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- Bowersox, Donald J., Closs, David J., (1996), "Logistical Management." Tata McGraw, Hill, New Delhi.
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A STUDY ON THE RISK CULTURE IN BANKING SECTOR

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ABSTRACT

Risk culture has been a crucial agenda in banking sector. It is a fundamental technique to manage risks in banking sector. Risk culture include: Behavior and attitudes practiced banks in daily operations, good understanding of risk concepts, training programs, communication system, banks governance which increases competence in employee's job performance. The concept of risk culture has grown significantly since the global financial crisis of 2008s. Culture has a key role to play in causing the crisis and that culture change, whatever this might be, is necessary to restore trust and to ensure that a similar crisis can never happen again. The study was done in commercial banks available in Karnataka state. The aim of the paper is to explore characteristics of banks in Karnataka towards risk culture. It was found that banks in Karnataka state have less implemented risk culture. The paper has suggested measures to be taken by bank officers, policy makers, and stakeholders to execute risk culture which is the Centre for effective risk management. The findings of the study support in facilitating effective decisions regarding risk matters in the bank sector.

KEYWORDS

bank sector, financial institutions, global crisis, risk culture.

INTRODUCTION

The wide scope and effectiveness of risk culture is a principal pillar of the banking efforts to reduce the severity and mitigate risks posed by financial sector. An acceptable and effective approach to practice risk culture is based, among other things, on well understanding of the occurrence and management of risk, ability to engage in high-level responsibility of the board of directors and top management on the banking sector and to establish risk appetite framework. Risk culture is a complex concept which involves behaviors and attitudes. In the process of risk culture Boards are focusing on the bank's norms, attitudes and behaviors related to risk awareness, risk taking and risk management. Mis-implementing risk culture are often considered a root cause of the global financial crisis. The bank's risk culture plays an important role in shaping the behavior of employees within the banks and in controlling the bank's external environment. During and post-global financial crisis of 2008s showed the failures of specific banks and other financial institutions, in the light of events such as payment protection insurance mis-selling, rogue trading. Ashby (2011), have highlighted a range of micro-level cultural 'weaknesses' within specific financial organizations. Influential associations such as the Institute of International Finance (IIF) have even gone as far as to state that the: "…development of a 'risk culture' throughout the firm is perhaps the most fundamental tool for effective risk management." (IIF, 2008)

The concept of risk culture, coupled with a growing acceptance of the fact that there is a relationship between the cultures of financial institutions and their risk management decisions. This paper answers the question as to how do the risk culture of the bank should be well understood and leads to efficiency of the sector.

LITERATURE REVIEW

The field of risk culture has been crucial in the banking sector, bank experts, academicians; financial analysts have come up with different ideas on how to strengthen risk culture as a core solution of risks in the banks. State Street, (2012) on the study with asset managers and owners, 78% of the respondents have said that their institution has understood risk culture practices and 30% of the investment institutions made this their concern in 2007. During the period of the 4 to 5 years after the crisis, it is shown that institutions are taking initiatives to build risk cultures among their employees. Ernst & Young, (2012) have discussed risk culture by top management among the institutions that have been affected by the financial crisis. 39% of the respondents have said that risk culture has been the center of focus since 2008 financial crisis. Financial institutions have put emphasis on the awareness of risk culture. Watson, T (2012), concluded that, Regulations have placed higher emphasis for financial institutions to prove their effectiveness in risk management culture. Rating agencies consider a company's risk culture as an asset to its value; improvements are required by financial institutions to meet these expectations. However, an organization can only effectively improve its risk culture if they are aware of their current culture. Ernst & Young survey, (2008) during the first phase of the financial crisis with 36 banks worldwide, 73% of respondents agreed the necessity of establishing and developing a risk culture. Risk should start from the top to bottom. The effectiveness of risk culture throughout the bank and making sure that it is understood at every level from risk management organization to front line is crucial.

The discussion above shows the current significance of bringing the concept of risk culture into well understanding by discussing empirically variables which form risk culture.

STATEMENT OF THE PROBLEM

With the opening of the Indian financial sector, banks have been facing financial and non-financial risk. The Reserve Bank of India together with Bank of International Settlements (BIS) have been in front line to provide regulations to build strong risk culture in banking system. Risk continue to be the central issue in management of banks. The paper creates the root solution by analyzing risk culture.

OBJECTIVES OF THE STUDY

1. To study banking operating environment
2. To know risk management practices in banks
3. To explore challenges facing banks in implementing risk management

RESEARCH METHODOLOGY

A survey was conducted using structured questionnaire to seek the opinions of commercial banks' officers on the banks' risk in Karnataka state. A total of thirty (150) questionnaires were circulated to bank officers of 15 randomly selected Public and Private commercial Banks. The survey was done over a period of four months i.e. from February to June, 2015. Additionally, this study appraises the management of risk culture in commercial banks using the Likert-type scale that ranges from 1 to 5 with the following equivalences, ``-2'': ``strongly disagree''; ``-1'': ``disagree''; ``1'': ``agree to disagree''; ``2'': ``agree''; and ``3'': ``strongly agree''.

FINDINGS AND DISCUSSION

UNDERSTANDING OF RISK AND BANK'S OPERATING ENVIRONMENT

Employees understanding on bank's missions and general operating environment are the basic principle to create effective risk culture.

TABLE 1: AWARENESS OF BANK EMPLOYEES REGARDING RISK

	Strongly disagree	disagree	agree to disagree	agree	Strongly agree	WAS	Ranks
I am aware of mission, vision statements and code of conduct of the bank	5	10	20	53	62	1.9467	2nd
I am well aware of the major risk and scenarios related to the banking business	4	17	22	60	47	1.7200	7th
Managing risk starts by identifying risk	3	9	29	68	41	1.8200	6th
The rules, procedures about risk are well written and documented in the bank	1	13	18	73	45	1.8933	3rd
Upper bank management illustrates positive example for ethical conduct in the bank	3	8	19	60	60	2.0333	1st
My co-workers are performing their job responsibly in aligned manner with rules and regulations	6	8	22	67	47	1.8467	5th
Bank employees understands the core values of the bank and its approach to risk	2	12	20	72	44	1.8667	4th

Source: Field Survey

Note: WAS stands for Weighted Average Score. Weighted average score is calculated using weights as follows: strongly disagree=-2, disagree=-1, agree to disagree=1, agree=2 and strongly agree=3

Table 1, Reveals the opinion of 150 respondents towards their understanding on risk and bank's operating environment. Upper bank management illustrates positive example for ethical risk management conduct in the bank occupies first rank with the average mean score of 2.0333; followed by respondent's awareness of mission, vision statements and code of conduct of the bank with the mean of 1.9467. Rules, procedures about risk are well written and documented in the bank. Bank employees understands the core values of the bank and its approach to risk, my co-workers are performing their job responsibly in aligned manner with rules and regulations. Managing risk starts by identifying risk and being aware of risk policy. Respondents are well aware of the major risk and scenarios related to the banking business, weighted average mean score being 1.8933, 1.8667, 1.8467, 1.8200 and 1.7200 respectively

In the view of the above analysis it is inferred that majority of the respondents replied that the upper bank management illustrates positive example for ethical risk management conduct in the bank, and less respondents are aware of the major risk and scenarios related to the banking business.

THE BANK'S NATURE OF COMMUNICATION

The nature of communication within the bank determines effective risk culture management. It creates the way of information flow and from top down and down top.

TABLE 2: THE NATURE OF COMMUNICATION IN THE BANK

	Strongly disagree	disagree	Agree to disagree	agree	Strongly agree	WAS	Ranks
Warning signs about risk are communicated efficiently within the bank departments	11	13	17	66	43	1.6200	4th
Bank reports enhance good risk communication	6	13	32	64	35	1.6000	3rd
Communication between lower and upper management levels of the bank is open and effective	6	14	38	61	31	1.5133	5th
Decision making in the bank are participative	2	15	27	70	36	1.7067	2nd
The bank communicate effectively to customers to ensure account security against risks	4	11	24	61	50	1.8467	1st

Source: Field Survey

Note: WAS stands for Weighted Average Score. Weighted average score is calculated using weights as follows: strongly disagree=-2, disagree=-1, agree to disagree=1, agree=2 and strongly agree=3

Table 2, reveals the opinion of 150 respondents towards nature of communication in the banks. The respondents opined in first rank that; The bank communicate effectively to customers to ensure account security against risks with the weighted average score of 1.8467, followed in the second rank by; Decision making in the bank are participative with the weighted average score of 1.7067; Bank reports enhance good risk communication, Warning signs about risk are communicated efficiently within the bank departments, Communication between lower and upper management levels of the bank is open and effective with the mean average score of 1.6200, 1.6000 and 1.5133 respectively.

In view of the above analysis, it is inferred that banks communicate effectively to customers to ensure account security against risks.

COMPETENCE AND TRAINING OF THE EMPLOYEES

Banks needs employees who are skillful and capable to work. The level of competence depends on the knowledge that employees have. Training helps to build competence of employees.

TABLE 3: COMPETENCE AND TRAINING OF THE EMPLOYEES

	Strongly disagree	disagree	Agree to disagree	agree	Strongly agree	WAS	Ranks
The basic knowledge on risk management helps me to perform well bank activities	4	12	16	74	44	1.8400	3rd
The bank risk policy is made known to bank employees	2	11	28	76	33	1.7600	5th
The bank keeps on informing and updating employees on new methods of managing risk	3	4	18	74	51	2.0600	1st
Employees are given tasks to do according to their level of competence	1	8	22	81	38	1.9200	2nd
Risk management training enhance employees performance	1	7	31	74	37	1.8733	4th
Training programs are done for all staff to develop risk management competencies	5	13	29	60	43	1.7000	6th

Source: Field Survey

Note: WAS stands for Weighted Average Score. Weighted average score is calculated using weights as follows: strongly disagree=-2, disagree=-1, agree to disagree=1, agree=2 and strongly agree=3

Table 3, reveals the opinion of 150 respondents towards nature of communication in the banks. The respondents opined in the first rank that, the bank keeps on informing and updating employees on new methods of managing risk with the mean average score of 2.0600; followed by Employees are given tasks to do according to their level of competence with the mean average score of 1.9200 in the second rank; The basic knowledge on risk management helps me to perform

well bank activities, Risk management training enhance employees performance, The bank risk policy is made known to bank employees, Training programs are done for all staff to develop risk management competencies, with the mean average score of 1.8733, 1.8400, 1.7600 and 1.7000 respectively.
Based on the above analysis, it is inferred that majority of respondents opined that, the bank keeps on informing and updating employees on new methods of managing risk.

BANK'S LEADERSHIP

Bank upper management has the task to lead, guiding and supervising activities and human resource in the bank. The style of leadership determines the risk culture of the bank.

TABLE 4: BANK'S LEADERSHIP STYLE

	Strongly disagree	disagree	Agree to disagree	agree	Strongly agree	WAS	Ranks
I feel comfortable to share possible risk or financial errors with the bank management	3	8	23	63	53	1.9600	5th
Management style of the bank is centralized	2	7	21	80	40	1.9333	6th
management decisions are results of well and clearly communication	5	5	29	69	42	1.8533	7th
Upper bank management have appropriate experience to effectively manage the bank risk profile	0	9	17	67	57	2.0867	4th
The upper bank management act as a good example by following ethics and accountability	0	6	17	64	63	2.1867	2nd
The upper bank management ensures compliance with internal rules and procedures to meet bank business goals	0	5	17	63	65	2.2200	1st
The appropriate tone and standard of behavior 'from the top' is a necessary condition for promoting a sound risk management	0	3	25	68	54	2.1333	3rd

Source: Field Survey

Note: WAS stands for Weighted Average Score. Weighted average score is calculated using weights as follows: strongly disagree=-2, disagree=-1, agree to disagree=1, agree=2 and strongly agree=3

Table 4, reveals the opinion of 150 respondents towards the leadership style employed by the banks. The respondents opined in first rank that, the upper bank management ensures compliance with internal rules and procedures to meet bank business goals with the weighted average mean score of 2.2200, followed by, The upper bank management act as a good example by following ethics and doing what they say (accountability) with the mean average score of 2.1867; The appropriate tone and standard of behavior 'from the top' is a necessary condition for promoting a sound risk management, Upper bank management have appropriate experience and skills to effectively manage the bank business and risk profile, I feel comfortable to share possible risk or financial errors with the bank management, Management style of the bank is centralized, management decisions are results of well and clearly communication with the mean average score of 2.1333, 4.1467, 2.0867, 1.9333and 1.8533 respectively.
In view of the above analysis, it is inferred that, the upper bank management ensures compliance with internal rules and procedures to meet bank business goals.

EMPLOYEES PERFORMANCE

Job performance determines motivation, remuneration to the employees. Employee's performance has an impact on risk culture.

TABLE 5: EMPLOYEES PERFORMANCE

	Strongly disagree	disagree	Agree to disagree	agree	Strongly agree	WAS	Ranks
Employees are promoted and rewarded fairly	0	7	22	57	64	2.1400	1st
I always pay attention to the risks that are likely to repeat several time	1	6	21	63	59	2.1067	2nd
Performance is shared periodically in a short time.	4	9	27	65	45	1.8333	5th
Extra pay and benefits are given to employees considering performance in managing risk	2	6	29	74	39	1.8933	3rd
The bank is applying motivation techniques to induce employees to increase work performance	5	6	25	65	49	1.9067	4th

Source: Field Survey

Note: WAS stands for Weighted Average Score. Weighted average score is calculated using weights as follows: strongly disagree=-2, disagree=-1, agree to disagree=1, agree=2 and strongly agree=3

Table 5, reveals the opinion of 150 respondents towards performance of employees on risk taking. The respondent opined in the first rank that, Employees are promoted and rewarded fairly with the weighted average mean score of 2.1400; followed in the second rank by I always pay attention to the risks that are likely to repeat several time with the weighted average mean score of 2.1067; Extra pay and benefits are given to employees considering performance in managing risk, The bank is applying motivation techniques to induce employees to increase work performance, performance is shared periodically in a short time, not only at performance evaluation period, with the weighted average mean score of 1.8933, 1.9067 and 1.8333 respectively.
In the above analysis, responses disclose the fact that, bank's employees are promoted and rewarded fairly. This creates good environment for risk management.

MANAGEMENT AND GOVERNANCE ACTIVITIES OF BANK'S

Bank's management structure and activities particularly the Board of Directors, determines the risk culture of the bank.

TABLE 6: MANAGEMENT AND GOVERNANCE ACTIVITIES OF BANK'S

	Strongly disagree	disagree	Agree to disagree	agree	Strongly agree	WAS	Ranks
The board regularly review policies to ensure proper controls of risk	2	7	21	63	57	2.0467	2nd
There is risk management committees responsible to measure, control and report to the board	0	6	30	64	50	2.0133	4th
The management structure of the bank support effective risk management	0	3	26	63	58	2.1533	1st
There is structured risk-based reporting system to ensure reports to the board	2	7	23	61	57	2.0333	3rd
The board and senior management demonstrate adherence to sound risk management	7	10	11	75	47	1.8533	5th

Source: Field Survey

Note: WAS stands for Weighted Average Score. Weighted average score is calculated using weights as follows: strongly disagree=-2, disagree=-1, agree to disagree=1, agree=2 and strongly agree=3

Table 6, reveals the opinion of 150 respondents towards management and governance activities of the banks. The first rank reveals that, the management structure of the bank support effective risk management with the weighted average score of 2.1533; followed in the second rank by The board regularly review policies to ensure proper controls and risk management process with the weighted average score of 2.0467; There is structured risk-based reporting system to ensure regular

reports to the board with respect to all relevant key risk areas, There is risk management committees responsible to measure, control and report to the board, The board and senior management demonstrate adherence to sound risk management, with the weighted average score of 2.0333, 2.0133 and 1.8533 respectively.
In view of the above analysis, it shows that the management structure of the bank support effective risk management.

CHALLENGES FACING IMPLEMENTATION OF EFFECTIVE RISK MANAGEMENT

Banks are facing various challenges towards building effective risk management.

TABLE 7: CHALLENGES FACING IMPLEMENTATION OF EFFECTIVE RISK MANAGEMENT

	Strongly disagree	disagree	Agree to disagree	agree	Strongly agree	WAS	Ranks
The present general economic environment as well as current legal and regulatory framework	6	13	24	59	58	1.9400	1st
strength of principal competitors in banking business	9	12	11	64	54	1.8067	5th
Exposure to specific risk events including loss of key staff and customers	1	13	17	70	49	1.9267	3rd
Future developments in the general economic environment as well as legal factors	0	5	30	64	51	2.0400	2nd
Poor implementation of risk management guidelines	0	4	31	75	40	1.9800	4th

Source: Field Survey

Note: WAS stands for Weighted Average Score. Weighted average score is calculated using weights as follows: strongly disagree=-2, disagree=-1, agree to disagree=1, agree=2 and strongly agree=3

Table 7, reveals the opinion of 150 respondents towards challenges of implementing effective risk management in banks. The first rank challenge is the present general economic environment as well as current legal and regulatory framework with the weighted average score of 1.9400; followed by the Future developments in the general economic environment as well as legal factors with the weighted average score of 4.0733; Exposure to specific risk events including loss of key staff and customers, Poor implementation of risk management guidelines, strength of principal competitors in banking business, with the weighted average score of 4.0200, 4.0067 and 3.9467 respectively.

In view of the above analysis, it shows that, the big challenge facing banks to implement effective risk management is the present general economic environment as well as current legal and regulatory framework.

CONCLUSION

Decision-making regarding compensation, recruitment, accountability and risk issues are the core issues of risk culture management. Bank managers and top executives are responsible for the whole review, approval and monitoring of risk culture and acting as an example in abiding with banking roles and ethics in implementing risk culture which often are followed by the lower level employees. The ordering flow of information from the managers keeps lower level employees well informed of the risks that face the bank hence healthy risk management in banking sector. Risk culture is the epicenter of bank's business operations. It includes effective risk awareness of bank employees, the nature of risk communication, risk training, leadership style, and performance of employees, management and governance of the bank. The paper also looked at the bank challenges in implementing risk culture.

LIMITATION OF THE STUDY

The study was limited to data collected from bank's officers in Karnataka state in India. There is therefore the need to conduct a comprehensive nationwide survey in order to have a broader, more reliable and robust data base for further analysis and confirmation of the current study outcome.

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INDIANISM AND INDIAN MANAGEMENT: A CONCEPTUAL STUDY

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ABSTRACT

*India, our nation, has travelled through so many eras (AGE) – Stone-age Agrarian age, Industrial age, Information age and presently at the knowledge age. In knowledge era 'Information' is one of the most critical components use in knowledge synthesis. However, t he basic raw material used in the knowledge synthesis is **DATA** relating to a domain of study. This collected data processed (edited, structured and aligned) and the processed output is the **INFORMATION**. When processed information used in action, it takes of actionable information and this actionable information is **KNOWLEDGE.** The ultimate level of understanding knowledge is **WISDOM.** Therefore, in this knowledge age many knowledge bases developed in very many fields of study. One such knowledge-base so developed (using Indian civilisation, culture, intellectual traditions) is **INDIANISM**.*

KEYWORDS
Indianism, confluence, spiritual, hmanistic, extential, infinity, diversity, absolute, inspirational motivation.

INTRODUCTION
Various traditions of India, viewed as from the perspective of their stand on the nature of relationship Man, Organisation, Society and Eco-system. There is a list of such Indian traditions recognised as INDIAN INTELLECTUAL TRADITIONS as shown below:

- **MATERIAL WELL-BEING**, especially wealth (ARTHA – meaning wealth or material advancement)
- **PSYCHO-PHILOSOPHICAL** traditions dealing with a divinity view of human nature – as each soul is potentially divine
- **LIBERATION FROM OPPOSITION** (LIFO) – when the work-place becomes oppressive, the need for liberalisation from oppression becomes vital
- **MULTIPLE PERSPECTIVE** – a theory of relativity of knowledge – associative knowledge
- **GANDHIAN –** based on the theory of contentment – overall happiness is the key to balanced human progress
- **COMMUNISM -** considering the common man as the pillar of the social drive
- **CONFLUENCE -** implies creation of new ideas as a result of interaction with other ideas flowing together
- **CULTURAL NATIONALISM –** recognising nation's culture and self-dignity as a basis for the society's regeneration
- **OSHO –** only the way of the heart can bring the inner peace and tranquillity to modern man because every individual has full godliness within him.

DEVELOPMENT OF THEORIES
Each tradition has both positive and negative aspect. Antagonisms exist between them. Traditions also provide conflicting viewpoint and they are historically rooted. Further, evolution links itself with social and cultural contexts and social issues. Hence, INDIANIC framework picks up the idea from various traditions to develop social and management theories. The various theories developed thus far from such ideas are:
- Economic theory – relating to economic self-reliance
- Political theory – of people power
- Spiritual theory – relating to oneness of all religion
- Ethical theory – relating to good/bad or right/wrong
- Work ethics theory – relating to excellence in work
- Social justice theory – relating to protection of the weak
- Social relationship theory – relating to mutuality
- Social responsibility theory – relating to liberty coupled with duty
- Cultural theory – relating to confluence – meeting points

CONCEPT OF INDIANISM
This is a sacred concept based on the principle of confluence and the emotive togetherness of human beings. It recognises the fundamental idea of
a) INFINITY
b) DIVERSITY
and involves the concept of confluence. **INFINITY** means – boundless, limitless, immensity or indefinite number. The infinite idea in this context reveals that people have LIMITLESS (infinite) POTENTIAL. **DIVERSITY** means – unlikeness, variety and difference. This, the diversity idea in this context depicts that people must recognise the fact of their acquiring limitless potentials and create conditions for the manifestations of such potentials. **CONFLUENCE** means flowing together. Thus, the concept of confluence recognises the essential spiritual context that flow from all religion directing towards a better understanding of INFINITY & DIVERSITY. This observation helps in perceiving that INDIANISM is INFINITY (peoples' limitless potential) and DIVERSITY (peoples' recognition of limitless potential) CONFLUENCING (flowing together) in ABSOLUTE. Thus, INFINITY and DIVERSITY in ABSOLUTE, leads to **INDIANISM**
INFINITY + **DI**VERSITY IN **A**BSOLUTE = **INDIA**
They are also paths to understand all religion of the world and science.

OBJECTIVES OF THE STUDY
The study aims to:
1. Highlight the concept of INDIANISM
2. Study the features and characteristics of Indian Management
3. Make aware the significance of SHE approach

CHANGE IN PERSPECTIVE
Infinity and Diversity are the key ideas that change our present perspective of looking at things. Experience of Infinity and Diversity in Absolute can lead to a complete change in our perspective. This leads to the observation that managers of commercial enterprises of the current times must concentrate in ***RELEASING***

infinite potentials that are inherent in human beings (who are one of the prime resources of any business enterprise). To release such inherent potentials, the present-time managers strive hard and in this mission, they employ many ***MOTIVATIONAL TECHNIQUES.***

INTRODUCING MOTIVATION
Managers adopt motivational techniques to motivate employees because it makes them to know the needs of their employees to an extent, which, in turn makes t hem understand people with respect tot what they do and why they do. Hence, though motivation, managers are able to assess the ***BEHAVIOUR*** of employees. Further, MAN is an organic system and not mechanical. He converts the inputs of the energy such as food, clothing and shelter into output of BEHAVIOUR. His behaviour is determined by the relationships between his characteristics as organic system in the environment in which he dwells. Management involves in creation and maintenance of the environment. A better environment created for the purpose of PERFORMANCE of the individuals working together in groups towards accomplishment of organisational objectives. Further, a man's performance on a specific task is a function of his/her skill and motivation.
P = f (S, M) where
P = performance
S = skill
M =motivation
However, skill does not guarantee that individual shall put forth his//her best effort and it is ***MOTIVATION*** that finally determines the effort that can be expected from the employees. Further more, the present-time managers have observed and proved that other things remain constant (equal), performance level is high. Hence, managers ***motivate*** employees adopting various theories.

RENOWNED FACTS ABOUT MOTIVATION
Motivation is the dynamic aspect of management, according to URWICK. It is act of stimulating someone to get a desired course of action, observes MICHAEL JAICUS. It is a phenomenon involved in the operations of incentives and drives, interprets JAMES DRYER. It is a process of arousing and initiating behaviour, sustaining an activity in progress and channelling the activity to the given course – P. T. YOUNG. Motivation brings about the relationship among the **NEEDS**, **DRIVES** and **GOALS**. *NEED* is created whenever there is psychological or physiological imbalance. For example, need exist when a cell in the human body deprived of food and water *DRIVE* is a deficiency with direction. They are action-oriented and provide an energising thrust towards goal accomplishments. Fr example, food and water translated into hunger and thrust drive. *GOAL* is anything that alleviate a need and reduce a drive.

THEORIES OF MOTIVATION
Theories of motivation have two types of classification – Traditional theories and Modern theories. Traditional theories include MASLOW'S NEED HIERARCHY THEORY, Mc GREGOR THEORY OF MOTIVATION (X & Y THEORY), HERZEBERG THEORY OF MOTIVATION (HYGIENE THEORY). Modern theories of motivation include
- **DISTRUST AND TRUST PARADIGM**
- **INSPIRATIONAL MOTIVATION**

The existing theories of motivation over emphases the needs as basis of motivation and emphases needs as BODY and MIND. Human body has needs and human mind control needs. However, the new theories of motivation focuses on motivational dynamics in a holistic perspective, giving due recognition to inspirational dimension. Further, need structures altered because of inspirational forces and hence inspirational dimension used to explain motivation. This result in the transformation of need structure which, is altered or reorganised from NEEDS identified in MASLOW'S theory to **BASKET OF NEEDS. Therefore, needs at present, as per the new paradigm is altered from the basic, social and esteem needs to needs like**
- **Necessities**
- **Entitlements**
- **Empowerment**
- **Desires**
- **Self-realisation**

Such transformation of needs leads to self-control from self-actualisation. Self-actualisation needs tend to be selfish, make him / her greater in power, dehumanise and create aggression in a person.

UNDERSTANDING INSPIRATIONAL MOTIVATION
Inspiration is a stimulus to a creative thought. ***INSPIRE*** means to motivate by a divine influence. Ideas (old and new) can cause a stimulus (inspiration) to a creative thought. For example, idea to fight for a cause can lead to a higher degree of motivation – freedom struggle was the cause for M. K. GANDHI. Further, great people like GANDHIJI, MOTHER T HERESA, KING ASHOKA and SUBASH CHANDRA BOSE inspire people and motivate people. These ideas create an inspirational force and serve as a basis for harnessing and streamlining the energies of people. The intensity of this inspirational force vary from man to man paving way for reorganising his/her need structure based on the requirement of inspiration. Thus, ideas and individuals motivate people. Motivation comes a higher source and goes through all the defensive coverings (sheaths) thereby releasing *power.* The different defensive coverings or the various sheaths through which, inspiration can prefer through for the release of 'ATMIK POWER'. The various coverings (sheaths) are
- Gross functional body
- Vital covering
- Mental covering
- Intellect covering
- Bliss covering

Thus, giving happiness is at the base of inspirational motivation, while self- actualisation is at the base traditional motivation. Inspirational motivation based on HOPE – Higher Order Purpose of Education.

