of the magnitude and / or the amount of investment or the individual

side bet, and the perception of a lack of other employment alternatives. Employees who felt he had to make sacrifices or expend a large investment for the organization will feel the loss if left the organization because it will lose what has been given so far. Conversely, employees who feel they have no choice other more interesting work will feel the loss if left the organization because it is not necessarily getting something better than what they have gained over the years. 3) Antecedent normative commitment consists of individual experiences before coming into the organization (experience in family or cultural socialization) as well as socialization experience while in the organization. Normative commitment of employees can be higher if prior to entry into the organization, the elderly employee who also worked in the organization stressed the importance of loyalty to the organization. Meanwhile, if the organization instill confidence in employees that the organization expects loyalty of employees, the employee will also exhibit a high normative commitment.

### SIGNIFICANCE OF THE STUDY

This study investigates job satisfaction as a mediator in the relationship between leader-member exchange, organizational culture on organizational commitment. The study provides a theoretical and practical implications. First, this study is an empirical research on the antecedents and consequences of employee satisfaction in the government (bureaucrats). This study reveals the importance of the impact of leader-member exchange and organizational culture relationships on job satisfaction and ultimately to the organizational commitment. Thus, this study provides the basis for researchers in the field of government to further examine the relationship between these constructs. Second, this study provides a methodological contribution, in which this study shows there is a role variable job satisfaction as mediating variables on the influence of leader-member exchange and organizational culture on organizational commitment. Third, this study provides a practical contribution, namely the management of the organization should be aware that the overall organizational commitment is largely determined by the superior-subordinate relationship, as well as organizational cultural values through job satisfaction. Therefore, the management of the organization should issue a policy that can improve employee satisfaction and happiness. In addition, the management organization must also consider the results expected of employees in their work. This relates to the award system in accordance with the achievement, and the promotion of equal opportunities between workers.

### STATEMENT OF PROBLEMS

1. Does leader-member exchange give impact toward job satisfaction?
2. Does organizational culture give impact toward job satisfaction?
3. Does leader-member exchange give impact toward organizational commitment?
4. Does organizational culture give impact toward organizational commitment?
5. Does job satisfaction give impact toward organizational commitment?
6. Does job satisfaction mediates the influence of leader-member exchange on organizational commitment?
7. Does job satisfaction mediates the influence of organizational culture on organizational commitment?

### OBJECTIVES OF THE STUDY

1. To analyze the influence of leader-member exchange on job satisfaction.
2. To analyze the influence of organizational culture on job satisfaction.
3. To analyze the influence of leader-member exchange on organizational commitment.
4. To analyze the influence of organizational culture on organizational commitment.
5. To analyze the influence of job satisfaction on organizational commitment.
6. To analyze job satisfaction role in mediating the effects of leader-member exchange on organizational commitment.
7. To analyze job satisfaction role in mediating the effects of leader-member exchange , organizational culture on organizational commitment.

### HYPHOTHESIS

#### LEADER-MEMBER EXCHANGE AND JOB SATISFACTION

Many researchers who found a positive relationship between leader-member exchange with employee satisfaction (Scandura and Graen, 1984; Gerstner and Day, 1997; Monahan, 2013). Leader-member exchange is also a predictor of job satisfaction and employee turnover (Graen and Scandura, 1987). Truckenbrodt (2000) in his research proves that improved quality of superior-subordinate relationship will increase the degree of job satisfaction.

**H1: Leader-member exchange will be positively related to job satisfaction**

#### ORGANIZATIONAL CULTURE AND JOB SATISFACTION

Organizational culture is a comprehensive measure that is caused by the structure of the organization, the collective historical experience of current employees and the past, so that job satisfaction depends on the match between individual characteristics and organizational culture. Further research by Sheridan (1992) have found a positive relationship between organizational culture and job satisfaction.

Silverthorne (2004), and Yiing and Zaman (2008) concluded that organizational culture can enhance job satisfaction. Fit between the organizational culture with participants who support it will lead to job satisfaction.

**H2: The organizational culture will be positively related to job satisfaction**

#### LEADER-MEMBER EXCHANGE AND ORGANIZATIONAL COMMITMENT

Model of leader-member exchange provides an alternative approach to understanding the superior-subordinate relationship. In the study Lee (2005), leader-member exchange has been found to have a positive relationship with organizational commitment. Other research has also shown that leader-member exchange has a positive relationship with affective commitment (Nystrom, 1990; Wayne, et.al, 1997; Gerstner and Day, 1997).

Truckenbrodt (2000) also stated that the focus of the superior-subordinate relationship is intended to maximize the success of the organization through the interaction of both sides. Research findings prove that the increase in the quality of employer-employee relationship will increase the degree of commitment of subordinates.

**H3: Leader-member exchange will be positively related to organizational commitment**

#### ORGANIZATIONAL CULTURE AND ORGANIZATIONAL COMMITMENT

Studies on the relationship with the organizational culture of organizational commitment mention that there is a relationship between organizational culture and organizational commitment (Lok and Crawford, 2004). Silverthorne studies (2004) discussed the problems that see the effect of various values and beliefs of employees. They found that there was a positive correlation between the values and beliefs of employees in the organization with commitment. These findings highlight the need for further investigation into the relationship between organizational culture and organizational commitment.

**H4: organizational culture will be positively related to organizational commitment**

#### JOB SATISFACTION AND ORGANIZATIONAL COMMITMENT

Experts earlier had stated in his research that when a person feels has met all the needs and desires by the organization then automatically with the full awareness of them will increase the commitment in itself. Results of several studies suggest that job satisfaction is a strong and positive impact on organizational commitment (McNeese-Smith, 2001; Price and Mueller, 1981; Tett and Meyer, 1993; Boles, Madupalli, Rutherford, and Wood, 2007, Nidfakar and Dongre, 2014).

Mathieu and Zajac (1990) showed the relationship between job satisfaction and affective commitment and commitment continuant. Other empirical research results indicated a positive and significant relationship between job satisfaction and affective commitment and normative commitment (Meyer and Allen, 1991; Clugston 2000).

**H5: Job satisfaction will be positively related to organizational commitment.**

#### THE MEDIATING ROLE OF JOB SATISFACTION BETWEEN LEADER-MEMBER EXCHANGE AND ORGANIZATIONAL COMMITMENT

Lee (2005) in his research concluded that leader-member exchange effect on organizational commitment. But Green, et al, (1996) failed to replicate this study and found no significant relationship between leader-member exchanges with organizational commitment.

Differences in the results of this study raise questions that require further explanation, because there may be other variables that mediate the relationship between leader-member exchanges with organizational commitment.

Factors affecting job satisfaction is the control or supervision (supervisory). Individuals who receive supervision in a more humane and friends will be happy than if the organizations that are watched by a hostile manner (Luthans, 2006).

Furthermore, the results of several studies suggest that job satisfaction is a strong and positive impact on organizational commitment (Mathieu and Zajac, 1990; McNeese-Smith, 2001).

So in this study, job satisfaction is used to mediate the relationship between leader-member exchange on organizational commitment.

**H6: Job satisfaction will mediate the relationship between leader-member exchange and organizational commitment**

#### The Mediating Role of Job Satisfaction between Organizational Culture and Organizational Commitment

In the research on organizational culture relationships with organizational commitment mention of the relationship between organizational culture with organizational commitment (Lok and Crawford, 2004). However Lahiry (1994) found a weak association between organizational culture with organizational commitment.

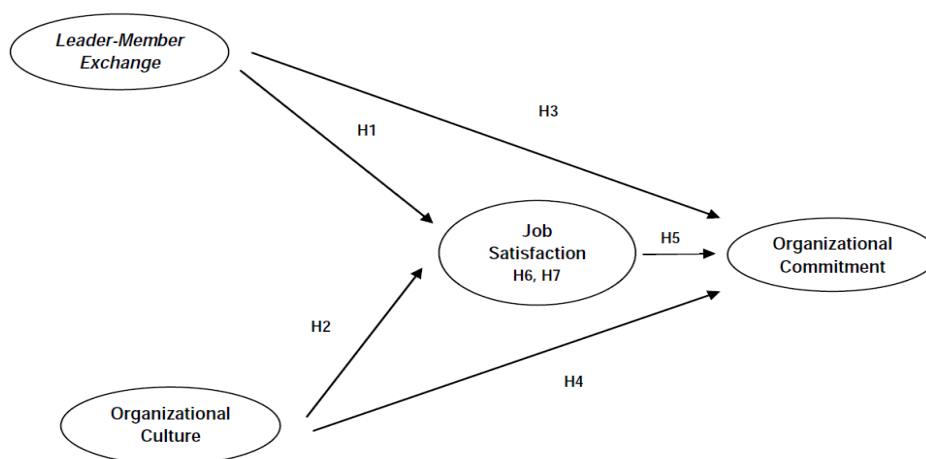
Differences in the results of this study raises questions that require further explanation, because there may be other variables that mediate the relationship between organizational culture with organizational commitment.

Wallach (1983) stated that job satisfaction depends on the match between individual characteristics and organizational culture. Furthermore, the results of several studies suggest that job satisfaction is a strong and positive impact on organizational commitment (Mathieu and Zajac, 1990; McNeese-Smith, 2001).

So in this study, job satisfaction is used to mediate the relationship between organizational culture and organizational commitment.

**H7: Job satisfaction will mediate the relationship between organizational culture and organizational commitment**

FIGURE 1: MODEL OF RESEARCH



## RESEARCH METHODOLOGY

### RESEARCH DESIGN

The research is both explanatory and descriptive, the identification of variables for the study is the initial step, and relationship testing follows.

### POPULATION AND SAMPLE

This research is a survey conducted to 3.997 employees of local government in Tarakan, Indonesia. A technique of taking sample used the method of proportional and simple random sampling. The sample size was confirmed to 364 workers.

The sample of the study consisted of 364 civil servant of local government in Tarakan cities. A total of 364 questionnaires were distributed, 321 questionnaire were returned, resulting a response rate of 88,19%. Of the returned questionnaire, 321 were suitable for data analysis.

### MEASURES

Leader-member exchange was measured by using the scale of Liden and Maslyn (1998). This scale consists of 12 items that measure four dimensions.

Organizational culture was measured using the Denison and Misra (1995) scale. This scale consist of 8 items that measure four dimensions.

Job satisfaction was measured using the Smith, Kendal, and Hulin (1969) scale. This scale consists of 20 items that measure five dimensions.

Organizational commitment was measured by using Alen and Meyer's (1990) scale. This scale consists of 24 items that measure three dimensions.

All item responses were scaled from 1 = strongly disagree to 5 = strongly agree.

### DATA ANALYSIS

The Statistical Package for Social Science (SPSS) for windows version 17 was used to analyze the collected data. Frequencies and percentages were used to present the main characteristic sample. Maximum, minimum, means, standard deviations, and inter-correlations of the main variables were also calculated.

A principal component factor analysis was performed for all four measurement scales. After performing the factor analysis, data were also tested for reliability by using cronbach's alpha coefficient. All the scales which used measure of the key variables of the study have acceptable level of reliability, which is greater than 0,60 as suggested by Ghozali (2009).

In 1986, Baron and Kenny developed a model for testing this mediation role. Since then the three steps model, model has been used in this study to examine its hypotheses, together with the partial correlation, which is also a common test of mediation.

## RESULT AND DISCUSSION

### DESCRIPTION OF RESPONDENTS RESEARCH

Description of respondents in the study was aimed to describe the demographic characteristics of survey respondents, including gender, marital status, year of service, age and education.

In this study, male respondents were as many as 146 people, and the female respondents were as many as 175 people. Respondents having been married were as many as 282 people, and respondents who had not been/ were not married were as many as 39 people.

Respondents working periods were dominated by respondents with a working period of 0-5 years in amount of 119 people, working period 6-10 years was as many as 79 people, 11-15-year tenures were as many as 51 people, tenures of more than 20 years were as many as 50 people, and 16 years of service -20 years was as many as 22 people.



The age of respondents was dominated by respondents with 31-35 year old age as many as 85 people, 36-40 years as many as 61 people, 41-45 years as many as 58 people, 26-30 years as many as 49 people, 46-50 years as many as 42 people, 51-55 years as many as 18 people, 56-60 years as many as five people, 21-25 years as many as three people.

The education level of respondents was dominated by respondents with S1 education level as many as 195 people, S2 education level as many as 44 people, high school education level as many as 44 people, D2 education level as many as 19 people, as many as 18 of D3 educational level, and D1 education level was one person.

TABLE 1: INDIVIDUAL CHARACTERISTICS OF RESPONDENTS (N = 321)

Characteristics	Frequency	(%)
<b>1. Sex</b>		
a. Male	146	45.5
b. Female	175	54.5
<b>2. Marital Status</b>		
a. Married	282	87.9
b. Not married	39	12.1
<b>3. Year of Service</b>		
a. 0- 5	119	37.1
b. 6-10	79	24.6
c. 11-15	51	15.9
d. 16-20	22	6.8
e. > 20	50	15.6
<b>4. Age</b>		
a. 16-20	0	0
b. 21-25	3	0.9
c. 26-30	49	15.3
d. 31-35	85	26.5
e. 36-40	61	19
f. 41-45	58	18
g. 46-50	42	13.1
h. 51-55	18	5.6
i. 56-60	5	1.6
<b>5. Education</b>		
a. Elementary	0	0
b. Junior High	0	0
c. Senior High	44	13.7
d. D1	1	0.3
e. D2	19	5.9
f. D3	18	5.6
g. S1	195	60.8
h. S2	44	13.7
i. S3	0	0

(Source: Primary data in 2015, processed)

**VALIDITY AND RELIABILITY TESTING RESULTS**

**VALIDITY OF TEST RESULTS**

The test is performed by using Confirmatory Factor Analysis (CFA). i.e. by calculating the correlation between the score of each question with the total score (Ghozali, 2009). Validity test conducted on the questions of each of the variables: Leader-Member Exchange, Organizational Culture, Job Satisfaction, and Organizational Commitment.

The validity test of Confirmatory Factor Analysis (CFA) with SPSS can be seen from the Kaiser-Meyer-Olkin (KMO) Measure of Sampling Adequacy, if  $KMO > 0,5$  then the instrument has qualified valid, as well as tables Matrices Anti-image, if the correlation of each factor  $> 0.5$ , we conclude that all factors are valid as forming variable.

TABLE 2: VALIDITY TEST RESULT OF QUESTION ITEM OF RESEARCH VARIABLE

Variables	Early Item	KMO	Sig.	Eliminated Item	Valid Item	Criteria
LMX	12	0,816	0,000	0	12	Valid
CULTURE	8	0.773	0,000	0	8	Valid
SATISFACTION	20	0.766	0,000	0	20	Valid
COMMITMENT	24	0.756	0,000	0	24	Valid
<b>Number</b>	<b>64</b>			<b>0</b>	<b>64</b>	<b>Valid</b>

(Source: Primary Data in 2015, processed)

From the analysis result, it was obtained a value of Kaiser-Meyer-Olkin Measure of Sampling Adequacy at the box KMO and Bartlett's Test showed that the instrument of all valid variables for the value of KMO has exceeded 0.5. In addition, the views of the value of Bartlett's Test showed significant values of 0.000, so it can be concluded instruments of all the variables has met the valid qualification.

**RELIABILITY TEST RESULTS**

Measurement reliability is popularly used Cronbach alpha coefficient. Sekaran (2006) classified it into three reliability coefficients: Cronbach alpha coefficient with less than 0.6 value indicates a poor reliability, Cronbach alpha of 0.6 to 0.8 indicates an acceptable level of reliability, and Cronbach alpha reliability of more than 0.8 indicates a well reliability.

TABLE 3: RELIABILITY TEST RESULTS OF QUESTION ITEMS OF RESEARCH VARIABLE

Variables	Early Item	Cronbach Alpha	Eliminated Item	Item Reliable	Criteria
LMX	12	0.827	0	12	Good
CULTURE	8	0.808	0	8	Good
SATISFACTION	20	0,700	0	20	Be accepted
COMMITMENT	24	0,629	0	24	Be accepted
<b>Number</b>	<b>64</b>		<b>0</b>	<b>64</b>	<b>Reliable</b>

(Source: primary data in 2015, processed)

From the analysis result, it was obtained a Cronbach alpha value of more than 0.6 so it confirmed the reliability of instruments of all variables.

TABLE 4: REGRESSION RESULTS LEADER-MEMBER EXCHANGE AND ORGANIZATIONAL CULTURE ON JOB SATISFACTION

Coefficients <sup>a</sup>					
Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	1.899	.110		17.337	.000
LMX	.181	.032	.289	5.678	.000
CULTURE	.246	.029	.436	8.580	.000

a. Dependent Variable: JOB SATISFACTION

**H1: Leader-member exchange positive effect on job satisfaction**

From the test of hypothesis 1 in Table 4, it was obtained a value of the variable regression coefficient leader-member exchange in amount of 0,289. It can be concluded that the leader-member exchange gives a positive impact toward job satisfaction. Based on its significance, leader-member exchange has a significance value of 0.000. Due to the significant value of the leader-member exchange 0,000 was less than the level of  $\alpha$  (significant) 0.05, so it can be concluded that the influence of leader-member exchange on job satisfaction is significant. It can be concluded that the hypothesis 1 in this study are confirmed. These findings support the hypothesis that built, that leader-member exchange influence a person's satisfaction, it means that improving the quality of employer-employee relationship will increase the degree of job satisfaction. The results confirm previous research conducted by Scandura and Graen (1984), Monahan (2013), as well as that of Truckenbrodt (2000) which revealed that an increase in the quality of employer-employee relationship will increase the degree of job satisfaction of subordinates. Leader-member exchange is also a predictor of job satisfaction and employee turnover (Graen and Scandura, 1987).

**H2: The organizational culture has a positive influence on job satisfaction**

Testing the hypothesis 2 in Table 4, the value of organizational culture variable regression coefficient was 0.436. It is clear that organizational culture has a positive influence on job satisfaction. Based on its significance, organizational culture has a significant value of 0.000. Because the value of the cultural significance of organizational 0,000 was less than the level of  $\alpha$  (significant) 0.05, so it can be concluded that the influence of organizational culture on job satisfaction is significant. It can be concluded that the hypothesis 2 in this study are supported.

These findings support the hypothesis made, namely that the organizational culture influence one's job satisfaction. The findings of this study support previous research conducted by Sheridan (1992) who have found a positive relationship between organizational culture and job satisfaction, as well as the results of research Yiing and Zaman (2008) states that organizational culture can improve employee job satisfaction, namely compatibility between the organizational culture participants who support will lead to job satisfaction.

TABLE 5: REGRESSION RESULTS LEADER-MEMBER EXCHANGE, ORGANIZATIONAL CULTURE ON ORGANIZATIONAL COMMITMENT

Coefficients <sup>a</sup>					
Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	2.286	.126		18.207	.000
LMX	.139	.036	.232	3.807	.000
CULTURE	.112	.033	.207	3.396	.001

a. Dependent Variable: ORGANIZATIONAL COMMITMENT

**H3: Leader-member exchange has a positive effect on organizational commitment**

Testing the hypothesis 3 in table 5, the value of the variable regression coefficient leader-member exchange in amount of 0,232. It is explained that the leader-member exchange positive effect on organizational commitment. Based on its significance, leader-member exchange has a significance value of 0.000. Due to the significant value of the leader-member exchange 0,000 was less than the level of  $\alpha$  (significant) 0.05, so it can be concluded that the influence of leader-member exchange of the organizational commitment is significant. It can be concluded that the hypothesis 3 in this study are confirmed. These findings support the hypothesis that built, that leader-member exchange influence the organizational commitment of a person, it means improving the quality of employer-employee relationship will increase the degree of organizational commitment. The results support previous research conducted by Lee (2005), which states the leader-member exchange has been found to have a relationship with organizational commitment. Other research has also shown that leader-member exchange has a positive relationship with commitment (Wayne, Shore, and Liden, 1997; Nystrom, 1990).

**H4: organizational culture has positive effect on organizational commitment**

Testing the hypothesis 4 in table 5, the value of organizational culture variable regression coefficient of 0.207. It is clear that organizational culture has positive influence on organizational commitment. Based on its significance, organizational culture has a significant value of 0,001. Because the value of the cultural significance of organizational 0,001 less than the level of  $\alpha$  (significant) 0.05, so it can be concluded the influence of organizational culture on organizational commitment is significant. It can be concluded that the hypothesis 4 in this study are confirmed.

These findings support the hypothesis built, namely that the organizational culture influence the organizational commitment of a person. The findings of this study support a previous research conducted by Silverthorne (2004) which saw the influence of the values and beliefs of employees. He found that there is a positive relationship between the values and beliefs of employees in the organization with commitment. One of the variables that determines the success of the organization in achieving its goals is the organizational culture (Robbins, 2006). Organizational culture becomes highly significant for the survival of the organization, especially when associated with the organization's efforts to address various issues in the adaptation of various development and external changes and the integration of the internal forces (Schein, 1990).

TABLE 6: REGRESSION RESULTS LEADER-MEMBER EXCHANGE, ORGANIZATIONAL CULTURE AND JOB SATISFACTION ON ORGANIZATIONAL COMMITMENT

Coefficients <sup>a</sup>					
Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	1.558	.165		9.424	.000
LMX	.070	.036	.116	1.926	.055
CULTURE	.017	.034	.032	.501	.617
SATISFACTION	.383	.061	.401	6.322	.000

a. Dependent Variable: ORGANIZATIONAL COMMITMENT



**H5: Job satisfaction has positive influence on organizational commitment**

Testing the hypothesis 5 in Table 6, the value of the variable job satisfaction regression coefficient of 0.401. It is clear that job satisfaction has a positive influence on organizational commitment. Based on its significance, job satisfaction has a significance value of 0.000. Due to the significant value of job satisfaction 0,000 less than the level of  $\alpha$  (significant) 0.05. Thus, it summed up the effect of job satisfaction on organizational commitment is significant. It can be concluded that the hypothesis 5 in this study are supported.

These findings support the hypothesis that built, that is giving influence on job satisfaction organizational commitment a person. The findings of this study support previous research conducted by Lok and Crawford (2004) and McNeese-Smith (2001) which states that job satisfaction is a strong and positive impact on organizational commitment. In addition, this study also support the research of William and Hazer (1986) which shows the relationship between job satisfaction and organizational commitment.

Thus, the results of this study also reinforces the theory presented by Luthans (2006) that if the variable is positive for job satisfaction that is the type of work itself, pay, promotional opportunities can, their bosses and co-workers can be met, then the commitment to the organization will arise well. So it will have an impact on job satisfaction organizational commitment.

**H6: Job satisfaction mediates the influence of leader-member exchange and organizational commitment**

The first regression analysis in table 4, it was found that leader-member exchange significant effect on job satisfaction (0.00 <0.05) with a regression coefficient (a) = 0,289. The second regression results in table 5 was found that leader-member exchange significant influence on organizational commitment (0.00 <0.05) with a regression coefficient (c) = 0.232, and the third regression results in table 6 found that job satisfaction significantly influence on the organizational commitment, after controlling for variables leader-member exchange (0.00 <0.05) with a regression coefficient (b) = 0.401. Furthermore, it was found that leader-member exchange does not significantly influence the organizational commitment (0.055 >0.05) with a regression coefficient (c') = 0.116, after controlling for the mediator variable job satisfaction. Based on the criteria of Baron and Kenny (1986) with the strategy causal step, if a and b significant and c 'not significant, it can be concluded that there is a complete mediation. It can be concluded that the hypothesis 6 in this study are supported. These findings support the hypothesis built, that job satisfaction plays a role in mediating the effects of leader-member exchange on organizational commitment. These findings into new empirical findings in this study.

**H7: Job satisfaction mediates the influence of organizational culture and organizational commitment**

From the first regression analysis in table 4, it was found that organizational culture have a significant effect on job satisfaction (0.00 <0.05) with a regression coefficient (a) = 0.436. The second regression results in table 5 was found that a significant effect of organizational culture on organizational commitment (0.001 <0.05) with a regression coefficient (c) = 0.207, and the third regression results in table 6 found that job satisfaction significant influence on commitment organizational, after controlling for variables of organizational culture (0.00 <0.05) with a regression coefficient (b) = 0.401. Furthermore, it was found that organizational culture does not significantly influence the organizational commitment (0.617 > 0.05) with a regression coefficient (c') = 0.032, after controlling for the mediator variable job satisfaction. Based on the criteria of Baron and Kenny (1986) with the strategy causal step, if a and b significant and c 'not significant, it can be concluded that there is a complete mediation. It can be concluded that the hypothesis 7 in this study are supported. These findings support the hypothesis built, that job satisfaction plays a role in mediating the effects of organizational culture on organizational commitment. These findings into new empirical findings in this study.

**FINDINGS**

1. Leader-member exchange has a positive and significant relationship with job satisfaction, can be accepted.
2. Organizational culture has a positive and significant relationship with job satisfaction, can be accepted.
3. Leader-member exchange has a positive and significant relationship with organizational commitment, can be accepted.
4. Organizational culture has a positive and significant relationship with organizational commitment, can be accepted.
5. Job satisfaction has a positive and significant relationship with organizational commitment, can be accepted.
6. Leader-member exchange has a positive and significant relationship with organizational commitment are mediated by job satisfaction, can be accepted.
7. Organizational culture has a positive and significant relationship with organizational commitment are mediated by job satisfaction, can be accepted.

**CONCLUSIONS**

1. Influence of leader-member exchange on job satisfaction of the hypothesis test results showed that the Leader-member exchange positive and significant effect on job satisfaction. The result of this study supported the findings of Scandura and Graen (1984), Graen and Scandura, (1987), Gerstner and Day, (1997), Truckenbrodt (2000), Monahan (2013).
2. The influence of organizational culture on job satisfaction of the hypothesis test results showed that the organizational culture indicate positive and significant effect on job satisfaction. This finding is supported by Sheridan (1992), Silverthorne (2004), and Yiing and Zaman (2008).
3. Leader-member exchange influence on organizational commitment of the hypothesis test results showed that the Leader-member exchange is positive and give a significant impact on organizational commitment. The result of this study supported the findings of Nystrom (1990), Wayne, Shore, and Liden (1997), Gerstner and Day (1997), Truckenbrodt (2000), Lee (2005).
4. The influence of organizational culture on organizational commitment of the hypothesis test results showed that organizational culture positive and significant impact on organizational commitment. This finding is supported by Schein (1990), Silverthorne (2004), Lok and Crawford (2004), Robbins (2006).
5. The influence of job satisfaction on organizational commitment of the hypothesis test results showed that job satisfaction and significant positive effect on organizational commitment. This finding is supported by Price and Mueller (1981), William and Hazer (1986), Mathieu and Zajac (1990), Meyer and Allen (1991), Tett and Meyer (1993), Clugston (2000), Lok and Crawford (2001), McNeese-Smith (2001), Luthans (2006), Boles, Madupalli, Rutherford, and Wood (2007), Nidfakar and Dongre (2014).
6. Hypothesis test results showed that job satisfaction partially mediates the influence of leader-member exchange on organizational commitment. Search all researcher, these findings, has not been examined by researcher before, these findings into new empirical findings in this study.
7. Hypothesis test results showed that job satisfaction mediates completely the influence of organizational culture on organizational commitment. Search all researcher, these findings, has not been examined by researcher before, these findings into new empirical findings in this study.

**LIMITATION**

As in all empirical research, this study also has limitations. Firstly, the limitation of this study is based on the methodology, because the data collected from the system of government in one city alone, therefore, this study cannot be generalized to other government services. A second limitation of this study is to use a cross-sectional design. Cross-sectional study means that the direction of causality cannot be determined, because the data were collected at one time.

**SCOPE FOR FUTURE RESEARCH**

The results could be useful for similar studies in the future by considering some limitations of the study. First, this study only samples using civil servants in one city, so it cannot be generalized to the civil servants in other areas. For future studies of samples need to be expanded to a larger area. Second, future studies may test mediation variables of individual characteristics relationship with job satisfaction as variables leader-member exchange.

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**THE IMPACT OF MAHATMA GANDHI NREGS IN THE ECONOMIC CONDITION OF RURAL POPULATION**

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**ABSTRACT**

*The Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS) which has come into force with effect from February, 2006 was a novel step towards eradication of poverty in India. The scheme aims to strengthen the livelihood security of rural population by providing at least 100 days of guaranteed wage employment to every household in a financial year. A study was conducted in Alappuzha District of Kerala, the southern-most state in India, with the specific objective of assessing the impact of the scheme on economic empowerment of marginalized groups and women. The study found that the scheme has helped to improve the level of income of the rural people to a great extent. Participation of women and people belonging to weaker sections was found to be very high in this scheme. The Scheme has resulted in to an increase in the general wage rates besides strengthening the women and weaker section of the society.*

**KEYWORDS**

Empowerment of Weaker Sections, General Wage Rates, Mahatma Gandhi NREGA, Women Empowerment.

**INTRODUCTION**

*"The future of India lies in its villages". "I would say if the village perishes, India will perish too. It will be no more India". – Mahatma Gandhi, Harijan, 29.08.1936.*

The economy of an Indian village is largely dependent on the agriculture, where one family or few persons own the land and other people work as labourers in their lands. This system has led to widespread exploitation of people, particularly illiterate and unorganized. The two classes- land owners and labourers- and the conflict between them has a long history in India. The level of exploitation is still very high in the rural areas of the country. In a democratic set up, the State can't keep away from the responsibility to protect the rights of individuals. Hence, facilities to meet the challenges of sickness and old age, the cost of education, minimum wages and working hours in industries, giving free meals to school children, providing employment to the people, etc. are to be facilitated by the State.

The Indian Constitution, in the Directive Principles of State Policy, has emphasized that ensuring "decent work" for all should be a crucial focus of state policy. Thus, Article 41 of the Directive Principles states that "The State shall, within the limits of its economic capacity and development, make effective provision for securing the right to work, to education and to public assistance in cases of unemployment, old age, sickness and disablement, and in other cases of undeserved want." Similarly, there is attention to the conditions of work and the level of wages in Articles 42 and 43, which state that "The State shall make provision for just and humane conditions of work and for maternity relief... The State shall endeavour to secure, by suitable legislation or economic organization or in any other way, to all workers, agricultural, industrial or otherwise, work at living wage, conditions of work ensuring a decent standard of life and full enjoyment of leisure and social and cultural opportunities" (The Constitution of India-Directive Principles).

The Government of India recognized the goal of eradication of extreme poverty and hunger as a legitimate policy commitment. The Mahatma Gandhi NREGA has been hailed as a major initiative of the Government of India's commitment to providing an economic safety net to India's rural poor. MGNREGA is the first legislation that compels the state to provide a social safety net for the poorest people of this country and seeks to address the urgent issues of hunger and rural distress that afflict large parts of India (Lakshman, 2007).

The National Rural Employment Guarantee Act (NREGA) which was passed in September 2005 and has come into force from February, 2006 initially in 200 districts and later on extended to all the rural districts of India from 2008-09. It addresses mainly the rural poor and their fundamental "right to work" with dignity. It also empowers Grama Panchayats (GPs) to play a proactive role in the implementation of the scheme through GramaSabhas, social audits, participatory planning and other means. The scheme is to strengthen the livelihood security of rural population by providing at least 100 days of guaranteed wage employment to every household in a financial year. The work guarantee can also serve other objectives like generating productive assets, protecting the environment, development of social infrastructure, empowering rural women, reducing rural to urban migration, fostering social equity, and so on. In 2009-10, the scheme was renamed as the Mahatma Gandhi NREGS (MGNREGS).

**IMPORTANCE OF THE STUDY**

In Kerala, the Mahatma Gandhi NREGS was implemented with effect from 5<sup>th</sup> February 2006; initially in two districts, viz., Palakkad and Wayanad and subsequently (in 2008) extended to all other districts. Considering the importance and scope of the scheme it is necessary on the part of the planning authorities to undertake periodical evaluation of the scheme and to initiate corrective steps, as and when required. The study helps to bring into light the area specific problems, so that special efforts can be initiated for the effective implementation of the scheme. It was as a part of this requirement, an evaluation study was conducted in Alappuzha district of Kerala.



## STATEMENT OF THE PROBLEM

Studies have already been conducted at different parts of the country in connection with the Mahatma Gandhi NREGS. Most of these studies have also traced out the issues prevailed in connection with its implementation. Jos Chatthukulam and Gireesan (2007), Vijayanand (2009), Sudarshan (2011), Kareemulla et al.(2009), Pankaj and Tankha (2010), Samarthan (2010), Abhishek Thakur (2011) are examples. These studies also have put forward suitable suggestions for solving the problems found and also to improve the efficiency of the scheme. Though many suggestions formulated by the planning authorities of various States are incorporated in the scheme, still, there are problems connected with the operation of the scheme at various places. It is so, because of the heterogeneity in geographic, economic, social and political condition of various States in India. It is in this background the present study– Impact Assessment Study of the MGNREGS in Alappuzha district - was undertaken.

## OBJECTIVES OF THE STUDY

The study was carried out with the important objective of evaluating the effectiveness of the Mahatma Gandhi NREGS in Alappuzha district of Kerala. The study also had the objective of identifying the issues relating to implementation and suggesting possible remedies and documenting success stories for replication of good practices. Assessment of the influence of the programme in poverty reduction, social and economic empowerment and empowerment of marginalized groups and women was one of the specific objectives of the study. The present paper highlights the impact of the scheme on the economic condition of the beneficiaries in Alappuzha district.

## MATERIALS AND METHODS

In view of the objectives of the study, factors such as days of employment generated, sources of income, wage payment, level of income, nature of expenditure, savings habits, availability of banking facilities, etc., were considered. Among the 14 revenue districts of the state, Alappuzha District is the smallest one in terms of area but having the highest density of population and the longest coast line among the districts. This is the only district in Kerala that has no high lands and forests. Paddy and coconut are the major crops cultivated in the district. Apart from agricultural works, people of this district are also engaged in activities such as making of coir products, fishing, prawn peeling, etc. There are 12 Block Panchayats and 73 Grama Panchayats in the district. The study was carried out in 20 Grama Panchayats that were selected from the 73 Grama Panchayats in the district. The sample consists of two best performing panchayats, two least performing panchayats and one panchayat with maximum SC population. These five GPs were selected using purposive sampling and the remaining 15 Panchayats were selected using simple random sampling method.

The Grama Panchayats selected for data collection are listed in Table 1.

**TABLE 1: LIST OF SELECTED GRAMA PANCHAYATS IN ALAPPUZHA DISTRICT**

Sl. No.	Panchayat	Block	Remarks
	<b>Purposively Selected</b>		
1	Kanjikuzhi GP	Kanjikuzhi BP	Best Performing I (Inland)
2	Pandanadu GP	Chengannur BP	Least Performing I (Inland)
3	Chettikulangara GP	Mavelikkara BP	Maximum SC population (Inland)
4	Thrikunnappuzha GP	Haripad BP	Best Performing II
5	Mannar GP	Mavelikara BP	Least Performing II
	<b>Coastal Panchayats</b>		
6	Arattupuzha	Mulakuzha	
7	Pattanakkad	Pattanakkad	
8	Thuravoor	Pattanakkad	
9	Karuvatta	Haripad	
10	Purakkad	Ambalapuzha	
11	Pallipuram	Thycattuserry	
	<b>Inland Panchayats</b>		
12	Perumbalam	Thycattuserry	
13	Kainakary	Chambakulam	
14	Thaneermukkom	Kanjikuzhi	
15	Muhamma	Aryad	
16	Krishnapuram	Muthukulam	
17	Thazhakara	Mavelikara	
18	Bharanikkavu	Bharanikkavu	
19	Mulakkuzha	Changannur	
20	Veliyanadu	Veliyanadu	

## DATA COLLECTION

The data required for the study were collected from the following three categories of respondents viz., Beneficiaries, Officials and Non-Beneficiaries. Both primary and secondary data were used for the study. Total 1021 respondents were interviewed for the purpose of collecting data. This consisted of 600 workers, 100 mates, 140 officials and 181 non-beneficiaries. The opinion and views of various categories viz., beneficiaries, non-beneficiaries and officials were also collected by organizing Focused Group Discussions (FGDs) in all the selected panchayats. Data pertaining to the years 2011-12 and 2012-13 were collected.

## RESULTS AND DISCUSSION

The results of the study pertaining to the Impact of the Mahatma Gandhi NREGS are discussed herein.