OSHA MODEL OF BEHAVIOURAL ANALYSIS
Human civilisation is continuously progressing from millennium to millennium. Progress of humanity is seen in material abundance. However, material satisfaction found in abundance outwardly, yet there is no mental satisfaction. In pre-industrial agricultural society, Man was relatively in a greater harmony with nature. In the recent times as civilisation progressed, Man lost his mental happiness because of the emergence of a mechanical society. Man almost works like a machine. Machine simile became a dominant simile in organisational and social life. The fall of Man, felt inevitable with the advent of information-revolution in this robotic age. To prevent the fall of Man and to restore his humanistic nature OSHA model of behavioural analysis helps in preventing the fall of Man.
OSHA model of behavioural analysis conceptualises three modes of behavioural tendencies
a) SPRITUAL behaviour tendency
b) HUMAN behavioural tendency
c) ANIMAL behavioural tendency

These three tendencies are the reflections of the Indian psycho-philosophy referred to as ***GUNAS.***
- SATTVA GUNA - refers to purity and illumination binds the individual to his bliss (essence attributes)
- RAJAS GUNA - refers to craving and attachment – binds the individual to action (energy attributes)
- TAMAS GUNA – refers darkness – arise out of ignorance and dilution (inertia attributes).

The spiritual behaviour depicts the higher categories of attributes projecting *purity* and *illumination* through its essence attribute – SATTVA GUNA. This behaviour is very difficult to practice and reach. If reached, then the person with this sort of behaviour shall become a super human. This provides the person who has spiritual behaviour, a stage of liberalisation from all bondages of attributes.

Human behaviour is the next lower category of attributes. This behaviour projects the energy attribute – RAJAS GUNA binding individuals to action and refers to *craving* and *attachment.*

Animal attribute is the last category of attribute. It includes in it the inertia attribute - TAMAS GUNA. Perhaps, it is the lowest category of attribute. This arises out of ignorance and dilution.

TYPES OF INDIAN ORGANISATIONS

From the above discussion relating to *OSHA behavioural model*, it is easy to identify three types of Indian organisations prevailing in India.

- *Holistic organisation* based on the spiritual behaviour
- *Humanistic organisation* based on the human behaviour
- *Animalistic organisation* based on the animalistic behaviour

In *Holistic* type of organisation, employees are at peace and feel happy with each other. Things move at perfect harmony. Organisation reflects self-imposed discipline. Virtual rituals found.

In *Humanistic* type of organisation, there shall be high concern for the well-being of he employees. Conscious efforts to promote organisation's culture found. Organisation becomes the place of fulfilment.

In *Animalistic* type of organisation, there shall be high level of frustration, distrust among employees, low morale. It shall lack warmth in the inter-personal relationship. The organisation is susceptible to face additional problems because of the possibility of market violence to the work place.

INDIAN MANAGEMENT

Management concepts in the west developed ass a revolutionary process. Evolutionary process takes place based on the changing value systems of the people in society, politics, economy, education and culture. India ha never evolved its own concepts. It found convenient to transfer management technology and trust as a scientific technology. India, at present is conversant with the following countries' management techniques:

- United States of America
- Japan

American management is highly capitalistic, innovation driven, time-driven (quick decision-making) and contract culture (hire, fire, hire and again fire).It involves high- risk appetite. It is flexible and quickly adopts anything. It practises outsourcing.

Japans management has a low-risk appetite, risk mitigation key in any decision-making. It is capable of providing life long employment, focuses on long-term planning. It is slow, however methodical in making decisions. It emphasises on quality of the product by adopting TQM (Total Quality Management) technique. It practises on *continuous improvement* ideology and is logical to core commitment- the nation-based commitment "MY JAPAN; JAPANESE IS THE BEST"

Because of this grafting process of management, confusion prevailed in management thinking. Further, research findings in Indian management indicate that many of the management practices, due to dualism being implemented in Indian organisations get rejected by the environment. The rejection is because of the contradiction within the Indian context between *stated policy* and *actual practices*. Many of the practices remain on paper without implementation. Hence, it becomes imperative to evolve management concepts that are in tune with Indian environment and value systems.

UNIQUE FEATURES OF INDIAN MANAGEMENT

Indian management exclusively exhibits certain special characteristics and features which, Indian entrepreneurs and managers shall and should be aware. Such features listed as under:

- Dualism
- Paternalism (hereditary)
- Patronage
- Familial feeling

Dualism persists because alien western systems are thrust on resident Indian practices and expectations at every management level starting from corporate planning, recruitment, promotion, transfer to financial systems and marketing aspects.

Paternalism are the expectations of Indians more towards hereditary factors. For example, father's business automatically passes on to his son/daughter on account of legal transmission.

Patronage principle based on political considerations, caste, community, religion, family relations, old associations and the like.

Familial feeling - perceived by the employees because of the parental attitude adopted by the superiors and colleagues, that gives a sense of security and belonging among employees.

Business is a family and its employees are like family members. In Indian business, relationship matters and for this purpose building *trust* becomes critical to build relationships. Because of this attitude, decision-making in in Indian enterprises is more practical than logical. Decision-making is also instinctive and methodical and they are flexible. Executions does not conform to plans in most of the times resulting in cost overruns, delays in completion. Crisis management results as handling complicated situations using limited resources. Ethical practices are out of convenience rather than conviction. Indian management is too sceptical about innovation.

INDIANISM AND INDIAN MANAGEMENT

All of the above discussions lead to the **SHE** approach

- S = SPIRITUAL
- H = HUMANISTIC
- E = EXISTENTIAL

This SHE approach helps in achieving HOLISTIC HAPPINESS based on a blend of

a) tradition
b) modernity
c) cybernetics

This forms the foundation of Indian Management thought leading to **INDIANISM**.

INDIANISM means using Indian civilisation, experience and intellectual variations to develop more relevant knowledge base and cultural relevant theories.

CONCLUSION

Thus, using INDIANISM, Indian entrepreneurs and managers can surely bring about changes through creation rather than destruction. INDIANISM is envisioned as a community of responsible citizens where:

- ***thoughts grow into ideas***
- ***ideas give way to solutions***
- ***through solutions, it shall be easy to bring about the desired changes***

Therefore, to promote INDIANISM, the Indian entrepreneurs and managers must seek the assistance of

- Management thinkers
- Doers
- Contributors

The ultimate goal is amplifying the multitude of voices that call for change – every single day, however are lost in all the too cacophony.

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RESEARCH IN INFORMATION TECHNOLOGY: BEHAVIORAL ECONOMICS

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ABSTRACT

The more uncertain customers are about their decision, the more likely it is that they will go with the default, especially if it is explicitly presented as a recommended configuration. Second, the manufacturer can frame options differently by employing either an 'add' or 'delete' customization mode (or something in between). In an add mode, customers start with a base model and then add more or better options. In a delete frame, the opposite process occurs, whereby customers have to deselect options or downgrade from a fully-loaded model. Past research suggests that consumers end up choosing a greater number of features when they are in a delete rather than an add frame. Finally, the option framing strategy will be associated with different price anchors prior to customization, which may influence the perceived value of the product. If the final configured product ends up with a £1500 price tag, its cost is likely to be perceived as more attractive if the initial default configuration was £2000 rather than £1000. Sellers will engage in a process of careful experimentation to find a sweet spot—an option framing strategy that maximizes sales, but set at a default price that deters a minimum of potential buyers from considering a purchase in the first place.

KEYWORDS
base model customer, strategy.

1. INTRODUCTION

Think about the last time you purchased a customizable product. Perhaps it was a laptop computer. You may have decided to simplify your decision making by opting for a popular brand or the one you already owned in the past. You may then have visited the manufacturer's website to place your order. But the decision making process did not stop there, as you now had to customize your model by choosing from different product attributes (processing speed, hard drive capacity, screen size, etc.) and you were still uncertain which features you really needed. At this stage, most technology manufacturers will show a base model with options that can be changed according to the buyer's preferences. The way in which these product choices are presented to buyers will influence the final purchases made and illustrates a number of concepts from behavioral economic (BE) theories.

First, the base model shown in the customization engine represents a default choice. The more uncertain customers are about their decision, the more likely it is that they will go with the default, especially if it is explicitly presented as a recommended configuration. Second, the manufacturer can frame options differently by employing either an 'add' or 'delete' customization mode (or something in between). In an add mode, customers start with a base model and then add more or better options. In a delete frame, the opposite process occurs, whereby customers have to deselect options or downgrade from a fully-loaded model. Past research suggests that consumers end up choosing a greater number of features when they are in a delete rather than an add frame. Finally, the option framing strategy will be associated with different price anchors prior to customization, which may influence the perceived value of the product. If the final configured product ends up with a £1500 price tag, its cost is likely to be perceived as more attractive if the initial default configuration was £2000 rather than £1000. Sellers will engage in a process of careful experimentation to find a sweet spot—an option framing strategy that maximizes sales, but set at a default price that deters a minimum of potential buyers from considering a purchase in the first place.

2. OBJECTIVES OF THE STUDY

1. To study the new economy.
2. To study the important study of feedback.
3. To study the application business environment and changes.
4. To study the ethic issues.

3. RESEARCH METHODOLOGY

The present study is based on the secondary data obtained from the various annual reports published by economic behavioral. The required data for the study purpose were also collected from the number of reference books, magazines periodicals, various website related to information technology of economics for the study.

4. THE 'NEW ECONOMY'

There are those that claim that we need a new economics to understand the new economy of bits. I am skeptical. The old economics—or at least the old principles—work remarkably well. Many of the effects that drive the new information economy were there in the old industrial economy—you just have to know where to look.

Effects that were uncommon in the industrial economy—like network effects, switching costs, and the like—are the norm in the information economy. Recent literature that aims to understand the economics of information technology is firmly grounded in the traditional literature. As with technology itself, the innovation comes not in the basic building blocks, the components of economic analysis, but rather the ways in which they are combined. Let us turn now to this task of describing these "combinatorial innovations" in economic thinking.

5. RATIONAL CHOICE

In an ideal world, defaults, frames, and price anchors would not have any bearing on consumer choices. Our decisions would be the result of a careful weighing of costs and benefits and informed by existing preferences. We would always make optimal decisions. In the 1976 book *The Economic Approach to Human Behavior*, the economist Gary S. Becker famously outlined a number of ideas known as the pillars of so-called 'rational choice' theory. The theory assumes that human actors have stable preferences and engage in maximizing behavior. Becker, who applied rational choice theory to domains ranging from crime to marriage, believed that academic disciplines such as sociology could learn from the 'rational man' assumption advocated by neoclassical economists since the late 19^{th} century. The decade of the 1970s, however, also witnessed the beginnings of the opposite flow of thinking, as discussed in the next section.

6. PROSPECT THEORY

While economic rationality influenced other fields in the social sciences from the inside out, through Becker and the Chicago School, psychologists offered an outside-in reality check to prevailing economic thinking. Most notably, Amos Tversky and Daniel Kahneman published a number of papers that appeared to undermine ideas about human nature held by mainstream economics. They are perhaps best known for the development of prospect theory (Kahneman & Tversky, 1979), which shows that decisions are not always optimal. Our willingness to take risks is influenced by the way in which choices are framed, i.e. it is context-dependent. Have a look at the following classic decision problem.

7. BOUNDED RATIONALITY
Long before Tversky and Kahneman's work, 18th– and 19th-century thinkers were already interested in the psychological underpinnings of economic life. Scholars during the neoclassical revolution at the turn of the 20th century, however, increasingly tried to emulate the natural sciences, as they wanted to differentiate themselves from the then "unscientific" field of psychology. The importance of psychologically informed economics was later reflected in the concept of 'bounded rationality', a term associated with Herbert Simon's work of the 1950s. According to this view, our minds must be understood relative to the environment in which they evolved. Decisions are not always optimal. There are restrictions to human information processing, due to limits in knowledge (or information) and computational capacities.

Gerd Gigerenzer's work on "fast and frugal" heuristics later built on Simon's ideas and proposed that the rationality of a decision depends on structures found in the environment. People are "ecologically rational" when they make the best possible use of limited information-processing abilities, by applying simple and intelligent algorithms that can lead to near-optimal inferences.

While the idea of human limits to rationality was not a radically new thought in economics, Tversky and Kahneman's 'heuristics and biases' research program made important methodological contributions, in that they advocated a rigorous experimental approach to understanding economic decisions based on measuring actual choices made under different conditions. About 30 years later, their thinking entered the mainstream, resulting in a growing appreciation in scholarly, public, and commercial spheres.

8. THE IMPORTANCE OF FEEDBACK
Bounded rationality's principle of limited knowledge or information is one of the topics discussed in the 2008 book *Nudge.* In the book, Thaler and Sunstein point to experience, good information, and prompt feedback as key factors that enable people to make good decisions. Consider climate change, for example, which has been cited as a particularly challenging problem in relation to experience and feedback. Climate change is invisible, diffuse, and a long-term process. Pro-environmental behavior by an individual, such as reducing carbon emissions, does not lead to a noticeable change. The same is true in the domain of health. Feedback in this area is often poor, and we are more likely to get feedback on previously chosen options than rejected ones.

The impact of smoking, for example, is at best noticeable over the course of years, while its effect on cells and internal organs is usually not evident to the individual. Traditionally, generic feedback aimed at inducing behavioral change has been limited to information ranging from the economic costs of the unhealthy behavior to its potential health consequences. More recent behavior change programs, such as those employing smartphone apps to stop smoking, now usually provide positive and personalized behavioral feedback, which may include the number of cigarettes not smoked and money saved, along with information about health improvement and disease avoidance.

9. APPLICATIONS: BE AND BEHAVIOR CHANGE
The implications of BE are far-reaching, and its ideas have been applied to various domains, including personal and public finance, health, energy, public choice, and marketing. Richard Thaler and Cass Sunstein became involved in US government policy as early as 2008, during Barack Obama's presidential campaign. In 2010, the UK government set up the 'Behavioural Insights Team', a special unit dedicated to applying behavioral science to public policy and services. News broke in 2013 about a similar nudge unit being set up by the US government. The communications arm of the UK government, COI (now defunct), also took on board BE insights, in order to enhance their communications efforts. Practitioners at COI used BE ideas to complement traditional approaches gleaned from psychology that tend to focus on people's awareness, attitudes, and self-efficacy in producing behavior change (COI, 2009).

Most psychologists and economists would probably agree with Tim Harford's observation that BE appears to have become a catch-all term for any type of psychology applied to real-world problems; many of the nudges tested by the UK's BIT, for example, are social-psychological in nature (e.g. attempting to increase organ donation rates through social proof). We do not need to rely on complex and often quite mathematical insights from BE to inspire behavior change policies, but the field of economics has always influenced public policy to a greater extent than psychology. The application of a 'behavioral economics' label to existing ideas from psychology appears to have proven effective. Despite BE's boundary disputes, the popularity of the behavioral sciences has widened practitioners' conceptual toolkit, encouraged research that is concerned with actual behavior, and begun to foster a 'test and learn' culture among governments and corporations alike.

When behavioral science is asked to tackle practical issues, conducting experiments prior to implementing interventions is indispensable. George Loewenstein and Peter Ubel have noted that behavioral economics is sometimes "asked to solve problems it wasn't meant to address" Unhealthy eating and energy consumption problems, for example, can be dealt with effectively with traditional economic interventions, such as price and tax changes. BE therefore needs to be considered alongside rather than as a replacement for traditional interventions.

In the private sector, BE has reinvigorated practitioners' interest in psychology, particularly in marketing, consumer research, as well as business and policy consulting. Part 3 of this Guide provides a selection of papers written by practitioners in those areas.

10. ETHICAL ISSUES
When BE is used to influence decisions, unavoidable questions about ethics arise. The liberal (or 'soft') paternalist approach of applying nudges in the public sphere argues that interventions occur for the good of the individual or society as a whole. However, the practice and philosophy behind nudges are not without criticism, since interventions occur without the awareness of the public on both the level of policy implementation and the psychological processes involved. Thaler and Sunstein maintain that changing choice architecture preserves individuals' freedom to choose and that there are no such things as neutrally presented choices in the first place. Clear rules of conduct and transparency will benefit nudgers in both public and private spheres.

11. DIFFERENTIATION OF PRODUCTS AND PRICES
Price discrimination is important in high tech industries for two reasons: first the high-fixed cost, low-marginal-cost technologies commonly observed in these industries often leads to significant market power, with the usual inefficiencies. In particular, price will often exceed marginal cost, meaning that the profit benefits to price discrimination will be very apparent to the participants.

In addition, information technology allows for fine-grained observation and analysis of consumer behavior. This allows for various kinds of marketing strategies that were previously extremely difficult to carry out, at least on a large scale. For example, a seller can offer prices and goods that are differentiated by individual behavior and/or characteristics. This section will review some of the economic effects that arise from the ability to use more effective price discrimination.

12. FIRST-DEGREE PRICE DISCRIMINATION
In the most extreme case, information technology allows for a "market of one," in the sense that highly personalized products can be sold at a highly personalized price. This phenomenon is also known as "mass customization" or "personalization."

13. CONCLUSION
Behavioral economics (BE) uses psychological experimentation to develop theories about human decision making and has identified a range of biases as a result of the way people think and feel. BE is trying to change the way economists think about people's perceptions of value and expressed preferences. According to BE, people are not always self-interested, benefits maximizing, and costs minimizing individuals with stable preferences—our thinking is subject to insufficient

knowledge, feedback, and processing capability, which often involves uncertainty and is affected by the context in which we make decisions. Most of our choices are not the result of careful deliberation. We are influenced by readily available information in memory, automatically generated affect, and salient information in the environment. We also live in the moment, in that we tend to resist change, are poor predictors of future behavior, subject to distorted memory, and affected by physiological and emotional states. Finally, we are social animals with social preferences, such as those expressed in trust, reciprocity and fairness; we are susceptible to social norms and a need for self-consistency.

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A STUDY ON THE INVESTORS PERCEPTION TOWARDS INVESTMENT IN STOCK MARKET IS LUCRATIVE

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ABSTRACT

The topic of the study is about investors perception towards investment in stock market is profitable, the aim of the study is to find out the investors perception towards investment in marketable securities, to study the investors preference on investing through various investment alternatives, the study is to analyse the importance of investments and to determined the investors according to the feedback from the investors. The entire study was conducted in and around Chennai who were in the platform of investment in stock markets. The investors in the shares are the major respondents in the study. Investment is very difficult task for investors because it has lot of predictions to make on variables in the market. Investment is not a normal man business because it includes disciplines like mathematics, statistics, accounts, economics and behavioral science. In India, the growth of stock market is realized in greater part these days and investments is one alternative to make money. The data were collected from various investors through questionnaires. The descriptive method of research has undertaken for the study. The collected data had been analyzed by applying statistical tools such as factor analysis, discriminate analysis, Correlation, ANOVA, weighted average etc. The paper provides an insight of retail investor's belief and perception with respect to stock invests. Findings, suggestions, and conclusion are given based on the values observed from the study.

KEYWORDS

investors opinion towards stock invests, preference and risk appetite of investors.

1. INTRODUCTION

An individual who commits money to investment products with the expectation of financial returns, generally, the primary concern of an investor is to minimize risk while maximizing return, as opposed to a speculator, who is willing to accept a higher level of risk in the hopes of collecting higher-than-average profits. An investor analyses a company, decides exactly what it is worth, and will not buy the stock unless it is trading at a substantial discount to its intrinsic value.

2. OBJECTIVES OF THE STUDY

1. To study the investors opinion about investment in stock markets
2. To know the investors preference towards investments
3. To analyse the importance of investment in capital markets
4. To evaluate the investors perception on investment in various category of investments
5. To suggest measures to improve the participants in investments based on the findings of the study.

3. SCOPE AND NEED FOR THE STUDY

This present study was developed based on the perception of the investors about investment in stock market. Investor's reaction to various internal changes like dividend announcements, mergers and acquisitions, buyback of shares and external changes like fraud/scam, political changes are analysed in the project which helps the company to know about the overall investor's sensitivity and the future market trend.This study analyses the level investor's dependency on brokerage firm for various information about the changes in the company and market.Brokerage firm needs to attract more investors for their development by providing proper service. The study helps to understand the speculative attitude of investors and also to guide the investors in a proper way to get high return from short period of time.

4. REVIEW OF LITERATURE

Joshi, M. C., & Chawla, D. (2015) in his Study about the Perception of Retail Investors' of Surat City about Factors affecting Primary Market Mechanism in India. The primary market is that part of the capital markets that deals with the issue of new securities. Companies, governments or public sector institutions can obtain funding through the sale of a new stock or bond issue. With the reforms of industrial policy, public sector, financial sector and the many developments in the Indian money market and capital market, primary market which has become an important gateway for the retail investors to make their investment, is also influenced by various factors. Hence, this study has made an attempt to find out the perception of retail investors about factors influencing Indian primary. This study is based on primary data collected through a well-designed structured questionnaire from 175 retail investors from Surat City. In this study it has been observed that the most important factors while investing in Primary Market according to Investors are Company's Goodwill, Current Financial Position of company, Corporate Profile, Government holding in company and Promoters stake in the company. While the least important factors are Size of the IPO Issued, Disclosure by market participants and Minimum Investment amount required. The study reveals that retail investor's opinion is similar on majority aspects relevant to IPOs. Saving ratio of investors is only demographic factor affecting perception of retail investors about various factors affecting primary market. SEBI is already alert about few issues immerging in primary market though few problems related to IPOs were unfolded during the study. Major problems out of the mentioned are Refund related Problems, Delay in allotment of shares and Lack of Transparency.

Bennet, Ebenezer and Selvam, M., Investors' Perception of the Factors Influencing the Stock Selection Decision (March 24, 2011) The globalization of financial markets has been increasing the size of the community of retail investors' over the past two decades by providing a wide variety of market and investment options. Hence, it makes their investment decisions process more complex. The market conditions can be influenced by both fundamental factors of the company and external factors such as social, political, economic, regulatory, technological, environmental and legal (SPERTEL) that have an influence on the values of equity shares. The main objective of the study is to analyze the investors' perception of Social, Political, Economical, Regulatory, Technological, Environmental and Legal (SPERTEL) risks on the value of equity sharesin the market. It is to be noted that except for the social factors between married and unmarried investors, political, regulatory and legal factors for age and occupation, all other factors seemed to be insignificant.

Singh R. P Jain, et.al, (2015), Perception of Retail Investors on Web Reporting by Stock Exchanges-Comparison of NSE and BSE Websites. Stock exchange is the barometer of financial markets in any country. The stock exchanges act as an institute for resource mobilization for companies and implement the policy agenda of the government through mandatory disclosures. The website is the apparent face of the stock exchanges through which they communicate with the investors, analyst and researchers. Website has become the new mode of communication between stock exchanges and shareholder/retail investors. The internet revolution and electronic dissemination of corporate information has dramatically increased the role of stock exchange and their websites multifold. Purpose of this research is to assess the perception of various retail investors on informational adequacy, usefulness and user friendliness of web reporting. A questionnaire has been administered on 101 respondents and Factor analysis has been applied on it. Factor analysis study summarised three factors which describe perception of retail investors about web reporting practices by stock exchanges. The paper provides on

Sharma, Dr. Preeti and Rao, D. N., A Study of Risk Orientation of Retail Investors in Indian Mutual Fund Industry with Special Reference to Rajasthan, India (July 18, 2014). In order to achieve the objective of developing an understanding about retail investor's risk orientation, and knowledge regarding the mutual funds a well structured questionnaire was designed. Responses of retail investors and were collected through filled questionnaire with pre-explained objectives of research. The pre-structured questionnaires were distributed among those investors only who had prior experience of mutual fund investment. For this selective systematic sampling was taken for consideration. For reliability of questionnaire 524 individual investors were selected from six cities of Rajasthan namely Ajmer Jaipur Udaipur, Jodhpur, Bikaner and Kota. Main focus of questionnaire was to obtain responses of retail investors regarding how they evaluate mutual funds services in terms of risk orientation, and knowledge on their investment. The main objective of this research is to examine whether the life cycle influences the Risk Orientation of retail investors in the state of Rajasthan and to study the perception of risk involved in Mutual Fund by retail investors. Present research paper identifies the Risk orientation, among the Retail Investors Regarding Indian mutual fund industry with the help of Regression Analysis and Chi Square test and factor insight of retail shareholder's belief and perception with respect to website reporting by stock exchanges analysis. A study at aggregate level tested by chi-square test is also depicted.

5. RESEARCH METHODOLOGY

The methodology of the study is descriptive research it depends mainly on the primary data. The survey was conducted through questionnaire. The questionnaire was checked for reliability and validity. The questionnaire comprises both optional type and statement of likert's 5-point scale. The responses of these sections are obtained from the investors in the 5-point scale, which ranges as follows. 5- Strongly agree 4- agree, 3 –neutral 2-Disagree 1- strongly disagree and 5- Excellent 4- good, 3 – average 2-poor 1-very poor.

The researcher used simple random sampling for conducting the survey. The sample size of the study undertaken by the researcher was 100 investors. The survey was conducted in and around Chennai only.

TOOLS USED FOR ANALYSIS

The primary data collected from the investors are analysed by using the following statistical tools. Factor analysis, discriminate analysis, correlation, ANOVA, chi-square test, and weighted average.

6. LIMITATIONS OF THE STUDY

The research of the study has some limitations.

1. The study was based on a sample survey of only 100 respondents and was limited to Chennai city only. Hence the results obtained cannot be generalized for the total universe.
2. Shortage of time was another limiting factor for conducting the survey in the other geographical area.
3. False response or biased answers given by the respondents may affect the quality of the results obtained.
4. Lack of interest disposed by a few respondents leading to unauthentic response.

7. DATA ANALYSIS AND INTERPRETATION

TABLE NO. 1: DEMOGRAPHIC PROFILE

Gender	No of respondents	Percentage
Male	60	60
Female	40	40
Total	100	100
Age Group (in Yrs.)		
Less than 25	10	10
20-30	15	15
31-35	30	30
36-40	25	25
Above 40	20	20
Total	100	100
Education qualification		
School level	19	19
Under graduation	26	26
Post graduation	25	25
Professional	22	22
Others	8	8
Total	100	100
Occupation		
Business	20	20
Salaried	22	22
Professional	10	10
Retired	25	25
Home maker	8	8
Others	15	15
Total	100	100
Household income (Rs. pm)		
Less than 10,000	6	6
10,000-20,000	24	24
20,001-30,000	18	18
30,001-40,000	22	22
Above 40,000	30	30
Total	100	100

It found that 60% of the respondents are male and 40% are female. Hence it is clear that the majority of the investors are male in Chennai. With respect to the age group of respondents most of the respondents belong to the age group between 31-35 years. It is analysed that most of the respondents are graduates. From the study in respect to occupation the majority of the investors are retired and salaried class that is 25& and 22% respectively. In is inferred from the study most of the investors household income over Rs. 40,000/- pm.

TABLE NO. 2: OPINION ON INVESTMENT IN STOCK IS PROFITABLE

Opinion	No of respondents	Percentage
Very much	22	22
Somewhat	35	35
Very low	28	28
No comments	15	15
Total	100	100

From the study towards the investors opinion on investment in stock is profitable, it is found that majority of the investors opine that the investment returns are somewhat good.

TABLE NO. 3: OPINION ON INVESTMENT IN STOCK MARKET IS RISKY

Opinion	No of respondents	Percentage
Very low	5	5
Low	8	8
Moderate	25	25
High	32	32
Very high	30	30
Total	100	100

From the study found that the majority of the investors view on the level of risk in investment in stock market is high and very high risk that is 32% and 30% respectively and only meager number (5) of respondents sad that investment in stock market is very low risk. It is inferred that the opinion on risk level expected by the investors were different from one another.

TABLE NO. 4: CATEGORY OF INVESTORS

Category	No of respondents	percentage
Conservative	18	18
Moderate	22	22
Aggressive	60	60
Total	100	100

From the study it is found that the majority (60%) of the investors are aggressive. Hence it is inferred most of the investors in stock market were high risk taker.

TABLE NO. 5: BASIC PURPOSE BEHIND INVESTMENT

Purpose	No of respondents	Percentage
Returns	30	30
Liquidity	30	30
Tax benefits	0	0
Capital appreciation	30	30
Risk cover	10	10
Total	100	100

From the study it is found that most of investors' purposes behind the investments are returns 30%, liquidity 30% and capital appreciation30%, only few are interested in risk coverage 10% and none of the respondents interested to get tax benefits. Hence it is inferred that most of the investor's priority is to get good returns, liquidity and capital appreciation than to get tax benefit and risk cover.

TABLE NO. 6: OPINION ABOUT INVESTMENT DECISIONS

Attributes	No of respondents	Percentage
On your own	22	22
With experts advice	12	12
With investment advisers	28	28
Corporate advisers	15	15
With friends and relatives	23	23
Total	100	100

From the study, it is inferred that majority of the investors to take investment decision (28%) with investment advisors followed by friends & relatives (23%) and on their own decision (22%).

TABLE NO. 7: OPINION ON THE KNOWLEDGE ABOUT INVESTMENT ALTERNATIVES (Cross tabulation)

Attributes		Opinion			
		very high	moderate	very low	Total
Equity	Count	45	35	20	100
	Expected Count	44.2	33.3	22.5	100.0
Debt	Count	50	30	20	100
	Expected Count	44.2	33.3	22.5	100.0
MF	Count	20	30	50	100
	Expected Count	44.2	33.3	22.5	100.0
Insurance	Count	35	45	20	100
	Expected Count	44.2	33.3	22.5	100.0
Real Estate	Count	65	25	10	100
	Expected Count	44.2	33.3	22.5	100.0
Deposits	Count	50	35	15	100
	Expected Count	44.2	33.3	22.5	100.0
Total	Count	265	200	135	600
	Expected Count	265.0	200.0	135.0	600.0

Note: Chi-square value: 77; df: 10 ; Level of sig. 5%; Table value: 18.3

CHI-SQUARE TESTS

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	77.398*	10	.000
Likelihood Ratio	72.901	10	.000
Linear-by-Linear Association	6.651	1	.010
N of Valid Cases	600		

a. 0 cells (.0%) have expected count less than 5. The minimum expected count is 22.50.

From the above analysis, it is found that the chi-square value 77.39, p-value 0.00 are statistically significant at 5% level, this indicates that there is a deep association between level of satisfaction and various investment alternatives available in the market. It also ascertains the investors have more choices to increase their level of satisfaction.

TABLE NO. 8: LEVEL OF SATISFACTION WITH REGARD TO VARIOUS INVESTMENT OBJECTIVES (Cross tabulation)

Attribute		Opinion			Total
		High	Moderate	Low	
Safety	Count	15	22	63	100
	Expected Count	40.0	22.3	37.7	100.0
Security	Count	50	30	20	100
	Expected Count	40.0	22.3	37.7	100.0
Liquidity	Count	70	20	10	100
	Expected Count	40.0	22.3	37.7	100.0
Tax Benefit	Count	5	12	83	100
	Expected Count	40.0	22.3	37.7	100.0
Returns	Count	40	30	30	100
	Expected Count	40.0	22.3	37.7	100.0
Risk	Count	60	20	20	100
	Expected Count	40.0	22.3	37.7	100.0
Total	Count	240	134	226	600
	Expected Count	240.0	134.0	226.0	600.0

Note: Chi-square value: 2.018; df: 10; Level of sig. 5%; Table value: 18.3

CHI-SQUARE TESTS

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	2.018[a]	10	.000
Likelihood Ratio	215.252	10	.000
Linear-by-Linear Association	10.762	1	.001
N of Valid Cases	600		

a. 0 cells (.0%) have expected count less than 5. The minimum expected count is 22.33.

From the above analysis, it is found that the Chi-square value 2.018, p-value 0.00 are statistically insignificant at 5% level, this indicates that there is a no association between level of satisfaction and the attributes considered for study the investors. Thus it can be seen that immaterial of the roadblocks like safety, security, liquidity, tax benefit, return and risk etc., that hampers the process of investment decision and the level of satisfaction of the investors are independent.

TABLE 9: RESPONDENTS' OPINION ABOUT STOCK BROKERS TRUSTWORTHINESS USING WEIGHTED AVERAGE METHOD

Attributes	No of respondents	weights	Weighted average
Strongly agree	30	5	150
Agree	25	4	100
Neutral	20	3	60
Disagree	10	2	20
Strongly disagree	15	1	15
Total	100		345

Weighted moving average = 345/100 =3.45 or 3.5 (approx.)

Form the above table it is inferred that the respondents agree in their opinion regarding the stock broker's honesty.

8. SUMMARY OF FINDINGS

From the demographic profile of the study, it found that the majority of the investors are male (60%). With respect to the age groups majority of the respondents belong to the age group between 31-35 years. From the study it is found that most of the respondents are graduates. From the study in respect to occupation the majority of the investors are retired followed by the salaried class. From the study it is found that most of the investors household income over Rs.40,000 pm.

From the study towards the investors opinion on investment in stock market are profitable, it is found that majority of the investors opine that the investment returns are somewhat good. With regard to the opinion on the level of risk expected by the investors were different from one another.From the study it is found that the majority (60%) of the investors are aggressive. Hence it is inferred most of the investors in stock market were high risk taker.Hence, it is inferred that most of the investor's priority is to get good returns, liquidity and capital appreciation than to get tax benefit and risk cover.From the study it is inferred that majority of the investors to take investment decision (28%) with investment advisors followed by friends & relatives (23%) and on their own decision (22%). Form the study it is inferred that the respondents agree in their opinion regarding the stock broker's honesty.It is found that the chi-square value 77.39, p-value 0.00 are statistically significant at 5% level, this indicates that there is a deep association between level of satisfaction and various investment alternatives available in the market. It also ascertains the investors have more choices to increase their level of satisfaction. It is found that the Chi-square value 2.018, p-value 0.00 are statistically insignificant at 5% level, this indicates that there is a no association between level of satisfaction and the attributes considered for the investors. Thus it can be seen that immaterial of the roadblocks like safety, security, liquidity, tax benefit, return & risk etc., that hampers the process of investment decision and the level of satisfaction of the investors are independent.

9. SUGGESTIONS

Here are a few tips to help you make smart investment decisions. Do not invest money you cannot afford to lose, Always deal with the market intermediaries registered with SEBI / stock exchanges, diversify your investments, don't trade if you don't have time to research, and make a plan. Many brokerages have the ability to schedule buy and sell orders based on predefined criteria, such as a percentage drop (or increase) in your original investment, Scheduling limit orders takes the emotion out of your finances. "Have a plan and stick with it," Beauregard said. "Know why you are buying a particular security, how much to invest, what your expected return is, and have an exit strategy." Don't buy high. Stock may be trending upward at an extreme pace, in which case you shouldn't always jump to buy stock, wait for opportunities to get a lower entry point. Don't give in to fear, while you may see stock values plunge for a company, don't despair or pull your money out. Stock trading is a long-term investment and requires patience and perseverance.

10. CONCLUSION
The study was conducted to know the investors sensitivity toward investments in stock market and to analyse about investor's speculative attitude, reasons for attachment to a particular company stocks and impact of tax implications on the investments. From the study it is found that investors are more sensitive to various changes in market and investors depend on the broking firms as a main source to get information. It is found that most of the investors have ranked high returns, liquidity, and capital appreciation than risk coverage and tax benefit. Having considered all these points made up basic knowledge with which any investor should be comfortable. However, these concepts mean nothing unless it can be put into practice. The investors look for safety first in stocks, followed by good returns, tax benefits, liquidity and capital appreciation. The survey further revealed that the scheme selection decision were newspapers and magazines, brokers and agents, television, friend's suggestions etc.

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INDIA EXPORTS TO LATIN AMERICA: A STUDY IN REFERENCE TO DOING BUSINESS WITH ARGENTINA

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ABSTRACT

The study has presented a comprehensive picture of Indian export to LAC in special reference with Argentina. With $694,690 million, Argentina has the second largest GDP in the LAC with the leading manufacturing industries includes food processing, auto parts, petroleum products, chemicals and pharmaceuticals. During the financial year 2012-2013 and 2013-2014 (in million USD) electronics, vehicles, organic chemicals, iron and steel, dyes and paints, apparels and clothing accessories, pharmaceutical products, plastics and rubber, and cotton are commodities recorded higher export performance India's export to Argentina. The study identified that Argentine market has potential for Indian commodities. Therefore, this study aimed to demonstrate the India's export performance, export opportunities and market entry strategies with Argentina's import forecast in regards of doing business with Argentina.

KEYWORDS

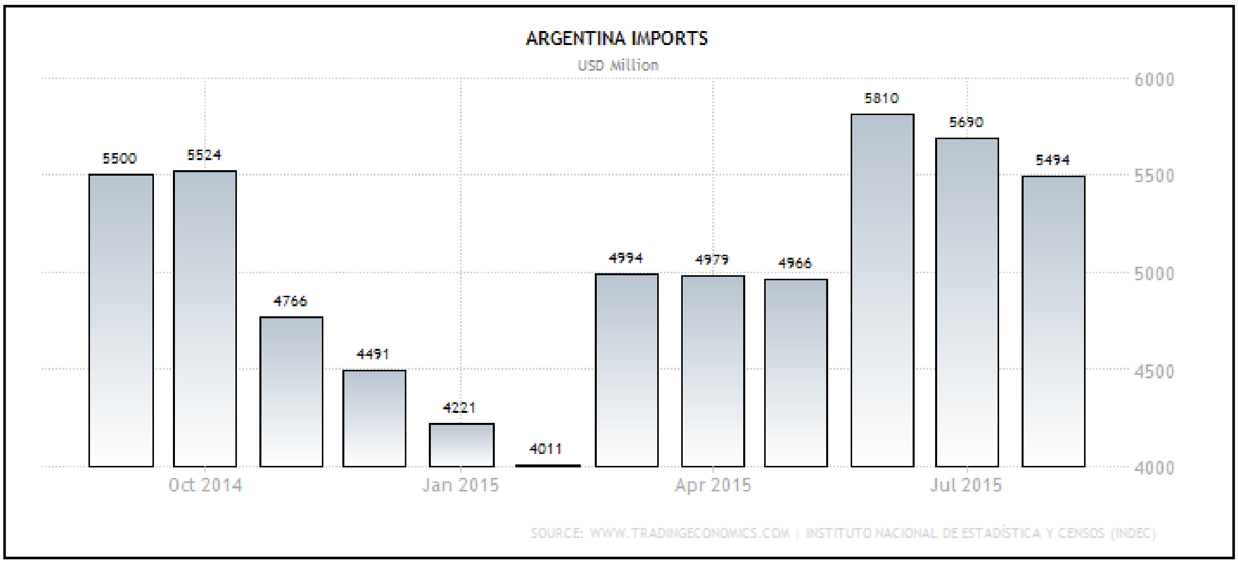
latin america, argentina, indian export, market entry strategy, export opportunity, indian export performance, export commodity.

INTRODUCTION

India and the Latin American and Caribbean (LAC) region stand at opposite ends of the globe, yet view each other with friendship and warmth. India shares a common history of colonialism and struggle for independence with the region. In modern times, the two sides have articulated common positions on global issues such as global trade, climate change, and energy. A historical and current middle power and a prominent Latin American and Southern Cone regional power, Argentina is one of the G-15 and G-20 major economies and Latin America's third-largest. It is also a founding member of the United Nations, WBG, WTO, Mercosur, UNASUR, CELAC and OEI. Because of its stability, market size and increasing share of the high-tech sector, Argentina is classed by investors as a middle emerging economy with a "very high" rating on the Human Development Index.

With $694,690 million, Argentina has the second largest GDP in the continent and is one of the world's major agricultural producers. Manufacturing makes up 19 percent of the country's GDP and the leading manufacturing industries includes food processing, auto parts, petroleum products, chemicals and pharmaceuticals. Argentina has decreased imports of 5494 USD Million in August 2015. Imports in Argentina averaged 1387.72 USD Million from 1957 until 2015, reaching an all time high of 7671 USD Million in August of 2011 and a record low of 36 USD Million in January of 1959(INDEC, 2015). Argentina expects its trade with India to more than double to about $4 billion in the next five years. As stated by Claudio Poggi (Governor, Province of San Luis, 2013) – "We expect that the bilateral trade between India and Argentina to more than double to $4 billion in the next five years from the current level as there is a huge untapped potential".

FIGURE 1: ARGENTINA IMPORT STATISTICS IN USD MILLIONS



Source: http://www.tradingeconomics.com/argentina/imports

India-Argentina relations are cordial and encompass political, economic, scientific and technological cooperation, including Antarctic research and cultural cooperation. Argentina's main imports are: intermediate goods (29 % of total imports), parts and accessories for capital goods (20 %), capital goods (19 %), fuels and lubricants (13 %) and motor vehicles (8 %). Main import partners are: Brazil (29 % of total imports), China (14 %), United States (10 %) and Germany (5 %). Others include: Mexico, France, Italy, South Korea and Japan. This study provides the latest reported value for – India's export to Argentina including market overview of Argentina, market challenges and opportunities, market entry strategies and market forecasts.

THE COUNTRY

Argentina is a massive South American nation with terrain encompassing Andes Mountains, Glacial Lakes and Pampas Grassland, the traditional grazing ground of its famed beef cattle. The country is known for tango, steak and football. Its big, cosmopolitan capital, Buenos Aires, is centered on the 16th-century Plaza de Mayo, lined with stately buildings, including Casa Rosada, the iconic, balconied presidential palace. With a mainland area of 2,780,400 km^2 (1,073,500 sq mi), Argentina is the eighth-largest country in the world, the second largest in Latin America and the largest Spanish-speaking nation. Argentina claims sovereignty over part of Antarctica, the Falkland Islands, South Georgia and the South Sandwich Islands.

TABLE 1: COUNTRY PROFILE

Capital	Buenos Aires
Population	42, 192, 500
Nationality	Argentine
Official Language	Spanish
Spoken Language	English, Italian, German, Yiddish, Portuguese, and other Region Specific Languages.
Currency	Peso
GDP (PPP)	Per Capita $ 22, 459

Due to the extensive Argentine geography, Spanish has a strong variation among regions, although the prevalent dialect is Rioplatense, primarily spoken in the La Plata Basin and accented similarly to Neapolitan language. Argentina is highly urbanized, with 92% of its population living in cities: the ten largest metropolitan areas account for half of the population. About 3 million people live in the city of Buenos Aires, and including the Greater Buenos Aires metropolitan area totals around 13 million, making it one of the largest urban areas in the world.

MARKET OVERVIEW

As **World Bank Reported**, with a Gross Domestic Product (GDP) of more than US$ 540 billion, Argentina is one of the largest economies in Latin America. In recent years, the country has focused on economic development with social inclusion. Argentina benefited from good relations with most of the countries in the region, particularly Brazil and Venezuela. The country also plays a leading role in regional policy making as a representative of Latin America in the G-20, jointly with Mexico and Brazil.

Argentina's economy enjoys valuable natural resources. It has large-scale agricultural and livestock industry. It is among the world's largest beef exporters and the leading producer of sunflowers, yerba mate, lemons and soybean oil. The opening of the Chinese market has helped boost the country's export potential.

The economy grew steadily during the past decade. Argentina has invested heavily in health and education, areas which account for 8% and 6% of GDP, respectively. Between 2003 and 2009, the middle class doubled in size, from 9.3 million to 18.6 million (equivalent to 45% of the population). The country has prioritized social spending through various programs, including the Universal Child Allowance, which reaches approximately 3.7 million children and adolescents up to age 18, 9.3% of the population. In recent months the country's fiscal situation has deteriorated due to growing outside pressures, particularly the worsening economic situation in Brazil. During the first half of 2015, the primary deficit reached 1% of GDP and the fiscal deficit, which includes debt payments, doubled from a year ago to 2.3% of GDP. While public sector revenue rose 29% in nominal terms during the first half of the year compared to a year earlier, spending rose even more at 40%. Growth for 2015 is estimated at about 0.5%.

MARKET CHALLENGES

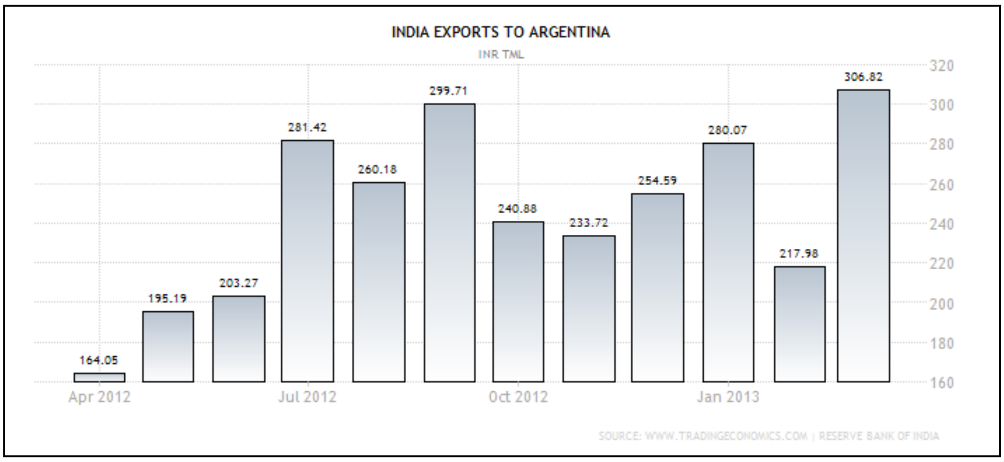
Slowing economic growth, import and foreign exchange restrictions, and sharply lower prices for Argentina's principal exports (soya products and corn) make the outlook for the Argentine economy uncertain in 2015, with growth estimates of slightly negative to 3 percent. Inflation estimated at 30+ percent in 2014 and 20-24 percent in 2015 by private economists has raised costs and resulted in a more challenging business environment, especially as the real effective exchange rate has significantly appreciated since the January, 2014 devaluation.

Limits on profit, royalty, and licensing remittances have discouraged new investment in Argentina. Lack of clearness and a public comment period for new regulations adds to business uncertainty, as do questions about government statistics. All importers must request approval from the Argentine Tax and Customs Authority (AFIP) prior to making each purchase for import and, separately, to purchase the foreign currency to pay for it. The Argentine Government's policy of tying approvals to changes in the trade balance and foreign exchange levels has added to the uncertainty.

INDIA EXPORTS TO ARGENTINA

Exports to Argentina from India increased to 306.82 INR TML in March from 217.98 INR TML in February of 2013. Exports to Argentina in India averaged 113.74 INR TML from 2002 until 2013, reaching an all time high of 371.55 INR TML in December of 2008 and a record low of 18.01 INR TML in February of 2003, reported by the Reserve Bank of India.

FIGURE 2: INDIA EXPORT PERFORMANCE AGAINST ARGENTINA



Source: http://www.tradingeconomics.com/india/exports-to-argentina

Table 2 is showing the export of India to Argentina during the financial year 2013-2014 and 2014-2015 in million USD. Organic Chemicals, Electronics, Vehicles, Iron and Steel, Dyes and Paints, Apparels and Clothing Accessories, Pharmaceutical Products, Plastics and Rubber, and Cotton are commodities recorded higher export performance India's export to Argentina.

TABLE 2: INDIA EXPORTS TO ARGENTINA

Values in US Million $

HS Code	Commodity	2013-2014	2014-2015	% Growth
29	Organic Chemicals	71.85	73.2	1.88
87	Vehicles Other than Railway or Tramway Rolling Stock, and Parts and Accessories Thereof.	96.79	69.09	-28.63
72	Iron and Steel	48.49	38.35	-20.9
84	Nuclear Reactors, Boilers, Machinery and Mechanical Appliances; Parts Thereof.	25.18	29.06	15.41
54	Man-Made Filaments.	30.94	28.83	-6.82
38	Miscellaneous Chemical Products.	27.02	27.88	3.17
32	Tanning or Dyeing Extracts; Tannins & Their Deri. Dyes, Pigments & Other Coloring Matter; Paints; Putty and Other Mastics; Inks.	25.11	23.54	-6.23
62	Articles of Apparel and Clothing Accessories, Not Knitted or Crocheted.	20.27	19.37	-4.43
85	Electrical Machinery and Equipment and Parts Thereof; Sound Recorders and Reproducers, Television Image and Sound Recorders and Reproducers, and Parts.	113.31	18.58	-83.6
55	Man-Made Staple Fibers.	22.27	16.37	-26.5
39	Plastic and Articles Thereof.	12.99	12.31	-5.25
40	Rubber and Articles Thereof.	10.64	11.59	9
30	Pharmaceutical Products	15.57	8.73	-43.94
13	Lac; Gums, Resins and Other Vegetable Saps And Extracts.	10.39	8.17	-21.33
90	Optical, Photographic Cinematographic Measuring, Checking Precision, Medical or Surgical Inst. and Apparatus Parts and Accessories Thereof;	6.58	6.59	0.18
73	Articles of Iron or Steel	6.26	6.09	-2.64
69	Ceramic Products.	4.7	5.35	13.81
52	Cotton.	10.45	5.16	-50.63
42	Articles of Leather, Saddlery and Harness; Travel Goods, Handbags and Similar Articles of Animal Gut (other than Silk-Worm).	3.6	4.06	12.58
28	Inorganic Chemicals; Organic or Inorganic Compounds of Precious Metals, of Rare-Earth Metals, or Radi. Elem. Or Of Isotopes.	2.93	3.79	29.39
61	Articles of Apparel and Clothing Accessories, Knitted or Crocheted.	3.22	3.77	16.98
25	Salt; Sulphur; Earths and Stone; Plastering Materials, Lime and Cement.	2.7	3.31	22.62
64	Footwear, Gaiters and The Like; Parts Of Such Articles.	2.21	3.31	50.09
63	Other Made Up Textile Articles; Sets; Worn Clothing and Worn Textile Articles; Rags	3.87	2.79	-27.99
33	Essential Oils and Resinoids; Perfumery, Cosmetic or Toilet Preparations.	3.23	2.7	-16.55
70	Glass and Glassware.	3.93	2.29	-41.58
34	Soap, Organic Surface-Active Agents, Washing Preparations, Lubricating Preparations, Artificial Waxes, Prepared Waxes, Polishing or Scouring Prep.	2.39	2.21	-7.59
27	Mineral Fuels, Mineral Oils and Products of Their Distillation; Bituminous Substances; Mineral Waxes.	3.45	2.11	-38.68
9	Coffee, Tea, Mate and Spices.	1.6	2.03	27.06
57	Carpets and Other Textile Floor Coverings.	2.76	1.92	-30.61
15	Animal or Vegetable Fats and Oils and Their Cleavage Products; Pre. Edible Fats; Animal Or Vegetable Waxes.	1.66	1.91	15.09
82	Tools Implements, Cutlery, Spoons and Forks, of Base Metal; Parts Thereof of Base Metal.	1.54	1.82	18.2
95	Toys, Games and Sports Requisites; Parts and Accessories Thereof.	1.35	1.67	23.52
94	Furniture; Bedding, Mattresses, Mattress Supports, Cushions and Similar Stuffed Furnishing; Lamps and Lighting Fittings Not Elsewhere Specified or Inc	1.56	1.59	1.49
71	Natural or Cultured Pearls, Precious or Semiprecious Stones, Pre. Metals, Clad Thereof; Imitation Jewelry; Coin.	1.28	1.5	17.29
96	Miscellaneous Manufactured Articles.	0.75	1.3	74.37
83	Miscellaneous Articles Of Base Metal.	0.51	0.97	91.31
12	Oil Seeds and Olea. Fruits; Misc. Grains, Seeds And Fruit; Industrial Or Medicinal Plants; Straw And Fodder.	1.18	0.86	-26.73
68	Articles Of Stone, Plaster, Cement, Asbestos, Mica Or Similar Materials.	1.64	0.86	-47.46
59	Impregnated, Coated, Covered or Laminated Textile Fabrics; Textile Articles Suitable for Industrial Use.	0.26	0.65	151.71
76	Aluminum and Articles Thereof.	1.21	0.65	-45.97
56	Wadding, Felt and Nonwovens; Special Yarns; Twine, Cordage, Ropes and Cables and Articles Thereof.	0.14	0.63	361.53
7	Edible Vegetables and Certain Roots and Tubers.	0.29	0.46	56.07
53	Other Vegetable Textile Fibers; Paper Yarn and Woven Fabrics Of Paper Yarn.	0.57	0.41	-27.97
74	Copper and Articles Thereof.	0.25	0.41	60.54
48	Paper and Paperboard; Articles of Paper Pulp, Paper or Paperboard.	0.24	0.31	27.36
35	Albuminoidal Substances; Modified Starches; Glues; Enzymes.	0.23	0.25	10.25
44	Wood and Articles of Wood; Wood Charcoal.	0.27	0.19	-29.63
93	Arms And Ammunition; Parts And Accessories Thereof.	0.11	0.15	38.94
20	Preparations Of Vegetables, Fruit, Nuts Or Other Parts Of Plants.	0.17	0.14	-19.47
50	Silk	0.46	0.11	-75.21
49	Printed Books, Newspapers, Pictures and Other Products of The Printing Industry; Manuscripts, Typescripts and Plans.	0.07	0.1	34.51
58	Special Woven Fabrics; Tufted Textile Fabrics; Lace; Tapestries; Trimmings; Embroidery.	0.22	0.1	-54.97
6	Live Trees and Other Plants; Bulbs; Roots And The Like; Cut Flowers and Ornamental Foliage.	0.13	0.08	-38.53
21	Miscellaneous Edible Preparations.	0.14	0.08	-41.95
10	Cereals.	0.04	0.06	48.85
23	Residues and Waste From The Food Industries; Prepared Animal Fodder.	0.02	0.06	281.46
81	Other Base Metals; Cermets; Articles Thereof.	0.03	0.03	-2.6
91	Clocks, Watches And Parts Thereof.	0.03	0.03	12.08
92	Musical Instruments; Parts and Accessories of Such Articles.	0.03	0.03	15.33
65	Headgear and Parts Thereof.	0.01	0.02	123
86	Railway or Tramway Locomotives, Rolling-Stock And Parts Thereof; Railway or Tramway Track Fixtures and Fittings and Parts Thereof; Mechanical	0.04	0.02	-51.39
97	Works of Art Collectors' Pieces and Antiques.	0.01	0.02	184

Source: Data Accessed from – Import-Export Data Bank, Ministry of Commerce, Govt. of India

MARKET OPPORTUNITIES

Argentina is an attractive market, with a large and educated population, abundant natural resources such as in agriculture, mining, and unconventional hydrocarbons, and important infrastructure needs. As Argentina addresses its current economic challenges, opportunities will increase. This is a wonderful time to begin exploring the market and establishing relationships.