### WOMEN EMPOWERMENT

Out of the respondents, 97.3 per cent were women (681 out of the 700 beneficiaries). The study revealed that, during the year 2012-13, a total amount of Rs.139.46 crores was distributed towards wages under the Mahatma Gandhi NREGS in Alappuzha district. Out of this, an amount of Rs.134.53 crores (96.46 per cent) was received by women beneficiaries and the balance by men in the form of wages during the year. Obviously, this indicates the encouraging impact of the scheme on the economic and social empowerment of rural women. This result is in consonance with the findings of the National Federation for Indian Women (2008) which conducted an evaluation study in Rajnandgaon (Chhattisgarh), Jhabua (Madhya Pradesh), Mayurbhanj (Orissa) and Cuddalore (Tamil Nadu). The study found that, in spite of all the grey areas in the implementation of Mahatma Gandhi NREGS, a silent revolution was taking place in rural India with respect to women. Women workers were getting empowered through Mahatma Gandhi NREGS as was visible in the form of growing contributions to household expenditure and bearing cost of children's education and healthcare. The study noted a general trend of low migration and repayment of debts by the workers. The study showed that despite numerous problems, Mahatma Gandhi NREGS is a programme that has begun to make a difference in the lives of women. Similar observations were made by Sudarshan (2011) who examined women's participation in Mahatma Gandhi NREGS in selected areas in three States: Kerala, Himachal and Rajasthan. He found that Mahatma Gandhi NREGS has succeeded in bringing together large numbers of women into paid work, many of them for

the first time. According to him, the Mahatma Gandhi NREGS has achieved some success in empowering women, economically and socially. But, the study suggested for minor changes to the scheme so as to address local development challenges and priorities.

**STRENGTHENING OF THE WEAKER SECTION**

Among the beneficiaries, 76 per cent fell under the Below poverty Line (BPL) category and the remaining 24 per cent in the Above Poverty Line (APL) category. The categorization of the respondents showed that 75.71 per cent is from backward classes (i.e., OBC- 57 %, SC- 18.14 % and ST -0.57 %). These figures point towards the fact that, socially backward classes and weaker sections, who are struggling to avoid starvation are the chief beneficiaries of the Mahatma Gandhi NREGS in Alappuzha district. It means that, the scheme is moving in the targeted direction, by strengthening the livelihood of the marginalized and weaker sections. The findings of Jose Chathukkulam and Gireesan (2007) also brought out the fact that the scheme has reached the target group.

It reveals the fact that Mahatma Gandhi NREGS in Alappuzha district could bring a large section of the rural poor under the umbrella of economic empowerment. Thus, it is imperative that bringing all the poor under the scheme is the first step towards poverty alleviation.

**INVOLVEMENT OF SC/ST FAMILIES IN THE SCHEME**

As shown in Table 2, 18.14 per cent of the beneficiaries covered under the study belong to Scheduled Castes and 0.57 percent to Scheduled Tribe families. Taking together, all the GPs in Alappuzha district, during the year 2012-13, Job Cards (JCs) were issued to 21586 SC families and 433 ST families. This constituted 10.12 per cent and 0.20 percent respectively, of the total number of JCs issued in the district during the year. The total number of families provided employment was 140341 during 2012-13 in Alappuzha district. Out of this 17,263 (12.30 percent) were SC families and 317 (0.23 percent) were ST families.

**TABLE 2: NO. OF PERSON DAYS GENERATED IN ALAPPUZHA DISTRICT DURING 2012-13**

Sl. no:	Block	SC		ST		Others		Total	Women	
		Nos	%	Nos	%	Nos	%	Nos	Nos	%
1.	Ambalappuzha	34194	6.06	2702	0.48	527222	93.46	564118	556801	98.70
2.	Aryad	44206	4.99	2859	0.32	839038	94.69	886103	866754	97.81
3.	Bharanikkavu	157602	21.33	268	0.04	580688	78.63	738558	711949	96.39
4.	Chambakulam	67798	12.98	0	0.00	454368	87.02	522166	510025	97.67
5.	Chengannur	160028	37.10	249	0.06	271023	62.84	431300	411888	95.49
6.	Harippad	113293	10.43	1497	0.14	970776	89.43	1085566	1025956	94.50
7.	Kanjikuzhi	35100	25.22	2869	0.21	1353722	97.27	1391691	1352119	97.15
8.	Mavelikkara	130720	35.88	581	0.16	233007	63.96	364308	355497	97.58
9.	Muthukulam	102751	8.98	1475	0.13	1040252	90.89	1144478	1090494	95.28
10.	Pattanakkad	112278	10.84	3294	0.32	919525	88.84	1035097	1005526	97.14
11.	Thycattusery	104496	14.58	6128	0.86	605993	84.56	716617	669453	93.41
12.	Veliyanad	67220	12.04	0	0.00	490669	87.96	557889	544488	97.59
Total		1129686	11.96	21922	0.23	8286283	87.81	9437891	9100950	96.42

Source: Compiled from Primary data

Table 2 depicts that, out of the total employment provided during the year 2012-13, women occupied 96.42 per cent. The participation of women belonging to Scheduled Caste was to the extent of 11.96 per cent of the total. However, the participation of Scheduled Tribe is found very less (only 0.23 per cent). Of course, the number of families belonging to ST, is also very less in Alappuzha district. The percentage share of the participation of SC families in the scheme indicates that the financial position of these families could be strengthened to that extent. A study by Nair and Anoopkumar, (2009) also has pointed out the increased participation of the people belonging to SC/ST category.

**ECONOMIC IMPACT OF MGNREGS**

Eradication of poverty through economic empowerment of the rural poor is one of the major objectives of the Mahatma Gandhi NREGS. This is done through providing job opportunities to them. The impact of Mahatma Gandhi NREGS on the economic condition and the level of poverty can be measured by comparing the position before and after joining the scheme. Data collected in this respect from the beneficiaries are analyzed as under;

**MAJOR SOURCE OF INCOME BEFORE JOINING MAHATMA GANDHI NREGS**

The major source of income of the beneficiaries under the scheme was ranked as shown in Table 3. The table makes it clear that among the workers, only 56 per cent (336 Nos.) had a specific source of income before joining the Mahatma Gandhi NREGS. Among the mates, 58 per cent (58 Nos.) had regular source of income. The remaining respondents did not have any regular source of earning. It is also clear from the table that among the beneficiaries who had certain source of income, unskilled labour and employment in coir factories were dominant in Alappuzha district. Out of the total number of beneficiaries covered under the sample, 19.29 per cent (workers plus mates) were offering their services as labour. This was their regular source of income. Similarly, 14.43 per cent was working in coir factories. Taking together the workers and mates, 9.86 per cent were engaged in other types of work. Only 3.29 per cent of the beneficiaries were engaged in agriculture. It is particularly noted that engagement in fishing activities was comparatively lesser (3.5 per cent of workers and 2 per cent of mates) among the respondents covered under the study.

**TABLE 3: MAJOR SOURCE OF INCOME OF BENEFICIARIES BEFORE JOINING MGNREGS**

Sl.No.	Source of Income	Workers		Mates	
		Nos.	Percentage	Nos.	Percentage
1	Govt. Job	6	1.00	3	3.00
2	Agriculture	19	3.17	4	4.00
3	Business	8	1.30	1	1.00
4	Labour (unskilled)	114	19.00	21	21.00
5	Cashew Factory	14	2.30	1	1.00
6	Coir Industry	86	14.33	15	15.00
7	Cottage	7	1.20	0	0.00
8	Fishing	21	3.50	2	2.00
9	Handicraft	1	0.20	2	2.00
10	Others	60	10.00	9	9.00
11	Nil	264	44.00	42	42.00
<b>Total</b>		<b>600</b>	<b>100.00</b>	<b>100</b>	<b>100.00</b>

Source: Compiled from Primary data

Thus, the most important factor traced out from the above analysis is that 44 per cent of the workers and 42 per cent of mates were not having a particular source of income before joining the Mahatma Gandhi NREGS. It implies that, the scheme could clearly provide a source of livelihood to a major section ( 43 per cent) of the rural poor and secured their lives. On the basis of a study, Mukherjee and Sinha (2011), has remarked that that the income from Mahatma Gandhi NREGS alone can be a substantial part of the target income of the poor.



**FAMILY INCOME**

The data relating to the annual family income shows that the annual income of 66.1 per cent of the workers is above Rs. 20,000. The annual family income of 33.9 per cent of the workers was found below Rs. 20,000. A comparison of the source of income before joining the Mahatma Gandhi NREGS and the figures given in Table 3 reveals that 44 per cent of the workers did not have a regular source of income, which means their income was almost nil. However, the fact that, annual family income of only 33.9 per cent of the workers is below Rs. 20000 strengthens the claim that the Mahatma Gandhi NREGS has resulted in improving the income level of the rural population.

**TABLE 4: ANNUAL FAMILY INCOME OF WORKERS**

Sl.No.	Annual Family Income (Rs.)	Workers	
		Nos.	%
1	Up to 20000	203	33.9
2	20001 - 40000	183	30.5
3	40001-60000	110	18.3
4	60001-80000	53	8.8
5	80001-100000	21	3.5
6	Above 100000	30	5.0
	<b>Total</b>	<b>600</b>	<b>100.0</b>

Source: Compiled from the primary data

Studies carried out by the Gandhigram Rural Institute in 31 grama panchayats in Kerala (2009) has also brought out the fact that the Scheme has resulted in a marked improvement in the level of income of the rural people. The scheme could make its impact on the household expenditure; the average increase in household expenditure was Rs.1,172 per month. The Institute of Applied Management Research and Planning Commission, Government of India (2010) concluded a study with the remarks that as a result of income generation from the Mahatma Gandhi NREGS, the number of households in the low income group has reduced to half. They could move to marginally higher income group. The financial inclusion benefits of the scheme have been reported by Ambilikumar et al. (2015).

**IMPACT ON WAGE RATES**

The opinion collected from the non-beneficiaries about the influence of Mahatma Gandhi NREGS on the general wage rates are given in Table 5.

**TABLE 5: IMPACT OF MAHATMA GANDHI NREGS ON GENERAL WAGE RATES (Opinion of non-beneficiaries)**

Sl. No.	Opinion	Nos.	Percentage
1	Highly Increased	37	20.44
2	Increased	132	72.93
3	Not Changed	12	06.63
4	Decreased	0	00.00
	<b>Total</b>	<b>181</b>	<b>100.00</b>

Source: Compiled from Primary data

As is clear from Table 5, 93.37 per cent of the non-beneficiaries are of the opinion that the Mahatma Gandhi NREGS has resulted into an increase in the general wage rates. Nearly 20 per cent of the non-beneficiaries are of the opinion that due to the employment opportunity under this scheme, the wage rates have increased highly. They also pointed out that, the implementation of Mahatma Gandhi NREGS has resulted into an increase in wage rates particularly in agriculture, construction, coir and fisheries sectors in Alappuzha district. Among the non-beneficiaries covered under the sample, 6.63 per cent are of the opinion that the Scheme has not caused any change in the prevailing wage rates. It is also noted that none of the respondents under this category, opined that Mahatma Gandhi NREGS has resulted into a decrease in wage rates.

Perhaps, the increase in general wage rates may be an indirect benefit of the Mahatma Gandhi NREGS to the working class in the society. The opinion collected from the non-beneficiaries reveal that the Mahatma Gandhi NREGS has resulted into a considerable increase of wages in the unskilled labour market.

**CONCLUSION**

The above analysis leads to the conclusion that the Mahatma Gandhi NREGS has succeeded in achieving the targeted objective of removal of poverty among the rural people. In Alappuzha district, the Scheme offered employment and thus, income to the women and the weaker section of the society to a great extent. The fact that 97.3 per cent of the direct beneficiaries are women, 76 per cent belong to BPL category and 75.71 per cent are from backward classes shows that the Scheme has served as a source of income to the women and socially and economically weaker section of the society. The implementation of the Scheme in Alappuzha district has also resulted into an increase in the general wage rates. Nearly 20 per cent of the non-beneficiaries were of the opinion that due to the employment opportunity under this scheme, the wage rates have increased highly. Perhaps, the increase in general wage rates may be an indirect benefit of the Mahatma Gandhi NREGS to the working class in the society. Thus, the Mahatma Gandhi NREGS has become instrumental in improving the financial position, removal of poverty and improving capabilities among the rural people.

"The purpose of development is to enrich human lives, not richness of economy which is only a part of it" - *Amartya Sen.*

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**PRE PURCHASE BEHAVIOR OF CONSUMERS OF LIFE INSURANCE PRODUCTS: AN EMPIRICAL STUDY**

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**ABSTRACT**

*Life insurance is a complex financial product and calls for high consumer involvement in the entire buying process. This study focuses on the pre-purchase search and evaluation process of a consumer of life insurance products. The researcher has studied the perception of the consumers on life insurance products, the influential sources of information and the role of reference groups/self opinion in the buying decision making process. An attempt has also been made to find out the differences in the behavior of consumers based on personal factors, cultures, sub-cultures, social and economic status etc. Primary data was collected from sample of 200 consumers and researcher used simple tabulation, measures of central tendency, ANOVA etc. for data analysis and interpretation. The researcher concluded that Life insurance products are perceived as tools for risk coverage and family protection, Agents and company representatives seem to be a dominant source of information for consumers to understand the product and spouse plays an important role in the buying decision making process.*

**KEYWORDS**

Consumer behavior, Life insurance products, pre-purchase search, perception, reference groups.

**INTRODUCTION**

India is a very big market for the insurers. The Committee on "India Vision 2020" assessed the insurable population in India at 250 million and claimed that this number is estimated to increase rapidly in the coming two decades. Hence innovative insurance products would be required to supplement this demand and extend life insurance coverage to a much wider section of the population. The life insurance market is flooded with products as well as competing insurers and the consumer is lost and confused amidst a wide range of alternatives available.

In this situation, identifying the parameters that guides a consumer of insurance products and the factors that significantly influence the consumers buying behavior is the main problem of this research enquiry. Thus examining the thought process of the consumer during the various stages of an insurance purchase decision, which may involves need recognition, search for alternatives, evaluation of alternatives, purchase decision and post purchase evaluation may help identify the significant variables that can best fit as determinants of life insurance demand.

**REVIEW OF LITERATURE**

The study of Consumer Behavior is the study of how individuals make decisions to spend their available resources (time, money and effort) on goods or services. It includes the study of what they buy, why they buy it, where they buy it, how often they buy it and how often they use it. Consumer behavior research encompasses all of the behaviors that consumers display in searching for, purchasing, using, evaluating and disposing products or services that they expect will satisfy their needs.

The available literature for the current study has been surveyed from two perspectives. The first is the definition of "Pre-purchase behavior" of consumers and second is earlier research in the field Consumer behavior towards life insurance products/industry.

**PRE PURCHASE BEHAVIOR**

The needs influence the decision of the customer. The needs create the motivation when the needs are strong enough (Kotler 1990). Reference groups seem to influence the behavior of consumers and studies have confirmed that the degree of influence depends on the consumers confidence in the purchase situation. In case of insurance products consumers have relatively limited information on products and hence the group influence in most cases is relatively strong. Also it has been found all individuals differ in their tendency to be influenced by others. (Del I Hawkins, 2007). Solomon (2009) talked of Consumer behavior as a process that includes various issues that influence the consumer before, during and after a purchase. The primary pre purchase issues identified the need recognition process, the sources of information and the process of evaluating alternative choices. The inclination to search for information is high in case of an aroused consumer and hence the major sources of information for a consumer and its relative importance in the purchase decision should be a major concern for marketers (Majumdar, 2010).

**LIFE INSURANCE AND CONSUMER BEHAVIOR**

Arvind Shamrao Gaikwad, (2013) focussed of the insurance consumers of Kohlapur, India –their preferences, satisfaction levels towards traditional versus ULIP policies and the major factors that influenced buying behavior. The study highlighted that life insurance is viewed as a protection instrument, family protection seemed to be the prime reason for purchase of insurance and that company advisors had a dominant role in the consumer decision making process. Aurelija Ulbinaite (2011) elaborated on the conceptualisation of insurance consumer behavior and proposed a possible underlying model that reflects its core features. Subsequently they described an agent-based-model simulation environment that enables the analysis of consumer behavior towards insurance services. Sunayna Khurana (2008) tried to focus on the issues faced by consumers of life insurance, customer perception and views about different life insurance service providers etc. Market evidence reveal that insurance purchasing and marketing activities do not always produce results that are in the best interest of individuals at risk. Howard Kunreuther and Mark Pauly (2006) discusses such behavior with the intent of categorizing insurance "anomalies". It represents a first step in constructing a theory of insurance decision-making to explain behavior that does not conform to standard economic models of choice and decision-making. Finally, the authors propose a set of prescriptive solutions for improving insurance decision-making.

**NEED/IMPORTANCE OF THE STUDY**

The study of Consumer behavior has been the focus of researchers since the time, marketing evolved as a management discipline. The consumer psyche has always been the interest of marketers as they attempt to understand how consumers think and behave at every stage of a buying decision viz pre-purchase, purchase and post purchase stage. Consumer behavior reflects the totality of a consumer decision and the dynamic process which is influenced by multiple factors and results of consumer behavior research can guide management towards better marketing strategies. Life Insurance is a complex financial product and usually demands high customer involvement in the buying process. Life insurance consumers are expected to know all details and conditions about the product

they purchase and should be in a position to precisely explain the purpose of choosing a particular product. As we often come across the saying that, "Insurance is a subject matter of solicitation" hence an understanding of the product before investment is an absolute necessity for a satisfied buying decision. The life insurance industry today is stained with ethical issues like asymmetric information, mis-selling practices, frauds etc thereby creating a huge mass of dissatisfied consumers. Consumers are losing faith in insurers. Hence through this paper the researcher attempts to study the pre purchase behavior of life insurance consumers and its consequences to the insurance industry.

**STATEMENT OF THE PROBLEM**

Research in the field of consumer behavior has today enabled marketers to know what consumers are buying and what they are not buying and the various factors that influence this behavior. Data on pre purchase behavior will enable marketers to understand what consumers look for when they perceive a need for a particular product.

Owing to the complexity of the life insurance product the researcher feels that it is important for insurance marketers to understand the pre purchase information seeking process of the consumers, the methods deployed for product comparison, the influence of other people and the factors that effect the ultimate selection decision. If marketers are not well informed about the consumers pre purchase expectations they cannot provide lucid information and as a result consumers have to devise their own criteria for product comparison and selection.

**RESEARCH QUESTIONS**

1. How do consumers perceive a life insurance product?
2. Is there a difference in the pre purchase search pattern of consumers towards Life insurance products based on personal factors viz, age, gender, income and occupation?
3. Does the level of importance assigned to reference groups and self opinion vary significantly with the personal factors of consumer?

**OBJECTIVES**

The present research enquiry has been undertaken with the following objectives.

1. To study the perception of consumers towards life insurance products.
2. To examine the pre-purchase search pattern of consumers in the selection of life insurance products.
3. To know the level of importance assigned to reference groups and self opinion in an insurance purchase decision.

**RESEARCH METHODOLOGY**

The research design is exploratory followed by descriptive design. The target population for this research enquiry may be defined as under:

- Elements- Life insurance consumers of Kamrup Metropolitan District
- Extent- Kamrup Metropolitan District
- Time Frame- 2014

The sample size was 200 consumers of life insurance products selected through Convenience sampling method but the responses of only 194 consumers could be processed for analysis purposes. The questionnaire used for the purpose of the survey was initially pre tested on approximately 40 consumers to identify and eliminate potential problems. The consumers for the pre-test was drawn from the same target population. Certain changes were incorporated in accordance with the problems identified in administering the questionnaire mainly in terms of the language and understandability. Some minor changes in the content of the questionnaire was also done after the pre-test so as to bring it in sync with the objectives of the survey. Finally after the necessary editing the questionnaire have been administered to the target consumers and the responses gathered from the field have been coded and analysed with the help of SPSS software. In this study frequency distributions, measures of central tendency (mean, median, mode, standard deviations) and One way analysis of variance(ANOVA) have been used for data analysis and interpretation.

**RESULTS & DISCUSSION**

The analysis and interpretation of the data collected through field survey for the research enquiry have been presented below:

**Consumer Perception**

To gauge the perception of the consumers towards life insurance products the researcher has executed seven statements on a five point Likert scale. The consumers were asked to mark their agreement or disagreement to the statements where 1 implied strong disagreement and 5 implied strong agreement.

**TABLE: 1 CONSUMER PERCEPTION TOWARDS LIFE INSURANCE PRODUCTS**

Sl no:	Statement	Valid	Missing	Mean	Median	Mode	S.D
1	It is the best tool for risk coverage	194	0	4.35	5	5	0.95
2	It is a must for family protection	194	0	4.52	5	5	0.85
3	It is a very good form of savings and investment	194	0	3.87	4	5	1.15
4	Life Insurance provides economic independence and dignity in old age	194	0	3.85	4	4	1.04
5	Life insurance is needed for tax benefits	194	0	3.75	4	4	1.13
6	Life Insurance makes false promises	194	0	2.14	2	1	1.19
7	Life insurance is relevant only for the rich	194	0	2.01	2	1	1.18

(Source: Self compilation from field survey 2014)

From the above table it is evident that consumers feel insurance is a means of family protection followed by risk coverage as the mean score of these two factors are highest and also majority of the consumers strongly agree to the first two statements as the mode of the variables is 5. Also the responses are not very diverse from the mean since the standard deviation is very low. The second notable observation is that consumers do not feel that insurance makes false promises and they also do not agree that it is relevant only for the rich as majority of the consumers strongly disagree to the statements ( mode=1).

**Sources of Information during the pre purchase search**

To examine the most influential sources of information for insurance consumers the researcher has again used an interval rating scale. The consumers were asked to rate their preferred sources of information on a scale of 1 to 7 where 1 implied least preferred and 7 implied highly preferred. The findings from the field survey have been shown in Table: 2. It is clearly visible that as compared to other sources consumers preference to know details about Life insurance products seemed to be through direct contact with company's agents, sales managers or direct calling team since it has got the highest mean score of 5.32. This is also evident as majority of the consumers have rated this source as the most preferred source since the Mode =7. This is followed by discussion with friends and relatives and next is advertisements through television/ radio and also the internet. It can also be noted that as per the mean scores hoarding and banners had the least amount of influence as a source of information for the consumers.

TABLE 2: CONSUMERS PRE PURCHASE SEARCH FOR INFORMATION

Sources of Information	Valid	missing	Mean	Median	Mode	S.D
Hoardings and banners	194	0	4.02	4	5	1.79
Newspaper and magazines	194	0	4.52	5	6	1.91
Radio Television	194	0	4.73	5	6	1.84
Agents /Development officers/Sales Executives/ Telesales( Company representatives)	194	0	5.32	6	7	1.63
Friends and relatives	194	0	4.83	5	5	1.46
Internet	194	0	4.56	5	5	1.92
Bank	194	0	4.49	5	5	1.74

(Source: Self compilation from field survey 2014)

The researcher was also interested to know if the pre-purchase search behavior of consumers with regard to preference towards direct interaction with company representatives varied significantly with respect Age, Gender and Occupation of the consumers.

**Hypotheses Framed**

H0<sub>1</sub>=The preference towards direct interaction with company representatives as a sources of information for life insurance products does not vary significantly with Gender.

H0<sub>2</sub>= The preference towards direct interaction with company representatives as a sources of information for life insurance products does not vary significantly with Age.

H0<sub>3</sub>= The preference towards direct interaction with company representatives as a sources of information for life insurance products for life insurance products does not vary significantly with Occupation.

TABLE 3: PREFERENCE TOWARDS COMPANY REPRESENTATIVES AS SOURCE INFORMATION BASED ON GENDER

Dependent variable	Gender	N	Mean	t value	Sig.
Agents /Development officers/Sales Executives/ Telesales	Male	121.00	5.08	-2.76	0.95
	Female	73.00	5.74	-2.72	

(Source: Self compilation from field survey 2014)

The null hypotheses H0<sub>1</sub> was accepted as the independent sample 't' test suggested that the difference between the two groups (p=0.95) at 95% level of confidence is not statistically significant and hence there is no significant difference in the preference level for direct company representatives as a source of information with respect to gender. However from descriptive statistics we can see that female preference (mean=5.74) was significantly higher than the male preference (mean=5.08) towards company representatives.

TABLE 4: PREFERENCE TOWARDS COMPANY REPRESENTATIVES AS SOURCE INFORMATION BASED ON AGE OF THE CONSUMERS

Age:	N	Mean	Sig. based on one way ANOVA
18-25	11	5.82	0.732
26-35	62	5.27	
36-45	61	5.18	
46-55	38	5.34	
56-60	10	5.9	
Above 60	12	5.42	
<b>Total</b>	<b>194</b>	<b>5.32</b>	

Source: Self compilation from field survey 2014

In this case again, the null hypotheses H0<sub>2</sub> was accepted as the test results of the one way ANOVA (p=0.732) suggested that the difference between the groups was not statistically significant. However from descriptive statistics we note that the age group 56-60(mean = 5.9) had the highest preference for direct interaction with company representatives followed by the age group 18-25 (mean=5.82)

TABLE 5: PREFERENCE TOWARDS COMPANY REPRESENTATIVES AS SOURCE INFORMATION BASED ON OCCUPATION

Occupation	N	Mean	Sig. based on one way ANOVA
Public sector/Government	99	5.31	0.244
Private Sector	51	5.22	
Self employed	24	5.08	
Others	20	6.00	
<b>Total</b>	<b>194</b>	<b>5.32</b>	

Source: Self compilation from field survey 2014

The differences between the means of the groups based on occupation of the consumers was again not found to be statistically significant (p=0.244) and the null hypotheses H0<sub>3</sub> was accepted. However from the mean values (Table: 5) we note that people who are currently not employed, housewives, students, retirees (mean=6) had a higher preference towards company representatives than people who were self employed (mean =5.08) or working in government (mean=5.31)/private sectors (mean=5.22).

**Importance assigned to reference groups and to self opinion**

To know the level of importance assigned to reference groups and to self information in an insurance purchase decision the researcher have asked the consumers to mark the level of importance given to Self decision, Discussion with spouse/parents, Professional consultants( includes agents) and colleagues/friends/relatives on a scale of 1 to 7 where 7 implied very important and 1 implied least important. From the descriptive statistics (Table: 6) we can see that discussion with Spouse/parents has a very important role to play in an insurance purchase decision apart from self opinion.

TABLE 6: RANK ON BASIS OF IMPORTANCE OF REFERENCE GROUPS

Rank in order of level of influence:	N	Minimum	Maximum	Mean	Std. Deviation
1) Discussion with Spouse/Parents	194	1.00	7.00	6.0825	1.21451
2) Self study and understanding	194	1.00	7.00	6.0309	1.38798
3) Friends/ Relatives suggestions	194	1.00	7.00	4.4845	1.79587
4) Agents recommendations	194	1.00	7.00	4.2680	1.78663
Valid N (listwise)	194				

Source: Self Compilation from field survey-2014

The researcher was also interested to know whether the level of importance assigned to discussion with spouse/ parents and self opinion varied with respect to marital status and education level. Hence a one way ANOVA was conducted to test the following hypotheses:



**Hypotheses Framed**

H<sub>04</sub>=The level of importance assigned to discussion with spouse/parents and to self opinion in an insurance purchase decision does not vary significantly with respect to marital status.

The null hypotheses was accepted as the significance value for discussion with spouse( $p=0.865$ )and self opinion( $p=0.599$ ) with regard to marital status was  $> 0.05$  and hence it can be concluded that though the mean values of the importance assigned to self opinion(mean=6.11) as well as the discussion with parents(6.14) was higher for unmarried as compared married consumers( mean=6.01 & 6.08 respectively) this was not found to be statistically significant.

Next, the researcher was interested to know the role of education level on the importance assigned to reference groups and self opinion, therefore the following null hypotheses was formulated.

**Hypotheses Framed:**

H<sub>05</sub>= The level of importance assigned to discussion with spouse/parents did not vary significantly with respect to education.

H<sub>06</sub>= The level of importance assigned to self opinion did not vary significantly with respect to education.

H<sub>07</sub>= The level of importance assigned to discussion with friends/relatives did not vary significantly with respect to education.

H<sub>08</sub>= The level of importance assigned to discussion with professional consultants did not vary significantly with respect to education.

The results of the one way ANOVA have been put in Table: 6, and it can be noticed that level of importance assigned to discussion with Spouse/parents varied significantly with respect to education level of the consumers ( $p=.045$ ) and hence the null hypotheses H<sub>05</sub> have been rejected. From the descriptive statistics the researcher could note that higher level of importance was assigned to discussion with spouse/parents when education level of the consumers was primary and also consumers whose education was above graduation level. This was lower for those category of consumers who were above primary education but below graduation level.

**TABLE 6: ANOVA FOR IMPORTANCE ASSIGNED TO REFERENCE GROUPS AND TO SELF OPINION BASED ON EDUCATION LEVEL**

		Sum of squares	df	Mean Square	F	Sig.
Self study and understanding	Between Groups	6.202	4	1.550	.801	.526
	Within Groups	365.613	189	1.934		
	Total	371.814	193			
Discussion with Spouse/Parents	Between Groups	14.211	4	3.553	2.483	.045
	Within Groups	270.469	189	1.431		
	Total	284.680	193			
Agents recommendations	Between Groups	8.757	4	2.189	.681	.606
	Within Groups	607.305	189	3.213		
	Total	616.062	193			
Friends/ Relatives suggestions	Between Groups	7.412	4	1.853	.569	.685
	Within Groups	615.041	189	3.254		
	Total	622.454	193			

Source: Self Compilation from field survey-2014

**MAJOR FINDINGS, SUGGESTIONS AND CONCLUSION**

The major findings of the research enquiry have been summarised as follows:

- 1) Consumers perceive life insurance products as a tool for risk coverage and for family protection. 88.7 % of the consumers feel that it is necessary for family protection and 83.5% feels that it is the best tool for risk coverage.
- 2) Though research papers and news articles have mentioned that consumers are losing faith in insurers the findings of the current study reveal that 62.3% of consumers disagree to the statement that insurance makes false promises. However insurers need to probe further as to why the remaining 37.7% are either neutral or feels that insurance makes false promises.
- 3) Direct interaction with company representative seemed to be the most preferred source for seeking information about life insurance products. This suggests that training and development of the company representatives should remain a top priority item for all insurers.
- 4) Though the preference for direct interaction with company representative did not vary significantly with respect to gender it was observed that the female gender had a higher preference for this source of information than the male gender.
- 5) Discussion with spouse/parents ranked above self judgement in an insurance purchase decision. This suggests that consumers always prefer to consult with reference groups and does not like to make stand alone decisions when it comes to purchase of insurance products.
- 6) It was also noted that importance given to the discussion with spouse/parents varied significantly with respect to education of the consumers.

To conclude the researcher would like to state that though the current study has led to several findings regarding the relationship of certain personal factors with the purchase behavior of consumers of life insurance this study did not focus on the calculation of the effect size of such relationships. Hence further research can be done in the same line to make the findings of this study more meaningful. In this study the researcher focussed on the buyers characteristics and not on the marketing initiatives of the insurers. Hence similar studies can be done to find out the relationship of marketing initiatives on pre purchase behavior and the effect size of such relationships if there exist any.

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## A STUDY ON CREDIT RISK MANAGEMENT OF NON-PERFORMING ASSETS IN NATIONALISED, PRIVATE AND FOREIGN BANKS

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### ABSTRACT

*In the course of their operations, banks are invariably faced with different types of risks that may have a potentially negative effect on their business. Risk management in bank operations includes risk identification, measurement and assessment, and its objective is to minimize negative effects risks can have on the financial result and capital of a bank. Banks are therefore required to form a special organizational unit in charge of risk management. Also, they are required to prescribe procedures for risk identification, measurement and assessment, as well as procedures for risk management. During the year ended March 2015, banking business slowed down with a decline in both deposit and credit growth. The ratio of gross non-performing advances (GNPAs) of scheduled commercial banks (SCBs) marginally increased between September 2014 and March 2015. The present paper focuses on detail study of credit risk faced by all the sectors of banks particularly in 2014-2015 and the measures taken by banks to recover NPA's.*

### KEYWORDS

Credit Risk Management, Non-performing Assets, Public Sector Banks, Private Sector Banks, Foreign Banks.

### INTRODUCTION

The banking industry in the world over has undergone a profound transformation since the early 1990s. The changed operating environment for the banking sector, underpinned by liberalization, privatization and globalization, coupled with the reforms of information technology, has resulted in intense competitive pressures. Banks have responded to this challenge by diversifying through organic growth of existing businesses as well as through creative marketing of its services but the risk factor of banks are increasing.

Risk is inherent in any walk of life in general and in financial sectors in particular. Till recently, due to regulate environment, banks could not afford to take risks. But of late, banks are exposed to same competition and hence are compelled to encounter various types of financial and non-financial risks. Risks and uncertainties form an integral part of banking which by nature entails taking risks. There are three main categories of risks; Credit Risk, Market Risk & Operational Risk. Credit risk is intrinsic to banking and it is as old as banking itself. Credit risk is defined as the possibility of losses associated with diminution in the credit quality of borrowers or counterparties. In a bank's portfolio, losses stem from outright default due to inability or unwillingness of a customer or counterparty to meet commitments in relation to lending, trading, settlement and other financial transactions. Alternatively, losses result from reduction in portfolio value arising from actual or perceived deterioration in credit quality. Credit risk emanates from a bank's dealings with an individual, corporate, bank, financial institution or a sovereign.

### OBJECTIVES

1. To understand the concept of credit risk management
2. To analyze NPAs position and their risk management in public sector, private sector and foreign banks
3. To focus on the macro stress factors relating to credit risk impacting on Public, Private and Foreign banks.
4. To study the techniques to overcome credit risk.
5. To estimate the success rate in recovering the NPA's.

### RESEARCH METHODOLOGY

The present study is based on descriptive study where the methodology used to collect the data is based on secondary data like books, report of RBI publications including Trend and Progress of Banking in India, Statistical Tables relating to Banks in India, Articles and Papers relating to NPAs published in different journal and magazines were studied and data available on internet and other sources have also been used.

### TYPES OF RISKS

The money lent to a customer may not be repaid due to the failure of a business. Also, money may not be repaid because the market value of bonds or equities may decline due to an adverse change in interest rates. Another reason for no repayment is that a derivative contract to purchase foreign currency may be defaulted by a counter party on the due date. These types of risks are inherent in the banking business.

#### CREDIT RISK

The Basel Committee on Banking Supervision (or BCBS) defines credit risk as the potential that a bank borrower, or counter party, will fail to meet its payment obligations regarding the terms agreed with the bank. It includes both uncertainty involved in repayment of the bank's dues and repayment of dues on time. The default usually occurs because of inadequate income or business failure. But often it may be willful because the borrower is unwilling to meet its obligations despite having adequate income.

#### MARKET RISK

The Basel Committee on Banking Supervision defines market risk as the risk of losses in on- or off-balance sheet positions that arise from movement in market prices. Market risk is the most prominent for banks present in investment banking.

#### MAJOR COMPONENTS OF MARKET RISKS

The major components of market risk include:

- Interest rate risk

- Equity risk
- Foreign exchange risk
- Commodity risk

**INTEREST RATE RISK**

It's the potential loss due to movements in interest rates. This risk arises because a bank's assets usually have a significantly longer maturity than its liabilities. In banking language, management of interest rate risk is also called asset-liability management (or ALM).

**EQUITY RISK**

It's the potential loss due to an adverse change in the stock price. Banks can accept equity as collateral for loans and purchase ownership stakes in other companies as investments from their free or investible cash. Any negative change in stock price either leads to a loss or diminution in investments' value.

**FOREIGN EXCHANGE RISK**

It's the potential loss due to change in value of the bank's assets or liabilities resulting from exchange rate fluctuations. Banks transact in foreign exchange for their customers or for the banks' own accounts. Any adverse movement can diminish the value of the foreign currency and cause a loss to the bank.

**COMMODITY RISK**

It's the potential loss due to an adverse change in commodity prices. These commodities include agricultural commodities (like wheat, livestock, and corn), industrial commodities (like iron, copper, and zinc), and energy commodities (like crude oil, shale gas, and natural gas). The commodities' values fluctuate a great deal due to changes in demand and supply. Any bank holding them as part of an investment is exposed to commodity risk.

**OPERATIONAL RISK**

The Basel Committee on Banking Supervision defines operational risk "as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This definition includes legal risk, but excludes strategic and reputation risk."

**LIQUIDITY RISK**

Liquidity by definition means a bank has the ability to meet payment obligations primarily from its depositors and has enough money to give loans. So liquidity risk is the risk of a bank not being able to have enough cash to carry out its day-to-day operations.

Provision for adequate liquidity in a bank is crucial because a liquidity shortfall in meeting commitments to other banks and financial institutions can have serious repercussions on the bank's reputation and the bank's bond prices in the money market.

**REPUTATIONAL RISK**

Reputational risk is the risk of damage to a bank's image and public standing that occurs due to some dubious actions taken by the bank. Sometimes reputational risk can be due to perception or negative publicity against the bank and without any solid evidence of wrongdoing. Reputational risk leads to the public's loss of confidence in a bank.

**RBI GUIDELINES ON MANAGEMENT OF CREDIT RISK**

The central bank, Reserve Bank of India (RBI) was established in April 1935 with a share capital of Rs 5 crore on the basis of the recommendations of Hilton Young Commission. One of the important functions of the RBI is controller of credit, i.e., it has the power to influence the volume of credit created by banks in India. It can do so through changing the Bank rate or through open market operations.