FIVE REASONS TO DOING BUSINESS WITH ARGENTINA

1. Argentina is a resource-rich country with great potential for business and global collaborations.
2. Argentina's population is highly literate and well-educated. There are strong cohorts of professionals in medicine, business, law, accounting engineering, architecture, etc.
3. The country is digitally capable, with high internet and smart phone penetration.
4. Income distribution is more equal than in most Latin American countries, with a broad and deep middle class that enables more consumer buying power
5. Argentina's infrastructure requires major updating and renewal, providing significant opportunity for exporters of equipment and services for roads, ports, railroads, telecommunications, water and sanitation, and electric power, among others.

MARKET ENTRY STRATEGIES

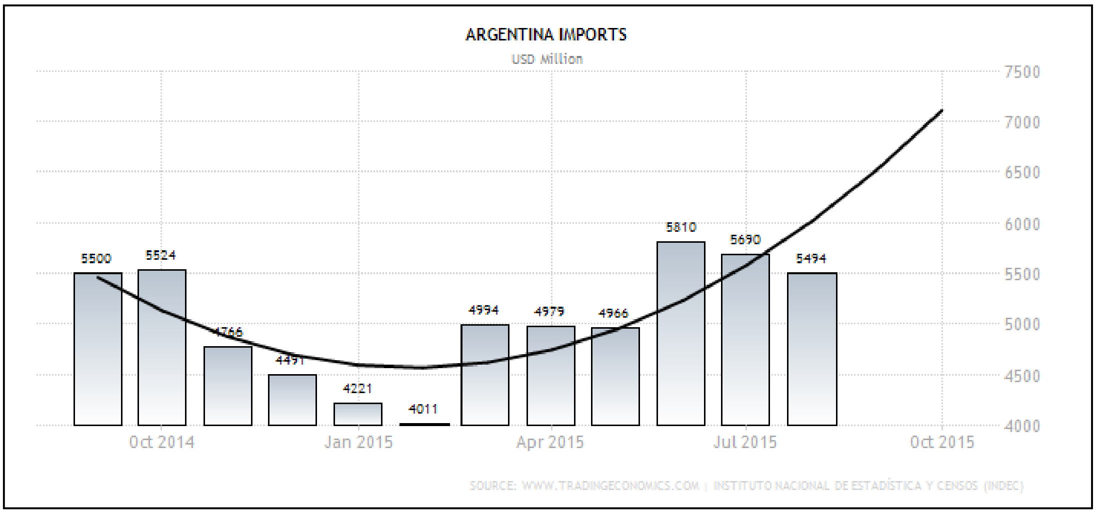
Foreign companies may conduct business in Argentina on a permanent basis. The alternatives are the appointment of a local commercial representative, the setting up of a branch, the incorporation of a local corporate entity (subsidiary) or the acquisition of shares of an existing Argentine company. The main types of investment vehicle utilized by non-resident individuals and foreign companies are the branch, the corporation and the limited liability company. The followings are the market entry strategies for doing business in the Argentine market–

- Marketing products and services in Argentina require a high level of research, preparation, and involvement.
- To export to Argentina needs to ensure that customers fulfill all import requirements before shipping any product and must be careful to follow all regulations precisely.
- Companies can export their products and services to the Argentina market through Argentine agents, representatives and distributors.
- Close personal relationships are important.
- Companies must consider Argentina's unique economic, demographic, and cultural characteristics that distinguish it from other Latin American countries.
- It is gradually more difficult to establish a 'typical customer' due to the new consumption habits and to the dynamics of income distribution and demography.
- Promotion is an important marketing component. Companies are encouraged to visit or exhibit at local and regional trade shows, and to visit trade shows attended by Argentine buyers.
- Protect your intellectual property and engage qualified local professionals and lawyers in contract negotiations.

ARGENTINA IMPORTS FORECAST

For policy makers, knowing where their economy stands in the aggregate ranking on the ease of doing business is useful (World Bank, 2015). According to the analytics of ***Trading Economics global macro models*** and other analytic expectations, Argentina's Imports are expected to be 5750.50 USD Million by the end of this financial year. In the long-term, the Argentina Imports are projected to trend around 5770.97 in 2020, 6781.00 in 2030 and 9370.97 USD Million in 2050, according to our econometric models.

FIGURE 3: ARGENTINA IMPORT FORECAST



Source: http://www.tradingeconomics.com/argentina/imports/forecast

CONCLUSION

Argentina is a massive South American nation with terrain encompassing Andes Mountains, Glacial Lakes and Pampas Grassland, the traditional grazing ground of its famed beef cattle. Imports in Argentina averaged 1387.72 USD Million from 1957 until 2015, reaching an all time high of 7671 USD Million in August of 2011 and a record low of 36 USD Million in January of 1959 (INDEC, 2015). Inflation estimated at 30+ percent in 2014 and 20-24 percent in 2015 by private economists has raised costs and resulted in a more challenging business environment.

During the financial year 2012-2013 and 2013-2014 (in million USD) electronics, vehicles, organic chemicals, iron and steel, dyes and paints, apparels and clothing accessories, pharmaceutical products, plastics and rubber, and cotton are commodities recorded higher export performance India's export to Argentina. On the basis of the recent performance of India's export to Argentina, indicating live trees & plants, vegetables, roots and fruits, coffee, tea, mate and spices, cereals, milling products, malt, starches, wheat, gluten oil seeds and others are the major commodities exported during the current financial year 2015-16. Indian exporters can follow the market entry strategies and Argentina Import forecast discussed in this study to planning and doing business with Argentina.

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A COMPARATIVE STUDY OF CUSTOMER'S PERCEPTIONS OF SERVICE QUALITY DIMENSIONS BETWEEN PUBLIC AND PRIVATE BANKS IN RAIPUR CITY (WITH SPECIAL REFERENCE TO SBI AND ICICI)

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ABSTRACT

The banking industry like many other financial service industries is facing a rapidly changing Market, new technologies, economic uncertainties, fierce competition, and especially more Demanding customers; and the changing climate has presented an unprecedented set of Challenges. Customer service is one integral part of any facet of banking and it defines future of any banking organization. In banking sector, the whole range of activity and generation of Income swivels around the customer. From a very comfortable and peaceful environment, now the Indian Banking Sector is characterized by stiff competition for the customer's satisfaction and profit war between different banking groups i.e. (Private bank vs. Public Bank). This paper tries to analyze the comparative analysis of customer satisfaction among these two categories of banks – public and private sector banks using the list of service attributes based on SERVQUAL method. Present study seeks to assess the degree of perception of customers about quality services offered by banks – SBI (public sector bank), ICICI (private sector bank), in Raipur city of Chhattisgarh state.

KEYWORDS

public sector bank, private sector bank, customer satisfaction, assurance, reliability, responsiveness. tangible, empathy.

INTRODUCTION

Liberalization and globalization of the banking sector has created an era of fierce competition, as a result of which service management and quality performance is expected to assume an increasing important role in these industries. Banks can become stronger and effective only if they come out with better customer service, quality, costs, and innovation. Today, customers have a wide choice of service providers and they would opt for only the best service providers in terms of quality, reliability, and profitability and who are at par with international standards. Therefore, the quality of service plays a dominant role and is a primary factor in ensuring the survival of the service provider in the global market. The whole focus is now concentrated on providing services to customer beyond his expectations. This study is just a small step in understanding the multi Dimensional construct of service quality and its implications in today's competitive environment.

MODERN APPROACH OF QUALITY MANAGEMENT

In banking, quality means not just meeting but exceeding customer expectations. For this reason, service quality is viewed as an important aspect in the banking industry. Further, it is evident that over the years, bank customers' perception of service quality has been changed tremendously over the years, bank customers' perception of service quality has been changed tremendously. Today, quality includes a commitment towards continuous improvement and service relationships with customers. Also, the need for technology based services, new and improved product services, and e-services are also viewed as important aspects of banking service quality that supports improved and superior quality services provided to customer. Hence, these are the areas where banks have to focus upon in order to satisfy their customers.

Following are four broad conceptual categories related to banking service quality:

- Customer service quality.
- Banking service product quality.
- Online/e-service quality.
- Automated service quality.

CUSTOMER SERVICE QUALITY

Banking is a high involvement industry. Customers, whether at the retail or corporate level have always been important for banks. Customer satisfaction is highly related with service quality as service quality improves the probability of customer satisfaction, this results in commitment, intent to stay (customer retention), creation of a mutually rewarding relationship (bond) between the service provider and the user, increased customer tolerance for service failure and positive word-of-mouth advertising about the organization. Banks now know that delivering quality service to customer is essential for success and survival in today's global and competitive banking environment.

In the era when intense competition is being greatly facilitated by technology, the need of providing adequate service quality will necessitate that banks have to focus attention on issues of improving, measuring and controlling their service quality and efficiency. Banking industries therefore should emphasize deeper penetration of the existing customer database. The data about customer needs and behavior enables organizations to identify today's key customer, develop relations with tomorrow's customers and estimate their future investment opportunities.

BANKING SERVICE PRODUCT QUALITY

The bank product quality is primarily associated with product variety and diverse features. Banking service product quality plays a significant role in determining customer's perceptions of the overall banking service quality. Banks have increased emphasis on marketing a wide array of financial services in order to survive in the market due to tough competition. Bank customers wants variety of functions at one site and with ease like financial transactions, paying bills electronically and automatically, viewing their balance, monthly bank statements, purchasing shares and insurance, home loans with minimum rate of interest, purchasing cars and lands. Although banking service product quality is an intangible asset, it contributes to the competitive advantage in the banking industry. Therefore, it should be noted that continuously introducing and innovating the variety of banking service product quality to the current hi-tech customers can have unlimited access to financial information and enjoy a wider range of choices in selecting competitive products and financial institutions than ever before.

ONLINE/INTERNET/E-SERVICE QUALITY

The concept of e-service emerged from the growth of the internet and information systems. The growth in internet-based services has changed the way that banks and customers interact. E-service is conceptualized as an interactive information service that provides a means to organizations that can build its service offerings and develop a competitive advantage. The basic reason behind development of online services was the cost reduction and to delight customers through automation. Although firms gained efficiencies from online business/e-commerce/selling online, their failure to focus on customer needs and wants, resulted in poor online service performance. Through this analysis it is concluded that the service quality features of internet/online banking which are critical for enhancing customer satisfaction such as the speed to download; content; design; interactivity; navigation; and security must be continuously improved.

AUTOMATED/TECHNOLOGY SERVICE QUALITY

Automated service quality is defined as the customer's overall evaluation of the excellence of services provided through electronic networks such as the internet, ATM, and telephone banking. Customer evaluation of automated service option and their intention to use a particular option are directly affected by their perception of the attributes associated with that option. The overall customer perception of automated service quality can be established through the quality of every automated delivery channel. Many researchers have identified ATM, internet, and telephone banking as the principal automated delivery channels for retail banking. Overall, the need for technology to support superior service quality is viewed as very important factor for managing total quality in the banking sector.

REVIEW OF LITERATURE

Kandampully, (1998)1 in his article, focused that the customers at the time of service delivery interact closely with the service providers and got an inside knowledge of the service organization. This knowledge gave them an opportunity to critically assess the services provided and the service provider. Thus service quality plays an important role in adding value to the overall service experience. Also customers seek organizations that were service loyal i.e. aim to provide consistent and superior quality of service for present and long term and organizations aiming for this are bound to get customers.

Baldinger and Rubinson (1996)2 in their article, perceived that customer loyalty was concerned with the likelihood of a customer returning, making business referrals, providing strong word-of-mouth references and publicity. Loyal customers were less likely to switch to a competitor due to price inducement, and these customers made more purchases compared to less loyal customers. However, customers who were retained may not always be satisfied and satisfied customers may not always be retained. Customers may be loyal due to high switching barriers or the lack of real alternatives; customers may also be loyal because they were satisfied, thus wishing to continue with the relationship.

Yogeshwari Phatak and Naseem Abidi (2000)3 in their article studied the gap between a client's expectation and perception of the quality of services. The study was based on primary data collected with the help of questionnaires in addition to secondary data. Both private and nationalized banks were included in this study. This paper was an attempt to analyze the shortfalls in delivering quality services by banks and possible ways to improve service quality.

Royne, M. (1996)4 in his article, provided the initial direction in determining the proper SQ attributes to focus on promotional efforts when banks have a target market at least partially defined by gender and age. Further, gender and age were not the only characteristics on which marketing efforts should be based. Therefore, other segmentation variables, such as psychographics, geographies and benefits sought must be considered when developing marketing and advertising strategies.

Zeithaml and Bitner (1996)5 in their article, suggested that a customer relationship with a company was strengthened when that customer made a favourable assessment about the company's service quality and weakened when a customer made negative assessment about the company's service quality.

East (1997)6 in his article, opinionated that the quality of services offered would determine customers' satisfaction. For this reason, research on customers' satisfaction was often closely associated with the measurement of quality.

OBJECTIVES

1. To make a comparative analysis of the degree of customer's perception of TQM services rendered by public and private sector banks.
2. To determine the degree of perception of customers regarding the TQM services rendered by the banks taken up for study.
3. To ascertain the extent of customer's satisfaction regarding up gradation of TQM practices by banks in maintaining customer's loyalty.

RESEARCH METHODOLOGY

HYPOTHESIS OF THE STUDY

H0: There is no significant difference in the application of TQM elements among SBI &ICICI Banks.

H1: There is significant difference in the application of TQM elements among SBI &ICICI Banks.

RESEARCH TOOLS

The collection of information is basically from two sources:

Primary data have been collected with the help of a structured questionnaire addressed to the customers of the selected service organizations. A structured questionnaire is administered to various target groups. The present study is based on primary data. The customers of the selected organizations included in the sample have been chosen on the basis of the judgment and convenience of the researcher.

Secondary data has been gathered from the published annual reports of selected companies and various published and unpublished government reports, magazines, newspapers etc

SAMPLE SIZE

The total sample size of the study is 100. To meet up with the objectives of study 100 customers were selected as sample unit. So, the questionnaires were filled by 100 respondents which were structured with questions of demographic profile, services level and dimension in which derives satisfaction to the customers. To carry out the study in more accurate convenience random sampling method was selected.

RESEARCH TECHNIQUE

Parasuraman *et al.*, (1988, 1991) developed SERVQUAL instrument to measure the dimensions of service quality that is frequently used by researchers. This study applied five dimensions of service quality that are explained as under:

- **Reliability**: This dimension shows the consistency of services towards performance and dependability.
- **Tangibles**: It shows the physical aspects of the services as physical facilities, appearance of personnel and Tools & equipment used for provision of services.
- **Responsiveness**: It reflects the willingness or readiness of employees to provide quick services to customers.
- **Assurance**: This dimension indicates the employees' knowledge, courtesy and their ability to incorporate trust and confidence.
- **Empathy**: This dimension shows the magnitude of caring and individual attention given to customers.

RESEARCH DESIGN

Descriptive research study was conducted to achieve the objective. Primary data was collected from Raipur area. Sampling size was 50 customers of each bank who use the services for banking purpose. Questionnaire was designed to get the data systematically. Respondents has to choose on option of each statement measured on five-point scale, where strongly disagree =1, disagree=2, neutral=3, agree=4, strongly agree=5.

DATA ANALYSIS AND INTERPRETATION

TABLE 1: DEMOGRAPHIC PROFILE OF RESPONDENTS OF SBI

Gender	No. Of respondent	Age	No. Of respondent	Income	No. Of respondent	Profession	No. Of respondent
Male	33	15-30	21	Below 20000	12	Service	15
		31-40	15	20000-50000	25	Businessman	0
Female	17	41-50	12	50000-above	10	Non-working	5
		Above 50	2	None	3	Student	10
Total	50	Total	50	Total	50	Total	50

TABLE 2: DEMOGRAPHIC PROFILE OF RESPONDENTS OF ICICI

Gender	No. Of respondent	Age	No. Of respondent	Income	No. Of respondent	Profession	No. Of respondent
Male	30	15-30	10	Below 20000	10	Service	10
		31-40	23	20000-50000	15	Businessman	25
Female	20	41-50	17	50000-above	20	Non-working	3
		Above 50	0	None	5	Student	12
Total	50	Total	50	Total	50	Total	50

Above tables show the demographic profile of both SBI and ICICI banks. To constitute the study 100 respondents are considered (50 of SBI and 50 of ICICI), so that perception towards Service Quality can be measured. It includes classification Gender wise, Age wise, Income wise, Profession wise distribution.

TABLE 3: SATISFACTION LEVEL TOWARDS RELIABILITY IN SBI BANK

Parameters to judge Reliability	Number of Respondents				
	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
Sincere in solving problem	3	7	20	15	5
Providing service as promised	5	5	15	21	4
Maintaining error free record	1	3	15	25	6
Providing service at the promised time	5	6	20	18	1

TABLE 4: SATISFACTION LEVEL TOWARDS RELIABILITY IN ICICI BANK

Parameters to judge Reliability	Number of Respondents				
	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
Sincere in solving problem	5	5	10	20	10
Providing service as promised	2	4	12	24	8
Maintaining error free record	3	6	15	20	6
Providing service at the promised time	4	4	19	20	3

Reliability: SBI in table shows that they fall below the expectations of their customers in delivering quality services, whereas ICICI is greater than the perceptions of their customers in this dimension.

TABLE 5: SATISFACTION LEVEL TOWARDS RESPONSIVENESS IN SBI BANK

Parameters to judge Responsiveness	Number of Respondents				
	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
Providing prompt service to customer	2	8	20	15	5
Keeping customer informed about the service	3	8	20	13	6
Willing to help customer	8	10	15	10	7
Always ready to respond to customer request	6	12	10	15	7

TABLE 6: SATISFACTION LEVEL TOWARDS RESPONSIVENESS IN ICICI BANK

Parameters to judge Responsiveness	Number of Respondents				
	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
Providing prompt service to customer	3	7	15	20	5
Keeping customer informed about the service	4	12	14	14	6
Willing to help customer	2	5	18	16	9
Always ready to respond to customer request	3	3	16	20	8

Responsiveness: SBI shows that the bank is far below the perceptions of their customers on the said dimension when compared with ICICI. The data analysis of this dimension shows that SBI is falling below the perceptions of their customers on communicating to the customer regarding performance of service, employees providing prompt services and willingness to help customers.

TABLE 7: SATISFACTION LEVEL TOWARDS TANGIBLE IN SBI BANK

Parameters to judge Tangible	Number of Respondents				
	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
Employees having a neat & professional appearance	2	3	18	20	7
ATM Technically equipped	2	8	10	21	9
Physical ambience of the office are up to mart	1	3	13	25	8
ATM's in sufficient numbers	2	2	12	30	4
Internet banking services	7	10	20	10	3
Modern-looking and innovative Equipments	3	6	17	18	6
Overall impression of the office is satisfactory	1	5	15	20	9

TABLE 8: SATISFACTION LEVEL TOWARDS TANGIBLE IN ICICI BANK

Parameters to judge Tangible	Number of Respondents				
	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
Employees having a neat & professional appearance	1	5	20	19	5
ATM Technically equipped	3	4	15	21	7
Physical ambience of the office are up to mart	1	6	10	30	3
ATM's in sufficient numbers	2	3	15	25	5
Internet banking services	2	2	19	25	2
Modern-looking and innovative Equipments	1	2	10	29	8
Overall impression of the office is satisfactory	2	7	15	17	9

The data in Table-4 fetch to light the distinction in the perceptions of the banks—SBI and ICICI with their relevant customers on tangibles. The data tells that banks such as ICICI are exceeding the perceptions of their customers when compared to SBI. ICICI beats SBI in dimensions like on up to date up to date equipment, physical facilities available in a bank, neat appearance, materials in banks and internet facility. While SBI have outperformed ICICI regarding numbers ATM.

TABLE 9: SATISFACTION LEVEL TOWARDS ASSURANCE IN SBI BANK

Parameters to judge Assurance	Number of Respondents				
	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
Employee in still confidence in customer	2	3	10	20	15
Customer feel comfortable interacting with banks	2	5	15	18	10
Employees are consistently courteous and polite	1	7	20	13	9
Customer feel safe & secure in their transactions & dealing	2	3	10	30	5
Employee can solve customer queries	1	3	15	21	10

TABLE 10: SATISFACTION LEVEL TOWARDS ASSURANCE IN ICICI BANK

Parameters to judge Assurance	Number of Respondents				
	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
Employee in still confidence in customer	5	5	10	20	10
Customer feel comfortable interacting with banks	2	7	15	16	10
Employees are consistently courteous and polite	3	5	16	17	9
Customer feel safe & secure in their transactions & dealing	2	10	15	20	3
Employee can solve customer queries	5	5	15	15	10

Assurance: The perceptual variation between SBI and ICICI in table customers is low. The respondents of SBI and ICICI have given almost equal rating on assurance dimension to both the banks. The analysis illustrates that ICICI is greater than the perceptions of their customers as far as trust worthiness and courteous with customers. While SBI is performing better than ICICI in feeling safe in transacting with the bank and having sufficient knowledge in answering questions to the customers.

TABLE 11: SATISFACTION LEVEL TOWARDS EMPATHY IN SBI BANK

Parameters to judge Empathy	Number of Respondents				
	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
Employees give individual attention	3	10	15	16	6
Employee understand the needs of customer	3	5	20	17	5
Banks working hours are convenient to customer	5	15	15	10	5
Employees give customers personal attention	5	8	15	15	7

TABLE 12: SATISFACTION LEVEL TOWARDS EMPATHY IN ICICI BANK

Parameters to judge Empathy	Number of Respondents				
	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
Employees give individual attention	3	10	15	16	6
Employee understand the needs of customer	3	3	18	20	6
Banks working hours are convenient to customer	1	2	15	25	7
Employees give customers personal attention	0	3	21	17	9

Customer’s level of satisfaction in case of the dimension empathy does not differ significantly between the public and private banks which implies that operating hours of the private and public banks are more or less same in convenience and employees desire to understand the customers does not differ much in the two types of banks. The data analysis shows that SBI banks stand away from their customers regarding delivery of quality services when compared with ICICI.

SUGGESTIONS

In order to improve service quality banks must consider following suggestions:

- Staff should be knowledgeable about the services offered.
- Staff should be more courteous towards their customers.
- Staff members should apologies for mistakes.
- Account should be handled carefully.
- Customers‟ instructions should be carried out carefully.
- Operation time should be reduced.
- Complaint should be handled then and there.
- Regarding complaint customers should receive follow up contact.
- Name and address of customers should be handled carefully.
- There should be a personal touch between the customers and staff.
- Disagreements with the customers should be avoided.

CONCLUSION

To be successful in banking sector, banks must provide service to their customer that at least meets or better if exceeds their expectations, and the present study will provide some sort of guidelines to the policy makers (managers) of banks to take appropriate decision to improve the quality of services. Public sector banks like SBI fall much below the perceptions of their customers on all dimensions of service quality except Assurance. Private Banks such as ICICI bank are exceeding the perceptions of their customers, but they should try to provide services so as to assure the customers and give them confidence. Although overall both public and private sector bank customers are satisfied with their banks but due to wide difference of response, both public and private sector banks should concentrate on their weak areas in order to meet their customer expectations and this study provides sort of guidelines to managers of banks to take suitable decisions to get more satisfied responses from their customers.

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ISLAMIC BANKING: INDIAN ECONOMIC DEVELOPMENT

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ABSTRACT

Islamic banking is based on the principle of profit-sharing, rather than charging interest. The first Islamic Banking experiment was done in 1963 by Ahmad El Najjar as "Nasir Social Bank" in the Egyptian town of Mit Ghamr under cover of a savings bank following, profit sharing but the interest free concept and was later declared as an interest-free commercial banking without any reference being made to Islam. "The current volume of Islamic banking is USD 1.2 trillion. It is very small and less than 1 per cent when compared to conventional banking, which is nearly USD 243 trillion. Islamic banking has been gaining momentum after the recent global meltdown and many countries, including India, are opening their doors for it. Islamic banking can provide immense opportunities to energize the Indian economy with the participation of previously excluded Muslims in Shariah-compliant banking and at the same time could lead to substantial inward investment to boost India's further development. It would also contribute in our economic development of country. The present paper explores the basic concepts and principles of Islamic banking and reviews the potential of Islamic banking in India and also throws light on the need of Islamic banking for the Indian economic development. The study is focused to know the constraints of Islamic banking in India.

KEYWORDS

conventional banking, indian economy, islamic banking, shariah.

INTRODUCTION

The first and foremost important financial intermediary and essential institution in the present global economic system and in agriculture sector is banking. It plays an important role for the economic development of a country like India. Among the bank sector one of the important bank which is based on Islamic law called Shariah is Islamic bank and is based on interest free banking and permits only profit sharing based banking system of early as 1940's. The concept is based on a verse of the Holy Quran that says "Allah has allowed only legitimate trade and prohibits interest". Islamic banking having the same purpose as conventional banking except that it operates according to Muslim law called shariah. The first Islamic Banking experiment was done in 1963 by Ahmad El Najjar as "Nasir Social Bank" in the Egyptian town of Mit Ghamr under cover of a savings bank following, profit sharing but interest free concept and was later declared as an interest-free commercial banking with out any reference being made to Islam. From Jakarta to Jeddah to Jordan, 280 Islamic banks operate in over 50 countries, with assets estimated between $ 250 million and $ 300 billion.

Islamic banking has unfortunately been misunderstood in India as a religious charitable venture restricted to the country's poverty-ridden and economically downtrodden Muslim community. Even years of successful Islamic banking operations and its phenomenal growth around the World have failed to demolish this myth.

RESEARCH PROBLEM

The concept of Islamic banking is rapidly growing throughout the world, but India is still unfamiliar with this. The research intends to focus on the basic issues and prospects of Islamic banking in Indian context.

OBJECTIVES OF THE STUDY

1. To discuss in detail, the basic concepts and principles of Islamic banking and reviews the potential of Islamic banking in India.
2. To study the need of Islamic banking for Indian Economic development.
3. To explore the major issues and constraints of Islamic banking in India.

LITERATURE REVIEW

It is not possible to cover in this paper all the publications which have appeared on Islamic Banking. There are numerous publications in Arabic and Urdu which have made significant contributions to the theoretical discussion. A brief description of these in English can be found in the appendix to Siddiqi's book on Banking without Interest (Siddiqi l983).

The early contributions on the subject of Islamic Banking were somewhat casual in the sense that only passing references were made to it in the discussion of wider issues relating to the Islamic economic system as a whole.

Qureshi (1946): The early writers had been simply thinking aloud rather than presenting well-thought-out ideas. Thus, for example, the book by Qureshi on Islam and the Theory of Interest (Qureshi l946) looked upon banking as a social service that should be sponsored by the government like public health and education. Qureshi took this point of view since the bank could neither pay any interest to account holders nor charge any interest on loans advanced. Qureshi also spoke of partnerships between banks and businessmen as a possible alternative, sharing losses if any. No mention was made of profit-sharing.

Chapra (l985): The point that there is more to Islamic banking than mere abolition of interest was driven home strongly by Chapra. He envisaged Islamic banks whose nature, outlook and operations could be distinctly different from those of conventional banks. Besides the outlawing of riba, he considered it essential that Islamic banks should, since they handle public funds, serve the public interest rather than individual or group interests. In other words, they should play a social-welfare-oriented rather than a profit-maximizing role. He conceived of Islamic banks as a crossbreed of commercial and merchant banks, investment trusts and investment-management institutions that would offer a wide spectrum of services to their customers.

(Ahmad l952): Ahmad, in Chapter VII of his book Economics of Islam, envisaged the establishment of Islamic banks on the basis of a joint stock company with limited liability. In his scheme, in addition to current accounts, on which no dividend or interest should be paid, there was an account in which people could deposit their capital on the basis of partnership, with shareholders receiving higher dividends than the account holders from the profits made. Like Qureshi, above, Ahmad also spoke of possible partnership arrangements with the businessmen who seek capital from the banks. However, the partnership principle was left undefined, nor was it clear who would bear the loss if any. It was suggested that banks should cash bills of trade without charging interest, using the current account funds.

BASIC PRINCIPLES OF ISLAMIC BANKING

A) WORKING OF ISLAMIC BANKING

I. Customer deposits money in a bank and the bank guarantees to return the money.
II. The customer is allowed to withdraw the money anytime.
III. Bank may charge customer a fee for looking after his/ her money and may pay *hibah* (gift) to the customer if it deems fit.
IV. This concept is normally used in deposit taking activities, custodial services and safe deposit boxes.

B) MUDHARABAH (PROFIT SHARING)

An Islamic contract in which one side provides capital and other side provides labour. The profits are to be shared in proportions agreed upon before implementation of the contract. Providers of the capital bear all net loss according to the contract unless there has been a violation of the contract terms or neglect from the part of the working partner. Losses suffered shall be borne by the capital provider.

I. Customer supply funds to the bank after agreeing on the terms of the *Mudharabah* arrangement.
II. Bank invests funds in assets or in projects.
III. Business may make profit or incur loss.
IV. Profit is shared between customer and bank based on a pre-agreed ratio.
V. Any loss will be borne by customer. This will reduce the value of the assets/investments and hence, the amount of funds you have supplied to the bank.

C) BAI' BITHAMAN ANJIL- BBA (DEFERRED PAYMENT SALE)

This refers to the sale of goods where the buyer pays the seller after the sale together with an agreed profit margin, either in one lump sum or by installment.

I. The customer picks an asset which he would like to buy.
II. The customer then asks the bank for BBA and promise to buy the asset from the bank through a resale at a mark-up price.
III. The bank buys the asset from the owner on cash basis.
IV. Ownership of the goods passes to the bank.
V. The bank sells the goods, passes ownership to you at the mark-up price.
VI. You pay the bank the mark-up price in installments over a period of time.

D) MURABAHAH (COST PLUS)

As in BBA, a *Murabahah* transaction involves the sale of goods at a price which includes a profit margin agreed by both parties. However, in *Murabahah,* the seller must let the buyer know the actual cost of the asset and the profit margin at the time of the sale agreement.

E) MUSYARAKAH (JOINT VENTURE)

Partnership or more than one party subscribe to the capital of a business undertaking and share profits and losses according to their respective share.

F) IJARAH THUMMA BAI' (HIRE PURCHASE)

It is normally used in financing consumer goods especially motor vehicles. There are two separate contracts involved: *Ijarah* contract leasing/renting) and *Bai'* contract (purchase).

G) LEASE-TO-OWN

This is very similar to the declining balance, except that the financial institution pays just nearly complete capital amount required for the property. The financial investor under this arrangement agrees to sell the house to the actual purchaser at the end of a predetermined time period. From every payment received, both lease and the purchase price of the property are adjusted.

H) ISLAMIC FORWARDS

These are the rarest forms of financing used for certain specific types of businesses only. The price for the item is paid in advance and the object is delivered on a pre-determined future date. This form of financing requires the assistance of an Islamic law expert as it may require a lot of terms and conditions to make it a valid Islamic contract.

I) SALAM

Salam is very useful in reducing agricultural sector poverty easily, by enabling the banks and farmers to contract with each other of the crops and to get finance at appropriate time, instead of usurious loans, which ultimately deteriorate through compounding of interest and farmer, will not pay it easily.

ISLAMIC BANKING IN WORLD ECONOMY

A number of Islamic Banks came up in the Middle East. The region of Asia Pacific was also not also left behind. The Philippines Government, a response to the Muslim community, established a special Bank under a Presidential Decree name as "Philippine Amanah Bank" without any reference to Islamic character. In Malaysia, Islamic Banking made its entry in 1963 as "Muslim Pilgrims Savings Corporation" to help people to save for pilgrimage to Mecca and Medina. In 1969, it was converted to "Pilgrims Management and Fund Board" but its role has been limited as it acted more as a Non Banking Financial Institution. Later, a full-fledged Islamic Bank was established in Malaysia as "Bank Islam Malaysia Berhad". Even in non-Muslim countries, Islamic Banks have been established. The "Islamic Finance House" was the first Islamic Institution to be established in Luxembourg in the Western world in 1978. Besides this, in Denmark, an "Islamic Bank International of Denmark" was set up. Even in Australia, an "Islamic Investment company" has been set up. Abraaj Capital, a leading private equity Company in the Middle East, North Africa and South Asia region made a joint venture with the Deutsche Bank and Ithmaar Bank to raise US$ 2 billion Islamic Law based private equity fund to capitalise the increasing demand for infrastructure development in the region. The fund money will be invested in Greenfield projects, oil, gas, petrochemicals, telecom, power, water, roads, health care and education sectors. Gulf Finance House (GFH) has signed a one-year renewable US$ 90 million syndicated murabaha facility with a group of nine banks from Europe, Asia and the Middle East. Among them, none is an Islamic financial institution. HSBC Bank in Malaysia's first Islamic based investment product, the HSBC Amanah Islamic Dual Currency Structured Investment (Amanah). The product is a two component investment product. Dow Jones and Citigroup have launched the world's first Islamic law based bond index in a way to meet demand for Islamic law based investment instruments. The Islamic law based bonds are treated like an asset which can be sold as well as rented. The hot cake oil prices are putting in lot of money in the Middle Eastern countries. A lot of foreign banks are parking funds for financing the newer projects coming up in the region, but financing from the local banks is quite dismissal because they lack resources to handle big projects. To take this advantage for this excess funds flowing, Singapore and Malaysia are transforming themselves into centres for Islamic fiancé. Singapore has already planned to start an Islamic Stock Index and also to offer Islamic insurance products. Also, to counter competition from Malaysia, Singapore is also trying to establish contracts with the Middle East Islamic Financial Institutions. Finally, for any Economy to project itself as an international centre, it has become essential to allow Islamic Financial Institutions to establish based in their economies. Islamic banks are growing at an average rate of 15 per cent during last decade. USA, UK and Germany like developed countries of the world have embraced Islamic banking to take the tally of countries where this form of banking is already operational as an alternative system.

NEED OF ISLAMIC BANKING FOR INDIAN ECONOMIC DEVELOPMENT

The Indian census 2011 shows population of Muslim as 13.4 % of total population (Census India, 2011). Sachar committee claims that Indian Muslims have a share of 7.4% in saving deposits while they get only 4.7% in credit. According to RBI annual report for 2007-08, Indian Muslims annually loose around Rs. 63,700 crores which i.e. 27% of their deposits (Vohra, 2008). Therefore, this large number of Muslims population needs Islamic banking services India.

Islamic Banking can contribute towards Indian economic growth and serves as a mechanism to overcome the country's liquidity and inflation problem. India has emerged as the fourth largest economy globally with a high growth rate but still the per capita income of India stood at $1,527 in 2011, this is perhaps the most visible challenge ("Economic survey 2012-13":2012) Muslim avail just 4% and 0.48% credits from NABARD and SIDBI respectively. Islamic banking can boost entrepreneurships in India through its financing services. Therefore, there is desperate need for Islamic banking, which could be a solution for entrepreneurship development.

Islamic banks are evolving financial and investment instruments that are not only profitable but also ethically motivated. Indian economy would benefit from inflow of funds from GCC Countries.Islamic financial services can boost the Microfinance at low cost with its customary tool based on Shariah. Opportunity to promote entrepreneurship by providing finance on the basis of profit and loss and risk sharing.

With the introduction of Islamic banking, the problem related to inadequacy between the labour and capital ratio also can be solved through equity finance, which can be a new revolution in the field of agriculture and unorganized sectors. Therefore, improved capital labour ratio will strengthen the unorganized and agriculture workers to compete effectively with the organized formal sector workers.

SCOPE OF ISLAMIC BANKING IN INDIA

1. Potential to bring FDI in India.
2. Potential to provide loans to those who do not have securities at disposal and better credit rating.
3. Potential to provide low cost, easily available, capital to small poor entrepreneurs in India.
4. Potential to complement conventional banking as well.
5. Potential to contribute substantially in economic growth.
6. Potential to contribute specially in the growth of weaker section in the society.
7. Potential of Islamic banking includes loans to businesses ethically, morally and beneficial to the society causing speculative businesses to starve from financial point of view.
8. Potential to boost entrepreneurship in India.
9. Potential to reduce the rocketing inflation through less artificial money creation and less funding of speculative businesses. (Saleem, 2008)
10. Potential to contribute in the poverty eradication through Small and Medium Enterprise (SME) financing, rural and agricultural growth and their operational expansion. Through Individual and corporate zakat, it could be helped to bring social equality and social welfare in India.

MAJOR ISSUES AND CONSTRAINTS IN ISLAMIC BANKING

In the straitjacket world of Indian banking, something as fascinating as Islamic Banking is a distant dream. The major issues and constraints involved in Islamic Banking are mentioned herein below:

No Power to Issue Cheque: The biggest issue which is a permanent hurdle for Islamic banks operating in countries with interest-based banking is that they cannot function as banks unless powers of issuing cheques are given to them. They cannot be members of settlement/clearing house unless they accept two conditions regarding their liabilities and assets like conventional banks that have to keep fractional cash reserve with the central bank and statutory liquid assets in their assets. Thus banks in India have to maintain deposit account with the RBI over which they get interest. The SLR includes government and approved securities.

Inability to Maintain Capital Adequacy: Another constraint is the inability to maintain capital adequacy and would be unable to interact with interest based banks and money market in India.

Financial Products are Interest Based: A bank licensed by the RBI becomes part of the monetary system, which means it can create money by deposit generation through deposit acceptance. Since these assets are interest based, Islamic bank cannot hold them. Consequently, the central bank cannot act as the lender of last resort because such accommodation by the monetary authority is also interest based. Islamic banks cannot interact with conventional banks based on principles of interest.

Inability to Evaluate Projects: Islamic banking concentrates more on short-term and medium-term operations because long-term lending involves project appraisals and assessing long term profitability. Most such banks are ill equipped to handle this responsibility because of the smallness of their operations.

Tax Procedures: Another important consideration is the tax procedures. While interest is a passive income, profit is defiantly an earned income which is treated differently. If principles of Islamic Banking are incorporated, then how does it comply with the tax procedure is the moot question. Furthermore, RBI cannot act as the lender to such banks because such accommodation by the monetary authority is also interest based.

Not Possible under the Present Legal Framework: Islamic Banking cannot be offered by Indian banks as well as the overseas branches of local banks under the present legal framework. Except a basic offering like current account, almost no other banking product in India can be modified to meet the conditions of Islamic Banking.

Legal Tricks: Some Muslim critics maintain that the Islamic banks hide the payment of interest behind legal tricks. They compare Islamic banking to "contractum trinium" – a legal trick designed by European bankers in the middle Ages intended to allow the charging of interest for borrowed money, which was against Church teachings. The trick was in the form of three different contractual agreements, which in and of them was not prohibited by the Church.

CONCLUSION

The stage for introduction of Islamic banking in India has been set, but it is a matter of time lag before given green signal. But introduction of Islamic banking without a solid framework may lead to chaos and conflicts. Therefore, preparatory work is essential for including the Islamic banking in the mainstream banking sector which at present lies in the domain of Non-Banking Financial Companies. This demands amendments in the banking laws that are governed by the Banking Regulations Act 1949 as amended from time to time. Introduction of Islamic banking will lead to inclusion of certain chunks of population who refrain from the mainstream banking due to their faith and they are a sizeable percentage from among the 13% (2001 Census) of Muslims which are forecasted to be 19% by 2040.

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IMPACT OF ECONOMIC RECESSION ON THE FINANCIAL PERFORMANCE OF SELECT PRIVATE SECTOR CEMENT COMPANIES IN TAMIL NADU

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ABSTRACT

The present study seeks to investigate the impact of global recession on the Financial Performance of Selected Cement Companies in Tamil nadu. The study tries to compare the financial performance of cement companies during pre and post recession period. The profitability ratios are used as the measures of financial performance. The results of the analysis suggest that the global economic environment is depressing and has impacted the overall confidence in the corporate sector from a market perspective but the earning capacity of the firm has not been affected significantly during post recession period.

KEYWORDS

global recession, financial performance, profitability.

INTRODUCTION

The global financial crisis is an outcome of deep economic recession which generally refers to business cycle contraction and slowdown activity over a long period of time. It is a situation where macro indicator like gross domestic product, employment, capital utilization, household incomes and business profit fall and bankruptcies and unemployment rates are rise. Global Financial Crisis is among the greatest financial challenges to the world economy which is originated in United States of America. The global economic slowdown is unprecedented in scale and has severe implications on policy formulation among emerging market. Currently India has one of the largest Developing countries in the world. Strong economic growth in the last decade combined with a population of over a billion makes it one of the potentially largest markets in the future. This paper provides an overview of global financial crisis (GFC) and its impact on the financial performance of Indian corporate sector.

STATEMENT OF THE PROBLEM

The mismatches between production and consumption and savings and investments are the root causes of any nation's economic crisis. Inadequate growth of consuming power—in line with rapid growth of productive forces—is the basis for the periodic recurrence of demand crisis resulting in economic disorders. Banking and financial crisis has been a common phenomenon throughout the modern economic history. Since the Great Depression, the world has witnessed hundreds of such crisis. According to World Bank, there were as many as 112 systemic financial crises from the late 1970s till 2001. Most, including the current one, have shared a common feature—each started with a hasty process of economic reforms, which not only created a vacuum in terms of regulations but also deteriorated the basic economic fundamentals despite massive inflows of foreign capital and ended up with a change in investor expectations and a consequent mess in the financial markets.

In the age of globalization, no nation can keep itself aloof from the world economic volatility and India is no exception. The impact of the Great Recession on India can be divided into: financial & economic impact, and potential long-term geopolitical implications. The instantaneous financial and economic impact can be witnessed in reversal of portfolio equity flows and the associated influence on corporate performance especially liquidity and profitability position. In this background an attempt has been made in this paper to assess the impact of financial crisis on the financial performance of private sector cement companies in Tamil Nadu.

RESEARCH METHODOLOGY

RESEARCH OBJECTIVES

The present research has been aimed at review operating performance of selected private sector cement companies in Tamil Nadu during pre and post recession period. The broad objective of this study is to measure the impact of global financial recession on financial performance of selected cement companies in Tamil Nadu.

RESEARCH HYPOTHESIS

On the basis of data collection, the researcher has identified the following broader hypothesis for the study:

H_0- There would be no significant difference in financial performance of selected cement companies, before and after global financial recession ($Ho = \mu 1 = \mu 0$).

H_1- There would be significant difference in financial performance of selected Cement companies, before and after global recession ($H1 = \mu 1 \neq \mu 0$).

METHODOLOGY

The data was collected for selected units for a period of five years before the global recession (2001-02 to 2005-06) and five years after the recession. 2006-07 taking the recession year as base year. Using t-test (Paired sample means), the pre-recession and post-recession performance was tested.

SAMPLE DESIGN

There are 13 cement companies registered in Tamil nadu of which one company belongs to the public sector and 12 are private sector cement companies. Among these 12 private sector those companies' which is having not continuous data for pre and post recession period have been excluded from the study. The study is restricted to 3 private sector cement companies in Tamil Nadu viz., Chettinad Cement Corporation Limited (CCL), India Cements Limited (ICL) and Madras Cements Limited (MCL).

TOOLS OF ANALYSIS

The present study has analyzed the financial performance of selected Cement Companies in Tamil Nadu. In order to evaluate the financial performance tools like, ratio analysis, mean standard deviation and student paired "t" distribution test have been used.

PERIOD OF THE STUDY

The study covers a period of ten years i.e., five years before the global recession (2001-02 to 2005-06) and five years after the recession (2007-08 to 2011-12). The financial year 2006-07 taken as base year

DATA COLLECTION AND ANYALYSIS

DATA COLLECTION

Data on key financial ratios depicting the operating performance was extracted from "Prowess" Database of Centre for Monitoring Indian Economy (CMIE) and from published annual reports of companies.

DATA ANALYSIS

Pre and post-recession performance ratios were estimated and the averages computed for the selected units, during five years before recession and five years after recession. Average Pre-recession period and post-recession financial performance ratios were compared to see if there was any statistically significant change in financial performance due to global recession, using Student paired "t" distribution test.

DATA ANALYSIS AND INTERPRETATION

TABLE 1: PROFITABILITY RATIOS (Chettinad Cement Corporation Limited)

Ratios		Mean (%)	SD	CV (%)	Growth (%)	MD	t value
ROCE	Before	9.77	4.46	45.68	2.64	8.14	-1.079
	After	17.91	12.83	71.65	-6.08		
RONW	Before	6.95	15.25	219.51	9.44	14.67	-0.971
	After	21.61	19.96	92.34	-9.21		
ROA	Before	8.22	3.60	43.84	2.11	5.38	-0.960
	After	13.59	9.37	68.94	-4.38		
GPR	Before	37.07	3.26	8.79	0.21	13.25	**-4.261**
	After	50.32	5.19	10.31	0.12		
NPR	Before	2.06	6.16	298.47	3.78	7.55	-1.346
	After	9.61	7.27	75.60	-2.63		

Source: Calculated from the Financial Statement of the company.

It could be noted from Table 1 that the profitability of CCL had increased in the post-recession period over the pre-recession period. However, the profitability recorded a negative growth of 9.21% in RONW, which is the growth in RONW (9.21%), ROCE by 6.08%, and ROA by 4.38% and NPR declined by 2.63% during post recession period... Variation in terms of standard deviation has increased for all the profitability ratios which mean that there has been more inconsistency in earning capacity of the firm during post recession period. The t-test indicates that the differences in the average profitability between pre and post-recession were insignificant. Hence it can be concluded that CCL has not achieved significant improvement in its financial performance after the recession.

TABLE 2: PROFITABILITY RATIOS (India Cements Limited)

Ratios		Mean (%)	SD	CV (%)	Growth (%)	MD	t value
ROCE	Before	5.52	6.43	116.53	3.90	7.22	-2.061
	After	12.74	3.92	30.79	-0.74		
RONW	Before	-4.59	26.29	-573.14	14.88	14.05	-1.003
	After	9.47	5.89	62.22	-3.07		
ROA	Before	4.95	5.69	114.96	3.43	4.85	-1.398
	After	9.80	3.54	36.11	-1.37		
GPR	Before	44.37	8.97	20.23	5.37	7.17	-1.274
	After	51.54	5.35	10.38	-2.46		
NPR	Before	0.03	16.80	61220.93	10.12	10.19	-1.027
	After	10.22	6.47	63.30	-3.50		

Source: Calculated from the Financial Statement of the company.

As supported by the analysis presented in Tables 2 revealed that there has been improvement in profitability of the India Cements Limited for all the five ratios during post-recession period. The average RONW for the post-recession period stood higher at 14.05% over the pre-recession period followed by NPR (10.19%), ROCE (7.22%), GPR (7.17%) and ROA (4.8 Both the%), However there has been improvement in the profitability ratio during post recession period the growth in profitability has declined for all the profitability ratios. It is observed from the analysis in post-recession period ICL revealed consistency in the profitability ratios and the deviation has been comparatively lower during post-recession

period which means that there has been reduction in differences in profitability levels of the ICL in the post-recession period. Statistical analysis through t-test indicated insignificant differences between pre and post-recession efficiency in terms of profitability of ICL.

TABLE – 3: PROFITABILITY RATIOS (Madras cements Limited)

Ratios		Mean (%)	SD	CV (%)	Growth (%)	MD	t value
ROCE	Before	13.90	9.98	71.84	5.10	2.06	-0.405
	After	15.95	4.34	27.19	-1.80		
RONW	Before	19.71	15.91	80.75	9.18	5.38	-0.484
	After	25.09	11.62	46.31	-6.47		
ROA	Before	11.61	7.65	65.86	3.81	1.78	-0.401
	After	13.39	4.34	32.41	-2.19		
GPR	Before	50.85	5.10	10.04	2.70	2.67	-0.683
	After	53.51	5.17	9.67	-2.53		
NPR	Before	8.31	6.72	80.89	3.82	5.23	-1.191
	After	13.54	4.49	33.18	-2.37		

Source: Calculated from the Financial Statement of the company

As reported in Table 3 in the case of MCL the average RONW increased by 2.06% followed by NPR (5.23%), GPR (2.67%) and ROA (1.78%). This improvement was better explained through mean difference. However, the growth in profitability during post recession period showed a declining trend Viz., RONW (6.47%), GPR (2.53%), NPR (2.37%), ROA (2.19%) and ROCE (1.80%). Though there has been improvement in the financial performance during post recession period the mean difference are not statistically significant. It is observed from the analysis that the financial performance of the MCL does not have significant improvement during the post recession period.

FINDINGS AND CONCLUSIONS

Cement Industry in India is on a safer side. Driven by a booming real estate sector, global demand and increased activity in infrastructure development such as state and national highways, the cement industry has witnessed tremendous growth. The realty sector boomed but could not sustain for long and it collapsed because of the loan defaults. This situation spread like wild fire and put the Indian economy in danger like the US economy. The US financial crises have affected many countries of the world and India is not an exception to it. The sample firms have recorded a negative growth in terms of its profitability but there is no significant impact on the profitability of sample firms. The Indian cement firms are in comfortable position to absorb losses occurred due to the destructive attack of recession. The management of sample cement companies has worked hard in maintaining the growth of cement industry. Hence, there is no significant difference between pre and post recession performance of the select private sector cement companies. However, there are growth-related challenges in the short to medium term; there seem to be some opportunities for managing the bottom line for the rest of the year. Making the growth vs. profitability trade-off early on during the slowdown is just one of major challenges faced by the Indian banking sector. Profitability levers are still available if growth is sacrificed where required, and managed well. All in all, the environment looks weakest in a long while, and yet there remain pockets of opportunity. These areas, if tapped intelligently, would enable the Indian industries firms to ease the blow of this financial crisis and help them tide through the tough times. The crisis has now spread globally, and further reduces room to maneuver. To conclude, we are tempted to use a popular aphorism; the Chinese character for 'Crisis' represents two symbols 'Danger' and 'Opportunity' but the choice is ours.

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ROLE OF EMPLOYEE TRAINING IN CREATING A BEST PLACE TO WORK AND RETAIN THE BEST TALENT IN THE ORGANISATION

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ABSTRACT

*This paper aims examines the relationship between organizational branding and training and its effectiveness which helps to increase the best talent in the organization. The study has been done in **"JSW, Ltd".** India's second largest private sector steel maker JSW steel limited was originally incorporated as Jindal Vijayanagara Steel Limited on March 15, 1994.The corporate exposure and learning report has been done in "JSW Steel Ltd" and I have chosen my area as "Training and its effectiveness". This article is based on, a detailed personal interview using structured questionnaire was used to collect primary data. The secondary data was collected through websites. Sample size of 100 respondents was chosen on the basis of random sampling. Training effectiveness is to determine the ability of the participant in the training programme to perform job, for which they were trained, the specific nature of training deficiencies whether the trainees required any additional on the job training and the extent of training needed for the participant to meet the job requirement. The main objective of the study is to know about the Employees satisfaction towards training and its effectiveness in the organisation. The results which can be concluded from this study are that training given at JSW Steel ltd., is very effective and most of the training programmes are successful in respect of the subject grasped by the employee and the ability to use skills after training programme. It includes introduction about the company and company profile. It includes Research design, Research methodology, Objectives, Data analysis, Finding, Suggestions and Conclusion.*

KEYWORDS

training, training effectiveness, employee retention.

1.1 INTRODUCTION

Training in any organization has become an integral part of their functions to make their management and the employees more efficient, productive and competent person in the market. Training is a problem solving device for any kind of men power problem in the organization. It increases employee morale which in turn reduces the grievances, complaints and attrition rate of the employees and it attempts to improve their performance on their current job or prepare them for intended job. Training effectiveness helps in determining the degree success in achieving the programme objectives and to prepare the benefit of the training effectiveness.

MEANING OF TRAINING

Training is an action of teaching a person or animal a particular skill or type of behaviour. Specific transfer of same skills to similar settings for the purpose of addressing gaps in skills or knowledge learning (Dr. Simon Priest)

EMPLOYEE RETENTION

Employee retention refers to the various policies and practices which let the employees stick to an organization for a longer period of time. Every organization invests time and money to groom a new joinee, make him a corporate ready material and bring him at par with the existing employees. The organization is completely at loss when the employees leave their job once they are fully trained. Employee retention takes into account the various measures taken so that an individual stay in an organization for the maximum period of time.

NEED & IMPORTANCE OF EMPLOYEE RETENTION

Let us understand why retaining a valuable employee is essential for an organization.

- **Hiring is not an easy process:** The HR Professional shortlists few individuals from a large pool of talent, conducts preliminary interviews and eventually forwards it to the respective line managers who further grill them to judge whether they are fit for the organization or not. Recruiting the right candidate is a time consuming process.
- **An organization invests time and money in grooming an individual and make him ready to work and understand the corporate culture:** A new joinee is completely raw and the management really has to work hard to train him for his overall development. It is a complete wastage of time and money when an individual leaves an organization all of a sudden. The HR has to start the recruitment process all over again for the same vacancy; a mere duplication of work. Finding a right employee for an organization is a tedious job and all efforts simply go waste when the employee leaves.
- **When an individual resigns from his present organization, it is more likely that he would join the competitors:** In such cases, employees tend to take all the strategies, policies from the current organization to the new one. Individuals take all the important data, information and statistics to their new organization and in some cases even leak the secrets of the previous organization. To avoid such cases, it is essential that the new joinee is made to sign a document which stops him from passing on any information even if he leaves the organization. Strict policy should be made which prevents the employees to join the competitors. This is an effective way to retain the employees.
- **The employees working for a longer period of time are more familiar with the company's policies, guidelines and thus they adjust better:** They perform better than individuals who change jobs frequently. Employees who spend a considerable time in an organization know the organization in and out and thus are in a position to contribute effectively.
- **Every individual needs time to adjust with others:** One needs time to know his team members well, be friendly with them and eventually trust them. Organizations are always benefited when the employees are compatible with each other and discuss things among themselves to come out with something beneficial for all. When a new individual replaces an existing employee, adjustment problems crop up. Individuals find it really difficult to establish a comfort level with the other person. After striking a rapport with an existing employee, it is a challenge for the employees to adjust with someone new and most importantly trust him. It is a human tendency to compare a new joinee with the previous employees and always find faults in him.