RBI suggests that each bank should have an effective Credit Management Framework which comprises; Credit Risk Policy, Organization Structure and Operation/System. The board of directors of each bank shall be responsible for approving and periodically reviving credit risk strategy and significant credit risk policies. The policy should include risk identification, risk measurement, risk grading/ aggregation techniques, reporting and risk control/ mitigation techniques, documentation, legal issues and management of problem loans. These policies shall further be communicated to branches and controlling offices. A sound organization structure is outcome for successful implementation of an effective credit risk management system. Each bank should constitute a high level Credit Risk Management Committee (CRMC). Concurrently, each bank should also set up Credit Risk Management Department (CRMD), independent of the Credit Administration Department.

**ANALYSIS & INTERPRETATION**

**TABLE 1: SHOWING GROSS AND NET NPA'S OF PUBLIC, PRIVATE & FOREIGN BANKS AS ON MARCH 31<sup>ST</sup> 2015 (Amount in ₹ Million)**

Bank	Gross NPAs				Net NPAs		
	As on March 31 ( previous year )	Addition during the Year	Reduction during the Year	Write-off during the Year	As on March 31( current year )	As on March 31( previous year )	As on March 31( current year )
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
STATE BANK OF INDIA & ITS ASSOCIATES	627785	592558	289358	132820	798165	281000	418151
PRIVATE SECTOR BANKS	210705	192187	101836	55632	245424	59944	88611
NATIONALISED BANKS	1022272	1046558	577129	9126	1482576	619362	888086
FOREIGN BANKS	79971	67775	28082	3874	115790	26796	31724

**TABLE 2: GROSS NON-PERFORMING ASSETS OF CO-OPERATIVE BANKS (Per cent of gross advances)**

Year (end-March)	Urban Co-operative Banks (UCBs)	Rural Co-operative Banks				
		Short-Term Structure			Long-Term Structure	
		StCBs	DCCBs	PACS	SCARDBs	PCARDBs
1	2	3	4	5	6	7
2006-07	18.3	14.2	18.5	29.1	30.3	35.4
2007-08	15.5	12.8	20.5	35.7	34.5	53.7
2008-09	13.0	12.0	18.0	44.8	30.1	39.0
2009-10	10.1	8.8	13.0	41.4	45.1	51.9
2010-11	8.4	8.5	11.2	25.2	32.3	40.6
2011-12	7.0	6.8	9.7	26.8	33.1	38.6

StCBs : State Co-operative Banks  
 DCCBs : District Central Co-operative Banks  
 PACS : Primary Agricultural Credit Societies  
 SCARDBs : State Co-operative Agriculture and Rural Development Banks  
 PCARDBs : Primary Co-operative Agriculture and Rural Development Banks  
 Source : Reserve Bank for UCBs and NABARD for Rural Co-operative Banks (excluding PACS for which the source is NAFSCOB).

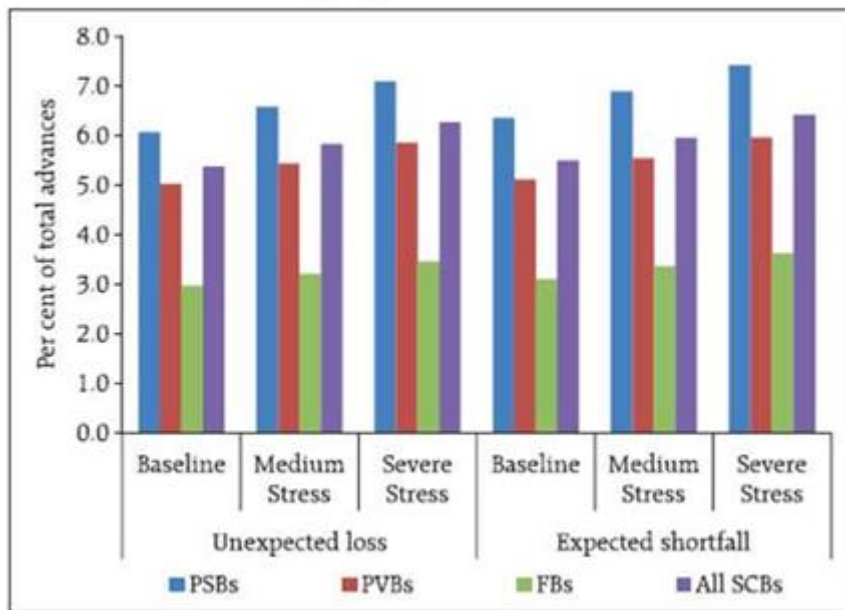
TABLE 3: NPAS OF SCBS RECOVERED (Amount in ₹ million)

Year	No.	Recovery Channel	Lok Adalats	DRTs	SARFAESI Act	Total
2012-13	1	No. of cases referred	840,691	13,408	190,537	1,044,636
	2	Amount involved	66	310	681	1,058
	3	Amount recovered*	4	44	185	232
	4	3 as per cent of 2	6.1	14.1	27.1	21.9
2013-14	1	No. of cases referred	1,636,957	28,258	194,707	1,859,922
	2	Amount involved	232	553	946	1,731
	3	Amount recovered*	14	53	244	311
	4	3 as per cent of 2	6.2	9.5	25.8	18

Notes:

1. \*: Refers to amount recovered during the given year, which could be with reference to cases referred during the given year as well as during the earlier years.
2. DRTs: Debt Recovery Tribunals.

CHART 1: UNEXPECTED LOSS AND EXPECTED SHORTFALL (Bank-groupwise March 2015)



Source: RBI supervisory returns and staff calculations.

The resilience of the Indian banking system against macroeconomic shocks was tested through a series of macro stress tests for credit risk at the system, bank-group and sectoral levels. These tests encompass assumed risk scenarios incorporating a baseline and two adverse macroeconomic scenarios representing medium and severe risks. The adverse scenarios were derived based on up to one standard deviation (SD) for medium risk and up to two SD for severe risk as per RBI.

The macro stress test of credit risk suggests that under the baseline scenario, the GNPA ratio may increase to 4.8 per cent by September 2015 (same as recorded in December 2014) from 4.6 per cent as of March 2015, which could subsequently improve to 4.7 per cent by March 2016. However, if the macroeconomic conditions deteriorate, the GNPA ratio may increase further and it could rise to around 5.9 per cent by March 2016 under a severe stress scenario.

## FINDINGS

1. The ratio of gross non-performing advances (GNPAs) of scheduled commercial banks (SCBs) marginally increased between 2014 to March 2015.
2. Comparatively Public sector banks have more non-performing assets and have fallen in maintaining credit risk management.
3. The RBI has played a major role in establishing the credit risk management framework guidelines for all the sectors of banks.
4. The Scheduled banks have been successful in recovering 3% of bad debts.
5. The foreign banks are having less non-performing assets and are managing the credit risk. Expected shortfall is also minimal.

## SUGGESTIONS

1. The bank employees have to take up still more initiatives to follow the credit policies during lending process.
2. The public sector banks have to minimize the NPA's ratio by following credit risk controlling techniques in a much better way.
3. The RBI has laid down the policy but it has to make all the banks especially for Public Sector Banks to implement in a systematic manner.
4. Stress tests reveal resilience; the system could become vulnerable if the macroeconomic conditions deteriorate sharply. Henceforth, immediate action has to be taken to lessen the risk.

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**RURAL DEVELOPMENT AND NON-FARM SECTOR: A REVIEW**

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**ABSTRACT**

*This paper chronicles the different perspectives for examining the rural non-farm sectors commonly used in the existing literature and their developmental role. We also provide a comparative study of the evolution of the rural non-farm activities in Asian, African and Latin American countries and the success story of some of those countries which may be helpful to build an understanding about the pre-conditions required for the expansion of remunerative rural non-farm activities and their poverty implications. The paper provides extensive ideas regarding the on-going researches on the developmental role of the RNFS and also explores the heterogeneity of the sector which helps to identify those areas of the sector which has developmental impact on all sections of the people in the developing countries. We have identified a large number of factors likely to be responsible for the expansion of the non-farm activities. However, it varies from time to time, region to region. Those factors are broadly classified into two categories: demand-pull and distress-push. However, while some of those factors are generated from the agricultural sector, some others are non-agricultural in nature. We also have noticed a 'vicious cycle' operating on the rural manufacturing sector. Lack of education, together with lack of technical skills, provides little incentive for rural firms to invest in technology, leading to low level of labour productivity in the rural manufacturing sector. Thus, a high level of illiteracy in rural India seems to have hampered the growth of the modern rural non-farm sector.*

**KEYWORDS**

farm-non-farm linkage, rural development, rural non-farm sector.

**JEL CLASSIFICATION**

O18, J43.

**INTRODUCTION**

In recent times, a much debated issue in the context of rural development has been receiving increasingly attention that recognizes the pervasiveness of the rural economic activities surpassing the periphery of the agricultural sector. In fact, the rural economy satisfies a wide range of needs of rural inhabitants including social service provision, economic activities, infrastructure and natural resources (Csaki and Lerman, 2000). Since the early 1970s, a large number of studies on rural development have emphasized the importance of the non-agricultural economic activities. Evidences from the developing world suggest that occupational diversification in the countryside has the potential to promote local economic growth and to alleviate the rural-urban income gap as well as rural poverty. Diverse incomes portfolios in the rural non-farm economy can include income from (1) seasonal / longer-term domestic/overseas migration and remittances, (2) daily travel to nearby urban employment, (3) local wage labor opportunities and (4) self-employment in trade, agro-processing, tailoring, services etc.

In this paper, we chronicle the different perspectives for examining the rural non-farm sectors commonly used in the existing literature and their developmental role. We also provide a comparative study of the evolution of the rural non-farm activities in Asian, African and Latin American countries and the success story of some of those countries which may be helpful to build an understanding about the pre-conditions required for the expansion of remunerative rural non-farm activities and their poverty implications.

**DIFFERENT PERSPECTIVES ON THE RURAL NON-FARM ACTIVITIES**

If we go through the existing literature on the non-farm activities, we can identify four major perspectives that emerged for examining the rural non-farm economy, which are:

1. Agricultural growth-induced expansion of the non-farm sectors: This literature stems out from the notion of increase in demand for non-farm goods via consumption and production linkages driven by the growth in agricultural income and production. The source of inspiration of such thinking has been embodied in the success of the Asian green revolution.
2. Off the farm view on non-farm employment: This type of literature focuses on different constraints faced by the rural non-farm enterprises on both demand and supply sides and views agricultural sector as the dominant source of rural demand.
3. Rural households' livelihood diversification strategy-induced promotion of the non-farm activities: Such theories deal with risk management, labour allocation and push and pull factors that induce farm households to diversify into various non-farm activities.
4. Region-specific development of the non-farm activities: This provides a spatial perspective that highlights the spatial concentration of demand as well as supply-side determinants of the non-farm activity focusing on the rural infrastructure and public services.

There is some overlapping among these different perspectives which makes the study on the rural non-farm activities a multidisciplinary approach involving agricultural economics, anthropology, business management, economics, geography, public administration, regional planning and sociology.

**AGRICULTURAL GROWTH-INDUCED PROMOTION OF THE NON-FARM ACTIVITIES AND RURAL DEVELOPMENT: FARM-NON-FARM GROWTH LINKAGE**

In the early 1970s, we observed an increasing concern regarding the failure of the urban industrialization to absorb the surplus labour and to control rural poverty coupled with the amazing success story of agricultural productivity gains from the green revolution technologies in Asia. This coincidence motivated agriculturists to claim that the agrarian sector could itself serve as the locomotive instead of the common belief on the industry as an engine of growth. There was also shift in the priorities from mere focus on the economic growth rate to thrust on the issue of equity, income distribution and poverty throughout the developing world. Industrial growth failed to address the issue of equity. Even when growth had been rapid, income distribution and poverty did not necessarily improve. The benefits of industrial growth had not trickled down to the poorer sections. In this context, agriculture took the center stage displaying its ability to grow at historically unprecedented rates. The new agricultural technology also proved to be labour-using. The rapid and broad-based agricultural growth changed the conventional pessimistic views on agriculture's potential to contribute to economic development.

According to Mellor, Johnston and Kilby, agriculture could play a crucial role in rural development and economic growth. Johnston and Kilby (1975) focused on the substantial production linkages generated by the successful implementation of the green revolution technology. The use of newly introduced high-yielding varieties of seeds needed to be supported by the uninterrupted supply of pumps, sprayers, fertilizers, cement, construction-labour and repair facilities from the non-agricultural firms. Consequently, substantial backward linkages had been produced. Moreover, strong forward linkages were generated in rural areas through considerable expansion of milling, processing and marketing activities. Mellor and Lele (1973) pointed out that consumption linkages were also generated by the increase in agricultural income due to technological development. As agricultural income increased, farm households spent their additional



earnings on rural non-farm products such as the non-agricultural goods and services as well as perishable and high value farm commodities like milk, meat, vegetables etc. As a consequence, a growth impetus was created in both the farm and non-farm sectors. Combining these findings, Mellor developed his famous 'growth-linkage theory' (1976) based on his experience with rural India following green revolution since the mid-sixties. He argued that as a result of development of green revolution technologies and the subsequent increase in productivity and incomes of farmers, demand-led growth of both the agricultural and non-agricultural sectors would take place through their multiple linkages, stimulating a 'virtuous circle' of growth of food production and employment. Consumption linkages would arise out of increased incomes for farmers and labourers, generating increases in demand for goods and services, and would be largely concentrated in the rural areas since the goods and services demanded are typically produced by the small-scale, labour-intensive enterprises. Production linkages would also emerge from the agricultural sector. Backward production linkages would result from the farmers' increased demand for inputs from the non-agricultural sector, whilst forward linkages would develop through the increased need for agro-processing activity. Thus, according to Mellor, the initial increase in rural income triggers a sequence of multiplier effects, which can invigorate expanded production and employment in other sectors of the economy including consumer goods industries and small-scale units in the RNFS which are likely to be labour-intensive. In fact, Mellor's growth-linkage theory challenged Hirschman's theory of unbalanced growth (1958) by arguing that agriculture has not only production linkage but also consumption and fiscal linkages. While Hirschman saw agriculture in general, and subsistence agriculture in particular to have a little linkage effects, Mellor realized that technologically advanced agriculture allows a large net increase in national income. This, in turn, provides the dynamics of growth led by the agricultural sector. The basic difference in their perception comes from the fact that while Hirschman identifies two types of production linkages working in the economy, Mellor identifies an additional and even stronger demand side linkage, called the consumption linkage, which affects other sectors of the economy too.

### EMPIRICAL EVIDENCES ON AGRICULTURE-LED GROWTH

The empirical issues that emerged in the field of applied agricultural economics during the decade of 1970s were broadly classified into two sets. The first set of issues emphasized on employment, underemployment and surplus labour. Employment and farm management surveys began to assemble data measuring the extent of employment, underemployment, and productivity of farm labour in order to understand the phenomenon of surplus labour. In this context, it was observed that the farm households might devote as much as 30 to 40 per cent of their annual household labour to the non-farm pursuits (Norman, 1972; Byerlee and Eicher, 1974).

There is also a second set of issues which emphasized on the measurement of the production and consumption linkages intrinsic in the agricultural development. Initially, Mellor and Lele (1973) focused on the spending pattern of the farm households. This attracted a series of parallel works. All these works suggest that consumption linkages are approximately four times as important as production linkages. Bell and Hazell (1980) estimated combined linkage effects using their newly developed analytical methods of combining input-output and consumption parameters. Their new techniques motivated a large number of emulators and launched a veritable cottage industry to the measurement of agricultural growth linkages.

In the 1990s and 2000s, the periphery of linkage theory further expanded beyond its initial concentration on product market consumption and production linkages to labour market linkages and general equilibrium interactions between the agriculture and the RNFE. In the historical context, Adleman (1984) showed that agricultural demand-led industrialization can generate superior growth and equity as compared to export-promoting industrialization strategies using her classic computable general equilibrium model of the growth linkages in the South Korean economy. Adleman and Mellor threw challenge to Hirschman's theory of unbalanced growth (1958) by arguing that agriculture has not only production linkage but also consumption and fiscal linkages.

### HOUSEHOLDS' DIVERSIFIED LIVELIHOOD STRATEGIES AND THE RURAL NON-FARM ACTIVITIES

Most of the rural non-farm activities are undertaken by diversified rural households that operate farm and non-farm enterprises simultaneously. In response to a series of agro-climatic shocks and dislocation accompanying structural adjustment programs of the 1980s and 1990s, analysts have developed household economic models and field methods to understand how poor rural households have adapted to their radically altered production environment. A large number of empirical works on the household's livelihood strategies has been developed in this line of thought to provide valuable insights regarding the evolution and opportunities of the rural non-farm activity for the rural poor.

Empirical evidences suggest that there are two sorts of motivation on the part of the rural people to participate in the non-farm activities: (i) demand-pull, and (ii) distress-push. The demand-pull factors work where rural people respond to the new opportunities. Reardon *et al.* (1998) suggest that when relative returns are higher in RNFEs than in farming, and returns to farming are relatively more risky, pull factors are at work. The demand-pull also includes any increase in the demand for rural products resulting from increases in income of lower and middle-income rural households and increased demand from urban areas (Islam, 1997). Conversely, the distress-push diversification occurs in an environment of risk, market imperfections and of open and/or hidden agricultural unemployment. Thus, when rural people engage in economic activities that are less productive than agricultural production and are motivated by the need to avoid further income decreases, the push factors are at work.

The major implication of this approach is that the distribution of diversification activities over households would follow a bimodal distribution over household incomes in the presence of both the *demand-pull* and *distress-push* diversification. There would be two clusters of low-return and high-return activities, which are engaged in by the poor and affluent households, respectively. Moreover, if *distress-push* diversification dominates, we would expect poorer households to engage more in diversification than others. In the case of the predominantly demand-pull diversification, we would expect that higher income households would engage more in the non-agricultural diversification than the poorest households. The non-farm economy is thus important in situations of both stagnant and buoyant agricultural sector.

Many farm households in agriculturally advanced zones are found to pursue opportunities for diversification into attractive non-farm activities. Evidence from a series of sites across Africa suggests that the high-income farm households appear to be more able to diversify into high-return non-farm activities requiring skilled labour. Likewise, historical evidence from Japan confirms that wealthy farm households are diversifying into subcontract weaving and commerce in textiles (Hayami, 1998).

Case study evidence from Sri Lanka also supported the view that the households in high-risk and low-potential agricultural environments regularly respond by shifting themselves to the non-farm activities. In fact, high population density and acute population pressure drive those poor rural households to seek over half of their incomes from the off-the-farm sources (Von Braun and Pandya-Lorch, 1991). In the West African Sahel, farmers cope with their unpredictable agricultural environment by devoting significant resources to non-farm commerce and labour migration to Ivory Coast (Reardon, Malton and Delgado, 1988). Women, in northern Ghana, found to be engaged in the non-farm activities for coping with agricultural production uncertainty (Abdulai and Delgado, 1999).

A U-shaped relationship between the rural non-farm activities and incomes is reported for rural households in many developing countries. These observations support the distinction between the 'demand-pull' and 'distress-push' factors in the rural diversification process. They also explain the recent shift in attitudes towards the RNFE from viewing it as a symptom of backwardness towards a potential motor of the rural economy (Lanjouw and Lanjouw, 1997).

Davis and Pearce (2000) summarize the push and pull factors of diversification in the rural non-farm economy. According to them, the push factors are (1) population growth, (2) increasing scarcity of arable land and decreasing access to fertile land, (3) declining farm productivity, (4) declining returns from farming, (5) lack of access to farm input markets, (6) decline of the natural resource base, (7) temporary events and shocks, (8) absence or lack of access to the rural financial markets. On the other hand, the pull factors are (1) higher return on labour in the RNFE, (2) higher return on investments in the RNFE, (3) lower risk of RNFE activities, (4) generation of cash in order to meet household objectives, and (5) economic opportunities, often associated with social advantages, offered in urban centres and outside the region or country.

### THE ASIAN EXPERIENCES

It has been a widely recognized fact that economic activities in rural Asia are becoming highly diversified in the form of the rural non-farm activities. A large proportion of the rural labour forces of Asian countries are employed in the rural non-farm activities. It varied from 19 per cent in India (in 1981) to around 50



per cent in Malaysia (in 1980). During the mid-1980s, the observed retardation in the rate of labour absorption in South Asian agriculture made a group of Asian scholars to search for an alternative employment generation strategy. Rapid population growth in South Asia accompanied with increasing landlessness and a simultaneous failure of agriculture to absorb the ever growing labour force, was leading to an increase in low-return rural non-farm employment. On the contrary, agricultural growth in Japan, Taiwan, and other newly industrializing countries in East Asia led to rapid expansion of increasingly remunerative rural non-farm activities. On the basis of these differential results, a section of economists came to the conclusion that in an agriculturally backward region, the rural non-farm employment may simply serve as a "sponge" or employer of last resort offering low-productive jobs. Mukhopadhyay and Lim (1985) distinguished two types of RNFA prevalent in East Asia: RNFA-1 with certain degree of technical sophistication yielding higher income and RNFA-2 with primitive technology catering mostly to local market yielding lower income. They argued that, the "rural non-farm units with strong links with urban industry in countries like Taiwan, Japan and Korea, have higher rates of profitability and dynamism. On the other hand, there are also some units which have stronger linkages with agriculture."

### THE RANIS-STEWART MODEL AND THE EAST ASIAN EXPERIENCES

The East Asian studies improved our understanding of the rural non-farm activity along several important dimensions. On the basis of the evidences from Taiwan and the Philippines, Ranis and Stewart (1993) reformulated the Hymer-Resnick model by distinguishing between the modern and traditional non-farm goods. They generated completely different growth dynamics. According to Ranis and Stewart, the pessimistic conclusions of the Hymer-Resnick model regarding the role of the rural non-farm sector depend on a restrictive set of assumptions, which may not apply, either during the colonial period or after the independence. By relaxing those restrictive assumptions, particularly allowing for a dynamic food producing sector and the modernization of the rural non-farm goods sector, they showed a very different picture from that of Hymer and Resnick which was very much optimistic regarding the role of the rural non-farm sector, which has the potential for the generation of balanced growth in the rural areas, complementing efficient urban industrialization. They pointed out that conditions may be relatively favourable and unfavourable for the achievement of rural balanced growth depending on the policies adopted by the government in both the colonial and post-colonial era.

### LESSONS FROM THE GROWTH OF CHINA'S TOWN AND VILLEGE ENTERPRISES

The experiences of the expansion of the Chinese rural non-farm sector have contributed much to the rural non-farm literature reemerging from Asia. The early history of rural industrialization in China has attracted ongoing academic interest. Since 1949, China has been pursuing the objective of industrialization, urbanization and modernization. Rural non-farm activity in China was collectivized during the period of first five year plan (1953-57). However, the process of the promotion of rural industrialization was initiated in China in 1958 during Mao Tse-Tung's Great Leap Forward. The subsequent steady growth of collectively owned commune and brigade enterprises from 1968 to 1978 was portrayed as 'phenomenal'. Before the initiation of economic reform in the late 1970s, the town and village enterprises (TVEs) were fully integrated with agriculture within the commune system. From the 1980s onwards, China invested heavily in agricultural technology, infrastructure and input supply which had propelled rapid agricultural growth. This agricultural prosperity fuelled the rural economic growth forming the base for the expansion of the rural non-farm sector by releasing the surplus labour to the non-farm sector and creating demand for industrial product. China's rural non-farm development was largely driven by the growth of the TVEs. China has been experiencing an extraordinary burst of growth in rural TVEs during the period 1984 to the early 2000 which attracted considerable international attention. It has been observed that the TVEs' contribution to gross national industrial output increased from 9 per cent in the late 1970s to 58 per cent in the late 1990s (Lin and Yao, 1999). Although agriculture served as the motor of China's rural non-farm growth during the 1980s, the international export markets and urban subcontracting to rural TVEs have enjoyed increasing prominence during the late 1990s and early years of the twenty-first century.

### THE LATIN AMERICAN EXPERIENCES

Unlike the widespread interest among scholars of Africa and Asia, Latin American scholars were not so much focused regarding the developmental role of the rural non-farm sector for many decades. After many years of neglect, the Latin American scholars started to concentrate on the rural non-farm debates since the late 1990s. As liberalization facilitated trade, foreign direct investment, and the application of supply chain organizational models from the outside world, rapid concentration in agribusiness and food retailing had emerged prominently in Latin America since the 1990s. Consequently, during the 1990s, the share of supermarkets in total food retailing grew from 20 per cent to over 70 per cent in both Brazil and Argentina. In Mexico, Costa Rica, and El Salvador, the supermarkets controlled over half of all food retailing by the end of the twentieth century. In rural Latin America as a whole, income from the non-farm activities accounts for roughly 40 per cent household income.

Empirical literature on the expansion of the non-farm sector in Latin America documented how motive forces outside of agriculture might propel the growth of the RNFE. There are four important features of the rural non-farm sector as identified in the literature:

(i) Large variety of non-farm activities, (ii) Importance of human capital, infrastructure and location, (iii) Inequitable access to remunerative non-farm activities, (iv) Pro-poor impact

There is an indirect mechanism as identified in Latin American literature on RNFAs through which the poor get the benefit. Initially, the remunerative non-farm employment tends to go to the relatively better off. It leads to a general tightening of the labour market, including agricultural wage labour market where the poor are, usually, concentrated. The tightening of wage labour markets ultimately benefits the poor through higher wage and higher participation rate. Further, even if the poor are engaged in low-productive activities, it controls at least the intensity of their poverty. Thus, the role of the RNFs as residual sectors cannot be ignored in view of the widespread poverty of the developing countries.

### EMPIRICAL EVIDENCES FROM INDIA

The existing studies on the rural non-farm sector in India can broadly be classified into two types. The first set of studies focuses on the pattern of non-farm employment and their significance at national, state and district levels. On the other hand, the second set of studies investigates the macro and micro determinants for the expansion of the non-farm activities.

#### SOME MACRO EVIDENCES ON THE EXPANSION OF THE NON-FARM EMPLOYMENT IN INDIA

As per the Census data, there has been a continuous shift in rural employment towards the non-farm sector. As observed from the Census data, the percentage of the non-farm workers has steadily increased from 18 per cent in 1981 and 1991 to 28 per cent in 2011. However, there have been considerable variations in the degree of occupational diversification across states. According to Chadha (1994), the various states of India stood at three levels of non-farm development, towards the end of 1980s, in terms of the percentage of rural non-farm workers. Analysis of the Census data for 1961 to 1981 indicates that the states where non-farm employment expanded were Gujarat, Haryana, Jammu and Kashmir, Karnataka, Kerala, Maharashtra and Rajasthan (Bhalla, 1993b). Analysis of the NSS data shows that the states where non-farm employment for male workers expanded fast during the 1970s and 1980s were Punjab, Haryana, Gujarat, Himachal Pradesh, Rajasthan, Kerala and Tamil Nadu. A modest expansion was witnessed in Karnataka, Maharashtra, Orissa and West Bengal (Chadha, 1997). During 1987-88 to 1993-94, the proportion of rural male workers engaged in non-farm activities witnessed a sizeable growth only in Haryana and West Bengal. In most other states, it remained constant or increased marginally.

Bhalla (1993a and 1997) computed a diversification index at the state level for 1961, 1971 and 1981. This is a more sensitive measure, which takes into account the changing composition of the non-agricultural segment as well as agriculture's and non-agriculture's shares in the total workforce. According to her, rural India experienced, over the two decades up to 1981, a deepening of workforce diversification - an increasing complexity and balance within the non-cultivating segments - rather than a significant widening of rural workforce diversification. Of the three broad sectors of the rural economy, the tertiary sector has diversified the fastest, the secondary sector next, while the primary sector has scarcely diversified at all. Within the primary sector, however, the other than cultivation segment has diversified the most, even more than the tertiary sector. Analysis of district-level data reveals the existence of three kinds of regions:

The first, concentrated in Bihar, displays symptoms of agricultural involution; the second, high farm productivity districts of Punjab and coastal Andhra Pradesh, shows increasing concentration in agriculture. The third is now a large block of highly diversified districts, clustered around industrial towns, or forming long geographical corridors, linking large urban conglomerations (Bhalla 1997). Most conspicuous of this extends from Delhi through Haryana, Rajasthan, and Gujarat all the way to the coast, viz., Ahmedabad and Surat (Bhalla, 1993b).

#### **FACTORS DETERMINING THE EXPANSION OF THE RURAL NON-FARM EMPLOYMENT IN INDIA**

The regional studies in Indian context may be classified into two types. The first are cross-sectional econometric estimates of the relationship between the level of non-farm employment and either level or growth of the independent variables. The second type tries to estimate the dynamic association between growth of non-agricultural employment and changes in various macro indicators. According to Lanjouw and Lanjouw (1995), such aggregate level estimates, using cross-sectional or pooled data, suffer from the fact that both sets of growth rates may differ across regions for many reasons, introducing bias which might swamp any relationship which exists.

Empirical researchers such as Bhalla (1981), Papola (1987, 1990), Chadha (1994), Hazell and Haggblade (1991) and so on emphasized the importance of agriculture-induced growth of the non-farm sector. Chadha (1986) documented strong relationship between agriculture and the non-farm economy using time-series data in the Indian context from Punjab, a fast-growing agricultural state. Bhalla (1981) highlighted the importance of agricultural production in Haryana for raising demand for consumer goods and agricultural inputs. It was Harris (1987) who cited a number of factors on which policy formulation regarding the agriculture-led growth of the non-farm sector had been conditioned: (i) whether growth linkages are stronger in agriculture or industry; (ii) whether consumption linkage is stronger than the production linkage; (iii) whether local linkages are stronger or weaker than the non-local; (iv) whether state governments should implement policies to strengthen local secondary benefits in regions already favoured with public sector investment in agrarian sector. Taking cue from this, a large number of researchers examined the relationship between agricultural growth and the growth of the non-farm sector. Nachane *et al.* (1989) found a strong correlation between the agricultural and non-farm growth and also argued that agriculture had strong forward as well as backward linkages with agro-based industries. Dev (1990) showed that agricultural productivity is a more important factor rather than crop production at disaggregated level. However, he also admitted that inequality in land distribution was negatively correlated with the non-farm employment. Using survey data from Tamil Nadu, Harris (1991) pointed out that agricultural development is necessary but not sufficient for the growth of the rural non-farm activities. On the basis of district level data, Hazell and Haggblade (1991) argued that growth in agricultural sector is the principal factor responsible for the growth of the non-farm activities through both production and consumption linkages. However, according to Shukla (1991, 1992), consumption linkage is more important than production linkage. On the basis of his econometric modeling of data from the state of Maharashtra, he showed that consumption linkage were twice as strong as production linkages and concluded that 'once the consumption effect had been removed, agricultural production had little impact on the growth of the non-farm sector'. Moreover, she argued that forward production linkages were stronger than the backward linkages. Papola (1994) found that the rural industrial sector as a sub-sector of RNFS had strong correlation with agricultural productivity in different states. Fisher *et al.* (1997), using the 1991 Census data, observed that in states with a healthy agricultural sector, such as Punjab, Haryana and West Bengal, over 25 per cent of the rural workers were engaged in the non-farm sector, whilst in Bihar and Madhya Pradesh (with more limited agriculture), it was only 10 per cent. Thus, they conclude: "growth in the RNF sector is clearly boosted by a thriving agricultural economy". Basant (1994) found, in his district level study on Gujarat, that the level and growth of agricultural productivity, per capita agricultural production and production of non-food crops are not significantly correlated to expansion of the rural non-farm activities. Chadha (1994) conducted an extensive micro study in 18 villages of Bihar (representing backward region), Andhra Pradesh (as agriculturally developed region with relatively low non-farm activities) and UP (representing agriculturally developed region with developed non-farm sector) and concluded that although increase in agricultural productivity promotes non-farm activities within the villages, the proportion of non-farm income increases for poorer households.

However, Vaidyanathan (1986)'s study based on data from 16 states initiated a lively debate in India on the issue of whether growth in rural non-farm employment is a consequence of distress diversification, or because it is responding to demand as the rural economy develops. Vaidyanathan found a positive correlation between the non-farm employment and unemployment rate, and postulated that the non-agricultural employment absorbed surplus labour when the potential of agricultural employment was limited, suggesting a distress-induced growth of the non-farm sector. Unni (1991), however, hypothesized that distress conditions perhaps do not lead to the growth of non-farm activity due to lack of demand for such goods in such regions. Unni pointed out that Vaidyanathan's findings were based on the NSS data, which only capture open and visible unemployment. Using the Census data for the districts of Kerala, Eapen (1995) found that land-man ratio and percentage of marginal to total land holdings were positively related to non-farm employment in 1981 and 1991. She concluded that while both demand-related and distress factors were important for growth of the non-farm employment in 1981, the distress factors and urbanization were important in 1991. According to Saith (1991), the rural poor engage in non-farm activities in the labour and product markets as part of their survival strategies.

In the context of West Bengal, the study by Chandrasekhar (1993) is widely referred as it demonstrated the absence of a clear relationship between agricultural growth and the RNFE. He described three phases of this relationship, resulting in an inverted U-shaped 'time profile' when per capita output is plotted against share of non-farm employment: (i) In the pre-green revolution phase, there is some limited local demand for products of labour-intensive manufacturing and services, and percentage of nonagricultural workers is low. (ii) As the locality enters the early green revolution phase, increased demand for agricultural labour reduces the elasticity of labour demand for RNF employment resulting in a net movement of labour into agriculture (despite increased demand for agriculture-supporting RNF activities), thus reducing further the share of the rural non-agricultural workers. (iii) As the agricultural sector matures, increased demand for more specialized goods of higher quality increases the share of RNF employment, with some of the demand met by urban-based production. Chandrasekhar argues that much of India is yet to reach the third phase, or is in the early stages, explaining low participation in RNF employment in certain regions of India. Basant (1994), however, argues that such a process cannot be necessarily generalized for the rest of India.

Another much-debated issue, in this context, was whether the process of rural diversification has been driven by the growth in the agricultural sector (justifying Mellor's linkage theory based on agriculture-led growth strategy) or it has been driven by the strong linkage effect of the urban economy. It was Eapen (2001) who examined the role of agricultural and urban linkages in the growth of rural non-farm sector in Kerala and highlighted the importance of both the factors depending on the location of rural villages relative to the location of nearby rural town.

Empirical studies also suggest some other prime movers of the non-farm economy such as rural infrastructural facilities (Hazell and Haggblade 1991, Jayraj 1994), literacy and education (Eapen, 1994; Jayraj, 1994; Samal, 1997a; Basant, 1993), urbanization (Bhalla, 1993, 1997), migration, liberalization of the domestic economy, commercialization of agriculture, rural-urban linkages, declining land to man ratio, landlessness, and so on. Unni (1998) pointed out that rural infrastructure, urbanization and government rural development schemes also play crucial role to promote the rural non-farm activities. Bhalla (1993, 1997) after analysing the district-level Census data, highlighted the importance of proximity to the urban centre. The importance of urbanization has also been emphasized in the study of Shukla (1991, 1992) in Gujarat, Jayraj (1994) in Tamil Nadu and Eapen (1995) in Kerala.

Hazell and Haggblade (1991) highlighted the importance of rural infrastructure in promoting the rural non-farm activities. Good communication can help the rural people to commute to the nearby urban centre on a regular basis for their livelihood. Further, rural products can have a better marketing channel and distribution network due to improved road connectivity (Visaria and Basant, 1994). Jayraj (1994) gave emphasis on the development of rural transport system, whereas Singh (1994) stressed on rural electrification. Expansion of areas under rural electrification can induce setting up of electricity-driven manufacturing units in rural areas. Harris (1991) pointed out that the development of rural infrastructure is one of the important preconditions for strengthening the farm-non-farm linkages. The development of infrastructure in the newly industrialized Taiwan is the evidence of this effect. However, Islam (1997) pointed out that infrastructural development in the form of better transportation and rural electrification could have a negative impact by changing the tastes and preferences of rural households towards urban products like household electrical goods by reducing the demand for rural products.

Empirical studies also identified literacy as another prime-mover. Eapen (1994) in Kerala, Basant (1993) in Gujarat, Jayraj (1994) in Tamil Nadu and Samal (1997a) in Orissa found that rural literacy rate had strong positive correlation with the non-farm activities. Higher level of schooling is found to be strongly associated

with non-farm activities, especially those such as regular salaried employment. Educational attainments not only open direct employment opportunities to high-return non-farm activities, but also contribute indirectly through 'spill-over effect' of knowledge.

Public expenditure on rural development and the different public developmental schemes also play important role to promote the rural non-farm sector. Sen (1997), Ghosh (1995) and Unni (1998) found a positive correlation between public expenditure on rural development and the non-farm activities. Case studies in Orissa (Samal, 1997b) and Kerala (Eapen, 1994) also support this view.