- **It has been observed that individuals sticking to an organization for a longer span are more loyal towards the management and the organization:** They enjoy all kinds of benefits from the organization and as a result are more attached to it. They hardly badmouth their organization and always think in favour of the management. For them the organization comes first and all other things later.
- **It is essential for the organization to retain the valuable employees showing potential:** Every organization needs hardworking and talented employees who can really come out with something creative and different. No organization can survive if all the top performers quit. It is essential for the organization to retain those employees who really work hard and are indispensable for the system.

Most important factors that attracted employees younger than 40 to an employer

1. Job security
2. Base pay
3. Healthcare benefits
4. Vacation/paid time off
5. Organization's reputation as a great place to work
6. Length of commute
7. Career development opportunities
8. Retirement benefits
9. Challenging work
10. Promotion opportunities

Most important factors that attracted those age 40 to 49 to an employer

1. Healthcare benefits
2. Base pay
3. Job security
4. Vacation/paid time off
5. Challenging work
6. Organization's reputation as a great place to work
7. Retirement benefits
8. Length of commute
9. Career development opportunities
10. Relationship with supervisor/manager

Most important factors that attracted those age 50 and older to an employer

1. Job security
2. Healthcare benefits
3. Base pay
4. Retirement benefits
5. Length of commute
6. Challenging work
7. Vacation/paid time off
8. Organization's reputation as a great place to work
9. Organization's products/services
10. Caliber of co-workers

Hiring employees is just a start to creating a strong work force

ORGANIZATION BRANDING

"Branding" by definition is the coherent outward expression projected by an organization. A "corporate brand" is a product of an organization's corporate strategy, mission, image, and activities. Corporate brands distinguish organizations from their competitors, orient the organization in the minds of customers and employees, and create a perception of what an organization stands for.

"Organizational branding" refers to the practice of promoting the brand name of a corporate entity, as opposed to specific products or services. The activities and thinking that go into corporate branding are different from product and service branding because the scope of a corporate brand is typically much broader. It should also be noted that while corporate branding is a distinct activity from product or service branding, these different forms of branding can, and often do, take place side-by-side within a given corporation. The ways in which corporate brands and other brands interact is known as the corporate brand architecture.

Organizational branding refers to creating an image about the company in people's mind. It involves all business activities that attract large number of customers, which helps in distinguishing itself from the competitors. It also attracts large number of employees by following the principle of transparency and ethics in business processes. Business leaders who follow ethics in their activities create huge sum of followers leading the organization towards excellence.

The term "employer brand" signifies what kind of employees currently working with an organization, employer branding has been defined as a company's efforts to communicate to existing and new staff what makes it an attractive place to work and maintaining a company's image in the eyes of its associates and potential hires. Employer branding is therefore concerned with the attraction, engagement and retention initiatives targeted at enhancing the company's employer brand. Employer branding has recently become a very prevalent concept for HR professionals and researchers.

Nowadays, organizations have become aware that through the practice of Employer Branding the best talent in the market can be attracted, retained, and motivated. Earlier, organizations used to attract the talent by offering good compensation packages, but gradually, it has been observed that it is not only good salary that attracts the employees; but other factors too influence the choice of organization by the employees. Employer branding is a relatively new approach towards recruiting and retaining the best possible human talent within an employment environment that is becoming increasingly competitive (Backhaus and Tikoo, 2004). The term Employer Brand was first used in the early 1990s to signify an organizations reputation as an employer. Since then, it has been commonly implemented by the global management community. Employer brand is the image of an organization as a great place to work in the mind of current employees and key stakeholders in the external market (active and passive candidates, clients, customers, and other key stakeholders). The art and science of employer branding is, therefore, concerned with the attraction, engagement, and retention of initiatives targeted at enhancing a company's employer brand (Minchington, 2010).

In our world people react more and more to names and reputations, to rumors and word of mouth. They do not see the headquarters or the factories any more (Kapferer J-N., 2008). In a survey of 703 people, 61% said they had found their most recent job via word-of-mouth (CassidyC. And Kreitner R., 2010). Organization's employees will talk to their friends and family about their job. They are quite likely to encourage them to apply for an opening if they feel good about the organization, their supervisors, and the nature of their job.

Organizational Attractiveness: Organizational attraction is defined as an attitude or expressed general positive affect towards an organization which contributes to it being viewed as a desirable entity with which to initiate some relationship (Aiman-Smith, Bauer and Cable, 2001, p. 221). Specifically, for an organization as employer, it refers to potential employees viewing an organization as an appealing and positive place to work (Rynes, 1991; Ehrhart and Ziegert, 2005).

Individuals have different needs and look for jobs that are able to satisfy those needs (Schneider, 1987). Potential applicants' perception of organizational attractiveness is formed by their individual perceptions of available information about the organization, including job advertisements, websites, brand advertising and stories from employees and other informed people (Brown et al., 2003; Dineen et al., 2002; Lemmink et al., 2003). Organizations use various forms of recruitment communication to influence perceptions. Recruitment is defined as the activities and practices an organization executed to identify and attract potential employees (Brown et al., 2003).

Employer branding plays not only a large role in attracting high quality job applicants (Wilden, Gudergan& Lings 2010) but also in making employees aware of the advantages of working for the organization, and in developing within them pride in working for the firm thus supporting retention of talent (Judson, Gorchels&Aurand2006).

Brennan, Locke and Naidoo (2007) claimed that UK academic staff are mostly employed as kfixed-term contract staff; and therefore, they tend to leave when their contract ends to find a permanent job or to pursue a better job opportunity in academia. The findings of Metcalf et al. (2005) suggest that providing reasonable pay and promotion opportunities will reduce staff turnover for universities. Promotion was found to highly influence retention of academic staff (Brennan, Locke &Naidoo 2007; Locke 2007; Metcalf et al. 2005). Likewise, this study will help to find out many other factors will influence the employees to stay back with the organization for a longer duration and serve better.

INDUSTRY PROFILE AND COMPANY PROFILE

Steel is crucial to the development of any modern economy and is considered to be the backbone of the human civilisation. The level of per capita consumption of steel is treated as one of the important indicators of socio-economic development and living standard of the people in any country. It is a product of a large and technologically complex industry having strong forward and backward linkages in terms of material flow and income generation. All major industrial economies are characterised by the existence of a strong steel industry and the growth of many of these economies has been largely shaped by the strength of their steel industries in their initial stages of development.

STEEL INDUSTRY INDIAN SCENARIO

The steel sector in India is almost a century old, and exhibits significant economic importance due to rising demand by sectors such as infrastructure, real estate, and automobiles, in domestic as well as international markets. The level of per capita consumption of steel is an important determinant of the socio-economic development of the country.

The Indian steel industry is divided into primary and secondary sectors. The primary sector comprises a few large integrated steel providers producing billets, slabs and hot rolled coils. The secondary sector involves small units focused on the production of value-added products

Such as cold rolled coils, galvanised coils, angles, columns, beams and other re-rollers, and sponge iron units. Both sectors cater to different market segments.

BACKGROUND AND INCEPTION OF THE COMPANY

JSW is part of $10 billion OP Jindal Group. It has grown to $5 billion in little over a decade kand has presence across various sectors - Steel, Energy, Minerals, Port & Infrastructure, Cement, Aluminium and IT. JSW Steel, the flagship company of the JSW Group, is today an integrated steel manufacturer. JSW Steel is the largest private sector steel manufacturer in terms of installed capacity.

The Group set up its first steel plant in 1982 at Vasind near Mumbai. Soon after, it acquired Primal Steel Ltd., which operated a mini steel mill at Tarapur in Maharashtra. The Jindal's, who had wide experience in the steel industry, renamed it as Jindal Iron and Steel Co. (JISCO). In 1994, in order to achieve the vision of moving up the value chain and building a strong, resilient company, Jindal Vijayanagar Steel (JVSL) was setup, with its plant located at Toranagallu in the Bellary-Hospet area of Karnataka, the heart of the high-grade iron ore belt and spread over 3,700 acres of land. It is just 340 kms from Bangalore, and is well connected with both the Goa and Chennai ports. In 2005, JISCO and JVSL merged to form JSW Steel.

'Vijayanagar Works'- India‗s first 10 MTPA steel plant at single location, ―the fastest growing steel plant in India‖. The JSW Steel Vijayanagar plant is the first integrated steel plant to reach 10 MTPA capacity in a single location. It is the first in India to use the COREX technology for hot metal production.

JSW VISION MISSION AND QUALITY POLICY

VISION

"The vision of the JSW Group is to strengthen its position as the leading producer of coking coal and the leading supplier of coke in the European market, who sets development trends for the whole industry through the highest standards of activities." "Global recognition for Quality and Efficiency while nurturing Nature and Society."

MISSION

"The mission of the JSW Group is to supply its Customers with the highest quality coking coal and coke products to ensure steady increase in the Group‗s value, taking into account the expectations of stakeholders and using the unique resources, competences and skills to guarantee constant improvement of the organization."

"Supporting India's growth in core economic sectors with speed and innovation."

CORE VALUES

- Transparency
- Strive for Excellence
- Dynamism
- Passion for learning
- Safety

QUALITY POLICY

Quality is the way of life at Jindal. JSW follows strict norms of quality when it comes it to resource management, production, services, commitment and working environment. JSW believes the quality consciousness for all economic and social ills. It may be quality of life or quality of business. The trust that is vested on company by their clients and customers stems from company‗s consistent adherence to quality standards. JSW shall achieve it through:

- Participation of all concerned in an atmosphere of cooperation ad oneness.
- Imparting training and enhancing development of all employee in the organization.
- Delivering quality products and services at a competitive price and to achieve customer satisfaction.
- Adopting environment friendly technologies and to nurture a clean and healthy surrounding.

1.2 STATEMENT OF THE PROBLEM

- Eliminate problems associated to manufacture periods, and underprivileged place of work culture
- Learn techniques to simplify training a large workforce, including inexperienced or temporary workers
- Standardize work processes to encourage company-wide improvements.

1.3 LITERATURE REVIEW

Phillips and pulliamg 1965: Stated another measure of training efficiency, return on investment (ROI), and was used by the companies because of the pressure placed on Human Resource Department to produce measures of production for entire excellence administration and continuous quality improvements and the risk of subcontracting due to downscaling. Excessive dispute was originating in the training and progress about the use of ROI processes of training programme

Jaffee, Cabot. L (1969): Detailed summary of the strengths and weakness of candidates in line for promotion can be evaluated to determine the type of training mutually beneficial to the individual and to the company. Such an approach is said to be superior to a general course designed to cover broad topics such as communication, motivation and leadership in that pertinent information about the trainees.

Tung-Chun Huang (2005): To decide whether training courses yield real profits for minor and moderate enterprises we must examine the connections among those training and their special effects on the business enactment of minor and moderate enterprises. While a number of earlier scholarships have tried to accomplish this task, serious shortfalls, such as unreliable definitions of training and "irregular" methods of training classification and measurement, have raised doubts about the validity of their conclusions. To remedy these insufficiencies and more exactly assess the relationships between training and training effectiveness, this study works a broad measurement of training including training organization, outflow, period, procedure, and delivery methods. Its outcomes show that firms with refined training structures and strong management support for training are most fruitful at maximizing the effectiveness of their training programs.

Herman Aguinis[1] and Kurt Kraiger (2009): Article concentrating on the reimbursements of training for entities and groups, administrations, and the social order. We adopt a multilevel, multidisciplinary, and worldwide perspective to determine that training activities in the organizations can yield significant benefits for each of these investors. Literature desires pre-training and assessment states, training intention and delivery, training evaluation, and transferal of training to recognize the circumstances under which the benefits of training programme.

Jaideep G. Motwani (1994): Organizations are in the middle of a competitive revolt and quality development is an significant factor in the exploration to remain competitive. Companies are understanding they are essential to initiate a quality improvement programme and that training is a serious variable in the realisation of that programme. Improvement includes modification, and training makes employees for the change by providing the desired skills to work as a team member, communicate efficiently, and identify and resolve problems. A quality training programme requires positive elements for it to be successful.

1.4 NEED FOR THE STUDY

Training is an act of aggregate the understanding and expertise of an employee for performance of a specific job. It is concerned with imparting specific skills for a particular purpose. It is mainly job oriented and it aims at maintaining and improving current job performance. Training is vital for managerial growth and achievement. It is profitable to both employees and employers of an organization. An employee will become more effective and creative if he is trained healthy. In the organisation JSW steel Ltd given more importance to training and development programmes, and it gives different types of training to the employees. Organisation invest huge amount on training and development, so that organisation intended to realise the Return on investment (ROI) from the training programme. Thus there is a need to study the training and its effectiveness at JSW Steel ltd.

1.5 OBJECTIVES OF THE STUDY

1. To study about the training programmes at JSW Steel Ltd
2. To find out the effectiveness of training programme in JSW Steel Ltd
3. To find out the benefits of the training programme in JSW Steel Ltd
4. To know whether the employees are satisfied with the training program.

1.6 RESEARCH METHODOLOGY

The fundamental success of any research is purely depending on construction of sound investigation proposal. The methodology adopted for the study is descriptive based research. The study attempts to describe the concept of Organizational Branding and attempts to establish the existence of a relationship between organizational branding and HR functions like recruitment & retention. IT companies of Bengaluru will be covered for data collection. The appropriate sample size will also be taken for the study. Mainly the primary Data will be collected through questionnaires and also certain amount of secondary data will be collected from websites and other various sources. Appropriate statistical tool will be adopted to analyse the data.

STUDY POPULATION

Employees of JSW Steel Ltd of Toranagallu. Employees with minimum of 5years of industry experience will be considered for the study purpose.

SAMPLE SIZE

100 Employees of JSW Steel Ltd.

PROBLEM: Training and its effectiveness

PHENOMENON: The study attempts to describe the concept of training and its effectiveness attempts to establish the existence of a relationship between organization development and training effectiveness.

STATISTICAL TOOLS FOR DATA ANALYSIS

Crosstabs, chi-square Test, Ann ova test.

TYPES OF DATA

Primary data – Composed for the first time. Primary Data will be collected through structured surveys with the use of a questionnaire.

Secondary Data - Secondary data will be collected from websites, Journals, thesis, books and other various sources.

Tool for data Gathering: The construction of a research tool or instrument for data gathering is the most significant aspect of a research project because anything mentioned in the findings or conclusions at the end of the study is based upon the type of information is collected, and the data to be collected is entirely dependent upon the questions that are asked to the respondents. The research tool provides the input into the training and hence the quality and validity of the output.

THE QUESTIONNAIRE

Structured surveys employ the usage of a survey. A survey consists of a set of queries presented to a respondent for responses. The respondents read the questions, understand what is predictable and then write down the responses themselves. It is called an Interview Schedule when the examiner asks the questions and record the respondent's answer on the conference schedule. The questionnaire is very flexible. Questionnaire will be developed and verified wisely before being used on a big scale.

1.7 HYPOTHESIS TESTING

TEST - 1

Ho- there is no significant difference between the length of experience of the employee and their perception about enhancement of productivity after the training programme

H1- there is a significant difference between the length of experience of the employee and their perception about enhancement of productivity after the training programme

DESCRIPTIVE

increase productivity

	N	Mean	Std. Deviation	Std. Error	95% Confidence Interval for Mean		Minimum	Maximum
					Lower Bound	Upper Bound		
Experience	64	4.45	.55	.069	4.29	4.57	3.00	5.00
10-16moderately experience	19	4.55	.61	.15	4.23	4.82	3.00	5.00
> 16 highly experience	17	4.58	.55	.12	4.35	4.84	4.00	5.00
Total	100	4.48	.55	.05	4.36	4.59	3.00	5.00

ANOVA					
Increase in productivity					
	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	.356	2	.17	.56	.57
Within Groups	30.604	97	.35		
Total	30.960	99			

INFERENCE

To test above Hypothesis Anova test is conducted since we have more than two categarical variable in age group. the calculated value at 95% confidence level stood at point 0.563 which is more than p value 0.05. Hence null hypothesis accepted. Which implies that length of the experience of the employee in the company does not increases their perception about enhancement of productivity after training programme.

TEST 2

Ho - there is no relationship between the type of training programme employee prefer and method of training given by the organisation.

H1- there is a relationship between the type of training programme employee prefer and method of training given by the organisation.

CHI-SQUARE TESTS			
K	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	5.25^a	8	.73
Likelihood Ratio	5.68	8	.68
Linear-by-Linear Association	.056	1	.81
N of Valid Cases	100		

For the above hypothesis Pearson chi square test is employed at 95% confedence level the calculated value is 0.730which is >p value 0.05 hence null hypothesis is accepted.

INFERENCE

The results of this test review that there is no similarity between the type of training mothod expected by the employee or provided by the organisation.

1.8 SCOPE OF THE STUDY

The study is aimed at seeking information about various training programme. The study also covers the opinion of the employees of JSW Steel Ltd from level eight to level twelve towards training and its effectiveness adopted by the management. Totally it is a managerial function concerned with the HRD programme of the organisation.

1.9 FINDINGS AND SUGGESTIONS

- 100% of employees have attended the training programme it implies that the organisation gives more importance to training programme.
- Maximum number of employees undergone all the type of training programme. Most of the employees expected theories, practical knowledge and vocational guidance from the training programmes.
- 98% of employees nearly the entire respondents are agreeing training enhance their performance. 97% of organisation employees are agree training increases productivity. And they agree training achieves their organisational goals.
- 86% of employees are agree training reduces wastage of the organisation, 8% of employees says neither agree nor disagree. Remaining 6% of employees are disagree with this statement. Training moderates the time consuming. Better utilisation of resources
- Training gives more benefits to employees related to their job 100% of employee's benefited from this training programme. Most of the employees says technical training is most beneficial to them.
- All the employees are agreeing training helps new employees of the organisation. 98% of employees are agree training improves self-motivation. We can make out 47%of employees are preferred based on requirement training method remaining employees are preferring both on the job and off the job training method.
- We can understand maximum 59% of employees are benefited from technical training, only 23% of employees benefited all the training programme, remaining 8% of employees prefer different kinds of training programme. Most of the respondents are engineers, those respondents prefer technical training. Safety training creates the awareness of dangers.
- 60% of employees says based on requirement organisation provide training methods to train the employees. We can understand 99% of employees are satisfied with training programmes adopted by the organisation. 98% of employees are satiesfied with training department, only 2% of employees dissatiesfied of this statement.
- 60% of employee's opinion is based on requirement, 16% of employees preferred classroom method and practical method, and remaining 5% of employees preferred street play method, 3% of employees are preferred outbound method.
- Only 4% of employees prefer theories and vocational guidance, 13% of employees expect practical knowledge, 20% of employees expect relevance to the job training, and maximum 59% of employees prefer all the training programme.
- 53% of employees prefer training centres, 25-32% of employees prefer in house and outbound learning environment, remaining 8% of employees prefer hotels, remaining 7% of employees are prefer any kind of learning environment.98% of employees are satiesfied with training department, only 2% of employees dissatiesfied of this statement.
- 72% of the employees agree that employee welfare facilities lead to retain the best talent in the organization.

SUGGESTIONS

- Organisation has to provide video based training it will be more effective. Training provide through electronic media to the individuals and groups is known as video based training. It affects learning more in less time, video makes learning lively, training sessions will no longer be a drag, drastic reduction of training cost.
- I understand technical and safety training is most beneficial to middle level employees rather than other training programme because their works includes hazards they work with heavy equipment's and fire. And also most of the engineers are comes in middle level.
- Organisation provide Practical training programme which is most beneficial to employees because practical training gives most knowledge about the job.
- To provide training according to department wise because each department requires different type of training. And departmental employees are operating different kind of jobs.
- Company can provide recognition and certificates to those employees who are completed the training program. Because recognition motivates the employees, it gives reputation to the employees, and it creates more attentiveness to words the training and development programme.
- Organisation can provide E- learning training programme because it reduces cost, it saves the time and money, and it gives flexibility in learning, it helps higher learning retention, it covers maximum number of audience and it gives same training to all the employees, it involves and many learners at time.

- Organisation can provide video cassette to the employees because it can be used in future and it remembers the training programme what the employees are required. And those video cassettes can be used according to the employees convenient.

1.10 LIMITATIONS

- The study is conducted at JSW Ltd. Therefore, its findings may not applicable to other industries or organizations.
- There is possibility of result cannot be generalise long organisation
- The study pertains to limited number of employees at JSW.
- The study pertains limited duration for only ten weeks.
- Employees unable to give proper response to questionnaire because of their busy schedule

1.11 CONCLUSION

India's second largest private sector steel maker JSW steel limited was originally incorporated as Jindal Vijayanagara Steel Limited on March 15, 1994. Product portfolio of the company includes Hot Rolled Product, Cold Rolled Product, Galvanizes Product, pre-painted Galvanized product and Jindal Vishwas. Organisation gives more importance to the training and development, and also invest enormous volume in training programme. The results which can be concluded from this study are that training given at JSW Steel ltd., is very effective and most of the training programmes are successful in respect of the subject grasped by the employee and the ability to use skills after training programme. The management in HRM department gives preference to the people to develop their skills and performance by providing them training which fulfils employee's needs and requirements to perform the job. JSW Steel ltd tries to explore all avenues to achieve their target. Company also provides training to all departments at all levels in order to equip their employees. JSW Steel Ltd. gives more concentration to measure training effectiveness through observation by supervisors and adopt sophisticated techniques to identify the needs of training which helps knowing employees requirements for their self- development and as well as organisation development.

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AGRO BASED INDUSTRIES IN INDIA: GROWTH, STATUS AND PROSPECTUS

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ABSRTACT
Agro based industry as a sunrise sector of the Indian economy in view of its large potential for growth and likely socio economic impact specifically on employment and income generation. Some estimates suggest that in developed, approximately 14 percent of total workforce is engaged in agro processing sector directly or indirectly. However, in India only about 3 percent of the workforce finds employment in this sector revealing its underdeveloped state and vast untapped potential for employment. There is no denying that India has to live with the problem of unemployment for many years to come. Therefore, need arises to make over all development among all sections of the society especially in rural agro based industrial units. Agro processing industries is defined as set of techno –economic activities, applied to the products, originating from agriculture form, live stock and forests for their conservation handling and value addition to make them as usable as food feed fuel or industrial raw materials. Agro processing sector has expressed expansion during last 5 year decades. Starting with a handful of facilities which were mainly operating at domestic cottage level. The present paper is an attempt to find out the status of agro based industries and also analyses the various problems of agro based industries.

KEYWORDS
agro based Industries, growth and status.

1. INTRODUCTION
Agro –Industry is that subset of the manufacturing sector which is engaged in processing raw materials and intermediate products derived from agriculture, fisheries and forestry. Traditionally the agriculture sector used to draw most of its inputs from the villages and the farms and apparently, agro industries were perceived to be the first level post harvest processing of farm produce. However, the agro industry forms a part of the broader concept of agribusiness today. Agro based industries are those which involved in supplying the farm with agricultural inputs besides handling the products of the farm. Agro based industries are those industries which have direct or indirect links with agriculture. These industries must faster the spirit of interdependence between agriculture and industry. Such industries must use the raw materials provided by agriculture and their output must have their market among the rural population. Surplus rural manpower must be absorbed by these industries.

The planning commission identified consequently many rural areas for intensive development of small scale industries. The primary objectives of its programme were to bring about a co-operative agro industrial economy and create employment opportunities to enable a higher standard of living, mobilize rural communities and seek diversification of rural economy in a manner that contributes to the welfare of the landless and the weaker sections of village communities. Rural industerlisation was then seen to have two components namely location and linkages with large industries and processing industries based on agriculture. It was recognized that with the increase in the production of pulses and number of cash crops like sugar cane Rubber industries and oilseeds visualized in the third plan. There will be a considerable scope for the expansion of processing industries in rural areas. With a view providing full employment and strengthen and diversifying the rural economy, it will be desirable to develop these industries to the maximum extent in the decentralized industries and small scale sector and on a co-operative basis.

2. OBJECTIVES OF AGRO PROCESSING INDUSTRIES
- Ensure that a fair share of added value goes to the producer.
- To study the effects of the agro based industry on rural development.
- To analyze the various problems faced by the agro based industries.
- To suggest the remedial measure to improve the status of agro based industries for effective development of the economy.

3. HISTORICAL PERCEPTIVE
By the middle of the nineteenth century, common agro processing industries included hand pounding units for rice, water power driven flour mills, bullock driven sugar cane paper making units spinning wheels and handloom units' food weaving. In BBritish India during the year 1863 a note was written by the governor by the madras state, sir William Denison to the government of madras state for laying greater stress on agriculture and agro processing. Based on this a set of improved machinery was brought from England for demonstration and adoption. It included thrashing machines, winnowers, chaff cutters, besides steam ploughs, steam harrows, cultivators, seed drills and horse hoes. The demonstration continued at said pet near Madras till 1871 with little outcome.

Importance of agro processing sector was first realized and documented after the disastrous famine of Bengal during 1870's. Report of the Famine commission set up by the British Government in its report submitted in 1880, clearly stated the need for agricultural improvement and improved post-harvest infrastructural development specifically, rail network. Need was also felt for incorporating chemical interventions in the agricultural sector and precision farming through agricultural mechanization manned by engineers. The Royal commission on Agriculture set up by the British Government, Conducted a detailed study. In its published during the year 1928, it called for scientific approach to the sector and stressed for developing rural industries and co-operatives.

Post-Independence era in India witnessed rapid growth in agro processing sector specifically during 1980's. It followed the first phase of the green revaluation that had resulted in agricultural production and the need for its post-harvest management. The importance of the sector was realized by the business community leading to diversification from gain trading to processing. Lead was given by the rice processing industry, followed closely by wheat milling, paper and pulp industry, milk industry, milk processing sector, jute industry, sugarcane processing and oils extraction through solvent plants. In some areas like the solvent extraction industry, the growth is installed the processing capacity has been far higher than the supply of the raw materials. However, in other areas like fruits and vegetables processing, the growth has not been encouraging on account of poor demand for processed products by the consumers. In such cases the industry has also not been able to develop the demand adequately.