### NON-FARM EMPLOYMENT, POVERTY AND INEQUALITY

Another important issue that has been raised in the empirical literature in the recent times is whether rural occupational diversification, through the generation of non-farm income, can reduce rural poverty as well as inequality. On the basis of his household level survey data, Lanjouw (2001) observed that the rural non-agricultural sector had immense potential to alleviate poverty in Ecuador. Poverty declines as the share of income from non-agricultural sources rises. The non-agricultural employment and earnings are positively associated with better education and access to infrastructure. Poverty could be expected to fall substantially with expansion in the non-farm sectors of construction, transport, commerce and services. Lanjouw also analyzed a recent household survey dataset for Ecuador to assess the impact of the non-agricultural rural economy in reducing poverty. In this context, his main finding is that the greatest fall in poverty could be expected from expanding employment opportunities in transport, commerce-related activities and services such as administration and the hotel and restaurant and trade. However, most of the poor, in the developing countries, have limited access to more remunerative non-farm activities due to poor asset base, lack of skills and education. Moreover, the poor are often forced to be engaged in low-return non-farm activities in the face of income uncertainty from their traditional sources resulting in further deterioration of their poverty status arising out of some unforeseen calamities.

As regards the inequality impact of the non-farm sector, the mere reduction in the incidence and intensity of poverty does not ensure that such rural non-farm activities have equalizing effect on the rural economy. There are two conflicting points which are worth-mentioning here. According to some researchers, the expansion of the non-farm activities have an equalizing effect on rural incomes as the poor households become capable of employing their resources to a greater extent and thereby increasing their net income through their participation in the non-farm activities. On the other hand, some researchers argue that diversification towards the non-farm activities has an inequality-enhancing effect on rural income. The reason is that the richer households with better asset-base and educational status have greater access to highly remunerative non-farm activities. As the poor face entry barrier to participate in the high-return activities due to some socio-economic constraints, they are bound to be engaged in the low-return non-farm activities driven by their abject poverty. Therefore, the coexistence of high-return and low-return non-farm activities should have greater implication in the context of inequality. While Bagachwa and Stewart (1992) found that landless and poor were getting a higher percentage of their income from non-farm occupations suggesting a favourable influence from the viewpoint of poverty reduction, others like Lanjouw and Stern (1998) found that in the North Indian village of Palanpur non-agricultural employment opportunities had inequality increasing effect.

Reardon et al. (1998) identified a number of conditions for the development of the RNFE to be more equality enhancing, which include proximity to urban markets, physical and market infrastructure, resource endowments and the distribution of productive resources within rural areas. Piesse and Thirtle (2001) observed that access to markets increased the poverty reduction potential of the RNFE in Zimbabwe. Deininger and Olinte (2001), studying data from Colombia, observed that the relationship between diversification and wealth/income is a U-shaped curve. This suggests that there are two types of diversification: a low-return refuge from poverty, and a high-return innovative diversification based on high levels of asset endowment and human capital and a well-developed rural infrastructure, including access to credit markets.

### SUMMING UP

Our analysis on existing literature provides extensive ideas regarding the on-going researches on the developmental role of the RNFS and also explores the heterogeneity of the sector which helps to identify those areas of the sector which has developmental impact on all sections of the people in the developing countries. We see that the rural non-farm sector was first recognized widely during 1970s on the background of the failure of urban industrialization-led growth strategy in terms of employment generation and rural poverty alleviation.

We have also reviewed the development experience of some Asian, African and Latin American countries to facilitate our comparative developmental analysis which would help us in framing the suitable policies in Indian perspective. The success story of the TVEs in China would help us to find out the limitations and faults of the Indian policy-maker in framing the rural developmental policies. In fact, China has experienced more rapid growth of rural non-farm employment than India during the nineties as China's TVEs have become internationally competitive than India's rural non-farm enterprises. This is due to fewer price and quota protections for the non-farm sectors in China.

We have identified a large number of factors likely to be responsible for the expansion of the non-farm activities. However, it varies from time to time, region to region. Those factors are broadly classified into two categories: demand-pull and distress-push. However, while some of those factors are generated from the agricultural sector, some others are non-agricultural in nature. We also have noticed in our literature survey a 'vicious cycle' operating on the rural manufacturing sector. Lack of education, together with lack of technical skills, provides little incentive for rural firms to invest in technology, leading to low level of labour productivity in the rural manufacturing sector. Thus, a high level of illiteracy in rural India seems to have hampered the growth of the modern rural non-farm sector.

It has been observed that most of the existing studies have concentrated on analyzing the causes for the growth of the non-farm sector at an aggregate or regional (state/ district) level. The causal factors identified are, therefore, factors emanating either from the agricultural sector or outside it at the regional level, such as levels and growth of various indicators. Moreover, such studies tend to treat the non-farm sector as a homogeneous group of economic activities which are all affected similarly (positively or negatively) by any one factor. Some attempts to disaggregate this by regions (i.e., developed and backward) and by industry groups have been made. However, within such disaggregation, the non-farm sector is treated as homogeneous. The non-farm sector, however, consists of a heterogeneous set of activities which are best classified in terms of capital use, productivity and production relations rather than product categories. The rural non-farm manufacturing activities range from household and village production on a very small scale, producing very simple, low-quality products, to small modern factories using mechanical horsepower, sometimes using imported technology, and producing modern higher quality products.

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## THE STUDY OF CLASSICAL ECONOMISTS' HYPOTHESIS ON THE RELATIONSHIP BETWEEN THE RENT AND THE PRODUCT PRICE

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### ABSTRACT

*This paper investigates the short- and long-run causality relationships between rent and the product price. The main goal of this paper is to examine the classical economists' hypothesis concerning the idea that an increase in the product price leads to an increase in the rent and not vice versa. In order to consider this hypothesis in Iran, we have used the time-series data covering the period 1971-2008 for rent (net income) and the wheat price. After the necessary examinations such as unit root, co-integration, and Granger-causality tests were carried out, we came to the conclusion that the rent and the wheat price have short and long-run bidirectional causality relationship, and then the classical economists' hypothesis is to be rejected.*

### KEYWORDS

Rent, wheat price, causality test, co-integration.

### INTRODUCTION

In terms of national accounts, Iran's economy is divided into four categories: Mine and Industry, Agriculture, Oil and the Services, i.e. we can say that Agriculture is one of the main categories of economy in Iran. Among the agricultural products, wheat is a strategic one and self-sufficiency of Iran in yielding the wheat it needs is one of the most important aims followed by Iranian government. Like any other product, the main goal of any producer is to gain the profit maximum (or net income). The net income in classical economics is the rent of the land or the proprietary interest and it generally has a relationship with the product price since the product price is included in the gross income ( $TR=p \cdot q$ ). The rent is the result of the high income obtained from the high-quality land in comparison with the low-quality one (Ricardo 1817). Marxists accept the rent and consider it as the excess value of the production in agriculture which is divided between the landlord and tenant. Since Marx was sensitive to the relationship between the laborer and the proprietor, he considered it as the factor which leads to waste and the lack of land efficiency. On the other hand, the classical economists believe that an increase in prices is the cause of the rent and not vice versa. Therefore, this article tries to answer the question whether an increase in the product price is the cause of rent according to the classical economists' hypothesis.

A lot of examinations have been conducted in the field of causality relationship between the economic variables such as the causality relationship between GDP and the money growth or GDP and energy, etc. Here, we study this relationship between wheat price and rent. A lot of studies have been done on rent. Burger (1998) has considered the effect of land privatization on the rent of land and the prices in Hungary and has shown that high demand for the lands increases the rent of the land. Tratnik, Franic, Srzrnjak, Basic (2008) have considered the regionalization of the agricultural economics according to the concept of differential rent of the land for the wheat. Dekle and Eaton (1999) have used the data related to wage and rent in Japan in order to estimate the greatness of agglomeration effect in industry and in financial services. Kahn and Reback (1995) have used the local wages and the rent of land in order to estimate the local welfare in the United States.

This article includes the following parts in order to consider the causality relationship: 1. The theoretical basics, 2. Methodology, 3. Data and results, 4. Conclusion.

### 1. RICARDIAN RENT AND HOTELLING RENT

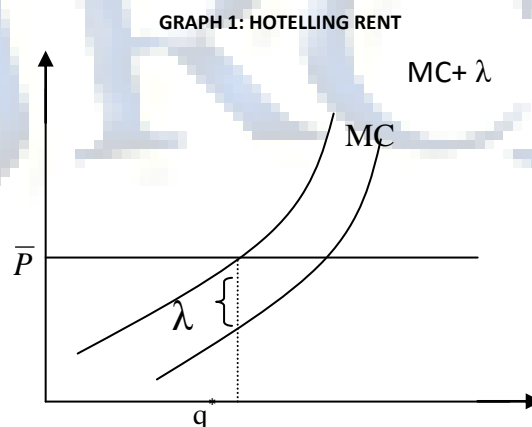
In a classification, the rent of the natural resources can be classified under two categories: Ricardian rent and Hotelling rent.

#### HOTELLING RENT (SCARCITY RENT)

This kind of rent is also known as the opportunity cost, the shadow price and the imputed price. If we extract and consume a non-renewable natural resource such as oil or iron, this oil and iron will not have any value for us in the next period; therefore, the extraction of these resources in one period means to ignore their consumption in the future. The extraction of one unit of non-renewable natural resource, other than the extraction cost entails other costs called user cost or opportunity cost. This kind of cost is called the scarcity rent or Hotelling rent. This type of rent indicates the scarcity nature of the resources and shows the scarcity value of the resources resulted from their present consumption (Ahmadian 1991).

$$P = MC + \lambda \Rightarrow \lambda = P - MC$$

$\lambda$  is the scarcity rent. If  $\lambda = 0$ , we reach the complete competition conditions in the production firm.



#### RICARDIAN RENT (DIFFERENTIAL RENT)

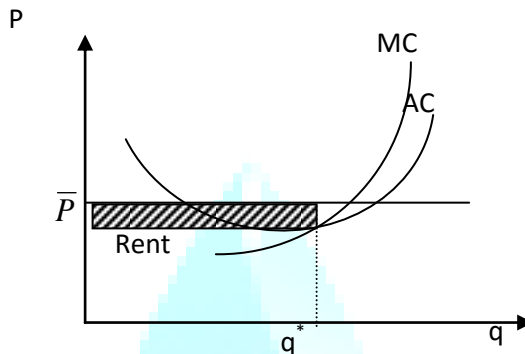
The rent is the net income of the land in the firm of complete competition. If a surplus value remains after the payment of the production factors' shares and the opportunity cost, it is the Ricardian rent or differential rent. This extra amount results from the fertility value of the land. Ricardo expresses that more fertile



lands have more economic profit, as compared with undesirable ones, because of less costs, i.e. the difference between the fertility is achieved by application of equal amounts of labor and capital in the heterogeneous lands. This rent results from the quality of the resource.

The difference between the price and the average cost is called the differential rent ( $R=P-AC$ ). Therefore, the product price and the production cost are the factors effective on rent. Generally, according to the classical economists' hypothesis an increase in the product price is the cause of rent and not otherwise. So, this article intends to estimate the causality relationship between the rent and the price of the product.

GRAPH 2: RICARDIAN RENT



**2. METHODOLOGY**

In order to test the causality relationship between the rent and the product price we use Granger causality test. But before this test, the stationarity, co-integration and the structural break should be taken into consideration.

**STATIONARITY**

In order to perform Granger test, the time series variables should be stationary because the application of the non-stationary data leads us to a spurious regression. One of the applied tests for considering stationarity is the unit root test. Equation (1) is a first-order autoregressive equation. If the coefficient of  $y_{t-1}$  is equal to 1, we face the problem of unit root. In the time series variables if  $\rho = 1$ , the concerned variable will be non-stationary (Gujarati 1995).

$$Y_t = \rho Y_{t-1} + u^t \quad (1)$$

Equation (2) which is a model of Augmented Dickey Fuller can be used in unit root test.

$$\Delta y_t = \beta_1 + \delta y_{t-1} + \sum_{i=1}^m \alpha_i \Delta y_{t-i} + \varepsilon_t \quad (2)$$

**CO-INTEGRATION**

Upon confirmation of stationarity, the long-run relationship or Co-integration of the two variables of price and rent should be studied. Engle and Granger (1987) proved that if  $y$  and  $x$  are non-stationary but are  $I(1)$ , the linear combination of these two variables might be stationary:  $Z = x - by$ . If the linear combination of  $x$  and  $y$  is integrated with  $I(0)$ , then  $x$  and  $y$  would be co-integrated, too. Johansen and Juselius (1990) explain a vector autoregressive model with Gauss errors as follow:

$$Y_t = A_1 Y_{t-1} + A_2 Y_{t-2} + \dots + A_k Y_{t-k} + \mu_t \varepsilon_t \quad (t = 1, 2, \dots, T) \quad (3)$$

where  $y_t$  indicates the product price and rent.

**CAUSALITY TEST**

In 1969, Granger studied the concept of causality: Granger causality test assumes that the information relevant to the prediction of respective variables,  $y_t$  and  $x_t$ , is contained solely in the time series data on these variables (Gujarati 1995). If  $y_t$  and  $x_t$  are stationary, we will have a VAR (P) model as follows:

$$\begin{bmatrix} X_t \\ Y_t \end{bmatrix} = \begin{bmatrix} \alpha_0 \\ \beta_0 \end{bmatrix} + \begin{bmatrix} \alpha_1^1 & \beta_1^1 \\ \alpha_1^2 & \beta_1^2 \end{bmatrix} \begin{bmatrix} X_{t-1} \\ Y_{t-1} \end{bmatrix} + \begin{bmatrix} \alpha_2^1 & \beta_2^1 \\ \alpha_2^2 & \beta_2^2 \end{bmatrix} \begin{bmatrix} X_{t-2} \\ Y_{t-2} \end{bmatrix} + \dots + \begin{bmatrix} \alpha_p^1 & \beta_p^1 \\ \alpha_p^2 & \beta_p^2 \end{bmatrix} \begin{bmatrix} X_{t-p} \\ Y_{t-p} \end{bmatrix} + \begin{bmatrix} \varepsilon_{1t} \\ \varepsilon_{2t} \end{bmatrix} \quad (4)$$

If the hypothesis  $H_0$  under  $\beta_1^1 = \beta_2^1 = \beta_p^1 = 0$  is not rejected,  $y_t$  is not the cause of  $x_t$ .

If the hypothesis  $H_0$  under  $\alpha_1^2 = \alpha_2^2 = \alpha_p^2 = 0$  is not rejected,  $x_t$  is not the cause of  $y_t$ .

If we accept that  $x_t$  is the cause of  $y_t$  and  $y_t$  is the cause of  $x_t$ , we are discussing about feedback effect.

If there is a long-run relationship between two variables, we use Granger causality under ECM instead of standard Granger which indicates the long- and short-run causality relationship between Rent and Price with ECT.

**3. DATA AND RESULTS**

**DATA**

In order to consider the relationship between the wheat price and the wheat rent, i.e. the classical economists' hypothesis test in Iran, the time series data from 1971 to 2008 have been used. The data being used were annual time series. We have used the wheat price logarithm (P) for price variable and the wheat net income logarithm (R) for rent variable during the said period. The statistical resources are the website of the ministry of agricultural Jihad and the statistical calendar of different years.

**EMPIRICAL EVIDENCE**

In order to avoid the spurious regression before the Granger causality and the co-integration tests, we consider the series stationary. The Augmented Dicky Fuller and Phillips Perron test results for stationarity at the levels and the first differences have been shown in table (1). Regarding both tests, R and P variables are stationary at the first differences but not at levels. Since both of the variables are stationary, the spurious regression problem is removed. (Granger and Newblad 1974)

TABLE (1): RESULTS OF PHILLIPS PERRON (PP) AND DICKY FULLER UNIT ROOT TESTS

Variables	DFA values	PP values	
	Level	Level	
	<sup>b</sup>	-1.2[6]	P
	<sup>b</sup>	-2.12[4]	R
	<u>First differences</u>	<u>First differences</u>	
D(P)	-3.564[6] <sup>a</sup>	4.162[2] <sup>a</sup>	2.43[3]
D(R)	3.962[6] <sup>a</sup>	-1.799[3] <sup>a</sup>	-2.14 [3]

Note: the numbers inside the brackets are the optimum lag lengths determined using Akaike's information criterion.

<sup>a</sup> represents the rejection of the null hypothesis at 5% level of significance. <sup>b</sup> represents the non rejection of the of the null hypothesis at 10% level of significance.

Sometimes, lack of a unit root is due to structural break. According to this fact, the CUSUM test has been used to test the parameters' stability. As it is indicated by Graph 3, the parameters are stable in pattern. The null hypothesis is that the coefficients are the same in every period, i.e. there is no structural break. Graph 3 shows that the null hypothesis of absence of structural break cannot be rejected at 5% level of significance. Therefore, the models are stable over time. It means that using Granger-causality tests based on the ECMs described in the equations does not suffer from any problem caused by a structural break.

To determine the co-integration, the optimum lag length in VAR model have been determined using Akaiko Information Criterion (AIC) and Schwarz Bayesian Criterion (SBC) both of which determine the optimum lag length to be 5.

GRAPH 3: CUSUM

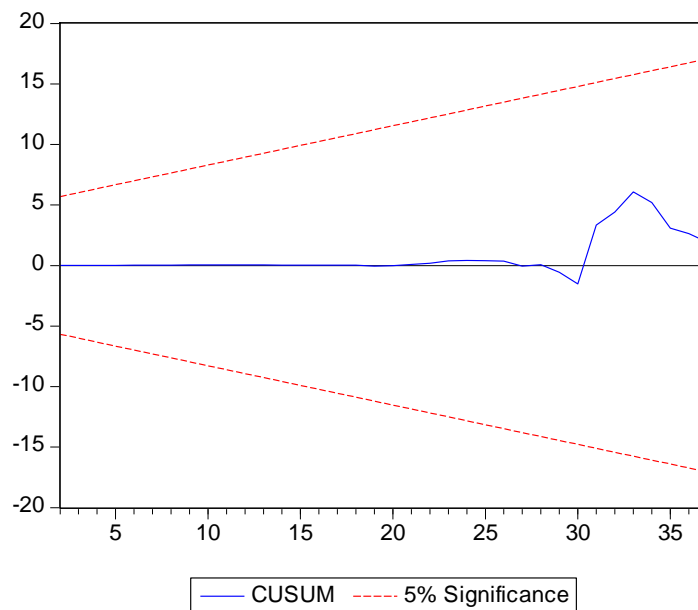


TABLE 2: RESULTS OF JOHANSEN CO-INTEGRATION TESTS

	Max-Eigen Statistic	Trace Statistic
The number of co-integrating equation is zero (R=0)	46.917 (12.320)	47.787 (12.320)
The number of co-integrating equation is at most one (R≤1)	0.869 (4.129)	0.869 (4.129)

The numbers written inside parentheses are the critical values at 5% level

According to the results of Johansen test, it can be concluded that the two variables are co-integrated and a long-run relationship is established between them. When the variables are co-integrated in the first differences, there is a long run relationship between the variables. The table 1 show that the variables are stationary in the first differences and Johansen Co-integration indicate that there is minimum one co-integrated vector because statistic values in the null hypotheses r=0 are greater than critical values. The null hypothesis for co-integration is: there is any co-integrated equation.

**GRANGER CAUSALITY TEST**

Due to the long-run relationship between rent and price of wheat, Granger causality model can be used in ECM. The results have been presented in table 3.

TABLE 3: RESULTS OF CAUSALITY TESTS BASED ON THE ERROR CORRECTION MODEL

Null hypotheses	Source of Causation	
	Short-run	Long-run
	ΔR ΔP	ECT
R does not Granger Cause P	2.841 <sup>a</sup> (0.041) .... - 0.00072 <sup>a</sup> [-7.370]	T-statistics
P does not Granger Cause R	.... 9.036 <sup>a</sup> (0.0001) - 2.321 <sup>a</sup> [-2.536]	

<sup>a</sup> denotes the rejection of the null hypotheses at 5% level of significance.

The numbers inside parentheses are P-values and those inside brackets are t statistic.

As stated above, if the series of two variables are non- stationary and the linear combination of these two variables is stationary, then the error-correction modeling rather than the standard Granger-causality test should be employed. Therefore, an ECM was set up to investigate both short-run and long-run causality. In the ECM, first-difference of each endogenous variable (R and P) was regressed on a period lag of the co-integrating equation and lagged first-differences of all the endogenous variables in the system, as shown in causality equation.

For Granger test, 5% significance level has been used. A short-run causality relationship from wheat rent to wheat price and a short-run causality relationship from wheat price to white rent have been observed. It means that there is a bidirectional causality relationship between P and R. The coefficients of the ECT are found to be significant in two equations. ECT coefficient is significant for both variables and indicates that a bidirectional relationship is established between P and R in long run, too.

As it can be observed, the classical economists' hypothesis in regard to the relationship between rent and wheat is rejected at least in Iran. It indicates that in Iran, increase of wheat price would increase the rent, and the increase of rent, also, would be followed by increase of wheat price.

#### 4. CONCLUDING REMARKS

The aim of this research is to consider the classical economists' hypothesis on the causality relationship between the rent and the price of wheat product; i.e. to examine whether the rent is the effect of an increase in the product price. This study has been carried out on time series from 1971 to 2008 for Iran. For this purpose, firstly we considered the stationarity of the data and came to the conclusion that the variables were stationary and we could say there has been no spurious-regression problem. Regarding the Johansen test, the long-run relationship between these two variables is proved and as a result the Granger causality based on ECM is preferred to the standard Granger causality.

The results of these studies indicate that in long- and short-run there is a bidirectional causality relationship between the wheat rent and the wheat price in Iran; i.e. a feedback effect. Therefore, the higher the wheat price is, the higher the rent will be; also, the higher the rent is, the higher the price will be. We can say that the classical economists' hypothesis asserting the causality relationship from the product price to the rent in a short-run relationship, and the long-run is rejected at least for the wheat product in Iran.

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## ROLE OF FOREIGN BANKS IN CONSUMER SATISFACTION: A STUDY

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### ABSTRACT

*It is increasingly being recognized that the competition in Indian banking industry is going to be intense day by day. To beat one another, service providers launches new kind of technological application into banking services each day. In this situation, expectations rise and customers become more inclined towards the quality of service aspects. Thus, it is now clear that it is the service quality that differentiates the best banking, in the days to come, out of the average one. This research adopted a survey questionnaire based on the amended Banking Service Quality Scale. It included five service quality dimensions, broken down into 28 statements, for capturing the wide range of services offered by the foreign sector banks. The research findings show that there are significant differences in the foreign banking sectors in terms of customer perceptions of service quality and the degree of importance attached to various dimensions of service quality.*

### KEYWORDS

Service quality, foreign banking sector, customer satisfaction.

### 1.1 INTRODUCTION

Global banking scenario is currently undergoing radical transformation owing to the changes in the political, economical and structural atmosphere of most of the countries in the world, and Indian Banking industry is no exception to the ongoing trend.

Level of customer satisfaction is now becoming the major target of banks to increase their market share. Non-price factors become more important, so far. Every Bank is trying hard to achieve this and want to associate their customers for the long term duration.

Apart from the above, the entry of information technology into the banking industry has created a revolution in this sector. Now, many banks have introduced new customer friendly measures like 24x7 banking, anywhere banking, internet banking, extended business hours, ATM network, etc to increase their market share. In this way, technological applications are gaining importance in the banking operation day by day with a view to lure the customers. And, thus customers are finding very difficult to make a choice among the various service providers to run their business, in today's competition.

The Banking sector being a service-oriented industry has to sustain on the ground of quality of customer service. The efficient and effective customer service will hold the existing customers and attract new customers to try the services being offered by a bank. At the same place, if customers perceive quality as unsatisfactory, they may be quit to take their businesses elsewhere. Therefore, it is desirable for banks to develop a customer-oriented approach for enlarging their growth and profits. Hence, this study is undertaken to analyze the customer perceptions of service quality and the level of satisfaction attached to various dimensions of service quality of the Indian foreign Sector banks.

### 1.2 REVIEW OF LITERATURE

Extensive research work has been done on customer satisfaction in the banking industry. **Biswa N Bhattacharyay (1990)**, in his study "Is Customer Service Deteriorating in the Indian Banking Industry?" tried to establish empirically, that customer orientation of the banking industry has not deteriorated in the post nationalization era. **Kangis, Peter, & Voukelatos, Vassilis (1997)**, in their study on "Private and public banks: a comparison of customer expectations and perception with reference to Greece" found that the quality expectation and evaluation of services received from the private banks were marginally higher in comparison to public sector banks, in most of the dimensions measured. **Gani and Bhatt (2003)**, in his study on "Comparative Study of commercial banks" studied service quality of commercial banks with a view to make it better. The result concludes that the service quality of foreign banks is much better than that of Indian banks therefore Indian banks needs heavy investment in tangibility dimension to improve the quality of service. In this regard, a separate study about the performance of foreign banks operating in India becomes indispensable. Hence, the present study undertaken.

### 1.3 OBJECTIVES OF THE STUDY

The present research aims at analyzing the level of awareness and satisfaction in the foreign sector banks operating in India.

**The broad objectives of the study are as follows:**

1. To understand the dimensions of the awareness and satisfaction level of customers with regards to the services provided by foreign sector banks in India.
2. To analyze the dimensions of the awareness and satisfaction level of customers with regards to the services provided by foreign sector banks in India.
3. To make recommendations to enhance customer satisfaction in the banking industry in general.

### 1.4 METHODOLOGY

This study has been conducted in New Delhi, as it being the national capital and Mumbai, as being the business centre of the country. Both of these cities witness the latest changes in the banking services and have almost all the present day consumer banking service dimensions which satisfy the customers. Moreover, both the place is also representative of people belonging to various demographic profile of urban life relevant to modern consumer banking services. A convenience sampling of roughly 136 dispersed banking customers within the six selected banks branches of the two private sectors bank of India namely HSBC Bank and Standard Chartered Bank from the above mentioned two cities was considered for the study purpose. The unit of observation and analysis of this study is the individual banking customer. The definition of banking customer is "an individual who has had (during the study period) bank account in anyone of the above public sector banks.

A well structured questionnaire was prepared for this study. The scale used for measuring the perceived service quality and satisfaction is SERVEQUAL. The questionnaire was divided into three sections. Section A was designed to obtain demographic information about customers, Section B had 28 questions which were intended to analyze the awareness and satisfaction of the customers contacted for this study. In section B, the questions were on the basis of Likert's five point scale. The analysis of questionnaires has been carried out by using the statistical package SPSS 17.0 for windows. Factor analysis has been used for the data analysis purpose.

### 1.5 RESULT & DISCUSSION

Results of the reliability tests (Table 1) resulted in an overall Cronbach alpha value 0.969 which is much higher than the benchmark (Cronbach alpha > 0.70 as suggested by Nunnally (1978) that confirms the items included in the interval scale is considered fully reliable and internally consistent. The result of Kaiser-Meyer-Olkin measure of sampling adequacy (KMO) and Bartlett's Test of Sphericity depicts that both the KMO and Bartlett's Test of Sphericity are adequate to conduct Principal Component Analysis. The KMO is 0.839 while the level of significance of Bartlett's Test of Sphericity is also 0.000.

TABLE 1: VARIOUS TEST STATISTICS

Cronbach's Alpha		.969
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.839
Bartlett's Test of Sphericity	Approx. Chi-Square	4994.933
	Df	378
	Sig.	.000
No. of Items		28

1.5.1 PRINCIPAL COMPONENT ANALYSIS

To verify the existence of different dimensions proposed by the SERVQUAL model in the data, the principal component analysis is used to reduce 28 variables. Accordingly, a clear factor structure appeared as a result of the factor analysis (PCA) which identified four factors extracted and they accounted for 77.537 per cent of the variance across the sample (Table 2).

TABLE 2: ROTATION SUMS OF SQUARED LOADINGS

Factors	Eigen values	% of Variance	Cumulative Variance %
1	17.092	61.043	61.043
2	2.122	7.577	68.621
3	1.487	5.309	73.930
4	1.010	3.607	77.537

Extraction Method: Principal Component Analysis

These four factors are similar to the ones existing in the SERVQUAL scale but with different importance attached (table 2) as follows:

1. The first factor extraction is Awareness regarding Modern and Value Added Services. This consisted of twenty one items which accounted for 61.043 per cent of the total variance in the perceived service quality dimensions.
2. The second factor identified from the principal component analysis is Satisfaction regarding Competitive fees and Interest Rates. This included two items which accounted for 7.577 per cent of the total variance.
3. The third factor extraction is Satisfaction regarding Accessible officers and convenient operating hour's. It consisted of two items accounted for 5.309 per cent of the total variance.
4. The fourth factor is Satisfaction regarding Approachable distance with one item included, and it accounted for 3.607 per cent of the total variance.

All four factors extracted showed Eigen value above 1. The Initial Eigen values of the four factors are 17.092, 2.122, 1.487 and 1.010 respectively. According to Garson (2005), the factor that has low Eigen value (less than 1.0) is contributing little to the explanation of variances in the variables and may be ignored as redundant compared to important factors. Therefore, only four out of the twenty Eight factors were actually extracted in this analysis. As mentioned above that four factors extractions represent a total of 77.537 per cent of the twenty Eight items which confirmed the scale representation of all service quality-related items found within the scale.

TABLE 3: IDENTIFICATION OF AWARENESS AND SATISFACTION RELATED FACTORS

Factor Name	Variables	Factor Loadings
<b>Factor 1</b> Awareness regarding Modern and Value-Added Services	My bank has modern equipment and tools	.853
	My bank has cash counting machines	.847
	My bank offers credit card facilities	.811
	My bank offers internet banking service	.891
	Accurate and timely updating of pass books take place	.805
	There is clarity in statements and billings	.864
	My bank provide error free services	.817
	I feel safe in my transaction with the bank	.862
	My bank introduces new services	.809
	My bank readily attends to my needs	.841
	My grievances are redressed immediately	.772
	Lost/damaged cards/pass books get replaced on time	.701
	My banks accords equal treatment to all customers	.866
	Bank staff understand my specific needs	.773
	Bank fulfils its promises within the stipulated time	.892
	Bank's staff have the knowledge to answer all my questions	.904
	Services helped make cordial banker customer relationship	.798
Procedural formalities for opening an account and availing other services are prompt	.830	
The physical facilities are very appealing and pleasant	.895	
The waiting area is very comfortable	.892	
My bank has enough parking facilities	.777	
<b>Factor 2</b> Satisfaction regarding Competitive fees and Interest Rates	My banker's Charges and fees are competitive	.755
	Interest rates are cheaper	.841
<b>Factor 3</b> Satisfaction regarding Accessible officers and Convenient operating hour's	My banker answers queries made over telephone	.424
	My bankers operating hour's is convenient to me	.326
<b>Factor 4</b> Satisfaction regarding Approachable distance	Distance to the branch premises from my place is approachable	.706

Extraction Method: Principal Component Analysis 4 components extracted.

The above table 3 therefore, supports the view that the twenty Eight items are related to the four factors extracted.

1.5.2 THE LEVEL OF SATISFACTION AND THE SERVICES PROVIDED BY THE FOREIGN SECTOR BANK

The customer's attitudes towards the service quality offered by foreign sector banks were used to assess the level of service quality. On these grounds, descriptive statistics were used to assess the level of service quality as perceived by the customers. Mean measures were used in this research to identify the levels of satisfaction observed by the customers from all four factor of service quality dimensions.



TABLE 4: COMPARATIVE ANALYSIS OF THE FOUR FACTORS OF SERVICE QUALITY OF FOREIGN SECTOR BANKS

Factors	Mean Score
Factor 1 : Awareness regarding Modern and Value-Added Services	0.835
Factor 2 : Satisfaction regarding Competitive fees and Interest Rates	0.798
Factor 4 : Satisfaction regarding Approachable distance	0.700
Factor 3 : Satisfaction regarding Accessible officers and Convenient operating hour's	0.375

The above data (Table 4) Clearly shows that the level of satisfaction from the Factor one (Awareness regarding Modern and Value Added Services), factor two (Satisfaction regarding Competitive fees and Interest Rates) and Factor four (Satisfaction regarding Approachable distance dimension for Customers) of foreign sector bank is high while in factor three (Satisfaction regarding Accessible officers and Convenient operating hour's) foreign sector bank scored low. Thus, foreign sector bank should focus on this issue by modifying the operating hour's convenient and making their officers accessible to the customers.

Therefore, it can be stated that within the creative management of the construct of service quality, managers of the respective banks may contribute to the achievement of both external marketing goals and internal bank goals, as improving the level of service quality provided to the customers may help to benefit the banks, in terms of customer satisfaction, customer loyalty and then profitability.

## 1.6 CONCLUSION

It is increasingly being recognized that the competition in Indian banking industry is going to be intense day by day. To beat one another, service providers launches new kind of technological application into banking services each day. In this situation, expectations rise and customers become more inclined towards the quality of service aspects. Thus, it is now clear that it is the service quality that differentiates the best banking, in the days to come, out of the average one. This research adopted a survey questionnaire based on the amended Banking Service Quality Scale. It included five service quality dimensions, broken down into 28 statements, for capturing the wide range of services offered by the foreign sector banks. The research findings show that there are significant differences in the foreign banking sectors in terms of customer perceptions of service quality and the degree of importance attached to various dimensions of service quality.

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## AN ANALYTICAL STUDY ABOUT FDI IN INDIAN RAILWAYS

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**ABSTRACT**

Foreign Direct Investment (FDI) is considered to be the lifeblood of economic development especially for the developing and underdeveloped countries. India looks all set to throw open its doors to foreign investors in railway infrastructure and partially in operations, as the nation seeks to help improve the creaky transportation facility. The department of industrial policy & promotion (DIPP) has circulated the final proposal on FDI in railways for the Union Cabinet's consideration, which is aimed at attracting overseas funds for modernization and expansion of the sector that faces a cash crunch. Currently, there is a complete ban on FDI in the railway sector, except for mass rapid transport systems. According to the proposal, foreign investment will be allowed in all public-private partnership (PPP) projects and in infrastructure such as signaling, high-speed tracks, electrification, dedicated freight corridors and suburban networks. Investments are needed to improve India's railway tracks, rolling stock and delivery times. Indian Railway is lagging behind other developing nations in overcoming capacity constraints, and keeping pace with technological improvements. The FDI in railway sector will have a positive impact in terms of creation of new lines and capacity. This will help in achieving better road versus rail ratio for freight movement, thereby reducing logistics cost for the industry, especially for commodity players. The present study aims at throwing light on the following issues namely to bring about the need for FDI in Indian Railways, to analyse the performance of FDI in other sectors of economy, to evaluate the implications of allowing FDI in railway sector.

**KEYWORDS**

FDI, Sectoral Analysis, FDI Inflow, Development, Infrastructure, Indian Railways.

**INTRODUCTION**

Foreign Direct Investment (FDI) is a fund flow between the countries in the form of inflow or outflow by which one can gain some benefit from their investment whereas another can exploit the opportunity to enhance the productivity and find out better position through performance. The effectiveness and efficiency depends upon the investors perception, if investment with the purpose of long-term then it contributes positively towards economy on the other hand if it is for short-term purpose of making profit then it may be less significant. Depending on the industry sector and type of business, a FDI may be an attractive and viable option. Any decision on investing is thus a combination of an assessment of internal resources, competitiveness, and market analysis and market expectations. The FDI may also affect due to the government trade barriers and policies for the foreign investments and leads to less or more effective towards contribution in economy as well as GDP of the economy. FDI up to 100% is allowed on the automatic route in most sectors/activities, subject to applicable laws/ regulations; security and other conditionality's. FDI is prohibited in Lottery Business including Government/private lottery, online lotteries, etc.; Gambling and betting including casinos etc.; chit funds; Nidhi company; trading in Transferable Development Rights(TDRs); Real Estate Business or Construction of Farm Houses; Manufacturing of Cigars, cheroots, Cigarillos and cigarettes, of tobacco or of tobacco substitutes; activities/sectors not open to private sector investment e.g. Atomic Energy and Railway Transport (other than Mass Rapid Transport Systems)The studies try to find out the implications of FDI in one of the sectors namely Indian Railways which has not witnessed the light of FDI so far which affect the economic scenario.

Foreign Direct Investment (FDI) is considered to be the lifeblood of economic development especially for the developing and underdeveloped countries. FDI is a tool for jump-starting economic growth through its strengthening of domestic capital, productivity and employment through the upgrading of technology, skills and managerial capabilities in various sectors of the economy. The present paper attempts to analyze significance of the FDI Inflows in various Indian sectors from 2006-2013. The Sector-wise Analysis of FDI Inflow in India reveals that maximum FDI has taken place in the service sector including the telecommunication, information technology, travel and many others. The service sector is followed by the manufacturing sector in terms of FDI.

**CONTEXTUAL BACKGROUND**

After independence in India 1947, FDI gained attention of the policy makers for acquiring advanced technology and to mobilize foreign exchange resources. In order to boost the FDI inflows in the country Indian government allowed frequent equity participation to foreign enterprises apart from providing many incentives such as tax concessions, simplification of licensing procedures and de-reserving some industries like drugs, fertilizers, aluminium, etc. But due to significant outflow of foreign reserve in the form of remittances of dividends, profits, royalties, etc., in 1973 government of India set up Foreign Investment Board and enacted Foreign Exchange Regulation Act in order to regulate flow of FDI to India. Further Government of India set up Foreign Investment Promotion Board (FIPB) for processing of FDI proposals in India. The Board is the apex inter-ministerial body of the Central Government that deals with proposals relating to FDI into India for projects or sectors that do not qualify for automatic approval by the Reserve Bank of India (RBI) or are outside the parameters of the existing FDI policy. Foreign Direct Investment in Indian Railways was thought about from many years but initiatives to allow FDI in the discussed sector has not gained any momentum.

**PRESENT SCENARIO**

When the bill for free foreign participation up to 49% in aviation sector was passed in September 2012 at the parliament session of India, it became a topic of debate with roaring objections from the opposition parties to obstruct any further FDI reforms. However the leading congress party won the retail FDI battle on 5 December 2012 with 253 votes, where PM Manmohan Singh quoted, "The policy will introduce new technology and investment in marketing agricultural produce and will create revenue model for farmers." The present ceilings on investment in various sectors are: Hotel and tourism - 100% (AR)\*, Private sector NBFC's - 49% (AR), Insurance - 49% (AR), Telecommunications - 49% (AR), Trading business - 51% (AR), Power and electricity - 100% (AR), Drugs and pharmaceuticals - 100%(AR), Roads and transport - 100% (AR), Pollution control and management - 100% (AR), Call centres and BPO - 100% (AR), Pension industry -26 % (AR), Commodity exchange - 26% FDI and 23% FII, Mining (titanium) - 100%, etc to mention a few. An observation in this context is that Indian Railways have not been included in this FDI bracket.

**MODES OF FDI**

A foreign company planning to set up business operations in India may:

- Incorporate a company under the Companies Act, 1956, as a Joint Venture or a Wholly Owned Subsidiary.
- Set up a Liaison Office / Representative Office or a Project Office or a Branch Office of the foreign company which can undertake activities permitted under the Foreign Exchange Management (Establishment in India of Branch Office or Other Place of Business) Regulations, 2000.

**RESEARCH METHODOLOGY****OBJECTIVES**

- To bring about the relevance of FDI in Indian Railways.
- To analyse the performance of FDI in other sectors of economy.
- To evaluate the implications of allowing FDI in Indian railway sector.

**TYPE OF STUDY**

Conceptual study

**DATA COLLECTION**

This study is based on secondary data. The required data have been collected from various sources, i.e., World Investment Reports, Asian Development Bank's Reports, various Bulletins of Reserve Bank of India, publications from Ministry of Commerce, Govt. of India, Economic and Social Survey of Asia and the Pacific, United Nations, Asian Development Outlook, Statistical Reports on Indian Railways.

**IMPLICATION OF FDI INITIATIVES IN INDIAN RAILWAY SECTOR**

With the government planning to allow 100 percent foreign direct investment in several areas of Indian Railways, the cash-strapped behemoth could well be on the track to reforms. With the recent initiative by the Cabinet for FDI liberalisation in the Indian Railway sector would help in modernisation and expansion of railway projects. It will give boost to infrastructure development and generate jobs. It is to be noted that the growth of the sector relies heavily on capital investment. Opening gates to FDI will provide necessary impetus to the sector and encourage private participation. Another point of deliberation would be the development of Dedicated Freight Corridor has a direct positive influence on the creation of more industrial corridors. Importantly, it will also help railways add capacity and help flourish business.

A Hindrance that has to be dealt with is that India has a huge array of ageing locomotives: Indian Railways has been trying to work through new loco manufacturing projects by attracting FDI through a PPP model. However, these projects have not seen the light of the day causing capacity and network velocity constraints. There is an immediate need to improve the railway infrastructure and FDI will only help in speeding up the process. Once the issue of infrastructure is tackled it immediately has a direct impact on operations and safety. Fast decisions on implementation of projects would also help in improving operations and safety standards.

Despite public-private partnership projects announced in several rail budgets, the investment since 2000 has been merely Rs 3,000 crore, of which less than 10 per cent has come from private firms. Rail transport is a broad term encompassing rolling stock, the rail network and operations. Once replaced by railway operations, the other areas will be out of their current restrictions. Private companies, including foreign ones, were allowed to invest in railway infrastructure and connectivity projects after approval from Cabinet.

**TABLE NO. 1.1: FDI INFLOW FOR THE PERIOD 2012-2015 [Amount in Rs. crores (US\$ in million)]**

Sr. No.	Sector	2012-13 ( April -March)	2013-14 (April- March)	2014-15 (April-May, 2014)	Cumulative Inflows (April '00 - May '14)	% age to total Inflows (In terms of US\$)
1.	SERVICES SECTOR	26,306 (4,833)	13,294 (2,225)	3,445 (574)	189,015 (40,034)	18 %
2.	CONSTRUCTION DEVELOPMENT:	7,248 (1,332)	7,508 (1,226)	1,317 (221)	109,874 (23,527)	11 %
3.	TELECOMMUNICATIONS	1,654 (304)	7,987 (1,307)	8,966 (1,512)	75,685 (15,675)	7 %
4.	COMPUTER SOFTWARE & HARDWARE	2,656 (486)	6,896 (1,126)	668 (112)	60,339 (12,929)	6 %
5.	DRUGS & PHARMACEUTICALS	6,011 (1,123)	7,191 (1,279)	4,031 (680)	60,101 (12,277)	6 %
6.	AUTOMOBILE INDUSTRY	8,384 (1,537)	9,027 (1,517)	436 (73)	48,632 (9,885)	4 %
7.	CHEMICALS (OTHER THAN FERTILIZERS)	1,596 (292)	4,738 (878)	563 (94)	45,797 (9,762)	4 %
8.	POWER	2,923 (536)	6,519 (1,066)	876 (147)	43,531 (9,047)	4 %
9.	METALLURGICAL INDUSTRIES	7,878 (1,466)	3,436 (568)	690 (115)	38,940 (8,190)	4 %
10	HOTEL & TOURISM	17,777 (3,259)	2,949 (486)	1,378 (230)	37,587 (7,348)	3 %

Even as the government is looking to increase the foreign direct investment (FDI) caps in several sectors, its recent reforms on this front could not draw a rapid response in 2012-13. For example, Government of India has liberalised the FDI regime in about a dozen sectors, including telecom, power etc. and have also relaxed investment norms in multi-brand retailing. The much-touted FDI reforms could not set the tone for higher inflows in 2012-13 as most sectors in the economy—Computer & Hardware, Automobile, power— attracted lower overseas funds than a year earlier.

However, economists felt that it is too early to judge those numbers on the basis on the reforms taken by the government in the recent times. Reforms don't mean that investment scenario will suddenly change. It would take time to reflect as it is a gradual process. In next 3-4 years, we could witness an increase of around five billion FDI inflows.

The Table depicting sectoral analysis determines that service sector (financial and non-financial), has been the hotspot for past years (2009-2013), by still managing to be the hot sector for FDI, in spite of the recent downfall in the percentage 21% to 19%. The reason behind is the rupee depreciation occurred in India, which created doubt in the minds of foreign investors and resulted in pulling back of investment. European crisis and US crisis were the major reason for the lower investment in service sector in India, which were previously the major investors of this sector. But to the fortune of India in spite being lower investment from the major investors USA and European countries, The investment from the other countries Mauritius, Singapore, Japan etc. India's service sector has maintained its importance in the Indian economy. FDI in Telecom sector which faced rough times due to cancellation of telecom services last year in 2G spectrum case and government's harsh policies on investors such as retrospective tax laws affected percentage share decrease by 8 to 7 % from 2009-11 to 2011-2013. Although, these sectors witnessed some decrease in their percentage share, they have maintained their importance in the Indian economy. And overall these both sectors are major pillars of Indian economy and will maintain their charm for FDI investors.

The Indian construction industry is an integral part of the economy and is poised for solid growth due to industrialisation, urbanisation and economic development together with people's expectations of improved living standards. The construction sector employs approximately 31 million people, accounts for some 6-8% of GDP and, after agriculture, is the largest employment sector in the country. The boost to this sector is also because of the increased levels of investment – especially by the Government – in infrastructure and real estate projects. And today it is expected that growth rates for the construction industry sectors exceed overall GDP growth over the next 2 years, underlying a continued strong demand of this sector. The construction industry in general has been growing primarily due to the strength of increased domestic and international manufacturing activities and industrial growth. Today in India, major construction projects are expected to be at the hike by, the continued growth of the economy, foreign direct investment and an influx of international businesses and corporations. The increasing presence of international firms in the financial services sector is also driving forward the real estate market in India. The above all reasons associated explains that why the construction sector attracts FDI inflow in India. The same growth of construction sector can be reflected in figures in table 1 and 2 showing specially that, at the time when every sector of FDI inflow was affected and seen a downfall, construction was one of those sectors which saw 4% growth, increased from 7% to 11%. India, today Indian is technology advanced nation and people are techno-savvy. This can be seen in consumer as well as industrial market and products, with consideration of the fact that India is rich in natural resources. Synergy of natural resources abundance and latest technologies has given a Metallurgical sector a boom in India.

And the growth of Metallurgical Industries in India has led to the development, expansion, and growth of allied industries. This gives a platform to foreign investors to invest in this upcoming sector in India. Looking at the benefits with this sector more and more FDI's are increasing in this sector. Further the increased FDI inflows to Metallurgical Industries in India have led to the development, expansion, and growth of the industries. All this has helped in improving sectoral growth of FDI in this sector from 3% - 4%. FDI inflows in Chemicals industry in India has increased over the last few years from 2% to 5% due to the several incentives that have been provided by the government of India. The increased FDI Inflows to Chemicals industry in India has helped in the growth and development of the sector. 100% FDI is allowed in chemicals under the automatic route in India. In 2009-11, housing and real estate was in the good books of FDI in India. FDI inflows in the real estate sector in India have helped to develop this sector. The increased flow of foreign direct investment in the real estate sector in India has helped in the growth, development, and expansion of the Indian economy.

The Indian Government's decision to allow 100% Foreign Direct Investment (FDI) in the real estate industry stimulated construction activities throughout the country. This can be seen with the presence of the housing and real estate in the top 10 FDI inflow sector in the Table 1. However, figures for 2009-11(7%) indicate a slowdown later on, with making it out of top ten FDI sectors contributing in Indian economy. From the table 1, it appears that India has received less FDI in 2010-11 than in the previous year. Government policies to develop construction mainly in the infrastructure has boosted the construction activities but the housing and real estate has not been taken care of and hence the foreign investors have pulled their investments from this sector and diverted to other sectors such as retail, insurance etc. To attract foreign investment in the Petroleum & Natural Gas sector various policy initiatives have been taken in recent years. The present Foreign Direct Investment (FDI) policy for petroleum & natural gas sector allows 100% automatic route for exploration activities of oil and natural gas fields, infrastructure related to marketing of petroleum products and natural gas, marketing of natural gas and petroleum products, petroleum product pipelines, natural gas/pipelines, LNG re-gasification infrastructure, market study and formulation and Petroleum refining in the private sector, subject to the existing sectoral policy and regulatory framework in the oil marketing sector.

All the above mentioned sectors have been given due importance by considering them in FDI bracket except for Indian Railways when there is huge scope for innovation and development in this sector. Foreign participation could bring about a radical shift in the performance of rail network and improve the infrastructure which is a quality parameter concerning railway system.

## CONCLUSION

The study of FDI in India railway sector concludes that India should welcome FDI as it has huge benefits for the Indian economy. The Sector wise Analysis of FDI Inflow in India reveals that maximum FDI has taken place in the service sector including the telecommunication, information technology, travel and many others keeping the railway sector in dark. The service sector is followed by the manufacturing sector in terms of FDI. High volumes of FDI take place in electronics and hardware, automobiles, pharmaceuticals, cement, metallurgical and other manufacturing industries.

FDI always faces problems in form of red-tapism, bureaucracy, lobbying, non-availability of credits, and rigid taxation policies. Many investors even after setting reforms in FDI in multi-brand retail are awaiting clarification from the government. The broader sense is that till the time there is no transparency in the reform measures, the investors can still be hesitant to invest in the country with respect to railway sector. India has tried to assist FDI by allowing low corporate tax, tax holidays, preferential tariffs, removing the sectoral caps, removing restrictions of customs, lowering the depreciation rate, etc. Being politically controversial, FDI has to be accepted in India for the innovations yet to come in railways, to overstep the sluggish growth. As FDI will always provide long term benefits, the public should hold their patience to witness the advent of FDI in Indian Railways

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**REGIONAL DISPARITIES IN HARYANA**

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**ABSTRACT**

*Haryana state is located in the Northern part of the country and has New Delhi as its neighbor along with Punjab and Rajasthan. Haryana State came into existence on 1 November 1966. As per details from Census 2011, Haryana has population of 2.54 Crore, an increase from figure of 2.11 crore in 2001 census. Total population of Haryana as per 2011 census is 25,351,462 of which male and female are 13,494,734 and 11,856,728 respectively. One of the most complex problem of Haryana is that regional disparities are fast increasing. Some region are outgrowing in their capacities while some others are remaining poor and backward. Regional disparities in Haryana have been an issue since its existence. Regional disparities may be due to natural resources or manmade resources. Regional disparities means wide differences in per capita income, literacy rates, availability of health and education and education services among the different region. Increase in regional disparities leads to poverty, dissatisfaction and violence. Aggregate poverty can be removed by reducing the Regional disparities in Haryana.*

**KEYWORDS**

Census, Regional, Disparities, and Literacy.

**INTRODUCTION**

Haryana State came into existence on 1 November, 1966. The total geographical area of the State is 44,212 sq. km. constituting about 1.3% of the total geographical area of the country. Gurgaon is one of the most promising areas of Haryana and has developed a lot in recent times. Gurgaon has been the center of development for many IT companies thus there has been an influx of youth population into the state. Haryana shares its capital with the state of Punjab. Chandigarh is the capital of both Punjab and Haryana. Haryana has often been criticized for its low sex ratio something the state government has to work on. The Population of Haryana according to the 2011 census stands at about 25 million, making it the 17th most populated state in India. The state lies in the northern part of the country and is well connected to the capital of India. a part of Haryana from Delhi. Haryana is the 20th largest state in the country in terms of area. The density of population per sq. Km. is about 570 which is above the national average. The population of the state is rising considerably due to rapid efforts towards development and progress. The literacy rate in the state is about 76% a figure that has improved tremendously in the last few years due to the consistent efforts of the government. The sex ratio in Haryana leaves a lot to be desired as it lags behind the national average by 70 points. The statistics in the Haryana Census 2011 reveal facts that can be instrumental in planning for a better development plan for the state. The largest city in the state is Chandigarh while Faridabad is the capital city of the Haryana. The languages spoken in the Haryana state includes Hindi and Haryanvi. In total Haryana (HR) state comprises 21 districts. The ISOCODE assigned by International Organization for Standardization for Haryana state is HR.

**REVIEW OF LITERATURE**

Being aware of the linkages between disparities and economic development, the Indian planners opted for balanced growth theories to ensure a balanced development of all the regions and sectors. The Haryana government has made balanced regional development an integral part of state planning practice and objectives. The state policy of Haryana Government has been to ensure balanced development of all regions and to gradually reduce the level of regional disparities. However, it is apparent that despite the initiatives taken during five-year plans, inter-state disparities have increased. It may be due to failures of policy implementation or due to inappropriate approaches. Besides disparities among states, there also exist intra-regional disparities within different states Chelliah (1996).

There is a paradoxical situation, in that the rural areas with more than 70 per cent population and most of them are forced to be contending without even basic amenities of life whereas in urban areas, people have wider choice with regard to various infrastructure services resulting into a wide rural-urban gap in the quality of human resource. Other services like education, water supply and sanitation etc. are no better in terms of enrolment rate, retention rate, dropout rate, availability of safe drinking water and sanitation. The National Committee on Development of Backward Areas (1981) in its report notes: "In a large country like India, disparities in levels of development of different parts are inevitable. Regions differ in their history, their resource endowment and environment, the level of infrastructure development and attitudes of inhabitants to development." The committee recommended block as the primary unit for identification of backward areas and to assess the level of disparities.

An important aspect of regional inequality involves going to sub-state level. A study using data available at the level of regions as defined by the NSSO, which divides Indian states in 78 homogeneous agro-economic regions that are the groups of contiguous districts demarcated on the basis of agro-climatic homogeneity. The study reveals several interesting patterns. First, a clear west-east divide emerges with west increasing its economic share. Second, there is no obvious north-south or coastal-inland divide. Third, most of the areas that perform the best are urban areas. Fourth, many of the areas that lag are rain fed agricultural regions, consistent with general consensus that the reform programmed has bypassed agriculture. Fifth, Punjab, Haryana and Kerala do relatively well. Finally, while some states are doing consistently well in terms of all regions within the state increasing their relative share (i.e. Karnataka, Kerala, Punjab and Haryana), there are other states with marked internal disparities in regional performance (e.g. Andhra Pradesh, Madhya Pradesh, and Maharashtra) in the post-reform period, Singh et. al. (2003).

**OBJECTIVES OF THE STUDY**

1. The objective of this study is to find out the regional disparities in Haryana state.
2. The objective of this study is to know regional disparities among the 4 division of Haryana state.
3. The objective of this study is to know the relationship between literacy rate and sex ratio among 4 division of Haryana state.
4. The objective of this study is to know the relationship between literacy rate and population growth rate among the 4 division of Haryana state.
5. The objective of this study is to know the relationship between sex ratio and population growth rate among the 4 division of Haryana state.



**METHODOLOGY**

Research design provides a blueprint to research study. The present study is based on Descriptive Research Design. Generally, descriptive studies are used in social research problems where the objectives are predetermined. The present study describes the regional disparities in Haryana state. In present research secondary data is used. Secondary data is collected from Census survey 2011 and from Economic Survey of Haryana 2012-13. In the present study secondary data is collected from 4 division of Haryana (Rohtak, Gurgaon, Hisar and Ambala). Ambala Division is one of the four divisions of Haryana State of India. The division comprises the districts of Ambala, Kaithal, Kurukshetra, Panchukula and Yamuna Nagar. Gurgaon Division is also one of the four divisions of Haryana State of India. The division comprises the districts of Faridabad, Gurgaon, Mahendragarh, Mewat, Palwal and Rewari. Hisar Division comprises the districts of Bhiwani, Fatehabad, Hisar, Jind and Sirsa. Rohtak Division comprises the districts of Jhajjar, Karnal, Panipat, Rohtak and Sonapat.

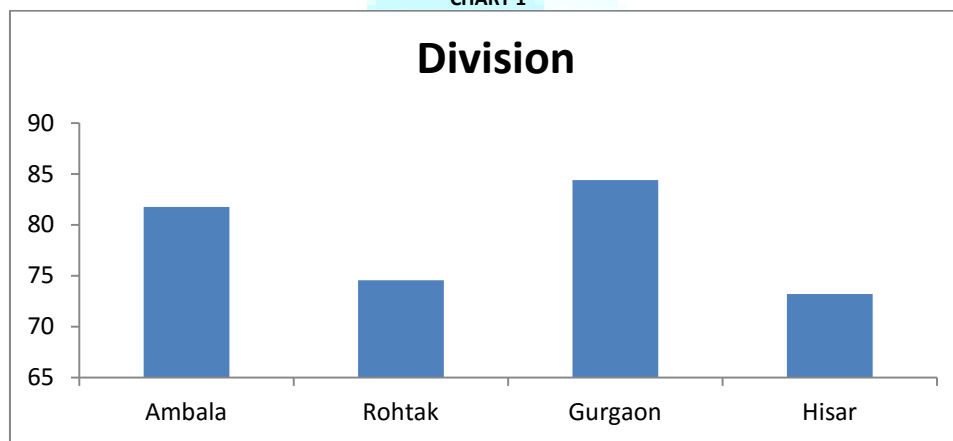
**DATA ANALYSIS AND INTERPRETATION**

The below table shows the literacy rate in four division of Haryana. Gurgaon division has the maximum literacy rate (84.45) among the four division of Haryana. Hisar Division has the minimum literacy rate (73.2%) among the four division of Haryana. Literacy Rate disparities among the division of Haryana leads to regional disparities in Haryana like economic, political and social disparities in Haryana.

**TABLE-1: LITERACY RATE**

Division	Literacy Rate (%)
Ambala	81.75
Rohtak	74.56
Gurgaon	84.4
Hisar	73.2

**CHART 1**



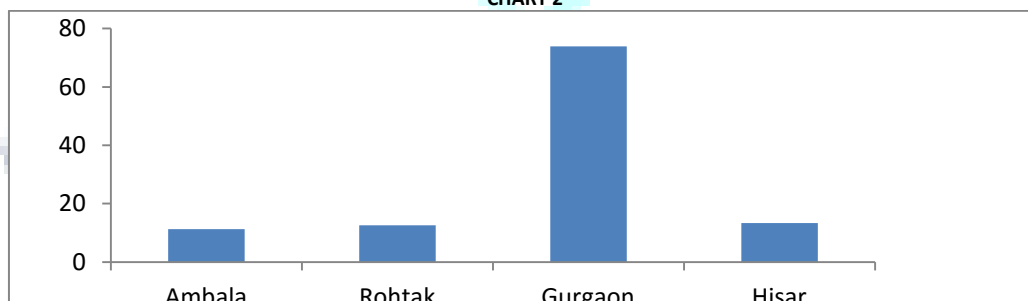
The above chart also shows the regional disparities among the four division of Haryana on the basis of Literacy Rate.

**TABLE 2: POPULATION GROWTH RATE**

Division	Population Growth Rate (%)
Ambala	11.23
Rohtak	12.61
Gurgaon	73.93
Hisar	13.38

The above table shows the regional disparities among the four division of Haryana on the basis of population growth rate. The above table shows that Gurgaon division has the maximum population growth rate (73.93%) among the four division of Haryana. Ambala division has the minimum population growth rate (11.23%) among the four division of Haryana.

**CHART 2**



**DIVISION OF HARYANA**

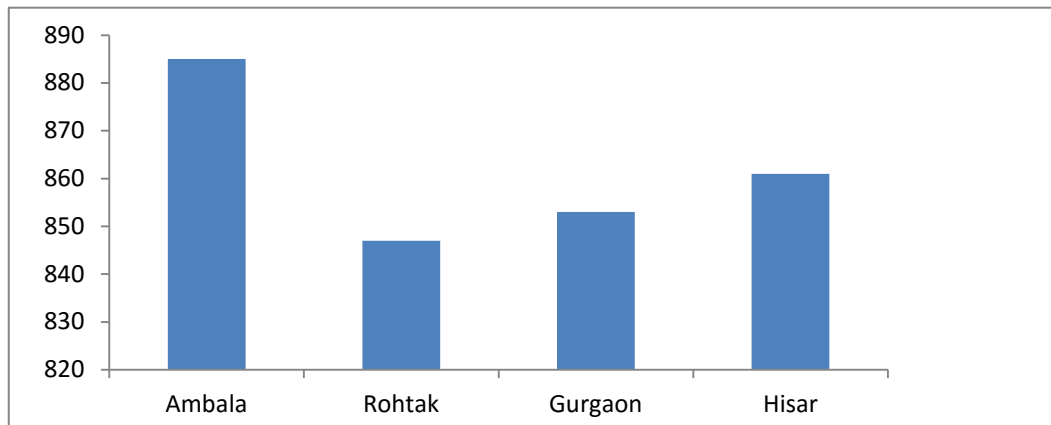
The above chart also shows the divisional disparities in Haryana on the basis of population growth rate. Gurgaon division has the highest population growth rate (73.93%) among the four division of Haryana.

**TABLE 3: SEX RATIO**

Division	Sex Ratio
Ambala	885
Rohtak	847
Gurgaon	853
Hisar	871

The above table shows the regional disparities in Haryana State on the basis of sex ratio among the four division of Haryana. Ambala division has the maximum sex ratio (885) among the four division of Haryana. Rohtak division has the minimum sex ratio (847) among four division of Haryana.

CHART 3



The above chart also shows the regional disparities among the four division of Haryana on the basis of sex ratio.

#### LIMITATION OF THE STUDY

The limitation of the present study is that it has limited scope. The study shows the regional disparities only four division of Haryana. It does not represent the overall Haryana State or whole country. It is implemented only in four division of Haryana Ambala, Rohtak, Gurgaon and Hisar division.

#### CONCLUSION

On the basis of present study it can be concluded that there is high regional disparities among Haryana division on the basis of sex ratio, population growth rate and literacy rate. The regional disparities among the division of Haryana leads to Economic imbalances, Social and cultural differences in Haryana State. The above study also shows that that there is positive relationship between literacy rate and sex ratio among the four division of Haryana. In Ambala division literacy rate is 81.75% and sex ratio is also highest i.e. 885/1000. On the other hand, Rohtak division has literacy rate 74.56% and sex ratio is also lowest (847/1000). So, it can be concluded that high literacy rate is helpful to improve the sex ratio among the divisions of Haryana State.

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WORLD

## TALENT MANAGEMENT PROGRAM AND ITS IMPACT ON THE EMPLOYEE RETAINMENT AND PERFORMANCE IN INDIAN BANKING SECTOR

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### ABSTRACT

*Limited research restricts comprehensive understanding of challenges that hit various aspects of Indian Banking. There has been a dearth of studies that address the impact of changing environment on Talent Management paradigm. In the changing times, it is pertinent to verify the relevance of Talent Management Programmes in business priorities, its compatibility and efficiency in Indian banks. This paper ascertains various challenges that Indian banking industry is facing and the subsequent requirement of change in the Talent Management Programmes. This paper focuses on highlighting the way in which the banks should embrace talent management to obtain and retain the best talent available for the success of their organization. A sample of 200 employees has been taken from the private sector banks in Jammu region. From the analysis, it was found that almost all of the respondents were satisfied with the result of the talent management program. The study further investigated that the employees agreed upon the fact that the talent management programmes help in creating a good work culture as well as enhance the values of employees, help the employees in identifying their strengths and weaknesses and consequently, help in decreasing the turnover rate of employees. The paper forms the foundation for further diligent research in the area and identifies the missing links in researches which are crucial to pave way to the future of Talent Management Programmes and performance of Indian banking.*

### KEYWORDS

Talent Management Programmes, Organizational Performance, Indian Banks.

### INTRODUCTION

The topic talent management has gained increasing attention in the last decade. Both companies and institutions have become interested in this concept. Before going into the deeper discussion on talent management it would be advantageous to understand the word "talent." Talent generally refers to the capabilities, skills or the art possessed by a particular person in a particular field. In other words, it refers to those people who have high potential even though they might have scarce knowledge and skills or who can successfully bring out transformation and change in the organisations with the motto of "keeping people who keep you in business" the terms "talent management", "talent strategy" "succession management" and "human resource planning" are often used interchangeably. Beyond the confusion in definitions, this is a concept of planning and managing the acquisition, selection and careers of employees. Several recent articles in a practitioner-oriented literature describe "talent management" as "a mindset" (Creelman, 2004); a component to effective succession planning (Cheloha & Swain, 2005); and an attempt to ensure that "everyone at all levels work to the top of their potential" (Redford, 2005).

There are basically three different strains of thought regarding talent management. The first defines talent management as a collection of typical human resource areas such as recruitment, selection, development and career and succession management (Byham, 2001; Chouane & Newstorm, 1991; Heinen & O'Neill 2004; Hilton, 2000; Mercer, 2005 and Olsen, 2000).

A second perspective on talent Management focuses only on the concept of talent pools. Talent Management to these authors is asset at process designed to ensure an adequate flow of employees into jobs throughout the organisation (Kesler, 2002; Pascal, 2004). These approaches are often quite close to what is typically known as succession planning/management or human resource planning (Jackson & Schuler, 1990; Rothwell, 1994) but can also include typical HR practices and process such as recruitment and selection (Lermusiaux, 2005).

A third perspective on Talent Management focuses on talent generically; that is without regard for organizational boundaries or specific positions. Within this perspective two general views on talent emerge. The first regards, talent as an unqualified good and a resource to be managed primarily according to performance levels. That is highly competent performers are to be sought, hired and differentially rewarded regardless of their specific role or the organisations specific needs.

Generally, talent management is known as Human Capital Management (HCM), Human Resource Information systems (HRIS) or Human Resource Management Systems (HRMS). Organisations mainly focus on developing their talent by integrating the plans and process to teach and manage their employee's talent. The following points are generally considered during the integration process: -

- (i) Sourcing, attracting and recruiting qualified candidates with competitive backgrounds.
- (ii) Overlook of competitive salaries.
- (iii) Professional development opportunities.
- (iv) Performance Management Process.
- (v) Retention Programs.
- (vi) Promotion and transitioning.

### IMPORTANCE OF TALENT MANAGEMENT PROGRAMME IN ORGANISATIONS

Talent management brings together a number of important human resource and management initiatives. Organisations adopting a talent management approach focus on coordinating and integrating the following strategies: -

- ❖ Recruitment - ensuring the right people are attracted and employed in the organisations.
- ❖ Retention – development and implementation practices that reward and support employees.
- ❖ Professional development – ensuring continuous informal and formal learning and development.
- ❖ Advanced leadership and development – specific development programs for existing and future leaders.
- ❖ Performance Management – specific process that nurture and support performance, including the older workforce and current/future skill shortages.
- ❖ Developing culture – developing a positive, progressive and high performance "way of operation". An important step is to identify staff/employees that are critical to the organisation. They need not be necessarily the senior staff members.

In general, talent management programs aim to accomplish the following: -

- To provide a holistic view of the individual: current and future.
- To help in identifying and preparing future leadership talent.
- To provide key resources with recognition and growth opportunities.
- To facilitate retention of high performers.
- To help identify and groom potential development plans.
- To complement the rewards system.

In the recent scenario, the human resource department in addition to its conventional function of providing good human capital to an organization is also vested with the responsibility of managing talents.

## REVIEW OF LITERATURE

The term talent management has acquired various meanings that reflect some key HR development in modern societies. Over time, however as the HR field has developed, some more precise definitions have emerged.

One of the most common definitions although admittedly ponderous, is by Collings and Mellahi (2009), they define talent management as “activities and process that involve the systematic identification of key positions that differentially contribute to the organisations sustainable competitive advantage, the development of a talent pool of high potential and high performing incumbents to fill their roles, and the development of a differentiated human resource architecture to facilitate filling these positions with competent incumbents, and to ensure their continued commitment to the organization.”

Research shows that firms have some convergent, but also divergent, Talent Management practices (Stalhet, 2012). A performance driven vision of talent management is very common in talent management process. Early studies on managing people indicated the organisations need to pay greater attention to internal talent, since managerial talent is just as likely to be present in those employees working their way up through the ranks as in managers hired from outside the organisation (Miner, 1973); Ready and Conger (2009) explain that companies struggle to fill key strategic roles from within their organisations because of an insufficient pipeline of high-potential employees. Using the example of Procter & Gamble and HSBC, some authors argue that talent Management should support the CEO's : “during performance and creating an effective climate.”

Joyce and Slocums (2012) conducted a 200 firm study drawn from 40 industries over a 10 year time period. The firms understudy varied in size and were both U.S. based and global in scope. Their study examined that what managers can do to manage talent taking account of the organisations particular strategic situation, in order to achieve the highest levels of performance. Joyce and Slocums (2012) findings show that executives are the key assets of organisations and that their work to build and sustain talent is critical. Specifically, talent management must be understood in the context of the firm's strategic capabilities. They identified four critical capabilities in strategy, structure, culture and execution. They argued that senior managers should manage talent in light of the strategic needs and opportunities of their firms, furthermore, an innovative structure will enable firms to operate effectively. Executing unique talent management process would enable the companies to gain a competitive edge, and allows them to meet or exceed their customers' expectations.

Another key dimension of the talent management is how employees perceive management practices. Using psychological contract theory as a lens, Hoglund (2012) assessed “employee perceptions of the extent to which talent qualities are rewarded, and the effect of such perceptions on employee perceptions of the extent to which talent qualities are rewarded, and the effect of such perceptions on employee felt obligations to develop skills.” Hoglund conducted an exploratory pre-study comprising 17 face to face interviews with heads of HR in Nordic multinational corporations (MNCs) (ten Finnish, two Swedish, and five Norwegian MNCs). The firms employed between 2500 and 60,000 employees. The data was collected by means of a web based survey, using a sample of managers and professionals who were alumni from a Finnish business school. Results showed that managers should honor the psychological contract with the employees so as not to breach their trust, fail to meet their expectation, and risk losing valuable workers. Building on this study, it was recommended that the researchers should examine how psychological contract differs among employees who know they are identified as talent, those who know that they have not been identified as talent; and those who do not know whether or not they are identified as talent.

More recently the most comprehensive book on Talent Management by Berger and Berger (2010) explains how organisations can identify and hold on to their most valuable employees. It also suggests how to get the most out of high potential people by developing and promoting them to key positions in the organisations. Approachable human resources strategies tied with the business success measures are discussed in this hand book. Efron and Ort. (2010) presented a revolutionary approach, on talent management practices. They argued that the organizations unwillingly add layers of complexity to their talent building models without evaluating whether those components provide any added values to the overall process. Consequently goals, areas at talent management which may significantly enhance the creditability of human resources. McDonnel et al. (2010) utilized data from 260 multinational enterprises to re-address the deficit “organizations are becoming relentless in managing developing their key talent. They explored the extent to which MNCs engage in global talent management and decipher some of the factors which may explain the appropriateness of usage of global talent management practices. They found that although a significant number of multinational enterprises have systems and mechanisms in place to strategically identify a develop their talent, many more have seemingly adopted an ad-hoc or haphazard approach. Gopal and Vij (2011) discussed Talent management practices in Indian information technology industry.

There have been significant efforts on identification, implementation and planning of the talent management practices and programmes. But not much research work has been done on evaluating the impact of talent management programmes on employee retainment and performance in the Banking Sector. Therefore the present study is an attempt to study the existing Indian Talent Management Scenario so as to analyses its emerging challenges and trends in the Indian Banking Sector.

## RATIONALE OF THE STUDY

In India, banks and banking have changed substantially over the years. One of the major landmark events which constituted strategic inflexion points in the history of Indian Financial Sector has been the reforms process that gained momento in the early 1990's. These reforms have heralded a dramatic shift in the way banks functioned and operated in India. The changed overall environmental and the internal compulsions to generate and sustain faster policy responses, have given rise to the quest for greater efficiency and need to reorient the banking practices. This urgency of realigning our organizational resources has indeed altered the way we view the whole gamut of very issues relating to our human resources. In such an environment war for talent even public sector banks can perhaps no longer take a life time employment for granted. Issues relating to how to attract talented people, how to nurture them, how to develop them and give them the necessary space, have now, therefore, moved to centre stage and today constitute the major concerns that need to be addressed adequately in the recent times. The present study is an endeavor to examine the same.

## OBJECTIVES AND SCOPE OF THE STUDY

The study has the following objectives:

1. To assess the various dimensions of talent management in the banking industry in Jammu region.
2. To evaluate the overall scenario of talent management programs in the banking sector in Jammu region.
3. To examine the talent management programs in public and private-sector banks.

The study is related to branches of public and private sector banks of Jammu region. The banks taken up for the purpose of study are State Bank of India (SBI), Housing Development and Financing Corporation (HDFC) Bank, Punjab National Bank (PNB) and Industrial Credit and Investment Corporation of India (ICICI) Bank. Out of the public sector banks, SBI and PNB were selected because these banks are the leading banks in North India. HDFC and ICICI banks were selected out of the private sector banks, since these banks were also leading and are comparable as regards organizational, structure, functioning and system of operations.

## RESEARCH METHODOLOGY

### SAMPLE

In order to evaluate and assess the impact of talent management programme in the banks understudy, the zonal offices of all the four banks understudy were personally visited by the researcher. The information was collected about the total strength of the executives working in their respective branches. Then proportionally 200 executives were selected. However, only 165 executives responded to the questionnaire. Out of these 165 respondents, 40 belonged to SBI,

38 belonged to PNB, 43 belonged to HDFC and 44 belonged to ICICI. Keeping in view the availability and assessibility of the bank executives, convenient sampling was used.

**DATA COLLECTION**

The present study is based on primary data. All the branches of the four banks understudy were personally visited by the researcher in order to gather firsthand information as well as to get the questionnaire filled from the respondents.

**QUESTIONNAIRE**

Initially, a 22 item questionnaire was prepared and used for pilot survey on a sample at 45 executives from various banks understudy. The result of the pilot study lead to the identification of 17 items and deletion of remaining 5 items 50 as a step to incorporate necessary corrections. Finally, a 17 items questionnaire on a five point likert scale covering work life balance, role clarity, and opportunity for learning, incentive for loyalty, support from administration and so on was used for the purpose of the study.

**DATA ANALYSIS AND INTERPRETATION**

**1.1 Dimension – wise Analysis of Talent Management Programme and Factor Analysis**

Data Deduction was initially done by doing factoring and enabling us to identify the crystal critical variables that are ultimately effecting the talent retention in the organizations as a part of pilot study. With regards to the factors, that are important to bank executives, a total seventeen variables were subject to factor analysis. KMO Measure of sampling is 0.726 which is in acceptable range, being more than 0.5. Hence, factor analysis could be administered further.