TABLE 1: YIELD OF FOOD GRAINS IN DIFFERENT COUNTRIES (KG PER HECTARE)

Name of the country	Rice	Wheat
US	7694	2825
China	6265	4455
India	3124	2619
Nigeria	1440	1127
Source FAQ		

The above table shows depicts that china produces 6265 kg of Rice per hectare, While Nigeria has to make do with just 1440 kg per hectare and India with 3124 Kg per hectare. This is nothing but a division between rich and poor countries. Rice yield per hectare is about 4 tones in developing world, while it is over 6 tones in the advanced countries. Hence India contributes about 22 percent of the global output of rice production and it is also the largest producers of world's best basmati rice. Paddy being the major crop of India covers an area of more than 42.8 million hectares, the largest under any single crop (FAQ 1995). It has also been stated by the economic times of India (21 July 2008) that in the year 2002 production of rice was of the order of 3.14 tons per hectare which was decreased to 3.13 tons per hectare in 2004 and slightly increased to 3.18 tons' hectare in the year 2007. The yield of rice in different years is as.

TABLE 2: YIELD OF RICE CROP (TONS PER HECTARE)

Name of the country\ year	2002	2003	2004	2005	2006	2007
Thailand	2.62	2.57	2.65	2.63	2.70	2.69
Indonesia	4.41	4.50	4.56	4.64	4.59	4.60
China	6.16	6.19	6.06	6.31	6.26	6.23
India	3.14	2.67	3.13	2.95	3.17	3.18
Brazil	3.30	3.25	3.43	3.37	3.86	3.81

Source: The economic times of India

From the following table it has been revealed that there has been no remarkable increase in the yield of rice in any part of the world over last 10 years. Agricultural productivity has stagnated internationally, while the demand and consumption of agricultural products has steadily increased with the increase of income levels and population growth. Therefore, on the supply side, various constraints like stagnating area under cultivation, and plateau of crop yields etc. are posting limits to production. The drought in the last year caused by deficient south west monsoon is an immediate reason for supply shortfalls during latter half of the year 2009 extended to 2010.

4. PRODUCTION AND SHORTFALL OF MAJOR FOOD CROPS IN RECENT YEARS

TABLE 3

Crop	2006-07	2007-08	2008-09	2009-10
Rice	93.4(1.7)	92.7 (3.5)	99.2 (2.6)	80 (-19.6)
Wheat	75.8(3.5)	78.6 (3.7)	80.7 (2.7)	81 (1.0)
Sugarcane	355.2 (2.0)	348.2 (-2.0)	285 (-18.2)	259 (-9.1)

Source: Yovanna August 2010

Note Figures in parenthesis indicated percent change from previous year.

The above table depicts that the shortfall in the rice reduction was around 20 percent with respect to the previous years and hence suffered a perceptible reduction. The major reason behind this shortfall can be problems faced by the various agro processing units. The various problems faced by rice mills industry are high interest rate high cost of raw materials, stiff competition distance from warehouse, frequent breakdown of finished products non availability of research lab for quality control etc. In the present paper a detailed analysis of various problems faced by these rice mills will be done.

5. TRENDS IN AGRICULTURAL PRODUCTION

At the start of the twentieth century, Indian agriculture was in a stage of subsistence. By the year 1925-26. The total area under some major crops in undivided British India was rice 32 Mha, Wheat 9.6 Mha. The yield was very low. In the year 1950-51, India produced only 50 million tons of food grain and a variety of other crops. By the year 2000- 2001, India started producing about 700 million tons of biological materials per year including food grains, oil seeds, fruits vegetables, sugarcane, milk, eggs, meat fiber crops forest produce and so on. The country has diverse agro climatic conditions and consumer preferences and hence it produces a vast variety of agricultural and livestock materials. However, their market potential is not being fully realized due to poor harvest management and inadequate infrastructure and programme for processing of agro produce.

6. R & D IN AGRO BASED INDUSTRIES

- Development of new products and processes for better nutrition, convenience and taste.
- Enhancement of shelf life of the products safe storage packing and development of better performing materials.
- Better economic utilization of agricultural residues by products and recycling of wastes.
- Design layout planning and development of pilot plants, agricultural produce bulk handling systems and area specific agro processing models.
- Work conditions, safety and pollution control.

7. GROWTH AND DEVELOPMENT OF AGRO BASED INDUSTRIES

- The growth & expansion of agro industries form inseparable part of the overall programme for economic & industrial development.
- The related groups of agro industries have to be set up in a co-ordination manner so the utilization of byproducts can be possible simultaneously.
- Advanced management and marketing methods need to be introduced in agro industries which cater to the export market.
- Both backward and forward linkages are to be ensured in respect agro industries so that maximum growth impulses area generated.
- Suitable strategies have to be formulated to promote rural savings and ploughing them in rural areas for productive investments through attractive deposit and credit instruments.
- Extension & dissemination of information through mass media, technology development research activities and training programmes need to be improved.

8. PROBLEMS OF AGRO BASED INDUSTRIES

8.1 FINANCIAL PROBLEM

It has been major problem of these industries as lack of finance by the financial institutions. Majority of the surveyed units have given 1st ranking to the lack of finance whereas second priority was given to high interest rate. It has also been found that due to financial constraints these units are not running smoothly.

8.2 INFRASTRUCTURE PROBLEM

For creating industrial culture in any reason infrastructural facilities are required without these no industrial enterprise can survive and sustain for long. As regards infrastructural problems of these industries is concerned no any industrial estates have been created by the government. Entrepreneur are also facing the problem of costly transportation cost due to the availability of warehouses and remote industrial location.

8.3 MARKETING PROBLEM

The industries have very less market to sell their products in the nearby areas and have to remain dependent up on supply to government agencies like food supply corporation of India and other agencies, in addition to it industries are also facing stiff competition, changing conditions of market etc.

8.4 MANAGEMENT PROBLEM

Many units are facing problems due to lack of professional management. In the surveyed units it has been found that none of the units have appointed professional manager in their enterprises. Majority of the units are in partnership form of the organization and due to vested interest of some partners, there is a dispute and lot of litigations among the partner. It has been observed that in majority of the unit's entrepreneurs have invested huge amount of investment in constructing building. Some of the units are diversified the funds of the industry in constructing their homes. The money required in industry have been diversified in other dead assets as a result these industries are not earning profits.

8.5 RESEARCH AND DEVELOPMENT

R&D occupies an important place for inculcating industrialization. The various R& D problems agro based industries comprises the non-availability of research & development institutions. Due to this cost of production is very high, delay in delivery of goods etc.

9. SUGGESTIONS

- It is suggested that the financial institutions should provide the assistance without any bias to the needy and deserving entrepreneur of agro based industry.
- Arrangement to supply market information to the farmer and agro processor should be put in place.
- Emphasis should be put on the establishment of new agro industrial plants in the production catchments to minimize transport cost.
- Create employment opportunity in the rural sector.
- The national plan should provide for management of agro industrial activities in the catchment area both by private companies and individuals as well as co-operatives.

10. CONCLUSION

The Indian economy is predominantly rural and agriculture oriented. Majority of the people in our country are those living poverty line and earn their livelihood from agriculture and other related activities. According to 2005 world bank estimates 42 percent of the India falls below poverty line $ 1.25 a day in normal terms. Despite India being one of the fastest growing economies of the world. It is home to cover a third of the world's poor people. Even after 62 years of independence the country has not shown expected progress in industrial sector especially agro based industry. However, these industries are facing problems of financial problem, Lack of proper skills, upgrading technological supported. Some of the problems could be deals with the government intervention and the co-operation and support of the international agencies. These industries were got vital importance because it has created employment opportunity. The agro based industries helped in improvement in rural economy. Hence the need of hour is the with a greater emphasis on the problems faced by agro based units, require a well-furnished government policy. It lies in the long-term interest of the entrepreneurs to actively contribute in bringing the above fruition.

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A STUDY ON EXPORT PERFORMANCE OF LEATHER PRODUCTS IN INDIA

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ABSTRACT

India is second largest exporters of leather footwear, third largest exporters of leather apparels and fifth largest exporters of Leather Goods & Accessories. The present study has brought into light; some short comings the industry of they need an urgent attention so as to help in the proper functioning of the industry. The industry will achieve the global standards of export management; if at all a great and absolute professional approach will be exercised regarding its operations. This leather industry's success will be measured in terms of export performance in all over the world. When the export is being increases as days go by; it implied that the industry is in turmoil. The Leather Industry aims at encouraging production, thereby enhancing its export from current level. Hence, looking at the global trade and domestic demand it may be said that the Indian Leather Industry has the potential to grow leaps and bounds in the future years to come.

KEYWORDS

leather products, exports, international trade.

INTRODUCTION

Leather industry occupies an important place in Indian economy. The leather industry provides potential for employment, growth and exports, The sector is spread across the formal as well as informal sectors and produces a comprehensive range of products from raw hides to fashionable shoes. The industry consists of firms in all capacities, including small artisans to major global players. Specialized institutions have been setup to promote the overall growth and performance of the industry. There has been an increasing emphasis on the planned development of industry, which is aimed at optimum utilization of available raw materials for maximizing the returns, especially from exports. Today, around 50 per cent of India's leather business comes from international trade at 45.3 per cent, footwear accounted for the lion's share of leather exports, followed by leather goods with 22.2 per cent, and finished leather with 20.6 per cent share in 2015.In 2014–15 footwear recorded the maximum increase in exports, followed by Saddlery and Harness, and Leather goods. The major markets for Indian leather products were Germany (12.6 per cent), the US (11.5 per cent), the UK (11.5 per cent), Italy (7.8 per cent), Hong Kong (6.5 per cent), France (5.7 per cent), Spain (5.4 per cent), the UAE (4.2 per cent), the Netherlands (3.6 per cent) and China (3.0 per cent) in 2014-15. The Council for Leather Exports (CLE) is an autonomous non-profit organisation, which is entrusted with export promotion activities and the development of the Indian leather industry. About 3,172 companies manufacturing/exporting leather and leather products are members of the Council.

IMPORTANCE OF THE STUDY

India has vast potential for growth of exports in various sectors. India's leather export for leather and leather products has grown at a fast pace in the past decade. It also captures a place of fame in the Indian Economy in view of its immense potential for employment, growth and exports.

There has been an increasing significance on its planned development, aimed at ideal utilisation of available raw materials for maximizing the return, particularly from exports. The industry consists of firms in all capacities, including small artisans to major global players. The export market provides more opportunities; the Indian leather industry market is looking to contribute significantly to export. Leather Industry contributes significantly to total manufacturing output and exports from the country. Among the various constituents of the manufacturing sector in India, Leather sector is one of the important sectors, mainly due to its contribution in the direction of employment. It is one of the solitary sectors which have the advantage of the both value addition and export potential.

SHARE OF COMMODITY-WISE PERFORMANCE OF LEATHER PRODUCT IN INDIA

The leather industry in India manufactures a wide range of products, with heavy leather goods accounting for bulk of the production. Most of the leading players are engaged in the production of leather goods and mainly produces high-value products using high-end technology. Requirement of high level of capital investment poses as a major entry barrier. The major leather products which are exported from India include Finished Leather, Leather Footwear, Leather Garments, Leather Goods, Saddlery and Harness etc. The annual exports of these leather products are shown in the table 2.

TABLE 1: COMMODITY-WISE PERFORMANCE OF LEATHER PRODUCTS IN INDIA (US $ in million)

Commodity	2010-11	2011-12	2012-13	2013-14	2014-15
Finished Leather %	841.13 (21.19)	1023.21 (21.01)	1093.73 (21.80)	1284.57 (21.74)	1329.05 (20.46)
Footwear %	1758.67 (44.31)	2077.27 (42.66)	1693.89 (33.77)	2011.38 (39.04)	2277.52 (35.06)
Leather Garments %	425.04 (10.71)	572.54 (11.75)	563.54 (11.23)	596.16 (10.08)	604.25 (9.30)
Leather Goods %	855.78 (21.56)	1088.09 (22.35)	1180.82 (23.54)	1351.50 (22.87)	1453.26 (22.37)
Saddlery& Harness %	87.92 (2.21)	107.60 (2.21)	110.41 (2.20)	145.54 (2.46)	162.70 (2.50)
Total Leather goods	3968.54 (100)	4868.71 (100)	5015.41 (100)	5908.82 (100)	6494.41 (100)
India total exports %	254402.1 (1.56)	305963.9 (1.59)	300400.7 (1.67)	312620.7 (1.89)	320763.6 (2.02)

Source:www.leatherindia.com

Note: Figure in parentheses indicate share of individual item in total leather exports

Table 1 reveals that except Finished Leather and Leather goods export of all over items such as Leather Footwear and Saddlery and Harness, registered a decline in growth. However, the export of leather goods has been contributing a major share of 22.37 per cent in 2014-15 respectively in total value of leather exports occupying the second place in India's leather exports. It is clear from the table that the share of the leather exports on India's total exports has increased from 1.56 per cent to 2.02 per cent in 2014-15.

SHARE OF LEATHER PRODUCTS IN INDIA'S TOTAL EXPORTS
To understand the growing importance of leather products in India's exports, data for the last five years (2010-11 to 2014-15) are presented in table 2

TABLE 2: SHARE OF LEATHER EXPORT IN INDIA'S TOTAL EXPORTS (US $ in million)

YEAR	TOTAL EXPORT	LEATHER GOODS EXPORT	% SHARE OF LEATHER GOODS EXPORT EARNING TO TOTAL EXPORTS
2010-11	254402.1	3968.54	1.56
2011-12	305963.9	4868.71	1.59
2012-13	300400.7	5015.41	1.67
2013-14	312620.7	5908.82	1.89
2014-15	320763.6	6494.41	2.02
Mean	298830.2	5251.18	
S.D	25973.37	977.89	
C.V	0.08	0.18	
CAGR%	4.74	10.35	

Source: Economic Intelligent Service in CMIE

The table 2 revealed that the total exports increased from US$ 254402.1 million in 2010-11 to 320763.6 US$ million in 2014-15 on this leather products exports has accounted for 1.56 per cent of India's total exports in 2010-11 increased to 2.02 per cent in 2014-15 but in absolute terms, it increased from US$ 3968.54 million to US$ 6494.41 million during the period. The co-efficient of variation for total exports as 0.08 per cent and leather exports as 0.18 per cent. The compound annual growth rates for total exports were 4.74 per cent, for leather exports 10.35 per cent showing a significant and consistent growth performance.

PRODUCT-WISE EXPORT OF LEATHER BY VALUE
The major products of leather exported from India include Finished Leather, Leather Footwear, Leather Garments, Leather Goods, Saddlery and Harness. Table 4 shows the product –wise leather export by value.

TABLE 3: PRODUCT-WISE EXPORT OF LEATHER (US $ in million)

Year	2010-11	2011-12	2012-13	2013-14	2014-15	Mean	SD	C.V	CAGR%
Finished Leather	841.13	1023.21	1093.73	1284.57	1329.05	1114.33	199.03	0.18	9.58
Footwear	1758.67	2077.27	1693.89	2011.38	2277.52	1963.74	239.00	0.12	5.31
Leather Garments	425.04	572.54	563.54	596.16	604.25	552.31	73.06	0.13	7.29
Leather Goods	855.78	1088.09	1180.82	1351.50	1453.26	1185.89	233.17	0.2	11.17
Saddlery & Harness	87.92	107.60	110.41	145.54	162.70	122.83	30.46	0.25	13.10
Total	3968.54	4868.71	4642.39	5389.15	5826.78				

The table 3 reveals that Leather Footwear is the largest leather exported from India in terms of value with mean value of 1963.74 constituting nearly one ten of the total leather export. It is followed by the goods Leather goods with a mean value of 233.17 respectively. Among these, the co-efficient of variations for Saddlery and Harness (0.25) and Leather Goods (0.2) and high indicating that the performance of growth is inconsistent, compared to this the export volatility is lower for Saddlery and Harness.

MAJOR MARKET FOR INDIAN LEATHER PRODUCTS
The quality of Indian leather products, their captive and aroma, and exquisite nature have discerning consumers all over the India's major leather export markets are Germany, Hong kong, Italy, U.K, USA, Italy, France, Spain, Russia etc. India's export of leather has posted a growth of 20.6% in US$ million during financial year 2014-15 in comparison during same period in the fiscal.

TABLE 4: INDIA'S EXPORT OF LEATHER TO MAJOR MARKETS (US $ in million)

Countries	2010-11	2011-12	2012-13	2013-14	2014-15	Mean	S.D	C.V	CAGR%
Germany	575.38	575.3	631.23	763.55	800.20	669.13	106.21	0.15	6.82
U.S.A.	505.20	505.2	526.13	669.17	768.06	594.75	118.66	0.19	8.74
U.K.	348.13	348.1	606.02	661.98	751.33	543.11	185.39	0.34	16.63
Italy	455.76	455.8	438.53	515.59	504.26	473.98	33.79	0.07	2.04
France	280.04	280.0	320.81	353.80	371.75	321.28	41.86	0.13	5.83
Hong Kong	325.20	325.2	441.45	471.56	422.11	397.10	67.96	0.17	5.35
Spain	247.99	247.9	267.17	307.94	351.27	284.45	44.66	0.15	7.21
Russia	19.99	19.99	28.54	51.57	49.96	34.01	15.69	0.46	20.11
Netherlands	155.43	155.4	189.74	216.54	224.92	188.40	32.80	0.17	7.67
Australia	51.81	51.81	74.16	78.31	84.66	68.15	15.37	0.22	10.32
Others	399.45	399.5	572.69	725.25	831.01	585.58	193.11	0.32	15.78
Total	3364.38	3364.2	4096.47	4815.26	5159.53	4159.96	821.39	0.19	8.93

Source: Computed

As could be seen from the Table 4 reveals the Germany was the largest importer of Indian leather products with the mean value of 669.13, followed by U.S.A and U.K with mean value of 594.75 and 543.11.However high co-efficient of variation for Russia, U.K and Australia that the export growth performance of Indian leather product in these countries is inconsistent. In absolute terms, the major share of Indian products export goes to Germany with US$ 800.20 million, next to U.S.A US$ 768.06 million in the year 2014-2015.

The Compound Annual Growth Rate of selected importing countries of leather products during the study period 2010-11 to 2014-15. It reveals that Russia has recorded the highest positive growth at the rate of 20.11 per cent followed by U.K 16.63 per cent, Australia 10.32 per cent and U.S.A 8.74 per cent whereas the other major importers of leather products by value such as Italy, France, Hong Kong and Germany indicates a low level of positive growth at the rate of 2.04 per cent, 5.83 per cent, 5.35 per cent and 6.82 per cent respectively. This may due to the fact that there has been a substantial change in the import of leather products by Germany from US$ 575.38 million in 2010-11 to US$ 800.20 million in 2014-15, in absolute terms. Similar trend is noticed with import of leather products by U.S.A and Germany. Hence, it may be concluded that USA, U.K and Germany are the emerging markets for Indian products.

TREND AND GROWTH OF LEATHER PRODUCTS

Trend and growth of Leather product export performance of India during the study period has been computed and presented in the Table 5.

TABLE 5: TREND AND GROWTH OF LEATHER PRODUCTS EXPORT FROM INDIA

Leather Products	'a'	'b'	R^2	SE	'T'	'F'*	CGR %
Finished Leather	743.178	123.720	0..966	44.437	16.724	85.267	9.58
Footwear	1672.20	97.18	0.413	66.84	1.45	2.11	5.31
Leather Garments	437.69	38.20	0.684	15.00	2.54	6.47	7.29
Leather Goods	748.38	145.84	0.978	12.64	11.53	133.14	11.17
Saddlery & Harness	66.58	18.75	0.948	2.54	7.36	54.18	13.10

Source: Computed

* Significant at 5% level

The above Table 5 reveals that the regression results of leather products export of finished leather from 2010-11 to 2014-15. The value of 'b' is 123.72, which shows that export of leather products had increased at an absolute rate. The value of R^2 is 0.966, which shows that 96.6 per cent variation in dependent variable is explained by independent variable. The compound growth rate of the finished leather is 9.58 per cent.

Further the above Table shows that the regression results of leather products export of leather footwear from 2010-11 to 2014-15. The value of 'b' is 97.18 which show that leather products had increased at an absolute rate. The value of R^2 is 0.413 which shows that 41.3 per cent variation in dependent variable is explained by independent variable. The compound growth rate of the leather products is 5.31per cent.

In case of Leather Garments value of 'b' is 38.20, which shows that the leather products export has increased at an absolute rate with the compound growth rate of 7.29per cent. The Regression results of leather products export of Leather Goods, the value of 'b' is 145.84, which shows that Leather Goods had increased at an absolute rate. The value of R^2 is 0.978, which shows that 97.8 per cent variation in dependent variable is explained by independent variable. The compound growth rate of the leather products is 11.17per cent.

The Saddlery & Harness value of 'b' is 18.75, which shows that the leather products export has increased at an absolute rate. The compound growth rate is 13.10 per cent. Further the table shows that the R^2 value 0.948, which shows that 94.8 per cent variation in dependent variable, is explained by independent variable.

PROJECTED TREND VALUE OF EXPORTS

The export trend in respect of leather products in terms of value is find out with by method of least square to find out the projected value for the period 2016-17 to 2019-20.

TABLE 6: PROJECTED VALU (Rs.in crore)

Year	Projected Value
2016-17	5827.39
2017-18	5611.14
2018-19	6790.82
2019-20	7599.68

The above table 6 reveals that trend movement of overall leather export in India during the period 2016-17 to 2019-20 is upward trend value from 5827.39 crore to 7599.68 crore.

CONCLUSION

India is second largest exporters of leather footwear, third largest exporters of leather apparels and fifth largest exporters of Leather Goods & Accessories. The present study has brought into light; some short comings the industry of they need an urgent attention so as to help in the proper functioning of the industry. The industry will achieve the global standards of export management; if at all a great and absolute professional approach will be exercised regarding its operations. This leather industry's success will be measured in terms of export performance in all over the world. When the export is being increases as days go by; it implied that the industry is in turmoil. The Leather Industry aims at encouraging production, thereby enhancing its export from current level. Hence, looking at the global trade and domestic demand it may be said that the Indian Leather Industry has the potential to grow leaps and bounds in the future years to come.

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FISCAL EXPANSION AND ECONOMIC GROWTH IN MANIPUR

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ABSTRACT
This paper assesses how the fiscal expansion and its component influence economic growth in the State economy of Manipur. It uses for analysis the available data on State's Fiscal variables during the periods 2000 to 2010. There are three sources of state's revenue, namely State own tax revenue, own non- tax revenue and central transfers. The central transfers to the state are coming through three channels, (a) Finance commission's transfers, (b) Planning commission's transfers and (c) Departmental or discretionary transfers. The selected fiscal variables for analysis are own tax, own non-tax revenue, Expenditure on Economic Services on both the Account Revenue and Capital and Grant-in-aid from the centre. The paper is mainly focus on the relationship between the fiscal variables and GSDP. The findings will provide useful information for policy makers and reformers that can help broaden their understanding of the relationship between Fiscal policy and Economic development.

KEYWORDS
fiscal policy, economic growth, total receipts, gsdp, total expenditure.

1. INTRODUCTION
Fiscal policy as a part of the economic policy and economic reforms for growth and development influences in a wide range of economic activities. In a mixed economy with a federal form of government, fiscal policy plays an important role for growth and for improving the structure of an economy. The tax system and the expenditure policy as an instrument of fiscal policy aimed at maintaining an adequate consumption, a high level of production, employment, national income and equitable distribution of income and wealth. A delicate balance has to be struck between the revenue requirements of the government for the huge expenditure on the one side, and the investment requirements of a developing economy on the other side.

The fiscal policy and fiscal trend of the Manipur's economy is reflected from the financial transactions into the different sectors or heads of account of various years' composition and direction of the entire state finance. Actually, the financial transaction in the economy is the budgetary information of the government. The State budget has three Accounts namely the Revenue account, the Capital Account and Public Account. Sometimes and for general understanding, the last two can be treated as "Capital Account". We should avoid such misconception. The overall finance of the State Government can be analysed under the following heads:

1. Consolidated Fund,
2. Contingency Fund and
3. Public Account

The consolidated Fund has two main divisions namely Revenue Account and Capital Account including State Debt. The Revenue Account consists of revenue receipts and revenue expenditure. As we have analysed before, the revenue receipts are mainly derived from taxes and non-tax. The direct and indirect taxes including the share of the union tax constitute the tax revenue. The non-tax revenue receipts include income from social and economic services, general services, fees & fines, Grant-in-aid and other receipts grouped as revenue of the State. The revenue expenditure includes interest payment & servicing of debt, expenditure for collection of taxes and other receipts, social service and developmental expenditure and other expenditure from revenue accounts. The difference between the total revenue receipts and total revenue expenditure is the revenue surplus or deficit.

The capital account deals with capital receipts and capital expenditure (outlay). The receipts from state debt (internal, loans & advances from central govt.), recoveries from loans and other capital receipts are under the capital receipts. The capital expenditure includes expenditure on Social, Economic services including developmental expenditure and other expenditure incurred for creating concrete assets of material characteristics of reducing recurring.

The contingency fund is the fund for meeting the unforeseen and emergency purpose of the government. Expenditure from this fund need not prior sanction but has to be approved later by the State Legislature. Till now Manipur state legislature has no such statement.

The public account of the State's government comprises of unfunded debt, deposits and advances and remittances. Funds in the public Account do not belong to the government but are credited to this account as the same cannot be credited to the consolidated fund. This fund includes funds collected on account of provident funds, small saving, suspense & other.