**TABLE 1: KMO AND BARLETT’S TEST**

<b>Kaiser – Meyer – Olkin Measure of Sampling Adequacy</b>		<b>0.726</b>
<b>Barlett’s test of Sphericity Approx.</b>	<b>Chi-square</b>	<b>776.068</b>
	<b>Df</b>	<b>136</b>
	<b>Sig.</b>	<b>.000</b>

Further, the result of factor analysis was obtained by principle component analysis and specifying the rotation. Data was analyzed on Eigen value 1 and varimax rotation. The total variables can be explained with the factors derived are more than 80% .Outcome of factor analysis is evident in Table 2 which shows extraction of five factors which are considered to be important by bank executives.

**TABLE 2: TOTAL VARIANCE EXPLAINED**

Component	Eigen Value			Rotation Sum of Squared loadings		
	Total	% of Variance	Cumulative % Variance	Total	% of Variance	Cumulative %
1.	5.442	32.010	32.010	3.715	21.852	21.852
2.	3.524	20.732	52.742	3.714	21.849	43.701
3.	2.364	13.933	66.675	2.965	17.440	61.141
4.	1.440	8.470	75.145	2.154	12.670	73.812
5.	1.240	7.296	82.441	1.467	8.630	82.441
6.	.612	3.603	86.044			
7.	.537	3.161	89.205			
8.	.476	2.798	92.003			
9.	.358	2.109	94.112			
10.	.296	1.743	95.855			
11.	.206	1.213	97.068			
12.	.165	.968	98.036			
13.	.134	.786	98.821			
14.	.101	.592	99.413			
15.	.058	.341	99.745			
16.	0.26	.151	99.904			
17.	.016	.096	100.00			

Extraction Method: Principle Component Analysis

**TABLE 3: ROTATED COMPONENT MATRIX**

Variables	1	2	3	4	5
Specialized training	.911				
Opportunity for learning	.829				
Orientation courses	.741				
Role clarity	.684				
Support from administration	.609				
Work load		.898			
Work life balance		.895			
Infrastructure facilities		.821			
Behaviour of Colleagues		.645			
Behaviour of Mgt		.608			
Incentive for loyalty			.823		
Incentive for hardwork			.793		
Attrition rate			.597		
Recognition of good work				.855	
Opportunity for growth				.797	
Performance Appraisal				.645	
Salary					.899

The results of scale purification are:-

**FACTOR –I**

The first factor includes opportunities for specialized training, opportunity for cleaning orientation for specialized training, opportunity for cleaning orientation courses role clarity and support from administration as there items have highest loadings as shown in table 3. Respective items loading are .911., .829, .741, .684 and .604. Since these items have a common nature, these factor is named as learning opportunities.



**FACTOR II**

Items which have highest loading on second factor are workload, work life balance, infrastructure facilities, behaviour of colleagues, and behaviour of management. Respective loadings of the items are .898, .895, .645 and .608. This factor is interpreted as working environment.

**FACTOR III**

Incentive for loyalty, incentive for hard work, attrition rate constitute the third factor. The respective factor loadings and above items are .823, .793 and .597. This factor is named as extrinsic motivators.

**FACTOR IV**

Recognition for goodwork, opportunity for growth and performance appraisal comprises the fourth factor. Respective factor loadings of above three items are .855, .797 and .645. This factor is named as recognition.

**FACTOR V**

It represents salary and consists of only one variable which has a loading more than 0.5, and hence, termed as salary only. It is importance to understand that salary has emerged as distinguishing factor with no other variable, its variance (8.63) is the least among all the factors.

**1.2 TALENT MANAGEMENT IN BANKING INDUSTRY IN JAMMU REGION**

On the basis of responses collected with the help of the questionnaire the overall mean score of talent management for the total sample (N=165) turned to be 90.6. As revealed by table 4, bank executives perceive them moderately. In order to study the distribution pattern, of the public and private sector bank executives across the dimensions of talent management, the respondents were classified into five categories on the basis of talent management score and were compared in terms of their number and percentage in public and private –sector banks.

**TABLE 4: SATISFACTION LEVELS OF TALENT MANAGEMENT DIMENSIONS IN PUBLIC AND PRIVATE SECTOR**

Category of Banks	No. of Executives	Highly Satisfied	Satisfied	Neither Satisfied Nor Dissatisfied	Dissatisfied	Highly Dissatisfied
Public Sector Banks	78	10 (12.8)	38 (48.71)	15 (19.23)	10 (12.8)	5 (6.41)
Private Sector Banks	87	25 (28.73)	45 (51.72)	10 (11.49)	3 (3.49)	5 (5.7)

Note: The figures given in parentheses denote percentage

Table 4 depicts the classification of the bank executives, on the basis of five categories, namely highly satisfied, satisfied, neither satisfied nor dissatisfied, dissatisfied and highly dis satisfied. As far as the public sector banks are considered, the table reveals that 12.8 percent executives were highly satisfied with the talent management practices in their respective banks, 48.71 percent of the executives were satisfied with the same but again 12.8 percent executives were less satisfied with the talent management programs and 6.41 percent executives were highly dissatisfied with the same. 19.23% percent hardly bothered about the talent management mechanisms prevailing in their respective banks. In the private sector banks, the table reveals that 28.73 percent executive were highly satisfied, 51.22 percent of the executives were satisfied with the talent management practice but 3.44percent executives were less satisfied with the on-going practices in their respective banks and 5.7 percent both executives were highly dissatisfied with the same, while 11.49 percent executives hardly bothered about the talent management practices prevailing in their respective banks. The table 4 shows that there is a wide difference between the two categories of bank executives as far as the talent management, practices are concerned. However, private sector banks perceive their talent management practices as more favorable as compared to their counter parts in the public sector banks. But the overall satisfaction of both the categories of banks i.e. public as well as private sector appears to be satisfactory with the various dimensions of talent management.

**1.3 PUBLIC SECTOR AND PRIVATE SECTOR BANKS COMPARED**

Third objective of the study was to compare the public and the private sector banks executives on the basis of talent management practices. Table 5 provides whether the difference of satisfaction with the talent management practices, among the executive is significant or non-significant which was calculated on the basis of mean, standard deviation and the critical ratio. The mean was calculated, to find the difference in the perception of public and private sector bank executives in terms of the talent management. The standard deviation was calculated for ascertaining the representativeness of the mean, among public and private sector bank executives and the t test was applied to see the significance of the mean differences.

**TABLE 5: PUBLIC SECTOR AND PRIVATE SECTOR BANKS COMPARED**

Category of Bank	No. of Executive	Mean	S.D	Critical Ratio
Public Sector Banks	78	125.63		
				3.933*
Private Sector Banks	87	136.58		

\*P < 0

Table 5 shows that there is a significant difference between the two categories of the bank executives with regards talent management as critical ratio turns out to be significant at 0.01 level. The mean score in case of private – sector banks (136.58) is higher than that in case of the public sector banks (125.63).

**CONCLUSION AND POLICY IMPLICATIONS**

The analysis of the data collected reveals that the perception of bank executives toward talent management practices is moderate. Majority of the executives both in public as well as private sector banks fall under the category of satisfied. By comparing the public and private sector banks as regards the parameters of talent management, it is revealed that the executives in private sector have a favorable perception of the talent management practices in comparison to the public sector bank executives.

The factor analysis reveals that there are five important factors that can be extracted out of the variables available on the basis of review of literature. These factors are learning opportunities, working environment, extrinsic motivators, recognition and salary. Salary emerged as a distinguishing factor with no other variable; its variance (8.63) is least among all the factors.

Thus there is a need for important in the talent management practices so as to shift the executives him the category of satisfied to highly satisfied. Since every organization wants to grow and improve their systems and processes, the banks must focus on employee – oriented practices that allow and faster growth and improvement through talent management mechanism. It's a viable path towards improving organizational performance also.

**FUTURE RESEARCH**

This section is to provide suggestions for future research in this field. It would be very inserting to look into how talent management practices are administered on a local level.

As our study is only concerned with the banking sector but we do believe that researches on the occurrence of talent management in other industries could be very interesting. Are their initiatives in other sector? Studying more banks in Indian context would enable us to see if Talent Management is present in the entire sector or exclusively an element at large operator's agenda is also something to look to broaden our study.

To see how talent management practices add to a company's competitive advantage could provide still further interesting implications. Finally, an investigation as to how talent management is aligned with business strategy would be very interesting indeed.

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**A RESEARCH PAPER ON FDI IN INSURANCE SECTOR IN INDIA****MEENAKSHI****LECTURER****DEPARTMENT OF COMMERCE AND MANAGEMENT****ARYA P.G. COLLEGE****PANIPAT****ABSTRACT**

In order to curb the trend of falling Foreign Direct Investment (FDI) in the country, government recently increased the FDI limit in various sectors, latest being the insurance sector. Government in India had opened up the insurance sector for private participation in 1999, allowing the private companies to have foreign equity up to 26 per cent. But now, Insurance Regulatory & Development Authority (IRDA) has approved an increase in foreign equity capital in the insurance joint ventures upto 49 percent. In the world of increased competition and rapid technological changes, globalization has encouraged more and more multinationals to adopt FDI. In competitive industry, it has become really tough for the Indian insurers to invest the additional capital in the insurance sector. The insurance industry of India consists of 52 insurance companies of which 24 are in life insurance business and 28 are non-life insurers. The continuous inflow of FDI in insurance sector in India clearly shows the faith that overseas investors have in the country's insurance industry. Due to the growing demand of insurance, more and more insurance companies are now emerging in the Indian insurance sector. An increase in FDI in insurance sector would indirectly be a boon for the Indian economy. The objective of this research paper is to analyze the impact of FDI. Is it a boon or bane? As we all know govt is taking initiative to promote FDI in insurance as well as in other sectors. This research paper will draw light on this decision that if FDI in insurance sector good or not and should it be promoted or not.

**KEYWORDS**

FDI, IRDA, globalization, Insurance sector.

**INTRODUCTION**

When any nation progresses or say prosper, it is reflected by the pace of its sustained growth and development. In order to grow and develop economically, investments provides the base and pre-requisite. A nation's foreign exchange reserves, exports, government's revenue, financial position, available supply of domestic savings, do contribute to nation development but apart from above factors, magnitude and quality of foreign investment is necessary for the wellbeing of a country. Developed nations, across the whole globe, consider FDI as the safest type of international capital flows out of all the available sources of external finance available to them. During 1990s, FDI inflows rose faster than almost all other indicators of economic activity worldwide. Developing nations like India looks FDI as a source of filling the savings, foreign exchange reserves, revenue, trade deficit, management and technological gaps. There are several factors as to why FDI should be considered as an instrument of international economic integration as it brings a package of assets including capital, technology, managerial skills and capacity and access to foreign markets.

Taking into accounts the above factors, government of India decided to increase the FDI cap in the insurance sector up to 49% from 26%. This step was taken during the monsoon session of the parliament in 2014, when the new government (BJP) in power announced the Finance budget for the year 2013-14.

**WHAT IS INSURANCE?**

When faced with an unexpected event, you feel a need of security that won't make you beg for money. Any kind of protection or a safety net is welcomed rather than having nothing. Insurance is a promise of compensation for specific potential future losses in exchange for a periodic payment. Insurance is designed to protect the financial well-being of an individual, company or other entity in the case of unexpected loss. Some forms of insurance are required by law, while others are optional. Agreeing to the terms of an insurance policy creates a contract between the insured and the insurer. In exchange for payments from the insured (called premiums), the insurer agrees to pay the policy holder a sum of money upon the occurrence of a specific event. In most cases, the policy holder pays part of the loss (called the deductible), and the insurer pays the rest. Examples include car insurance, health insurance, disability insurance, life insurance, and business insurance.

**WHAT IS FOREIGN DIRECT INVESTMENT (FDI)?**

Foreign Direct Investment, generally speaking, refers to the capital inflows from abroad that invest in the production capacity of the economy and are usually preferred over other forms of external finance because they are non-debt creating, non-volatile and their returns depend on the performance of the projects financed by the investors. Such investments can take place for many reasons, taking advantages of cheaper wages, special investment privileges (e.g. tax exemptions) offered by the country. FDI inflows generally helps the developing countries to have a effective, broad and transparent policy environment for investment issues as well as, builds human and institutional capacities to execute the same.

The International Monetary Fund defines FDI as when one individual or business owns 10% or more of a foreign company's capital. Every financial transaction afterwards is considered by the IMF as an additional direct investment. If an investor owns less than 10%, it is considered as nothing more than an addition to his/her stock portfolio.

With only a 10% ownership, the investor probably doesn't have the controlling interest in the foreign business. However, even with just 10%, the investor usually has significant influence on the company's management, operations and policies. For this reason, most governmental agencies want to keep tabs on who is investing in their country's businesses.

**ENTRY ROUTE OF FDI IN INDIA**

As per RBI, an Indian company may receive Foreign Direct Investment under the two routes as given under:

**AUTOMATIC ROUTE:** FDI is allowed under the automatic route without prior approval either of the Government or the Reserve Bank of India in all activities/sectors as specified in the consolidated FDI Policy, issued by the Government of India from time to time.

**GOVERNMENT ROUTE:** FDI in activities not covered under the automatic route requires prior approval of the government which are considered by the Foreign Investment Promotion Board (FIPB), Department of Economic Affairs, and Ministry of Finance. Application can be made in Form FC-IL, which can be downloaded from <http://www.dipp.gov.in>. Plain paper applications carrying all relevant details are also accepted. No fee is payable.

**TYPES**

**HORIZONTAL FDI** arises when a firm duplicates its home country-based activities at the same value chain stage in a host country through FDI.

**PLATFORM FDI** Foreign direct investment from a source country into a destination country for the purpose of exporting to a third country.

**VERTICAL FDI** takes place when a firm through FDI moves upstream or downstream in different value chains i.e., when firms perform value-adding activities stage by stage in a vertical fashion in a host country.

**METHODS**

The foreign direct investor may acquire voting power of an enterprise in an economy through any of the following methods:

- by incorporating a wholly owned subsidiary or company anywhere
- by acquiring shares in an associated enterprise
- through a merger or an acquisition of an unrelated enterprise
- participating in an equity joint venture with another investor or enterprise

**FDI IN INSURANCE SECTOR IN INDIA**

Insurance has a long history in India. The business of life insurance started in India in the year 1818 with the establishment of the Oriental Life Insurance Company in Calcutta.

Life Insurance was the first to be nationalized in 1956. General Insurance followed suit and was nationalized in 1973. After the report submitted by Malhotra Committee in 1994, Insurance Regulatory Development Act was passed in 1999, which opened up the insurance sector for private participation and also allowing the private companies to have foreign equity up to 26 per cent. The goals of the IRDA are to safeguard the interests of insurance policyholders, as well as to initiate different policy measures to help sustain growth in the Indian insurance sector. Since the advent of the private players in the insurance market it has seen new and innovative steps by the players in this sector. The new players have improved the service quality of the insurance.

A major role played by the insurance sector is to mobilize national savings and channelize them into investments in different sectors of the economy. Insurance sector has the capability of raising long-term capital from the masses, as it is the only avenue where people put in money for as long as 30 years even more. Insurance Sector contribute to GDP, is quite insignificant. FDI in insurance would increase the penetration of insurance in India. An increase in FDI in insurance would indirectly be a boon for the Indian economy. The insurance sector has also been fast developing with substantial revenue growth in the non-life insurance market. Over the years, FDI inflow in the country is increasing. However, India has tremendous potential for absorbing greater flow of FDI in the coming years.

Now the present government, through The Insurance Laws (Amendment) Bill has raised the ceiling on foreign direct investment (FDI) in insurance to 49 per cent from the current 26 per cent limit. The Cabinet committee on economic affairs headed by Prime Minister Narendra Modi has approved The Insurance Bill, which has been pending since 2008 in the Rajya Sabha. This controversial Insurance Bill, key reform legislation, on 5 March, 2015 cleared the Lok Sabha hurdle easily but the problem of numbers in Rajya Sabha prompted the government to say that it will convene Joint Session if it is defeated in the Upper House. At last on 12 March, 2015 the Insurance Bill is passed by Parliament which is a big reform after a long time for insurance sector. The cabinet has cleared the FDI limit in insurance companies through FIPB route which necessitates the management control with the Indian promoters. This was a long due reform which the Modi government has undertaken and is surely bound to benefit the insurance sector.

The 49 per cent cap would include both FDI and foreign portfolio investments. This change is done to meet the growing capital requirement of insurance companies. Foreign re-insurers will be permitted to open branches only for re-insurance business in India and the provisions of Section 27E, which prohibits an insurer to invest directly or indirectly outside India the funds of policy holder, would apply to such branches.

The proposed hike in foreign investment limit to 49 per cent in the insurance sector has potential to attract up to USD 7-8 billion (about Rs 50,000 crore) from overseas investors, giving a major boost to the segment.

**MARKET SIZE**

India's life insurance sector is the biggest in the world with about 36 crore policies which are expected to increase at a compound annual growth rate (CAGR) of 12-15 per cent over the next five years. The insurance industry plans to hike penetration levels to five per cent by 2020, and could top the US\$ 1 trillion mark in the next seven years.

The total market size of India's insurance sector is projected to touch US\$ 350-400 billion by 2020 from US\$ 66.4 billion in FY13.

The general insurance business in India is currently at Rs 77,000 crore (US\$ 12.41 billion) premium per annum industry and is growing at a healthy rate of 17 per cent.

**GOVERNMENT INITIATIVE**

The Government of India has taken a number of initiatives to boost the insurance industry. Some of them are as follows:

- The Reserve Bank of India (RBI) has allowed banks to become insurance brokers, permitting them to sell policies of different insurance firms subject to certain conditions.
- The select committee of the Rajya Sabha gave its approval, permitting 49 per cent composite foreign equity investment in insurance companies. A broad agreement has also been achieved with the states on most of the issues concerning the implementation of the single goods and services tax (GST), which is scheduled to be rolled out from April 1, 2016.
- The Government of India plans to implement a Rs 1,900 crore (US\$ 306.41 million) e-governance project called 'Panch Deep' to automate transactions of the Employees State Insurance Corporation (ESIC), said Mr Bandaru Dattatreya, Union Minister for Labour and Employment with Independent Charge, Government of India. Under the project, enterprise resource planning (ERP) solution would be installed across the country which will give a unique card to the employees and facilitate clearance of third party bills.
- The Government of India plans to launch a new insurance scheme to protect farmers and their incomes against production and price risks.
- Under the Pradhan Mantri Jan Dhan Yojana, it has been decided that even those accounts which had been opened prior to August 28, 2014 and have zero balance will get Rs 100,000 (US\$ 1,612.55) insurance cover.

**PORTER'S 5 FORCES ANALYSIS**

- **THREAT OF NEW ENTRANTS:** The average entrepreneur can't come along and start a large insurance company. The threat of new entrants lies within the insurance industry itself. Some companies have carved out niche areas in which they underwrite insurance. These insurance companies are fearful of being squeezed out by the big players. Another threat for many insurance companies is other financial services companies entering the market. What would it take for a bank or investment bank to start offering insurance products? In some countries, there are only regulations that prevent banks and other financial firms from entering the industry. If those barriers were ever broken down, like they were in the U.S. with the Gramm-Leach-Bliley Act of 1999, you can be sure that the floodgates will open.
- **POWER OF SUPPLIERS:** The suppliers of capital might not pose a big threat, but the threat of suppliers luring away human capital does. If a talented insurance underwriter is working for a smaller insurance company (or one in a niche industry), there is the chance that person will be enticed away by larger companies looking to move into a particular market.
- **POWER OF BUYERS:** The individual doesn't pose much of a threat to the insurance industry. Large corporate clients have a lot more bargaining power with insurance companies. Large corporate clients like airlines and pharmaceutical companies pay millions of dollars a year in premiums. Insurance companies try extremely hard to get high-margin corporate clients.
- **AVAILABILITY OF SUBSTITUTES:** This one is pretty straight forward, for there are plenty of substitutes in the insurance industry. Most large insurance companies offer similar suites of services. Whether it is auto, home, commercial, health or life insurance, chances are there are competitors that can offer similar services. In some areas of insurance, however, the availability of substitute is few and far between. Companies focusing on niche areas usually have a competitive advantage, but this advantage depends entirely on the size of the niche and on whether there are any barriers preventing other firms from entering.



- **COMPETITIVE RIVALRY:** The insurance industry is becoming highly competitive. The difference between one insurance company and another is usually not that great. As a result, insurance has become more like a commodity - an area in which the insurance company with the low cost structure, greater efficiency and better customer service will beat out competitors. Insurance companies also use higher investment returns and a variety of insurance investment products to try to lure in customers. In the long run, we're likely to see more consolidation in the insurance industry. Larger companies prefer to take over or merge with other companies rather than spend the money to market and advertise to people.

### BENEFITS OF INCREASED FDI LIMIT IN INSURANCE SECTOR

- **INCREASED INSURANCE PENETRATION:** With the population of more than 100 crores, India requires insurance more than any other nation. However, the insurance penetration in the country is only around 3 percent of our gross domestic product with respect to over-all premiums underwritten annually. This is far less as compared to Japan which has an insurance penetration of more than 10 percent. Increased FDI limit will strengthen the existing companies and will also allow the new players to come in, thereby enabling more people to buy life cover.
- **LEVEL PLAYING FIELD:** With the increase in foreign direct investment to 49 percent, the insurance companies will get the level playing field. So far the state owned Life Corporation of India controls around 70 percent of the life insurance market.
- **INCREASED CAPITAL INFLOW:** Most of the private sector insurance companies have been making considerable losses. The increased FDI limit has brought some much needed relief to these firms as the inflow of more than 10,000 crore is expected in the near term.
- **EMPLOYMENT:** With more money coming in, the insurance companies will be able to create more jobs to meet their targets of venturing into under insured markets through improved infrastructure, better operations and more manpower.
- **FAVORABLE TO THE PENSION SECTOR:** If the pension bill is passed in the parliament then the foreign direct investment in the pension funds will also be raised to 49 percent. This is because the Pension Fund Regulatory Development Bill links the FDI limit in the pension sector to the insurance sector.
- **CONSUMER FRIENDLY:** The end beneficiary of this amendment will be common men. With more players in this sector, there is bound to be stringent competition leading to competitive quotes, improved services and better claim settlement ratio. FDI in Insurance will introduce more competition in this market which will improve the services of the existing players also.
- **INSURANCE PRODUCTS:** Private as well as government insurers will benefit from the proposed hike of FDI; these companies will offer better and wide range of insurance products to customers at larger competitive prices.
- **SMALLER COMPANIES:** FDI will help smaller insurance companies to break-even faster and help monetize (convert into currency) the holdings of the promoters of the older life insurance companies.
- **TECHNOLOGY:** Insurers will not just get capital but also technology and product expertise of the foreign partner who is the domain expert.
- **NEW PLAYERS:** We can expect about 100 life and non-life insurance companies to serve a market of our size. Increasing FDI could see 25-30 new insurers entering the market.

### DRAWBACKS OF INCREASED FDI

- Higher stake holding by foreigners would mean higher foreign control on the insurance company, thus runs a risk of having some decisions which are not in the best interest of domestic consumers.
- Foreign Direct Investment is money put in to our country by financial institutions or individuals of another country, and thus some or most of the profit made would at some point move outside our country and invested or spent in another country or home country.
- Different countries have different regulations in insurance sector; Government may need to relax some regulations in order to encourage FDI which may not always be in best interest of the country.
- Non FDI funded domestic insurance companies may have higher cost of capital and they would need to find ways of competing with lower premium offered by FDI funded insurance companies.
- There are already a lot of players in the insurance field which means that the competition already exists and services are quite good. LIC is one of the best companies in insurance sector offering one of the best and quickest settlements to the customers. Not much of competition is desired in this field.
- If the government is worried about the customers, it should make the laws stronger to ensure that the customers do get their deserved and promised benefits.

### CONCLUSION

India is one of the most attractive foreign direct investment destinations in the world. The Indian insurance companies offer a comprehensive range of insurance plans. Due to the growing demand for insurance, more and more insurance companies are now emerging in the Indian insurance sector. But there are always pros and cons of each decision. Increase in cap in insurance sector will definitely boost up the Indian Economy due to enlarge scope of foreign players in the Indian Market. The insurance sector in India is still under developed as compared to developed countries, and despite private players now allowed to enter this sector, we only have a small number of providers. FDI will increase competition with increased number of insurance companies and basis economics would suggest that when the supply increases as compared to demand the prices will come down, thus benefiting the end customers. This will also help in increasing the employment level in India. But careful consideration is required to ensure that the investment stays for long term and does not get withdrawn, leaving the companies and their domestic customers in a miserable position, and not all profits are moved outside the country but some reinvested or spent in our country. Regulations need to be revisited to ensure that Insurance Companies are subject to relevant and strict governance. Likewise, the deficiencies in current pension schemes should offer significant opportunities to private providers. With the majority of the population still residing in rural areas, the development of rural insurance will be critical in driving overall insurance market development over the longer term.

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## A STUDY OF THE PROBLEMS FACED BY B. Ed. TEACHERS TEACHING IN A CLASSROOM OF ENGLISH AND MARATHI MEDIUM STUDENTS OF MUMBAI

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### ABSTRACT

*Teachers occupy a prominent place in the society. They are responsible for building a particular country or nation. The teacher education institutions established throughout India are producing teachers to meet the need of teachers in the country. But, NCTE, the recognizing body of teacher education has given the relaxation to all states to start the course by following vernacular medium. As a result the students of English and Marathi-medium sit together in the classroom in the Colleges of Mumbai For this, the B.Ed. teachers face the problem of teaching them in two languages simultaneously. The present study highlights some of the problems faced by the B.Ed. teachers of Mumbai.*

### KEYWORDS

B.Ed. teacher, English medium, Marathi medium, NCTE, bi-lingual classroom.

### INTRODUCTION

Professional success of every professional in his profession depends mainly on his up-to-date professional knowledge, fullest devotion and dedication along with his efficient and effectiveness. In the present day world, with the advancement in technology these qualities can be inducted through education. Since teaching occupies an honourable position in the society, therefore Education Commission recommended the introduction of "a sound programme of professional education of teachers". But, as a teacher tries to teach in the way in which he himself was taught by his favourite teachers, this tends to perpetuate the traditional methods of teaching. Such an attitude becomes an obstacle in the present situation when new and dynamic methods of instruction are needed. This situation can be modified only by effective professional education which will initiate the teacher to the needed revolution in teaching and lay the foundation for his future professional growth.

### REVIEW OF LITERATURE

A review of related studies is very much essential in undertaking a research work as it enables the researcher to find out the areas in which research has been done and which area is left untouched by the researchers.

Let us focus on few studies undertaken in this field.

**Desai Leena V.** (1991) in her study "A Study of the difficulties faced by the Teacher educators training the teachers for primary schools in Junior Colleges of Education in Greater Bombay" finds that the teacher educators having Marathi-medium and Gujurati-medium face more difficulties than the teacher-educators having Urdu medium in terms of difficulties related to the teacher-educators. There is a significant difference in the difficulties of the teacher educator having different media of instruction, level of teaching experience and level of qualification for the difficulties related to the teacher-educator, teacher-trainee, the curriculum and the process respectively. There is a significant difference in the difficulties faced by male and female teacher-educators in training the teachers for primary schools. Male teacher-educators face more difficulties than the female teacher-educators.

**Gokhale Madhuri** (1989) in her study "A critical Study of the difficulties faced by the Teachers in teaching Marathi in the English-medium schools" finds that there is a significant difference in the difficulties faced by teachers with different levels of academic and professional qualifications. There is a significant difference in the teacher related, text-book related, subject related, school related and student related difficulties faced by the teachers teaching Marathi in English-medium schools with different levels of academic and professional qualifications. There is no significant difference in the difficulties faced by male and female teachers teaching Marathi in English-medium schools with different levels of academic and professional qualification. There is no significant difference in the teacher-related and subject related difficulties faced by male and female teachers. There is a significant difference in the text-book related, school related and student related difficulties faced by male and female teachers.

**Kunj Bali** (1993) studied the difficulties faced by English teachers in teaching English in Hindi-medium schools of standard VIII, IX and X of Greater Bombay and found that the English teacher cannot give individual attention to all the students due to overcrowding of the students in the classroom. They have less time for correcting home task and unable to motivate students due to unavailability of teaching learning materials in English in the school and hence opt mixed method of teaching. The lesson in the text books were above the mental level of the students.

**Sabharwal Renu K** (1991) studied the difficulties faced by teachers teaching those subjects in which they are not trained and found that there is a significant difference in the teaching difficulties of teachers teaching different subjects in which they are not trained (due to lack of interest, knowledge, facilities, good text books) and teachers teaching those subjects in which they are trained.

**Mishra J.N.** (1968) in his study "A Study on the Problems and Difficulties of language teaching at secondary level" revealed that, about sixty percent teachers encountered difficulties in teaching prose, especially in drilling the meaning of words, explanation and paraphrasing them. More teachers prefer Translation Method and less use the Direct Method in classroom teaching. Less number of teachers encourage students in developing reading ability. They also feel that the facilities available in the school are inadequate and never encourage them towards adopting better method of teaching in the classroom situation.

### NEED / IMPORTANCE OF THE STUDY

Teaching profession needs experience and expertise in the respective fields on the part of a teacher. But, all teachers are not proficient, some are facing problems. Especially, if a classroom consists of both medium students, then which medium of instruction the teacher will adopt? Is he/she proficient in both medium? In Maharashtra, this is the case found out as the students of both medium background, i.e., Marathi medium and English medium are admitted into the teacher education course. So, majority of the B.Ed. teachers almost are proficient in one medium as they have either Marathi-medium or English-medium background. Thus, the problem arises for the B.Ed teachers while teaching in the classroom situation.

This study is an attempt to find out whether actually the B.Ed teachers are facing problem or not. If so, which medium background teachers face more problems? Whether male teachers face the problems more than the female teachers? Such questions are given due weightage in the study.

### STATEMENT OF THE PROBLEM

In this study, the term B.Ed teacher implies the teacher educators at the secondary level teacher education institutions. The problems faced by B.Ed. teachers are limited to classroom teaching, medium of instruction, guidance and supervision of lesson plans, preparation of projects. Out of all B.Ed Colleges, hundred B.Ed teachers working in fourteen Colleges are randomly selected for the study.

**OBJECTIVES**

The objectives of the study are as follows:

1. To find out the problems of B.Ed. teachers in a classroom of English and Marathi-medium students.
2. To investigate the difference in the problems faced by the English-medium and Marathi-medium background teachers in a classroom of both medium students.
3. To examine the difference in the problems faced by the male and female B.Ed. teachers of English-medium background in a classroom of both medium students.
4. To study the difference in the problems faced by the male and female B.Ed. teachers of Marathi-medium background in a classroom of both medium students.
5. To compare the problems faced by the male and female B.Ed. teachers of both medium background in a classroom of both medium students.

**HYPOTHESES**

The study has been undertaken to examine the following hypotheses.

- The B.Ed. teachers face problem in a classroom of English and Marathi medium students.
- There is no significant difference in the problems faced by the English-medium background teachers and Marathi medium background teachers in a classroom of both medium students.
- There is no significant difference in the problem faced by the male and female B.Ed. teachers of English medium background in a classroom of both medium students.
- There is no significant difference in the problem faced by the male and female B.Ed. teachers of Marathi medium background in a classroom of both medium students.
- There is no significant difference in the problems faced by the male and female B.Ed. teachers of both medium background in a classroom of both medium students.

**RESEARCH METHODOLOGY**

The research methodology followed in this study is Descriptive survey method. The data have been collected by the technique of personal interview to the subjects under study. For further information, relevant documents from other sources also have been referred to make the research more comprehensive.

**RESULTS AND DISCUSSIONS**

As both English and Marathi medium students comprise the B.Ed classroom, it has been seen that the B.Ed. teachers face the problem of using two languages while teaching them. This is because the teacher's educational background is again either English or Marathi. The teachers of English-medium background face more problem of using Marathi Languages as some are from the southern part of India. The teachers of Marathi medium background face the problem of using English as they are not proficient in English. So, the teachers of both medium background face problem but the teachers of English medium background face more problems than the Marathi-medium background. They face the problem of translating particular words into English or Marathi, preparing question papers, observing the lessons delivered by the students. So, this makes a problematic situation not only for the teachers but also for the students.

**FINDINGS**

Following are the major findings of the study:

- The B.Ed. teachers face many problems in classroom of English and Marathi medium.
- The teachers of both medium background face the problems of using two languages in teaching, translating particular words into English or Marathi, preparing questions papers in both medium, observing the lessons delivered by both medium students.
- The B.Ed. teachers not only face problems in the classroom but also take special effort to reach the level of students especially the vernacular medium students. It has been seen that the teachers of English medium background take more initiative than the teachers of Marathi medium to help the Marathi-medium students.
- There is no significant difference in the problems faced by the English-medium background teachers and Marathi medium background teachers in a classroom of both medium students.
- There is no significant difference in the problems faced by the English-medium background teachers and Marathi-medium background teachers in a bilingual classroom.
- There is no significant difference in the problems faced by the male and female teachers of English-medium background in a bilingual classrooms.
- There is no significant difference in the problems faced by the male and female teachers of both medium background in a bilingual classroom.

**RECOMMENDATIONS / SUGGESTIONS**

The B. Ed. teachers in Mumbai face problems while teaching in a classroom comprising both English and Marathi-medium students. Similarly, in other parts of India, such problem may be seen which creates an hurdle on the path of Teacher's professional growth and development. Due to the privatization of teacher education, such problems have been arising in the field of education system in the country. So, the recognizing body of Govt. of India i.e., National Council for Teacher Education (NCTE) may be suggested to take the matter into account so that the problem may be eradicated from the teacher education institutions.

**CONCLUSIONS**

It has been concluded from the study that the B.Ed. teachers of Mumbai face many problems in a classroom of English and Marathi medium students like teaching in both languages, translating each word, preparing questions in both languages and observing the lessons delivered by the students. The English-medium background teachers take special initiative to reach to the level of Marathi-medium students.

**LIMITATIONS**

The study has some limitations as on the following:

- The study is limited to the B.Ed. Colleges under the University of Mumbai only.
- It includes those teachers working in various B.Ed. Colleges of Mumbai University only.
- It only undertakes the problems faced by English-medium background and Marathi-medium background teachers working in B.Ed. Colleges and having a bilingual classroom.
- It delimits itself to the academic problems of teachers in the classroom.

**SCOPE FOR FURTHER RESEARCH**

The present study was an attempt to find out the problems faced by the B.Ed. teachers in a classroom of English and Marathi-medium students. This was related to the academic problems of the teachers.

However, efforts may be taken by further researchers to continue research work in this field by taking academic as well as the non-academic problems faced by the B.Ed. teachers due to the rapid expansion of setting new B.Ed. Colleges throughout Maharashtra and some other states of India.

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**APPENDIX / ANNEXURE**

**QUESTIONNAIRE (PART-A)**

**PROFILE OF THE COLLEGE**

1. Name of the College :
2. Year of Establishment :
3. Whether the College is under Linguistic / Religious minority ?
4. Medium of instruction :

Data given by

Official Seal

Investigator

Name & Designation

**(PART-B)**

**SARBANI SANKAR PANIGRAHI**

Guru Nanak College of Education  
and Research, Shivaji Talao,  
Bhandup (W), Mumbai – 400 078

Dear Teacher,

The following questions are given to you for your kind response. Please give the relevant data on the profile and tick (✓) at the correct place corresponding to each question.

Thanking you,

Yours truly,

**(S.S. Panigrahi)**

**PROFILE OF THE TEACHER**

1. Name:
2. (a) Qualification  
(b) Medium
3. Sex:
4. Marital Status:
5. Age Group: 25-30 30-35 35-40 40 and above  
(in years) ( ) ( ) ( ) ( )
6. (a) Languages known:  
(b) Language used in teaching:  
(c) Mother tongue:
7. Subjects taken:
8. Working distance to the College:  
Less than 10 km 10-20 km 20-30 km Above 30 km  
( ) ( ) ( ) ( )
9. Total No. of hours taken for commuting:

	Questions	Yes	No	Undecided
1.	Do you use two languages in teaching ?	( )	( )	( )
2.	Do you face the problem of using two languages in classroom teaching ?	( )	( )	( )
3.	What kind of problem do you face ?			
	(a) Course coverage	( )	( )	( )
	(b) More stress or energy	( )	( )	( )
4.	Do you reach to the comprehensive level of the students while teaching?	( )	( )	( )
5.	Is there any kind of mischief found among the students while taking class ?	( )	( )	( )
6.	While teaching in English, what is the reaction of Marathi-medium students ?			
	(a) Responding	( )	( )	( )
	(b) Creating noise	( )	( )	( )
	(c) Gossiping	( )	( )	( )
7.	While reaching in Marathi, what is the reaction of English-medium students ?			
	(a) Responding	( )	( )	( )
	(b) Creating noise	( )	( )	( )
	(c) Gossiping	( )	( )	( )
8.	Do you face the problem of translating particular words into English or Marathi ?	( )	( )	( )
9.	Are there sufficient books of both medium available in your College library ?	( )	( )	( )
10.	Do you face the problem of preparing question papers in both medium ?	( )	( )	( )
11.	Do you take other's help in preparing question papers in both medium ?	( )	( )	( )
12.	Do you face the problems of evaluating the answer sheets of both medium ?	( )	( )	( )
13.	If so, which medium ?			
	(a) Marathi	( )	( )	( )
	(b) English	( )	( )	( )
14.	Are you confident that your evaluation reaches the optimum standard ?	( )	( )	( )
15.	Do you face the problem of communication with the students ?	( )	( )	( )
16.	If so, which medium ?			
	(a) Marathi	( )	( )	( )
	(b) English	( )	( )	( )
17.	Do you use or refer bi-lingual dictionary in teaching ?	( )	( )	( )
18.	Do you face any problem of guiding the lesson plans in both medium ?	( )	( )	( )
19.	If so, which medium ?			
	(a) Marathi	( )	( )	( )
	(b) English	( )	( )	( )
20.	Are you competent in the other language than that of your language of study ?	( )	( )	( )
21.	Do you face the problem of observing the lessons delivered by the students ?	( )	( )	( )
22.	If so, which medium ?			
	(a) Marathi	( )	( )	( )
	(b) English	( )	( )	( )
23.	Do you think your language other than that of your study is grammatically correct and comprehensible ?	( )	( )	( )
24.	Do you take the help of other language than that of English and Marathi ?	( )	( )	( )
25.	If so, which language do you take help ?			
	(a) Hindi	( )	( )	( )
	(b) Regional language	( )	( )	( )
26.	Which group of students do you guide for project work ?			
	(a) Marathi	( )	( )	( )
	(b) English	( )	( )	( )
27.	How do you deliver your model micro-teaching lessons ?			
	(a) Marathi	( )	( )	( )
	(b) English	( )	( )	( )
	(c) Both	( )	( )	( )
28.	Do you think some students could achieve the target level even though they have incompetence?	( )	( )	( )
29.	Which group of students get good marks in your subject / paper taught ?			
	(a) Marathi	( )	( )	( )
	(b) English	( )	( )	( )
30.	Which group of students are closer to you ?			
	(a) Marathi	( )	( )	( )
	(b) English	( )	( )	( )
	(c) Both	( )	( )	( )
31.	Do you think some students feel isolated while taking class ?	( )	( )	( )
32.	If so, which group ?			
	(a) Marathi	( )	( )	( )
	(b) English	( )	( )	( )
33.	Have you taken any special effort to reach to the level of vernacular medium students?	( )	( )	( )
34.	If so, give details	( )	( )	( )

## RISING TRENDS IN PRODUCTION AND PRODUCTIVITY OF VEGETABLES IN INDIA: A STUDY FROM 2001-02 TO 2012-13

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### ABSTRACT

*The current study explores a good variety of statistical data based upon the performance of the vegetable growing sector in particular and horticulture sector in general in the Indian economy. Such a statistics has been of great importance when it comes to set new targets to be achieved in this sector by any economy of the world. Besides, it also provides a deeper insight into the current status of this sector. This paper tries to seek the rising trends in the Indian horticulture sector in terms of production and productivity of vegetables on a whole. Area under vegetables cultivation of vegetables in India is also an important aspect of this study.*

### KEYWORDS

horticulture, vegetables, production, productivity, area.

### INTRODUCTION AND BACKGROUND

The term Horticulture is composed of two different Latin words- 'Hortus' means garden and 'Cultura' here means knowledge of growing crops. Therefore the term 'Horticulture' means the study of garden plants or crops. Horticulture has four important branches. These are: Olericulture (vegetable culture), Pomology (fruit culture), Floriculture and Post Harvest Technology and Preservation. The importance of horticulture cannot be denied. The crops under this sector provide the cultivator with more returns per unit area as compared to other field crops. Hence, the yield is high in terms of weight and money. The nutritional status of horticulture crops is very high. Vegetables and fruits are a rich source of minerals and vitamins. Even small and marginal farmers can be benefitted from the cultivation of horticulture crops.

The vegetable growing sector in particular and horticulture sector in general are vital for any economy. India produces around 280 million tonnes of total horticulture crops every year. India is the second largest producer of vegetables in the world. Commercialisation of vegetable growing sector strengthens the economy of a country. It is through commercialisation of vegetable growing sector that the domestic producers of vegetables can become globally competitive and can raise the standards of their productivity. Only then the untapped potentials of our local vegetable growers can be given directions. And this may help in improving the production and productivity of vegetables up to a larger extent.

Advanced technologies can be of a great help in flourishing the vegetable market of India beyond domestic boundaries. India's varied agro-climatic conditions are useful in growing different varieties of vegetables across nation. It also adds to the commercial importance of the vegetable growing sector of the Indian economy. Commercialisation of vegetable growing sector is also vital for the reason that it provides employment to a larger portion of population. A manifold increase in public investments over vegetables throughout the planning process has helped this sector to grow and flourish more than other sub-sectors of horticulture sector.

Technical efficiency in the production methods of growing vegetables (Murthy, et al., 2009) holds much importance for the growth of vegetables production and productivity. They say that there is a wide scope of increasing the production of vegetables by applying different inputs. Doing this can enhance the productivity also. The production then will grow manifold and this will be beneficial for the vegetable growers. Therefore technical efficiency in producing vegetables holds much importance.

Area under Horticulture crops (Handbook on Horticulture Statistics, 2014) in the year 1991-92 was 12.77 million hectares whereas it is now 23.69 million hectares in 2012-12. Total horticulture production has nearly increased by 2.8 times and total horticulture productivity has increased by 1.5 times. As compared to 257.1 million tonnes of food grains production in 2012-13, total horticulture production was 268.9 million tonnes.

Indian vegetable growing sector (Indian Horticulture Database, 2013) has witnessed an upward rising trend in the production and productivity of vegetables from 2001-02 to 2012-13. For instance, the production of vegetables in 2001-02 was 88622 (in '000 tonnes) and in 2012-13, it was 162187 (in '000 tonnes). The productivity of vegetables in 2001-02 was 14.4 mt/ha where as it has grown up to 17.6 mt/ha in 2012-13. The area under vegetable crops have grown from 6156 (in '000 hectares) in 2001-02 to 9205 (in '000 hectares) in 2012-13.

Dastagiri, et al. (2013) has talked about the production trends of vegetables in India. They have also talked about the marketing efficiencies and export competitiveness in terms of vegetable production in India. According to their study, the total vegetables cultivation in India has grown at the rate of 4.12 % and the rate of production growth of vegetables is 6.48 %.

There are no doubts that there has been a rising trend in production and productivity of vegetables in India in the recent years has been witnessed. The chief importance of this trend is that it will provide security to the domestic producers of vegetables and thus it may also enhance more investments in this sector for further growth and development of the vegetable growing sector in India.

### SURVEY OF EXISTING LITERATURE

Kumar, et al. (2004) has talked about the growing trends in the vegetable production. Growth of vegetables is a provision of security in terms of food and nutrition. According to the study, the total vegetable production was 43 million tonnes in the year 1962-63. It had grown to around 91 million tonnes in the year 1999-2000. This growth in the vegetable production in India during this period has been tremendous

A farm-level data from 70 cabbage producers (BIRTHAL, et al., 2004) has been collected in the study to enquire about the relationship between IPM technology and production of vegetables in India. With the use of fertilizers and pesticides, there has been an increase in vegetable growing farmers' income by Rs. 2009. It has also been witnessed that with the IPM technology, Unit cost of producing vegetables has been reduced by 5 %. 80 % of the benefits out of this technology have been accrued to the producers of vegetables.



Kamei (2013) talks about the growth of horticulture in Tamenglong district of Manipur. Tamenglong district is amongst 500 backward districts in India. The main sources of occupation and income in this district have not providing much help to the people living there. There is a need to turn towards horticulture and mainly towards growing vegetables in this district to earn a better and sufficient livelihood.

The area, production and productivity of brinjal (Indian Horticulture Database, 2013) have considerably increased since 2001-02. In the same year, the area under brinjal crop was 502.4 (in '000 hectares), production was 8347.1 (in '000 tonnes) and productivity was 16.6 mt/ha respectively. All these variables grew tremendously to 722.1 (in '000 hectares), 13557.8 (in '000 tonnes) and 19.1 mt/ha respectively in the year 2012-13.

The area, production and productivity of peas (Indian Horticulture Database, 2013) have considerably increased since 2001-02. In the same year, the area under peas crop was 303.3 (in '000 hectares), production was 2038.2 (in '000 tonnes) and productivity was 6.7 mt/ha respectively. All these variables grew tremendously to 420.9 (in '000 hectares), 40006.2 (in '000 tonnes) and 9.5 mt/ha respectively in the year 2012-13.

Mittal (2007) talks about the shift in cropping patterns in the production of vegetables in India from the year 1995 to 2004. During the period 1995-2000, the area under vegetable crop was 915 (in '000 hectares). Whereas the cropping area under vegetable crop has been raised to 1163 (in '000 hectares) during the period 2001-04. This has led to the increase in production of vegetables in India. It has also raised the productivity of vegetables in India.

## PRIME OBJECTIVE OF THE STUDY

To study the trends in production and productivity of vegetables in India.

## HYPOTHESES

**H0 A:** There has been an upward trend in production and productivity of vegetables in India.

**H1 A:** There has been a downward trend in production and productivity of vegetables in India.

**Note:** H0- Null hypothesis and H1- Alternative hypothesis.

## METHODOLOGY

The current study has availed its data from various secondary sources. Data has been collected from authentic and valid sources such as government website (Ministry of Agriculture, Government of India), research papers and journals, books like Indian Horticulture Database 2013, Handbook on Horticulture Statistics 2013, Schemes of National Horticulture Board and Diversifications Booklet No. 11, FAO, besides various other secondary outlets for data on Indian horticulture. It has tried to carry out exploratory as well as descriptive study on vegetables in India. The use of simple form of statistical tools has been brought into use to analyse data. Horticulture sector of India is the universe size and its sub sector i.e. vegetable growing sector in India is the sample size of the current study. Area under vegetables, production and productivity of vegetables are the prime parameters of the study. The time period incorporated in the study is from 2001-02 to 2012-13.

## ANALYSIS AND INTERPRETATION OF DATA

Since 2001-02, the horticulture sector of the Indian economy has shown considerable growth. The area under horticulture crops, and the production and productivity of horticulture crops have gone up tremendously from about last thirteen years. Similarly, vegetables growing sector (sub-sector of horticulture) has also shown similar trends with respect to area under vegetable crops, production of vegetable crops and productivity of vegetable crops. Such a case of vegetables in India during 2001-02 to 2012-13 has been reflected in table 1. The first column of table 1 shows the time period of the current study which ranges from 2001-02 to 2012-13. The second column of the same table deals with the area under vegetables which is given in '000 hectares during this whole period in India. In the year 2001-02, the total area under vegetables in India was 6156. In the years 2002-03, 2003-04 and 2004-05, the areas under vegetables were 6092, 6082 and 6744 respectively. Then in the following three years i.e. 2005-06, 2006-07 and 2007-08, the areas under vegetables in India were 7213, 7581 and 7848 respectively. In the next four years from 2008-09 to 2011-12, the areas under vegetables in India were 7981, 7985, 8495 and 8989 respectively. In the year 2012-13, the area under vegetables in India was 9205.

**TABLE 1: ALL INDIA AREA, PRODUCTION AND PRODUCTIVITY OF VEGETABLES**

Year	Area (In '000 Ha)	Production (In '000 Mt)	Productivity (In Mt/Ha)
2001-02	6156	88622	14.4
2002-02	6092	84815	13.9
2003-04	6082	88334	14.5
2004-05	6744	101246	15.0
2005-06	7213	111399	15.4
2006-07	7581	114993	15.2
2007-08	7848	128449	16.4
2008-09	7981	129077	16.2
2009-10	7985	133738	16.7
2010-11	8495	146555	17.3
2011-12	8989	156325	17.4
2012-13	9205	162187	17.6

Data Source: Indian Horticulture Database 2013, Ministry of Agriculture, Government of India.

Note: Ha-Hectares, Mt-Metric Tonnes.

The third column of table 1 talks about the production of vegetables in India from the year 2001-02 to 2012-13 in '000 metric tonnes. In the year 2001-02, the production of vegetables in India was 88622. In the years 2002-03, 2003-04 and 2004-05, the production of vegetables in India was 84815, 88334 and 101246 respectively. In the following three years i.e. 2005-06, 2006-07 and 2007-08, the production of vegetable in India was 111399, 114993 and 128449 respectively. In the next four years from 2008-09 to 2011-12, the production of vegetables in India was 129077, 133738, 146555 and 156325 respectively. In the year 2012-13, the production of vegetables in India was 162187.

In the fourth column of the same table, the productivity of vegetables in India has been shown in metric tonnes per hectares (mt/ha) during the years 2001-02 to 2012-13. In the year 2001-02, the productivity of vegetables in India was 14.4. In the years 2002-03, 2003-04 and 2004-05, the productivity of vegetables in India was 13.9, 14.5 and 15.0 respectively. In the following three years i.e. 2005-06, 2006-07 and 2007-08, the productivity of vegetables in India was 15.4, 15.2 and 16.4 respectively. In the next four years from 2008-09 to 2011-12, the productivity of vegetables in India was 16.2, 16.7, 17.3 and 17.4 respectively. In the year 2012-13, the productivity of vegetables in India was 17.6.

## FINDINGS AND RECOMMENDATIONS

The current study has worked within the boundaries set by the prime objective of the study. The study has been successful in finding out the rising and upward trends in production and productivity of vegetables in India since 2001-02. It has found out that the area under vegetables in India has grown considerably from 6156 to 9205 (in '000 hectares) during 2001-02 to 2012-13. Similar trends have also been traced in terms of production of vegetables in India during the time period of the study. Vegetable production has grown from 88622 to 162187 (in metric tonnes) from the year 2001-02 to 2012-13. The study has also measured that the vegetable productivity in India during the same period has also shown an upward rising trend. The productivity of vegetables in India has gone up from

14.4 to 17.6 mt/ha during the time period of the study. Therefore, we can say that the vegetable growing sector in India has been witnessing a rising trend in terms of vegetable production and productivity in the recent years.

The study recommends that the public investment on vegetables in particular and horticulture in general must be raised multiplier times so as to further raise the production and productivity of vegetables in particular and other horticultural crops in general. It also suggests formulating and implementing certain governmental schemes and programmes such as National Horticulture Mission (NHM) and Mission for Integrated Development of Horticulture (MIDH) et cetera to widen the scope of this sector so as to grow and flourish beyond domestic boundaries. Only then the vegetable growing sector, specifically, will grow and dominate the international competition.

#### LIMITATIONS OF STUDY

1. The present study doesn't explain the specific reasons for upward trends in production and productivity of vegetables in India.
2. It also doesn't reveal if the present rate of growing production and productivity of vegetables is sufficient for domestic and international consumption.
3. It doesn't deal with specific vegetables but total vegetables in India.
4. The study has also not highlighted any other sub-sector under horticulture sector of India.

#### CONCLUDING REMARKS

The current study has made effort in finding out the rising trends in production and productivity of vegetables in India during the years 2001-2013. It has been found that the upward rise in production and productivity of vegetables in India during this time period is considerable. There has been a good deal of shift in the cropping pattern of vegetables in India. Area under cultivation of vegetables in India has been growing tremendously. The null hypothesis in the study has not been rejected whereas the alternative hypothesis in the study has been rejected.

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**POSITION AND ROLE OF 'ODL' INSTITUTES: A STUDY OF MARGINALIZED SECTIONS OF SOCIETY**

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**ABSTRACT**

*This Paper highlights the problems faced by Marginalized Sections of the society which hinders them for their individual, communal or professional uplift, despite of enormous policies and schemes by Government and Regulatory bodies. It suggests that education is the formalized channel that helps an individual to help themselves and also highlights the role of Open and Distance Learning Institutes (ODL) in the field of education for weaker sections of the society. This paper also suggests some guidelines for the institutions to provide a path for marginalized sections so as to bring awareness of the upcoming policies for their individual or social growth. The concept of Social Inclusion can be achieved only by facilitating the weaker sections of society, be it individual or strata or a complete section of people from a community, to attain basic, intermediate and higher education. Facilities based on financial, technical and moral requirements are also suggested for the Open and Distance Learning Institutes which invites the Government Policies to be more inclined towards the growth of such weaker sections.*

**KEYWORDS**

education, marginalized, ODL, social inclusion, uplift.

**INTRODUCTION**

Human beings are social animals" and "Survival of the fittest" are two such phrases that made our society of ancient, medieval times and present day. In the era of civil society and very recently we have seen some unbalance in the society. This unbalance is nothing but the undue advantage to a group or individual of society by suppressing the other group or individual.

**Social Exclusion** is a concept used in many parts of the world to characterize contemporary forms of social disadvantage and relegation to the fringe of society. These fringes are nothing but an individual or a group as a whole who are discarded from the social mainstream. Thus, this particular section is also referred as **Marginalized Section** of the society. Silver, H. (2007) explained Social exclusion is a multidimensional process of progressive social rupture, detaching groups and individuals from social relations and institutions and preventing them from full participation in the normal, normative prescribed activities of the society in which they live.

The term social exclusion was first used in France and is widely used in United Kingdom and Europe. Social Exclusion is a term that is neither confined to time nor to a particular stratum. It is used across disciplines including education, sociology, psychology, politics and economics.

*It is a process in which individuals or entire communities of people are systematically blocked from rights, opportunities and resources (e.g.; housing, employment, healthcare, civic engagement, democratic participation and due processes).*

**REVIEW OF LITERATURE**

In 1965, a French social commentator, Jean Klanfer, published *L'Exclusion sociale: Étude de la marginalité dans les sociétés occidentales* [Social exclusion: The study of marginality in Western societies] (Béland, 2007). Described as an anthropology of poverty, Klanfer's (1965) work argued that society rewarded personal responsibility with inclusion and personal irresponsibility with exclusion. If the work of Bourgeois was a primary influence on the solidarism movement almost 100 years earlier, the writings of Klanfer would fuel the imagination of René Lenoir (1974), most notably in his book '*Les exclus*'.

In his political tome, Lenoir contended social exclusion was a result of France's postwar transition from a largely agricultural society to an urban one (Davies, 2005). While the belief was that these events could lead to poverty, Lenoir argued that they could lead to a brand of social polarization also, which challenged the Liberté, Egalité, and Fraternité ideals of the French Republican project.

Many have suggested that if there were a birth of the modern rhetoric of social inclusion, it would be here, in French thought that sought a means to reintegrate the large numbers of ex-industrial workers and a growing number of young people excluded from opportunities to join the labor force in the new economies of the 1970s and beyond.

**Social Exclusion** is widely divided into three major segments and can further be subdivided as:

**INDIVIDUAL EXCLUSION**

Social exclusion at the individual level results in an individual's exclusion from meaningful participation in society. An example is the exclusion of single mothers from the welfare system prior to welfare reforms of the 1900s. The modern welfare system is based on the concept of entitlement to the basic means of being a productive member of society both as an organic function of society and as compensation for the socially useful labor provided. A single mother's contribution to society is not based on formal employment, but on the notion that provision of welfare for children is a necessary social expense. In some career contexts, caring work is devalued and motherhood is seen as a barrier to employment (Lessa, 2006).

Single mothers were previously marginalized in spite of their significant role in the socializing of children due to views that an individual can only contribute meaningfully to society through "gainful" employment as well as a cultural bias against unwed mothers. More broadly, many women face social exclusion. Another example of individual marginalization is the exclusion of individuals with disabilities from the labor force. Grant (2009) discusses an employer's viewpoint about hiring individuals living with disabilities as jeopardizing productivity, increasing the rate of absenteeism, and creating more accidents in the workplace (Leslie, Leslie & Murphy 2003).

**COMMUNITY/GROUP EXCLUSION**

Many communities experience social exclusion, such as racial (e.g., black) and economic (e.g., Roma) communities. One example is the Aboriginal community in Australia. Marginalization of Aboriginal communities is a product of colonization. As a result of colonialism, Aboriginal communities lost their land, were forced into destitute areas, lost their sources of livelihood, and were excluded from the labor market. Additionally, Aboriginal communities lost their culture and values through forced assimilation and lost their rights in society (Baskin, 2003). Today various Aboriginal communities continue to be marginalized from society due to the development of practices, policies and programs that "met the needs of white people and not the needs of the marginalized groups themselves" (Yee, 2005).

Yee also connects marginalization to minority communities, when describing the concept of whiteness as maintaining and enforcing dominant norms and discourse.

#### PROFESSIONAL EXCLUSION

Some intellectuals and thinkers are marginalized because of their dissenting, radical or controversial views on a range of topics, including HIV/AIDS, climate change, green energy or third world politics. Though fashionable for a time to some, they are more widely regarded as intellectual freethinkers and dissidents whose ideas and views run against those of the mainstream. At times they are marginalized and abused, often systematically ostracized by colleagues, and in some cases their work ridiculed or banned from publication (Green, 2003).

#### SOCIAL INCLUSION: AN AFFIRMATIVE ACTION

How cultures and societies stratify and divide; how they account for customs around inclusion, exclusion, belonging, and togetherness; and how the processes that include and exclude are talked about, described, understood, and experienced, all provide some clues as to the role of social integration and stratification within a given society. Indeed, how stratification is conceived and discussed can obscure the very nature of the processes by which such divisions come to be. This is precisely why the discipline of sociology is so useful. Unlike natural order sciences, it does more than identify and posit explanations for social divisions. Sociology, in addition to this, can reflect also on the disciplinary discourses encircling discussions of these social partitions. For example, one of the means by which stratification is conceptualized and discussed could take as a reflective example, the pre-World War II writings of Sorokin (1998), who in considering stratification differentiated between horizontal and vertical social mobility. Sorokin suggested that horizontal mobility related to changes in occupational position or role, but not to changes within a social hierarchy, whereas vertical mobility did describe changes within the social hierarchy. Sorokin summarized his theory by reflecting that within systems of vertical and horizontal mobility, there could be individual social infiltration as well as collective social movement. Furthermore, that although it was possible to identify forms of mobile and immobile societies within different geographical and historical contexts, it was rare for a society's strata to be closed absolutely, and rare for the vertical mobility of even the most mobile society to be completely free from obstacles.

As proposed by Sorokin (1998), these types of social movements could often vary across time and space, yet even across time, trends—particularly as they might apply to vertical mobility—were unlikely to be writ in stone. Although autocratic societies might be less mobile than democratic societies, the rule was not fixed and could have exceptions.

While often used to describe low or zero labor market involvement (Foster, 2000), early definitions of social exclusion in time broadened to consider barriers to effective or full participation in society (Du Toit, 2004). These types of barriers were considered to contribute to progressive processes of marginalization that could lead to deprivation and disadvantage (Chakravarty & D'Ambrosio, 2006). As the exclusion concept took on currency, it began to reflect more than a simple material nature and to begin to encompass the experience of individuals or communities who were not benefitting or were unable to benefit relative to others in society (Davies, 2005; Levitas, 1998). In time, the concept would evolve to reflect lapses in social integration and social cohesion that plagued advanced capitalist societies (Chakravarty & D'Ambrosio, 2006). It would evolve also to refer to processes that prevent individuals or groups from full or partial participation in society, as well as the crippling and reifying inability to meaningful participation in economic, social, political, and cultural activities and life (de Haan & Maxwell, 1998; Duffy, 1995, 2001; Horsell, 2006)—a definitional approach that imbues exclusion in terms of neighborhood, individual, spatial, and group dimensions (Burchardt, Le Grand, & Piachaud, 1999, referenced in Percy-Smith, 2000).

In many ways, despite the contribution of the psychological and life sciences, and even the contributions of social policy, the concepts of social inclusion and exclusion are profoundly sociological. This is because at the very root of both classic and contemporary sociological thinking are concerns with social stratification, social inequality, and social class—key concepts which the social inclusion literature repeatedly touches upon.

Witcher (2003, referencing Burchardt et al., 1999) reflected that social inclusion and exclusion were concepts that were often poorly defined or theorized. Daly (2006) has suggested that although there is nothing inherent in the inclusion and exclusion concepts that defy or negate theorization, in general, sociology's attempts at their theorization could be inconsistent or facile.

Horsell (2006) referenced Crowther (2002) in suggesting that the contemporary interest in social exclusion and inclusion were reflective of similar attempts to conceptualize the dual influences of poverty and social deprivation. As such, these concepts signaled that somehow the cumulative impacts of poverty and social deprivation (or the cumulative effects of social exclusion in the absence of social inclusion) could represent a threat to social order.

#### NEED OF THE STUDY

Unequal access to education has been rampant in India. Discriminatory order in the caste system has been instrumental in perpetuating this. Over the generations one section of the society were enjoyed the fruits of the education and remaining majority of Indian communities particularly marginalized sections like Scheduled Castes (SC), Scheduled Tribes (ST), Other Backward Classes (OBC), Religious Minorities and Women were denied the opportunity. Right since Jotirao Phule, Sir Syed Ahmed Khan, Dr. Zakir Husain, Narayan Guru, early education movements to present day education campaigns, strongly believe that 'education is enlightenment and enlightenment is empowerment'. It helps to make for a better future society. Dr. Ambedkar (1989) recognized the importance of education in shaping the future and cautioned the under-privileged not to lose any opportunity to get that right, and said "We may forego material benefits, but we cannot forego our right and opportunities to reap the benefit of the highest education to the fullest extent." He put all his efforts to guarantee the educational opportunities without any discrimination to all the citizens of independent India. But after 6 decades of its implementation, political order and the ruling elite of this country could not succeed in providing access to the "Right to Education" to its people.

In this background the paper briefly touches the present scenario of Education and the consequences in the context of globalization and examines the role of Open and Distance Learning (ODL) system in democratizing the education in India.

#### DISCUSSION

##### RIGHT TO EDUCATION: A SOCIAL INCLUSION PERSPECTIVE

Equal access to education is among the basic human rights to which everyone is entitled. Yet, the educational gaps between various groups in many countries are staggering, as shown by many studies. If people's abilities are normally distributed, then a skewed distribution of education opportunities represents large welfare losses. The development of any nation depends on its educational system and it is proved that education is the key to human progress and social change. Education is a powerful tool for empowerment of individual. It helps in developing confidence in individual and community about their own capacities, inherent strengths to shape their lives and thus enhance the inner strength intellectual, political, social and economic against oppression, exclusion and discrimination. Empowerment is the enhancement of the political, social, economic or spiritual strength of individuals and communities. Empowerment envelops developing and building capacities of individuals, communities to make them part of the main stream society. Education is the means by which societies have been known in history, to grow out of oppression to democratic participation and involvement. It is a powerful tool for empowerment of individual. It is intrinsic to human personality. It carries both intrinsic as well as instrumental values. If look back in to the history of India, education was never in reach of its entire people.

##### ADVANTAGES OF 'ODL'

The first and basic advantage of open education system is the flexibility. The flexibility in terms of time, pace, place, age, occupation certainly gives a new hope and fresh life to thousands of learners who were the victims of the Indian rigid traditional education system. Since the Open University is a learner-centered system, it provides education to large and diverse groups of students in a flexible manner. As far as the qualifications are concerned most of the learners who couldn't able to continue in the formal system, because of socio-economic and cultural reasons have the advantage of Open learning. Further the flexibility of entry into academic programmes irrespective of their age, qualification make the learner to pursue their higher education. In open Universities, particularly in Open & Distance Learning (ODL) Centers at various Central Universities, students can choose the subjects of study according to their interests. The flexibility in teaching and learning process is also an additional advantage for the learners. Since open learning system in India adopts multi-media approach learner can study the course material, watch audio visual programmes related to their courses in his own pace and place. To seek further help or information they can attend the counseling sessions in nearby study centers during the weekends. This facility helps the learners who work for their livelihoods. The examination and



evaluation system also gives greater flexibility for the learners. Thus the Open University system in India came in to existence with a popular slogan "Education at your door step" literally brought higher education closer to the people.

**Second important factor** for the success of open learning system in India is its Cost effectiveness. Education in the Open University is cost effective not only to the students but also to the institution. A student can gain while he is earning and learn according to his convenience and interest. Access in terms of reach, particularly geographical distance is another advantage of ODL. Providing education to all in a country like India in conventional methods is proved as a difficult task because huge population live in a vast geographical regions. In such a situation ODL made the access of higher education simple to the learners through study centers covering all the geographical areas. Thus the flexibility in terms of study, greater access compared to conventional education systems & the multi-media teaching learning package and the cost effectiveness attracted millions of people. It resulted in the equity, diversity and inclusiveness within the society.

#### ROLES OF ODL IN PROVIDING A PLATFORM FOR EDUCATION-BASED CHANNEL

1. **Awareness:** It is evident that people from marginalized sections are not fully aware of such programmes being offered at university level. It is compulsory for the ODL administrators to spread awareness among such sections so as to get complete benefits.
2. **Providing Learning Centers at Remote and Needed Places:** There are people who are keenly interested in such education system but due to lack of transportation and commuting facilities they lack in getting the benefits of education.
3. **Inclusion of policies that corresponds with Government Regulations:** There are enormous number of policies and schemes offered by central and state level government and regulatory bodies but the concerned group of social class could not get proper benefits from such schemes due to the absence of proper channel. In such circumstances ODL can prove to be a bridge that would diminish the gap aroused.
4. **Education for All:** This is not just a slogan but a revolution much needed in present times so as to bring the marginalized sections of society to stand together and build a bond so strong that will definitely be a rise of a new society which will be free from any marginalization.
5. **Scholarships and Fund Generations:** ODL can serve as a passive node which could work on behalf of government and funding agencies to enable the weaker sections of society. Especially, the fund which has to be spent on education for weaker or marginalized sections can be spent in a much more directional and comprehended manner and could be utilized efficiently. Also, ODL can provide a list of meritorious and needy students to the regulatory bodies for scholarships and free education of such students.
6. **E-learning Facilities:** This is an era of digitalization; where every industry is making developments on the basis of technological improvements. Digital world is not a new concept for us. It has been accepted world-wide and it is the time for marginalized sections to accept such changes and be a part of a world which is developing at this pace. Learning through internet and computer based application is the new trend in education and ODL nation-wide have accepted this change.
7. **Inclusion of Technical and Vocational Courses:** Not just the regular courses but the demand of present situation asks the students to be technically expert. Also, people who are already working or run their own home-based industry can study vocational courses to excel in their field. It will definitely help such people to rise from a marginalized datum line and work with the mainstream of the society.
8. **Providing Placement Opportunities:** An equal opportunity should be given to people from marginalized sections to get jobs in industries where they fit in.

#### CONCLUSION

It is clearly evident that Open Education System in India is playing a vital role in catering education to the needs of diversified groups of students including socially disadvantaged sections. Marginalized communities in India are suffering with lack of access to education in India for generations. For a quite long time marginalized sections were not allowed to enter to the doorsteps of educational centers and institutions. With a delightful slogan "Education at your doorstep" the Open and Distance Learning (ODL) system in India brought education virtually to the door steps of several disadvantaged sections including SC, ST, OBC, Minorities and women. If this system gets more accessibility to the marginalized communities, it will definitely emancipate themselves from traditional bondages, exploitations and humiliations.

Open Education is considered as very effective for societies like India, where literacy and education levels are low. More over the system and its features are inclusive in nature. India tried its level best to provide free and compulsory education to all its citizens but it could not achieve its target in the last 60 years of its independence. It becomes a tough task to provide higher education with its limited recourses. In this context the distance education has emerged as an alternative model to the conventional education system.

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**INDIA’S REVEALED COMPARATIVE ADVANTAGE IN EXPORT OF RICE (HS CODE 1006)**

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**ABSTRACT**

Exports have played a significant role in India’s economic growth and in this the Agriculture Sector is one of the leading segment in India’s Economy. In Agriculture sector (Rice) is one of the major crop that has played a vital role in the contribution to the foreign exchange earnings and it also contributes in the employment rate of the country. Agriculture sector has measured the annual rate of growth in net domestic product which has increased from 1.9% annum before Green Revolution period to 2.3% during first phase of Green Revolution period. This study is to measure the comparative advantage or disadvantage of Indian Rice export ( Hs code 1006)to the world’s total rice export. To satisfy the research data has been collected through the secondary sources and it has been collected from International trade centre and Indian trade classification (harmonized system) code and Revealed comparative advantage has been calculated to examine the export competitiveness of Indian rice export to the world’s total rice export.

**KEYWORDS**

Export Performance, Rice( Hs Code 1006), Manufacturing Sector, Revealed comparative advantage.

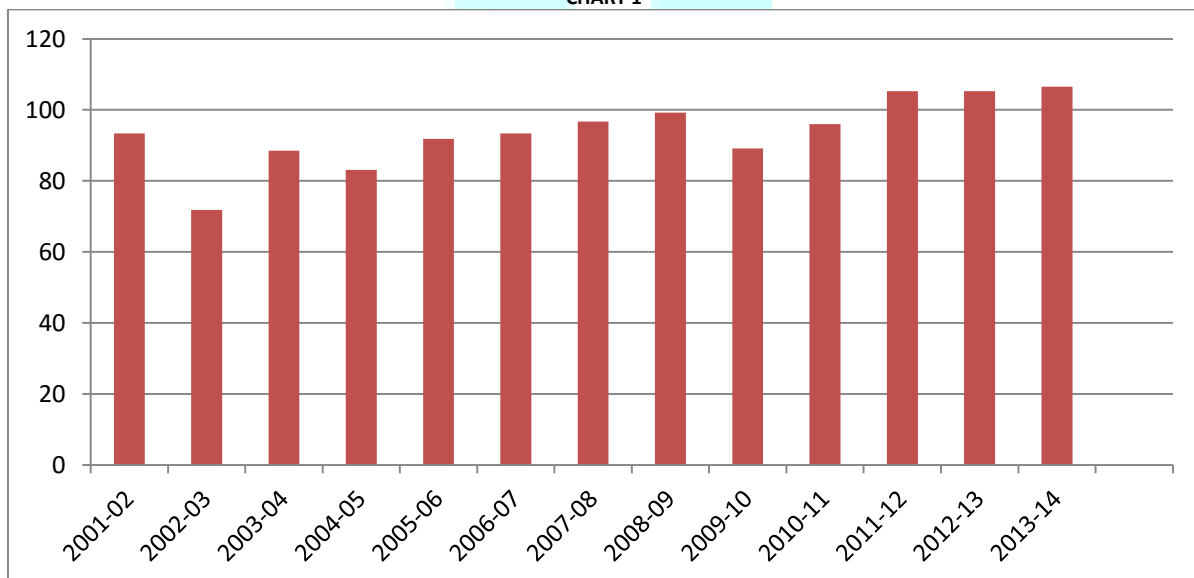
**INTRODUCTION**

Agriculture sector is one of the leading sectors of our country. Agriculture sector contributes about 15% on the GDP and employs for 50% of the total population (2013). India exports several agriculture products such as cereals, spices, Fresh Fruits, Tea, Dry Fruits, cotton, beef meat, coffee. India earns about 10% of its export earnings from the export of these agriculture products. In India food market is characterized in two staple food grain markets- rice and wheat. Rice is major food crop of India, both in terms of production and consumption. In the world, India is the second largest producer of rice, accounting for 20% of worlds total rice production. In the year 2011-12, India has crossed 100 million tones accounting for 22.81% of global production and by the 2013-14 it has reached to 106.54 million tones.

**TABLE 1: INDIA’S RICE PRODUCTION (2001-14) MILLION TONES**

Year	Million Tones
2001-02	93.34
2002-03	71.82
2003-04	88.53
2004-05	83.13
2005-06	91.79
2006-07	93.36
2007-08	96.69
2008-09	99.18
2009-10	89.09
2010-11	95.98
2011-12	105.30
2012-13	105.24
2013-14	106.54

**CHART 1**



Rice exported from India has been divided in to two category:-

- Basmati Rice
- Non- Basmati Rice

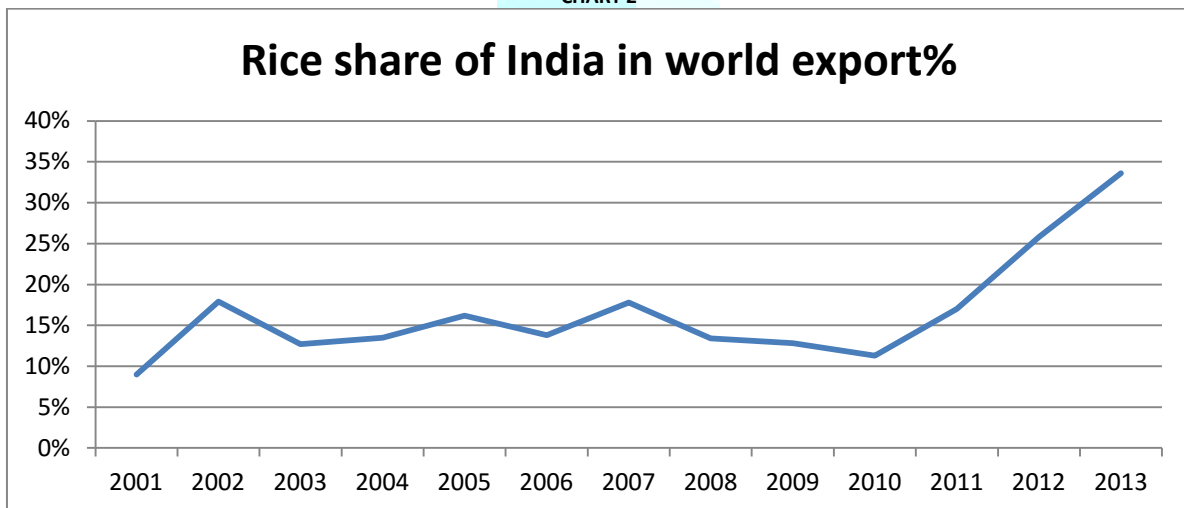
About two third of basmati rice produced in India is Exported. During 1998-99 major importer of India was Saudi Arabia of basmati rice followed by U.A.E, Kuwait and U.K. More than 90%of basmati rice was exported to these countries and the remaining quantity to the other countries in the world. India has Exported 37,

57,271.44 million tons of basmati rice to the world (2013-14). Rice other than basmati is Non-basmati rice. India Exported 71, 33,183.37 million tones of Non-basmati rice to the world (2013-14). The major Importer of Non-basmati rice is Bangladesh followed by Nepal Benin, Liberia, Senegal, and South Africa.

TABLE 2: INDIA'S SHARE IN THE WORLD'S TOTAL EXPORT OF RICE (International Trade centre)

Year	Rice share of india in value in worlds export %
2001	9
2002	17.9
2003	12.7
2004	13.5
2005	16.2
2006	13.8
2007	17.8
2008	13.4
2009	12.8
2010	11.3
2011	17
2012	25.8
2013	33.6

CHART 2



Export of India was about 3.16 million tons of rice (including both basmati and Non-basmati rice) during the first four months of 2014-15(April –March) which was about 10% less from 3.53 million tons exported during 2013-14(released by the Agriculture and Processed Food Products Export Development Authority. In terms of value, India’s total rice exports have earned about RS 15,250(crore) during April- July 2014, slightly less from Rs 15,336(2013-14).

In FY 2014-15 in terms of value basmati rice export Surged about Rs 10,363 crore during first four months of 2014-15 slightly up from Rs 10,294(2013-14). In the month of September 2014 the Middle East nation increased import duty on basmati rice from 22% to 45%. Iran is a major destination for India’s basmati rice export. India’s Non -basmati rice export (April – July 2014) declined to 1.945 million tones. In term of value Non- basmati rice export earned Rs 4,887 crore.

There is a good scope for India to take advantage of new trade policy for sustaining the export of rice and this can be achieved if production is made by keeping the demand in view by increasing investment in Research and Development with the export policy. The following agriculture policies may be taken into account to sustain the export of rice in future:-

- Producing the quality seeds and ensuring its availability to the farmers at subsidized rates.
- Low cost production technology to be developed to reduce the cost of production and to make Indian rice more competitive in global market.
- Contiguous zone is to be identified for the cultivation of export rice.
- Quality of rice is to be maintained as per the requirement of the International market.
- Breeding program is to be considered in order to develop high yielding export quality rice enable the exporters to compete in the Global market.
- To maintain the quality of basmati rice for export purpose the production, procurement and processing should be organized in a systematic manner.

TABLE 3

Date	POLICY MEASURES
20-03-2008	Import duty reduced to nil on semi or wholly milled rice whether or not polished.
01-04-2008	Notification no. 93 (RE-2007)/2004-09 DGFT, Export of Non- Basmati Rice ( Hs code- 1006 10, 1006 10 10, 1006 10 90, 1006 20 00, 1006 30, 1006 30 10, 100630 90, 1006 40 00) Prohibited. Export of Basmati Rice includes (dehusked, brown, semi-milled, milled both in par boiled or raw condition) permitted only if the minimum FOB price is US\$ 1200 mt. Grain of rice to be exported should be more than 7 mm of length. Export of Basmati Rice is restricted through Kandla, Kakinada, Kolkata, JNPT, Mumbai, Mundra and Pipavav ports only.
03-04-2008	Notification no 137(RE-2007)/2004-09 export of basmati rice is not made entitled for DEPB benefits.
10-05-2008	Notification no 66/2008 export of basmati rice is permitted with export duty of Rs 8000 per mt
07-09-2009	Notification no 5/ 2009-14 Export permitted only if the Minimum Export Price (MEP) is US \$ 900 per ton or Rs. 41,400/-per ton FOB. Export of Basmati rice, shall be subject to the additional condition that foreign commission up to 12.5% is to be allowed for computation of MEP and any discount /commission in excess of 12.5% will not be allowed for calculation of MEP (and FOB price will have to be higher to that extent)
14-12-2009	Notification no 21/ 2009-14 states the condition regarding foreign commission for computation of MEP shall stand withdrawn and substituted as under: In case any foreign commission is paid at the time of exports or subsequently then MEP shall be higher than US \$ 900 per ton, to the extent of foreign commission paid / payable and MEP of US \$ 900 per ton shall be maintained, exclusive of the foreign commission.
18-05-2010	Notification no 42/2009-14 Prohibition on Export of Non-basmati Rice – exemption regarding. The above export shall be subject to the following conditions:- (a) Export will be undertaken directly, and only, by the designated PSU(s); (b) Recipient countries will be advised to enter into contracts for the exports only with the designated PSU(s), in terms of GATT provisions; (c) The PSU(s) will buy rice from the market from all over the country; (d) The PSU(s) will make purchases from the market at a price as close to MSP as possible, so as not to disturb the existing price situation in the market; (e) The PSU/s will procure and export rice as per guidelines prescribed by the Department of Commerce (f) End-point verification of exports reaching the destination will be filed by the PSU (s).
06-08-2010	Notification no 55/2009-14, the ban on export of Non-Basmati rice shall also not be applicable on export of 3 lakh tones of parboiled non-Basmati rice to Bangladesh from the Central Pool at prevalent economic cost through FCI
17-08-2010	Notification no 57/2009-14, Grain of rice to be exported shall be more than 6.61 mm of length and ratio of length to breadth of the grain shall be more than 3.5
09-09-2011	Notification no 71/2009-14, all varieties of non basmati rice made free for export out of privately held stocks. Export permitted only through custom ports.
21-02-2012	Notification no 97/ 2009-14, (a) Minimum export price of basmati rice reduced to US\$ 700 per mt (b) Export is now permitted through all custom ports.
23-02-2012	Notification no 98/2009-14, export of non basmati rice made free with following conditions (a) State Trading Enterprises permitted to export privately held stocks of non basmati rice (b) Export of non basmati rice also permitted from non EDI land custom stations on Nepal and Bangladesh border.
07-04-2012	Notification no 6(RE-2012)2009/14 MEP on export of basmati rice removed.

This sector is benefited by various schemes of allocation of funds . Further, this sector has become more competitive, the overall productivity of the Agriculture industry will be enhanced. More investment in the form of FDI will further support capital-intensive production and thereby boost the efficiency by helping to realize economies of scale.

This study was undertaken with the specific objective of determining India's comparative advantage or disadvantage in export of rice to the world's total export of rice.

The paper is organized as follows:- In the next section a selective review of literature is given. In the section 2 precise specification of the objective of our analysis is presented followed by research methodology section 3. The section 4 contains result and discussion and the last section 5 presents the conclusion of the paper.

## LITERATURE REVIEW

"An Economic Analysis of Trends in Agriculture Growth And Production in India" (Ramachandra Murthy K, Anand C, Manjuprasad C) in their study they have shown the growth and production has significantly increased from the last three decades and also highlights the performance of Indian agriculture growth is also increased over a period of time and they have also examined the performance of trends of Agriculture Growth and Production in India in their paper.

"Overview Of India Export Performance: Trends and Drivers" ( Shameek mukherjee, Shahana mukherjee)- This paper examine the performance of India's exports and the factors which have contributed to its growth .The paper also provides export performance of three important commodities namely, gems and jewellery cotton and electronic goods and concludes with key policy changes in these sectors.

(Kakali Majumdar) " Export Performance of Processed Food in India" the main aim of the paper was to study the export prospect of Indian food processing industry and the problems it faces and remedial measures to achieve its high potential.

"A study of Comparative Advantage Of Indian Agricultural Exports"( Kanaka. S and M. Chinadurai) this study has focus on the changes in comparative advantage on India's major agriculture exports during the period (1994-95 to 2008-09). India had enjoyed a comparative advantage in tea exports. A similar pattern had been observed in coffee exports. An unstable pattern of comparative advantage had been observed in the case of rice exports with fluctuating status. A gradual decline in India's comparative advantage had been depicted for exports of sugar and cashew also.

"International Food Safety Regulation and Processed Food Export from Developing Countries" (Athukorla.P.C, Gulati.A, Jayasuriya.S, Mehta.R and Nidhiprabha.B) observed that developed countries have better processing technologies, packaging facilities etc, they are better positioned for export prospects of food processing sector over the developing countries.

"Food Safety Issues, Trade and WTO Rules: A developing country Perspective"(Athukorala.P and S. Jayasuriya(2003), they have highlighted, due to some infrastructural inadequacy the impact of food safety standards on processed food exports in developing countries are still inconclusive.

(Mehta Rajesh and J. George) 2003 "Processed Food Products Exports From India: An Exploration with SPS Regime", in their study they have examine and have said that the processed food exports can be a viable instrument to sustain and enhance social welfare in developing countries and this will be possible if all trading partners work towards making the trinity of science, safety and trade of food products blend to form a harmonious unity.

Prakash Brahm, Sushila Shrivasta and S Lal, (1995) "Impact of New Economic Policy on Export of Agricultural Commodities from India" examines the impact of new economic policy on agricultural exports. They have looked at the current trends in foreign trade of India, contribution of agricultural exports in total exports, the share of India in the global production and export of agricultural commodities, the changing compositions of major exportable commodities

overtime, major steps of liberalization in agricultural export import policy, to identify the newly emerging agricultural commodities having vast potential for steady exports and to suggest a strategy for realizing full export potential of agricultural commodities.

“Growth and Performance of India’s Agriculture Export” (Dr Rajkumar and Varsha Dadhich), this paper examines the quantify extent to which India has achieved growth in agriculture Export (1991-92 to 2010-11) and it also examine the changing dynamics of the contribution of Individual group of commodities in the basket of agricultural export.

Burange L.G and Sheetal J. Chaddha (2008) “India’s Revealed Comparative Advantage in Marchandise Trade, working paper. UDE 28/6/2008, in their study they have evaluated the structure of comparative advantage in India and the change in the scene over a 10 year period from 1996-2005. India enjoys a comparative advantage in the exports of goods for which standard technology is required for the production is shifting to developing economies whereas India has shown absence of Revealed Comparative Advantage in Imports of goods.

“Prospects of Agricultural Exports of India: A Composite Index Approach ( Kehar Singh and Inder Sain(2003), study the prospects of agricultural exports of India using composite India approach. The study is based on the Time series data of export value and export quantum from 1980-2001. The study reveals that all agricultural products which are being exported have a positive prospect.

In current scenario lot of research has been done to understand importance of the Agriculture industry and to analyse the performance of India’s export of the Agricultural products and the key policy changes which could have a bearing on the current trend seen in this sector but this paper will measure the revealed comparative advantage of total rice export over the total export of all products.

**OBJECTIVES**

The objectives of this paper are to measure comparative advantage or disadvantage of Indian Rice (HS code-1006) export to the worlds total export of rice by using Revealed Comparative Advantage (RCA).

**RESEARCH METHODOLOGY**

A Descriptive research was undertaken to meet the objectives of this study. The data has been collected through secondary sources and it has been collected from International Trade Centre and India trade Classification (Harmonized System) code.

**DATA ANALYSIS**

International competitiveness is the ability of an economy to compete in the global market by either producing goods at a lower cost and/or selling them at a cheaper price than competitor countries.

The Revealed Comparative Advantage (RCA) method developed by Balassa (1965) is a commonly used measure relative advantage and disadvantage of a certain country in a certain class of goods and services. RCA is calculated as the ratio of a country’s export share in world trade for a specific commodity or a group of commodities. In particular, the RCA for country ‘i’ and commodity ‘j’ (vis-à-vis the world) is given as:

$$RCA_{ij} = (X_{ij} / X_{wj}) / (X_i / X_w)$$

Where,

X<sub>ij</sub> = ‘i’ th country’s export of commodity ‘j’

X<sub>wj</sub>= world export of commodity ‘j’

X<sub>i</sub>= total exports of country ‘i’

X<sub>w</sub> = total world export

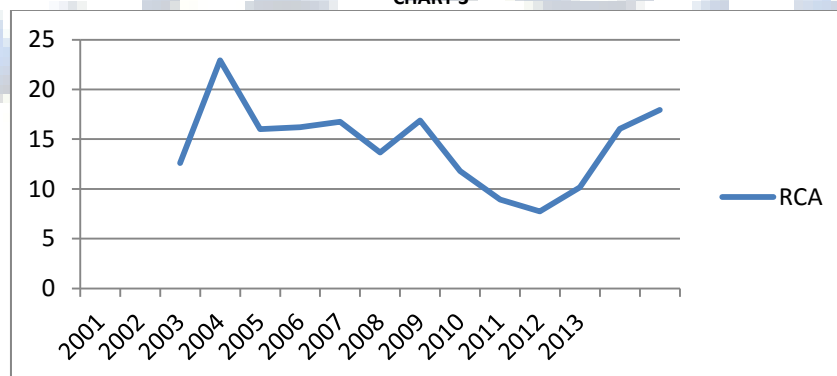
An RCA (for a commodity) greater than unity implies that a country’s export of the commodity has a larger share in world exports (of that commodity), relative to the country’s (aggregate) export share in world exports and in this case, the country is said to have a revealed comparative advantage in exports of the commodity.

**RESULT AND DISCUSSION**

**TABLE 4: REVEALED COMPARATIVE ADVANTAGE**

Year	World total Rice Export(values in \$ thousand) X <sub>wj</sub>	India’s total Rice export (value in \$ thousand) X <sub>ij</sub>	India’s total export (values in \$ thousand) X <sub>i</sub>	World total Export(values in \$ thousand) X <sub>w</sub>	(X <sub>ij</sub> /X <sub>wj</sub> )	(X <sub>i</sub> /X <sub>w</sub> )	RCA <sub>ij</sub> (X <sub>ij</sub> /X <sub>wj</sub> )/(X <sub>i</sub> /X <sub>w</sub> )
2001	6749696	610579	43878489	6107379428	0.09046	0.007185	12.59101926
2002	6516360	1168645	50097958	6404193704	0.17934	0.007823	22.92566654
2003	7220277	919151	59360659	7463343765	0.127301	0.007954	16.0054444
2004	8716070	1178738	75904200	9097787857	0.135237	0.008343	16.20938634
2005	10097679	1636489	100352637	10366215624	0.162066	0.009681	16.74106101
2006	10549213	1456255	121200606	11985054143	0.138044	0.010113	13.65062629
2007	13215584	2352946	145898053	13823120822	0.178043	0.010555	16.86872307
2008	21149350	2843305	181860898	15971872932	0.134439	0.011386	11.80709179
2009	18680391	2398163	176765036	12310033186	0.128379	0.014359	8.940372081
2010	20273428	2295813	220408496	15050924286	0.113242	0.014644	7.732931474
2011	24018853	4073331	301483250	18055465164	0.169589	0.016698	10.15647331
2012	23768559	6127952	289564769	18003055012	0.257818	0.016084	16.02924216
2013	24322446	8169519	336611389	17974395141	0.335884	0.018727	17.93555079

**CHART 3**



**INTERPRETATION AND DISCUSSION**

RCA is calculated as the ratio of a country's export share in world trade for a specific commodity or a group of commodities. As indicated in table 3, from 2001-2013 the export of rice enjoy  $RCA > 1$ , which means that India rice export had comparative advantage in the world export of total rice.

However there has been fluctuating RCA, which constitutes a large share of their total export and that their total exports of rice is a small fraction of the total world export. The reasons for fluctuating RCA is average export price of rice which varies according to the quantity and quality of rice exported during different years. For example if a particular country import one year a particular quality of rice in a particular quantity and the next year same country import another quality and different quantity of rice. Thus, export price rate would vary as per the quantity and quality of rice exported. Rice has the highest import tariffs then all agricultural products and it is considered a sensitive commodity and export of sensitive products is restricted in some countries.

Other than these fluctuating RCA can be due to stiff competition in the world and due to some of geographical factors, climate, fertilizers, etc.

**CONCLUSION**

This paper summarizes the comparative advantage of rice in India in the global market. Rice export which is the major export item of India has contributed to 15% on GDP and employs about 50% of the total population. In general India's rice export has gained export competitiveness to the world's total export of rice.

There are many factors concerned with the comparative advantage of Indian rice export. Abundant resources are frequently mentioned as propelling comparative advantage. It seems that natural fertile soil provide advantage is agriculture products but with that low cost worker, land, good quality fertilizers etc are also important to add advantage to the rice production and in its export performance.

With the abundant resources, few of the policy measures for rice had been framed to support in the production and in the export which has made the export performance of rice stronger.

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**A COMPARATIVE STUDY OF DIFFERENT BANKING SECTOR ON THE BASIS OF NPAS**

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**ABSTRACT**

Banking institutions is an important segment of the tertiary sector and act as backbone of the economic development. But, currently Indian banking system is suffered from a disease i.e. Non-Performing Assets (NPAs). It is like a double edged sword for banks because at the one side it reduces the profitability & on the other side banks have to create provisions against these assets which affect the shareholder's value. It is a virus which affects the efficiency, solvency & stability of the banking system. So, it is necessary to trim down the NPAs. This paper present the concept of NPA, its causes, impact & its trend. This paper analyses the comparison of classification of loan assets of public, private & foreign banks. This paper is an attempt to analyze how efficiently public, private & foreign sector banks managed their NPAs. This study concluded that that private sector banks are performing their job more efficiently than other banks.

**KEYWORDS**

Foreign sector banks, Non-performing assets, Public Sector Banks, Private sector Banks, Ratio analysis, Trend analysis.

**INTRODUCTION**

The banking system of India comprises of commercial & cooperative banks. Former, accounts more than 90% of the banking system's assets. Besides foreign & Indian private banks, the commercial banks comprise Nationalized banks, the State Banks of India & its associate banks, which constitute Public sector banks. After the economic liberalization in 1991, the objectives of banks have undergone a change. In recent times banks have become very cautious in extending loans because of mounting NPAs which becomes a major concerns for Indian banks.

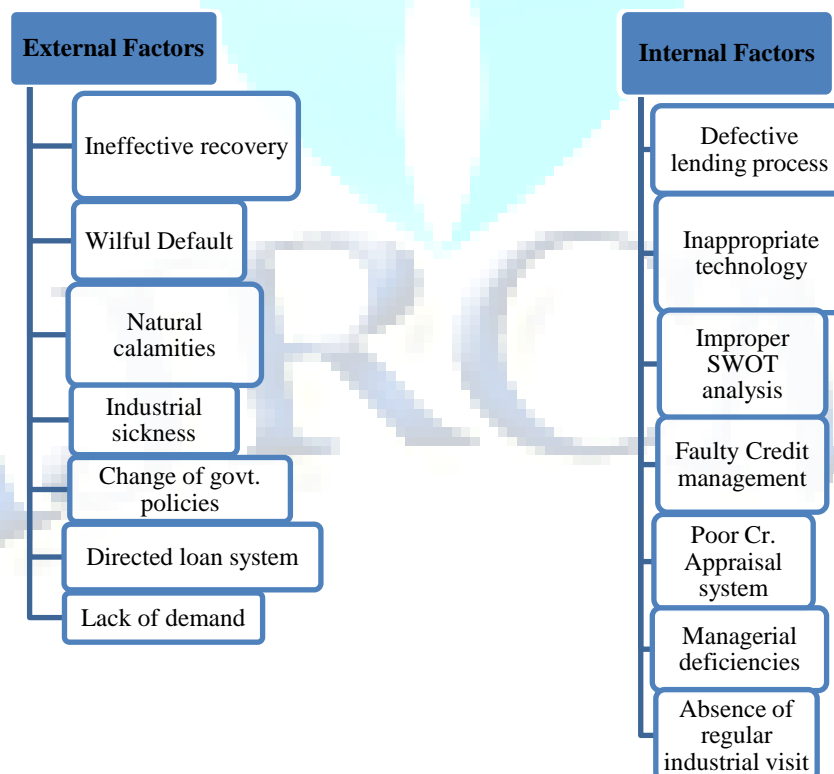
**WHAT IS NPAs?**

NPAs are those assets which do not generate any kind of income for a specified period of time to banks. w.e.f. 31.03.04, RBI has been adopted the international best practices & to ensure the greater transparency "the 90 days overdue" norms for the identification of NPAs.

**IMPACT OF NPAs**

- Reduce the earning capacity of assets and badly affect the ROI.
- The cost of capital will go up.
- The assets and liability mismatch will widen.
- Higher provisioning requirement on mounting NPAs adversely affect capital adequacy ratio and banks profitability.
- The economic value additions (EVA) by banks gets upset because EVA is equal to the net operating profit minus cost of capital.
- NPAs causes to decrease the value of share sometimes even below their book value in the capital market.
- NPAs affect the risk facing ability of banks.

**FACTORS FOR RISE IN NPAs**



**CLASSIFICATION OF ASSETS**

- **Standard Assets:** Standard assets generate continuous income and repayments as and when they fall due. So a standard asset is a performing asset. Such assets carry a normal risk and are not NPAs in the real sense. Hence, no special provisions are required for Standard Assets.
- **Sub Standard Assets:** A sub-standard asset is one, which is considered as non-performing for a period of 12 months.
- **Doubtful Assets:** All those assets which are considered as non-performing for period of more than 12 months are called as Doubtful assets.
- **Loss Assets:** A loss asset is one where loss has been identified by the bank or internal or external auditors or the RBI inspection but the amount has not been written off wholly. In other words, such an asset is considered uncollectible and of such little value that its continuance as a bankable asset is not warranted although there may be some salvage or recovery value.

**REVIEW OF LITERATURE**

- Satpal (2014) in his paper, he did comparative analysis of NPA in Public & private sector banks. Mention the impact, trends & magnitude of NPAs of selected banks
- S.R.Prasad.(2015) explain the NPA management of HDFC bank through Various ratios & Time series projection method.
- Nancy Arora and Nikita Oswal (2014) analyze the comparison of loan assets of Public sector & private sector banks. The study concluded that NPAs still threat for the banks & public sector banks have higher level of NPAs as compare to private sector banks.
- Neha Rani & Dr. Dinesh Gaba (2014) This study aims to compare the performance of private sector, public sector, foreign banks and scheduled commercial banks on the basis of NPA.For this advances are classified into different types and then comparison is made .From this study it is concluded that private sector banks are performing their job more efficiently than other banks.
- Dr. Krishna Murari (2014) This paper made an attempt to analyze how efficiently public and private sector banks managed their NPAs. Secondary data has been collected for the selected categories of the banks from the RBI publications. The data has been analyzed using percentage and ratio method, and selected statistical tools such as least square method for trend projection and one-way ANOVA. The results reveal that public sector banks have witnessed a continuous increasing trend in gross and net NPAs in comparison to private sector banks and there is statistical significant difference in the mean of gross and net NPA of public and private category of Indian banks.
- Zahoor et.al (2013) “concluded that level of NPA both gross and net shares an average upward trend for all nationalized banks but growth rate is different. There is significant difference between gross and net NPA of nationalized banks.”
- Suresh patidar (2012) “reported that priority sector lending has significant impact on total NPA of public sector bank rather than private sector banks and there is significant difference between NPA of nationalized banks, SBI group, private sector banks.”
- G.V Bhavani Parsad and D. Veena (2011) conducted a study on "NPAs in Indian Banking Sector- Trend and Issues" evaluate a performance of the Scheduled commercial banks since 2000. The study is diagnostic and tools like average, percentage mean and standard deviation used to analyze the data. The study concluded that New Private sector banks and Foreign Sector banks started with clean slate and latest technologies, the Public Sector banks and old Private Sector banks had to overcome the old system and employee resistance and introduce the new system and process and norms to catch up with the competition.
- Puneet et.al (2010) “revealed that during 2008 global turmoil foreign banks and private sector banks saw sharp rise in NPA whereas SBI and nationalized bank showed resilience in NPA.”

**NEED FOR THE STUDY**

The strength & soundness of a bank mainly depends on the quality of the assets. Non- Performing assets is one of the major concerns for the banks these days. This paper is an attempt to analyze how efficiently different sector banks managed their NPAs. NPAs are like a double edged sword so, all the banks are still in the process to decreasing the NPAs. Credit risk can be defined as a risk that a firm’s customer and the parties to which it has lent money fail to make promised payments. This type of particular risk large in case of financial institutions like commercial banks. As a result, borrowing exposes the bank owner to the risk that firm will not able to pay its debt and thus be forced to insolvent.

**OBJECTIVES OF THE STUDY**

- A Comparative study of classification of assets of PSBs, PrSB & FSBs.
- To study Trend analysis of NPAs of PSBs, PrSB & FSBs
- To assess the comparative positions of NPAs of PSBs, PrSB & FSBs

**HYPOTHESES**

Following two null and alternate hypotheses are designed for the study:

- Null Hypothesis Ho1: There is no significant difference among Gross NPA of Public sector Banks, Private sector Banks & Foreign sector banks.
- Alternative Hypothesis H11: There is significant difference among Gross NPA of Public sector Banks, Private sector Banks & Foreign sector banks.
- Null Hypothesis Ho2: There is no significant difference among Net NPA of Public sector Banks, Private sector Banks & Foreign sector banks.
- Alternative Hypothesis H12: There is significant difference among Net NPA of Public sector Banks, Private sector Banks & Foreign sector banks.

**RESEARCH METHODOLOGY**

Research design used to carry out this study is descriptive research. For this study NPA of Public Sector Banks (PSBs), Private Sector Banks (PrSB) & foreign sector banks (FSBs) has been evaluated. The study is done on the basis of data for the period of 5 years from the financial year 2010-2014 and secondary data is collected mainly from the RBI Publications, bulletins & its website. Data is presented with the help of graph, charts & tables etc.

**FINDING & ANALYSIS**

**(a) COMPARATIVE ANALYSIS OF CLASSIFICATION OF ASSETS PUBLIC , PRIVATE & FOREIGN SECTOR BANKS**

TABLE 1: CLASSIFICATION OF ASSETS

Year	Standard assets (Amt in %)			Substandard assets (Amt in %)			Doubtful assets (Amt in %)			Loss assets (Amt in %)		
	PSB	PrSB	FSB	PSB	PrSB	FSB	PSB	PrSB	FSB	PSB	PrSB	FSB
2008	97.67	97.25	98.09	0.99	1.54	1.2	1.13	0.94	0.47	0.22	0.26	0.24
2009	97.9	96.75	95.7	0.93	2.02	3.46	0.99	0.96	0.59	0.18	0.26	0.25
2010	97.72	97.03	95.74	1.1	1.48	2.94	0.98	1.12	0.86	0.2	0.37	0.45
2011	97.68	97.55	97.46	1.1	0.6	0.94	1.04	1.46	1.06	0.18	0.39	0.55
2012	96.83	97.92	97.32	1.7	0.58	0.89	1.33	1.17	0.95	0.14	0.33	0.84
2013	96.16	98.09	97.03	1.89	0.56	1.07	1.81	1.06	1.02	0.14	0.29	0.87

Source: Department of Banking Supervision, RBI

**INTERPRETATION**

It is revealed from the table that performance of Foreign sector banks (FSB) & private sector Bank (PrSB) are better than public sector bank (PSB). Standard assets (Amt in % of total advances) of public sector banks is declining continuously from 2009 where as it is increasing in case of PrSB & FSB. In case of Sub-standard assets, PSB's percentage increasing from 2009 where PrSB & FSB both declining except FSB show rising trend from 2013. Percentage of doubtful assets is increasing in case of PSB from 2010. In case of PrSB & FSB it show increasing trend till 2011 beyond that it start falling except FSB in 2013.

Percentage of Loss assets are continuously rising in case FSB. PrSB show rising trend till 2011 then it start declining. PSB are much better than PrSB & FSB because it show declining or constant trend. Percentage of loss assets of PSB are less than PrSB & FSB.

**(b) COMPARATIVE ANALYSIS OF GNPA & NNPA OF INDIAN BANKING SECTOR**

**TABLE 2 (Amt in millions)**

Year	GNPA			NNPA		
	PSB	PrSB	FSB	PSB	PrSB	FSB
2008	404523	129974	28594	178364	56469	12466
2009	449570	169266	64445	211554	74120	29967
2010	599273	176400	71336	296434	65060	29772
2011	746639	182406	50687	360546	44322	13125
2012	1178389	187678	62966	593912	44012	14124
2013	1650057	210705	79771	900369	59944	26626
2014	2280741	245424	115790	1306237	88611	31724

Source: Statistical tables relating to banks, RBI

**INTERPRETATION**

GNPAs of PSB are increasing throughout the period of study. It is drastically increasing from 2012. From 2008 to 2014 it shows 463.81% increment in GNPA. Increment trend of GNPA is also shown by PrSB & FSB also except the year 2011 of FSB but PrSB & FSB perform better than PSB because percentage increment in quantum of GNPA are 88.83% and 304.95% respectively. PSB include SBI & its associates & all nationalized banks & majority of GNPA belongs to SBI & its associates itself. All Scheduled commercial banks show higher GNPA due to higher expansion of credit. But private sector banks perform better than public sector banks & foreign sector banks.

The increase in Gross NPAs of PSBs and old PrSBs has direct relation with the development of the economy as a whole. For instance, recession in some sectors or industrial segments like real estate, cement, textiles, etc. has added NPAs of banks in the recent period, which can be seen by the figures of year ended March 2013.

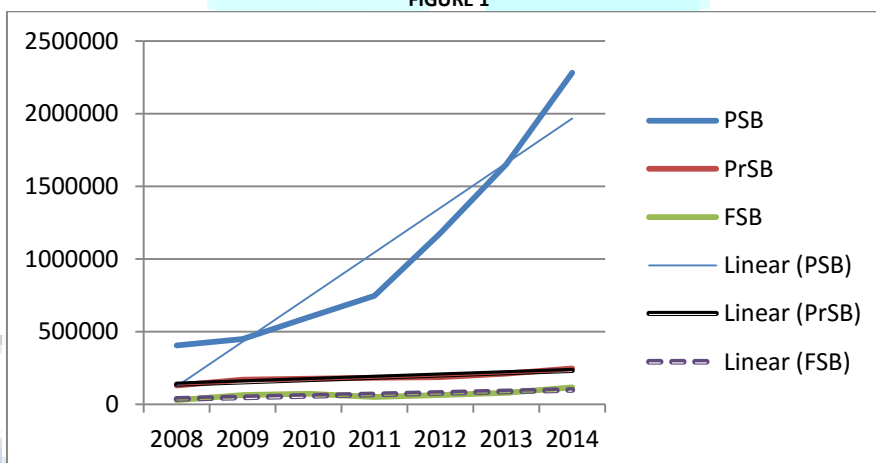
Old PrSBs were successful in reducing their net NPA ratio from 2.3% in 2001 to 0.77% in 2013 with a minimum of 0.53% in 2011. Similarly, new PrSBs also showed a remarkable decline in their net NPA ratio from 3.1% in 2001 to 0.45% in 2013. Net NPA of the 26 public sector banks rose to 2.01 per cent during 2012-13 as compared to 1.53 per cent in the previous fiscal. Net NPA of new private sector banks rose marginally to 0.45 per cent as compared to 0.42 per cent. NPA ratio of FSB has increased from 0.61% in 2012 to 1.09% in 2014.

In figure 1, linear trend in Gross NPA & Net NPA of all sector banks i.e. PSB, PrSB, FSB are decreasing by the end of 2105 as per ordinary least square trend analysis.

**TABLE 3**

Year	GNPA			NNPA		
	PSB	PrSB	FSB	PSB	PrSB	FSB
2015	2273991	243998	108661	1102823	71881	27287

**FIGURE 1**



**(c) TESTING OF HYPOTHESIS**

**TESTING OF DIFFERENCE OF GNPA AMONG DIFFERENT SECTORS**

Null Hypothesis Ho1 : There is no significant difference among Gross NPA of Public sector Banks, Private sector Banks & Foreign sector banks.

Alternative Hypothesis H11 : There is significant difference among Gross NPA of Public sector Banks, Private sector Banks & Foreign sector banks.

**TABLE 4: SUMMARY STATISTICS AND ANOVA FOR GROSS NPA (Rs. Million)**

Groups	Count	Sum	Average	Variance		
PSB	7	7309192	1044170	4.94E+11		
PrSB	7	1301853	185979	1.28E+09		
FSB	7	473589	67655.57	7.21E+08		
ANOVA						
Source of Variation	SS	df	MS	F	P-value	F crit
Between Groups	3.98E+12	2	1.99E+12	12.02726	0.000482	3.554557
Within Groups	2.98E+12	18	1.65E+11			
Total	6.95E+12	20				

The table 4 shows the results of ANOVA and it is evident that the calculated F statistics of 12.02726 is higher than tabular value or critical value of 3.554557 at 5 % level of significance with degrees of freedom ( $v_1=2$  and  $v_2=18$ ) and hence our analysis supports our alternate hypothesis that there is significant difference in mean of gross NPA of PSBs, PrSBs & FSB. This shows that public sector banks are having different level of Gross NPAs and their efficiency in management of NPAs, and quality of their assets is different from that of private sector banks (PrSB) and Foreign sector Banks (FSB).

#### TESTING OF DIFFERENCE OF NNPA AMONG DIFFERENT SECTORS

Null Hypothesis  $H_0$ : There is no significant difference among Net NPA of Public sector Banks, Private sector Banks & Foreign sector banks.

Alternative Hypothesis  $H_1$ : There is significant difference among Net NPA of Public sector Banks, Private sector Banks & Foreign sector banks.

TABLE 5: SUMMARY STATISTICS AND ANOVA FOR NET NPA (Rs. Million)

Groups	Count	Sum	Average	Variance		
PSB	7	3847416	549630.9	1.75E+11		
PrSB	7	432538	61791.14	2.56E+08		
FSB	7	157804	22543.43	78243347		
ANOVA						
Source of Variation	SS	df	MS	F	P-value	F crit
Between Groups	1.21E+12	2	6.04E+11	10.33289	0.001027	3.554557
Within Groups	1.05E+12	18	5.84E+10			
Total	2.26E+12	20				

Similarly, table no 5 shows the ANOVA test of Net NPA of Public, Private and Foreign sector banks. It is seen from the table that calculated F statistics value of 10.33289 is higher than F-critical value (3.554557) at 5 % level of significance. Results of our ANOVA analysis support our alternate hypothesis that there is significant difference between Net NPA of PSBs, PrSBs and FSB, which shows their different approach towards asset management.

#### SUGGESTIONS

- RBI mandates that bank must follow an objective policy of income recognition based on actual recovery.
- Banks should establish proper credit assessment and risk management system to ensure proper assessment before sanctioning loans.
- Early remedial actions should be taken to reduce NPAs
- Banks can take help from various institutions like Assets reconstruction companies, debt recovery tribunals, corporate debt restructuring & CIBIL.
- Effective training and guidance should be given to the recovery teams so as to recover dues from defaulters.
- Appropriate technology should be used in managing NPAs.

#### CONCLUSION

From study it is concluded that private sector banks are performing better than other banks because it's substandard, doubtful, losses advances are increasing but their share in total gross advances are decreasing. Foreign banks Performance is better than scheduled commercial banks and public sector banks. public sector banks are not performing well because their % share of standard advances are consistently decreasing and % share of substandard and doubtful advances in total gross advances are consistently increasing. And gross NPA of public sector banks are also increasing. They should decrease their NPA by adopting different measures.

However, the decline in ratio of NPAs indicates improvement in the asset quality of Indian public sector banks and private sector banks. It is found on the basis of analysis that there is significant improvement in the management of nonperforming assets of the public sector banks in India as the ratio of gross NPAs to total advances had declined from 12.4% to 2.1% between 2001 and 2013 and the Net NPA ratio had declined from 6.7 to 1.0% during the same period. As per the trend analysis of gross NPAs, it expected to increase by 2015 in case of public and old private sector banks.

The various steps initiated by Reserve Bank of India and Government of India in strengthening/ improving the functioning of the Debt Recovery Tribunals, Lok Adalats and SARFAESI Act as a comprehensive settlement policy certainly improves the recovery in NPA accounts. All these efforts have improved the efficiency, profitability and no doubt strengthened the financial position of the all sector banks. The study further reveals that despite the huge NPA level of public sector banks, they have been successful in reducing their respective gross and net NPA ratios at par with the private sector banks and foreign sector banks.

#### LIMITATIONS

Every study has certain limitations. Same is true with this study also. Some of the limitations faced during this study are:

1. For the purpose of this study only data of 7 years has been taken that is from financial year 2008 to 2014.
2. The study covers only one aspect that is comparison of trend and amount of NPA in different public, private and foreign banks.

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