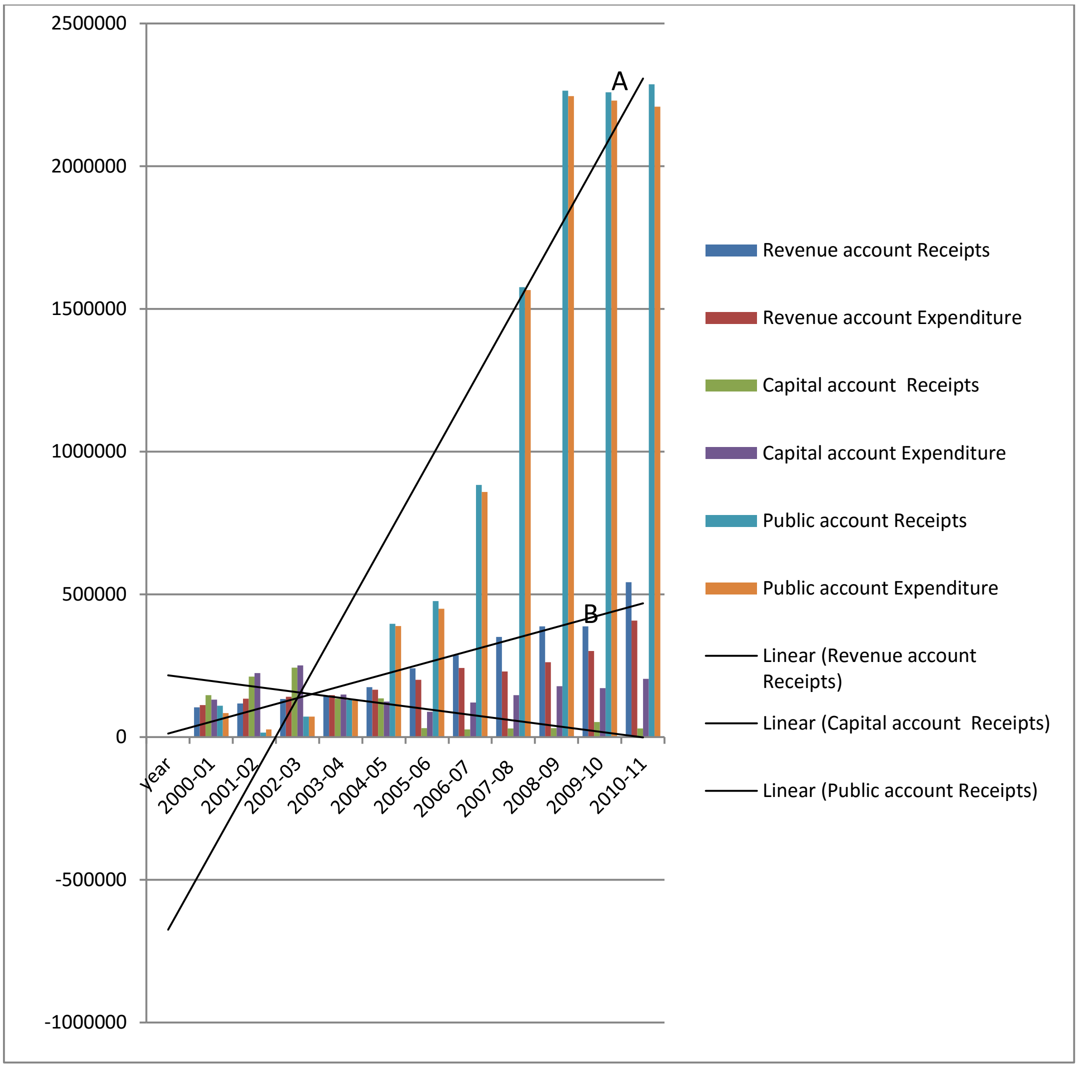
TABLE 1.1: RECEIPTS AND EXPENDITURE UNDER THE THREE ACCOUNT (Rs. Lakhs)

	Revenue account		Capital account		Public account	
year	Receipts	Expenditure	Receipts	Expenditure	Receipts	Expenditure
2000-01	104461.87	112343.08	147142.4	130369.35	109519.39	83408.18
2001-02	117677.88	133795.63	211416.1	223761.96	14944.74	26205.48
2002-03	132798.61	141510.56	243311.6	250609.39	71524.21	71931.97
2003-04	141971.41	146346.81	133936.6	149259.27	129847.64	128829.66
2004-05	174275.85	165118.81	135232.6	123958.74	396812.08	389112.03
2005-06	240894.94	200450.67	30965.44	88412.67	476205.26	449029.29
2006-07	286273.94	241464.7	26686.09	120896.42	883806.43	859087.74
2007-08	350826.72	229252.31	30208.99	146242.72	1576628.64	1566492.9
2008-09	387261.82	262228.14	31519.64	177767.29	2264523.08	2246227.4
2009-10	387313.46	301439.41	52317.27	171142.84	2259782.43	2230446.91
2010-11	542994.38	407800.66	29959.61	203687.59	2287409.17	2209298.36

Source: Government of Manipur (2012-13) - A Picture of Manipur Budget, Directorate of Economics & Statistics, Imphal.

In the fiscal year 2003-04, the three accounts are equally distributed. There is a declining trend in the capital receipts of the capital account. We can find downward sloping linear capital receipts curve. The composition of the public account in the budget is increasing at a sudden spurt from the fiscal year 2006-07. The steep sloping upward linear line-A is the Receipts of the public account. Both the receipts and expenditure from the public account is at the increasing direction. There is slow movement increasing trend in the revenue account of the State Budget. Linear line-B is the Revenue Receipts line sloping gently upward to the right.

FIGURE 1.1: CHARTS OF THE THREE ACCOUNT



2. A RELATIVE COMPARISON OF TOTAL RECEIPTS AND EXPENDITURE

"An important element in the organization of government transaction is the choice of those receipts and payments which are to be counted in determining the government's deficit or surplus. In any system of cash accounting, total receipts plus any decrease in cash holdings must equal total payments plus any increase in cash holdings. Transactions however differ in many significant respects, and by channeling only certain kinds of transactions as deficit-determining transactions and other kinds as deficit-financing transactions one may derive a meaningful measure of the balance of government operations with respect to some analytical criterion."[1] The implementation of fiscal policy is essentially routed through government's budget, centre and state. State's budget reflects and shapes the state's economic nature. A budget is balanced if, receipts equal expenditure. It is surplus if, receipts is bigger than expenditure. More expenditure than the receipts is the deficit budget. Accordingly, it can be written as:

1. Balance budget, TR=TE
2. Surplus budget, TR>TE
3. Deficit budget, TR<TE. TR and TE are total receipts and expenditure.

In the context of Manipur, we cannot find balanced budget and in general, it does not occur frequently. Generally, a budget can be surplus or deficit. There is surplus budget in the beginning of the century (2000-01) in Manipur's economy. In the next four fiscal years, starting from 2001-02 to 2004-05 the economy falls in deficit. There is a wave like movement trends in the budget surplus/deficit after 2004-05 in the economy.

It is interesting to analyze the average receipts and average expenditure of the government budget during the period 2000 to 2010. Again, it is very interesting to study the regression statistics between the TR and TE. Rs.1289814.118 is the average receipts and average expenditure is 1291599.065 lakhs. The average expenditure is higher than the receipts during the period 2000 to 2010. There is high co relationship between receipts and expenditure. It gives the value of 0.99. It shows the positive relationship between the two variables. The corresponding multiple R, R square and adjusted R square and standard error of the 11 observations are 0.999, 0.999, 0.999 and 2.555 respectively (Table 1.12). From the correlation and regression statistics of the total receipts and expenditure, the authority can make a plan for raising more revenue and that revenue can be utilized for various socio-economic activities. The State requires huge amount of income for developmental activities. We are depending on central transfers. It is suggested to raise State own revenue through collecting more taxes and make more productivity from the different sectors of the economy. The respective data of total receipts and total expenditure of the ten years (2000 to 2010) are given below (Table 1.2).

2.1 TRENDS IN TOTAL RECEIPTS AND TOTAL EXPENDITURE

The trends in total receipts and the total expenditure are shown in the table 1.2. In overall analysis, both the receipts and expenditure are in the increasing trends. Nevertheless, in the fiscal year 2003-04 both the receipts and expenditure are falling. The first fiscal year 2000-01 of the analysis, the total receipts were Rs.361123.69 lakhs and total expenditure was Rs.326121.26 lakhs making a surplus of Rs.35002.43 lakhs. In the following fiscal years 2001-02, 2002-03, 2003-04 and 2004-05 the total expenditure is more than total receipts and the Economy falls in deficit. The total receipts become Rs.748065.64 lakhs in the mid of the analysis (2005-06) and the respective total expenditure is Rs.737892.63 lakhs.

[1] Srivastava, D.K. and Sankar, U. – Development and Public Finance: Essays in honour of Raja. J. Chelliah, Sage Publication, New Delhi, 2012, p.15.

TABLE 1.2: TOTAL RECEIPTS AND EXPENDITURE (2000 TO 2010) IN MANIPUR (Rs. In lakhs)

year	Receipts	Expenditure	Surplus\deficit (+)\(-)
2000-01	361123.69	326121.26	35002.43
2001-02	344038.74	383763.07	-39724.33
2002-03	447634.43	464051.92	-16417.49
2003-04	405755.63	424435.77	-18680.14
2004-05	706320.53	678189.59	-28130.94
2005-06	748065.64	737892.634	10173.01
2006-07	1196766.48	1221448.83	-24682.35
2007-08	1957664.35	1941987.93	15676.42
2008-09	2683304.54	2686222.87	-2918.33
2009-10	2699413.16	2703029.16	-3616
2010-11	2860363.16	2820786.61	39576.55

Source: Compiled and computed from Government of India, Economic Survey, 2009-10 (CSO) and Government of Manipur, Economic Survey 2010-11, Directorate of Economics and Statistics, Manipur

FIGURE 1.2: RELATIVE COMPOSITION OF TOTAL RECEIPTS, TOTAL EXPENDITURE & SURPLUS/DEFICIT

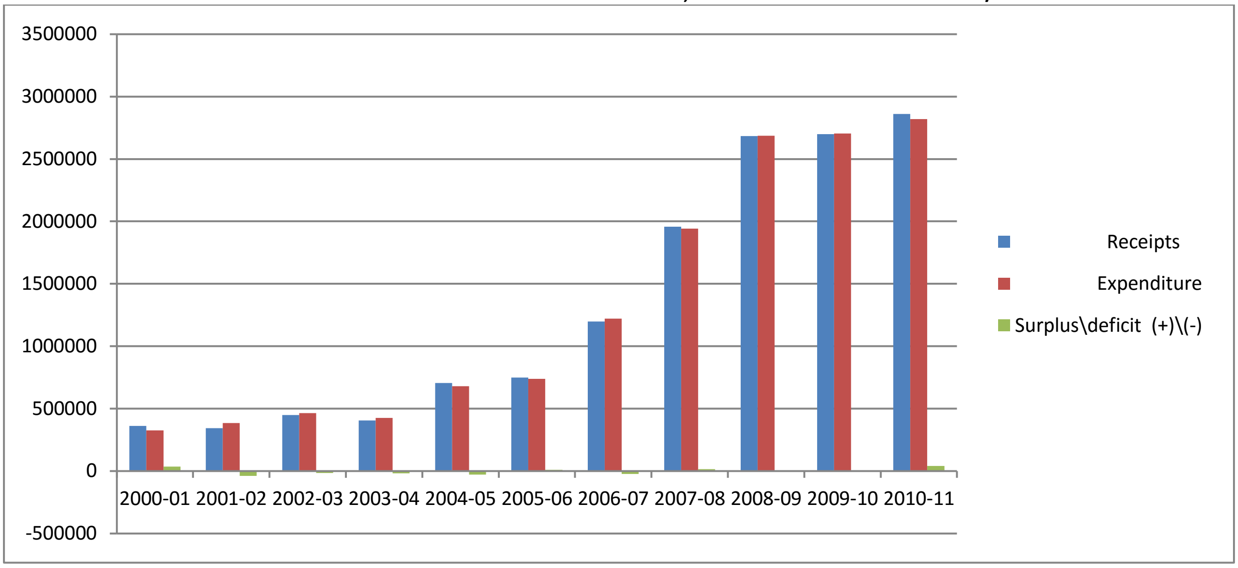
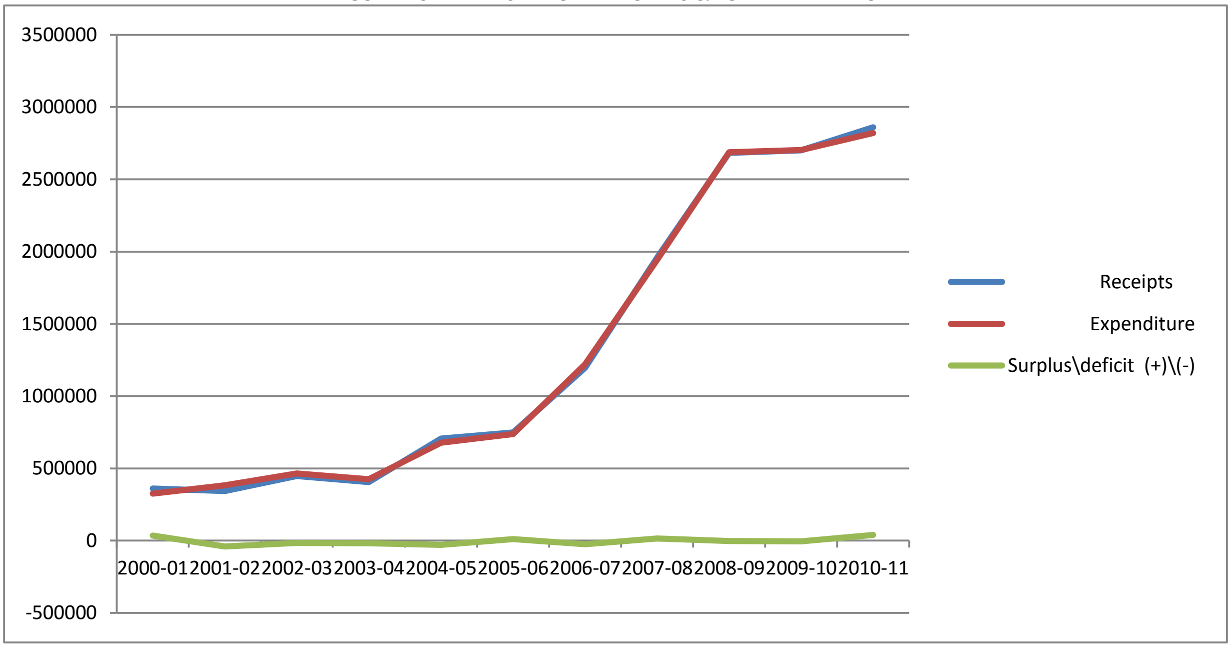


FIGURE 1.3 - TRENDS IN TOTAL RECEIPTS & TOTAL EXPENDITURE



During the period 2000 to 2010, the average surplus is less than the average deficit. The more portion of the surplus/deficit line is below 0-line i.e. below the horizontal axis. We can see a less portion of the line above the axis, which signifies that the state is falling deficit during the periods. The overall fiscal position of the state during the period is said to be in imbalance with a greater percentage on deficit.

THE REVENUE ACCOUNT: REVENUE RECEIPTS Vs. EXPENDITURE

The revenue surplus or deficit of an economy is determined from the nature of revenue receipts and revenue expenditure. It is one of the indicators of the state's fiscal health. There is inadequacy in the revenue, which becomes the major problem in Manipur. In 2001-02 only 6.78 percent of the State's total expenditure (Rs.383763.07 lakhs) was met from own tax (Rs.5197 Lakhs) and own non-tax (Rs.2873 lakhs) revenue. If we include the share of central taxes (Rs.14118 lakhs) this becomes 22.63% of the total expenditure. The remaining comes from the grants and Contribution (Rs.95490 lakhs) from the centre. Above all, the revenue expenditure in the year is Rs. 133796 lakhs exceeding from the revenue receipts and making revenue deficit of Rs. (-) 16118 lakhs. In the four fiscal years, 2000-01, 2001-02, 2002-03 and 2003-04 the state economy falls in revenue deficit. (Table 1.3)

In the succeeding years, the State's economy can improve a lot. In the mid of the 2000's, the fiscal year 2005-06, the State can make a revenue surplus of Rs.40444 lakhs. Both the revenue receipts and expenditure are increasing with a revenue surplus. It is because of the huge transfer of resources from the central government. Out of the total revenue receipts of Rs.240895 lakhs, the Grants-in-aid from the centre was Rs.189540 lakhs which is about 79% of the revenue receipts in the fiscal year 2005-06. In the same year the share of central taxes was Rs.34214 lakhs (14%) and the own tax revenue is RS.9495 lakhs (3.94%) and own non-tax revenue is Rs. 7646 lakhs (3.18%). In the previous chapters, we have known that the State Economy is more than 90% reliance for its resources from the centre.

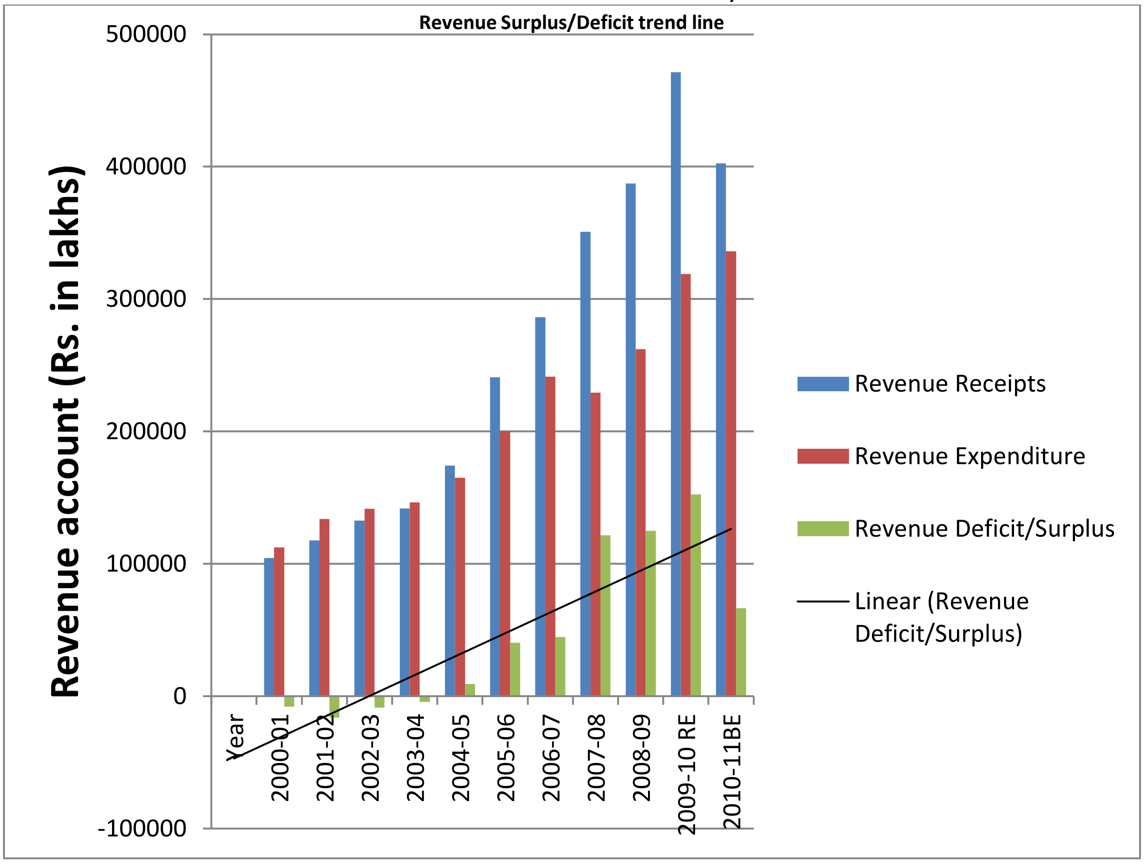
TABLE 1.3: REVENUE RECEIPTS Vs. REVENUE EXPENDITURE (Rs. In lakhs)

Year	Revenue Receipts	Revenue Expenditure	Revenue Deficit/Surplus
2000-01	104462	112344	-7882
2001-02	117678	133796	-16118
2002-03	132799	141511	-8712
2003-04	141971	146347	-4375
2004-05	174276	165119	9157
2005-06	240895	200451	40444
2006-07	286274	241465	44809
2007-08	350827	229252	121575
2008-09	387262	262228	125034
2009-10	387313	301439	85874
2010-11	542994	407801	135193

Source: Government of Manipur (2007-08) – A Picture of Manipur Budget, Directorate of Economics and Statistics, Imphal and Government of Manipur (2010-11) – Economic Survey Manipur, Directorate of Economics and Statistics, Imphal.

An important idea we can put is that our own sources of revenue is low. Above all, the State is not using all the revenue receipts and making simply surplus. The State is developing and a developing economy requires huge amount of resources for development and to manage the increasing activities of the government. It shows that the State has no Proper direction of investment for Growth and development.

FIGURE 1.4: LINEAR LINE OF REVENUE DEFICIT/SURPLUS



There is an increasing trend in the revenue account of the government budget. From the fiscal year 2004-05 onwards, we can find a good record of revenue receipts and the revenue expenditure that is increasing with a surplus in this account. The linear revenue surplus/deficit line also sloping upward, this shows a good condition.

3. AN ANALYSIS OF CAPITAL ACCOUNT: CAPITAL RECEIPTS Vs. EXPENDITURE

The capital account includes creation and disposal of assets and liabilities. It includes those items which do not belong to the government and which lead to variation in physical assets of Government i.e. acquisitions, creation or disposal of physical assets.

CAPITAL RECEIPTS

Capital receipts are government loans raised from the public, government borrowings from the Reserve Bank and treasury bills, loans received from foreign bodies and governments, divestment of equity holding in public sector enterprises, securities against small savings, state provident funds, and special deposits. It includes, Recovery of loans and advances given to various corporations, co-operatives and Government servants. Loan portion of the central assistance, small saving loan, market borrowing, loan from NABARD, LIC, GIC, HUDCO etc. and loan from General Provident Fund Account (GPF) of the employees. Misc. Capital Receipts such as proceeds of disinvestment and sale of capital assets are also included.

CAPITAL EXPENDITURE

It is an expenditure, which results in creation of permanent assets such as Roads, Bridges, Building, irrigation projects, Dams, Power House etc. It is broadly defined as expenditure incurred, which is the object of increasing concrete assets of material and permanent character. The difference between the capital receipts and capital expenditure is the capital deficit.

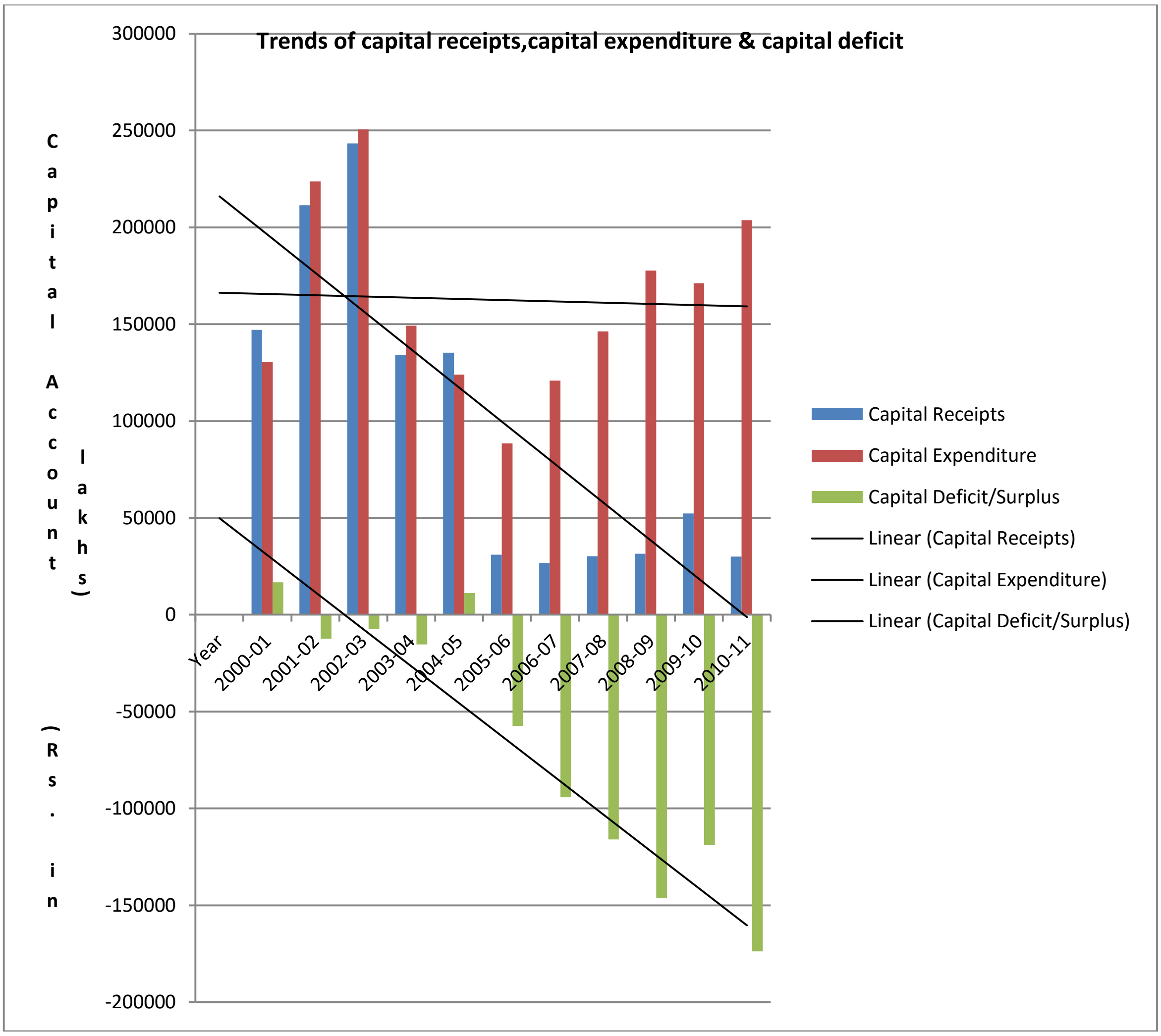
In the beginning of the study period 2000-01, the capital receipts are Rs.1,47,142 lakhs and Capital expenditure is Rs.1,30,369 lakhs with a capital surplus of Rs. 16,773 lakhs. In the next three fiscal years 2001-02, 2002-03 & 2003-04 the economy falls in capital deficit. There is continuous fall in capital deficit except the fiscal year 2004-05 in the economy. The capital deficit is maximum in the fiscal year 2010-11 with a deficit at the tone of Rs.1,73,728 lakhs (Table 1.4).

TABLE 1.4: CAPITAL ACCOUNT DURING 2000 TO 2010 (Rs. In lakhs)

Year	Capital Receipts	Capital Expenditure	Capital Deficit/Surplus
2000-01	147142	130369	16773
2001-02	211416	223762	-12346
2002-03	243312	250609	-7298
2003-04	133937	149259	-15322
2004-05	135233	123959	11274
2005-06	30965	88413	-57448
2006-07	26686	120896	-94210
2007-08	30209	146243	-116034
2008-09	31520	177767	-146247
2009-10	52317	171143	-118826
2010-11	29960	203688	-173728

Source: Government of Manipur (2012-13), A Picture of Manipur Budget, Directorate of Economics and Statistics, IMPHAL.

FIGURE 1.5: TRENDS IN CAPITAL ACCOUNT



All the Capital Account components are in the decreasing direction. The linear trend lines of the capital receipts, capital expenditure and capital deficit/surplus are downward sloping from left to right. It shows the inverse relationship between the capital receipts and the successive year during the period 2000 to 2010. It can be termed as "capital gap" because the economy is not getting enough capital receipts and fall in capital deficit. On the other side, the capital expenditure is also declining due to low capital receipts. There is capital imbalance and capital gap in the Manipur economy during the periods 2000 to 2010. It is a serious matter and has becomes critical in the process of development.

4. PUBLIC ACCOUNTS

Expenditure from Public Account does not require the approval of the Legislature but the net receipt in the Public Account is taken into account for balancing the Budget.

The Public Accounts as defined in Article 266(2) of the Constitution of India comprises all public money received by or on behalf of the Government, which are not credited to the Consolidated Fund of the State. The Public Accounts comprises of the followings:

1. Unfunded Debt (Shares of Small Savings and Provident Fund)
2. Deposit and Advances
3. Reserve Funds.
4. Remittances, Suspense and Misc.

The unfunded Debt (Provident Fund) and Deposit and Advances record transactions in respect of which Government act only as a banker by receiving amounts which is paid afterwards and make advances other than loans, which are repayable. The suspense and remittances are only adjusting heads and all entries in these accounts are eventually cleared by corresponding Credit/Debit to the final head of accounts.

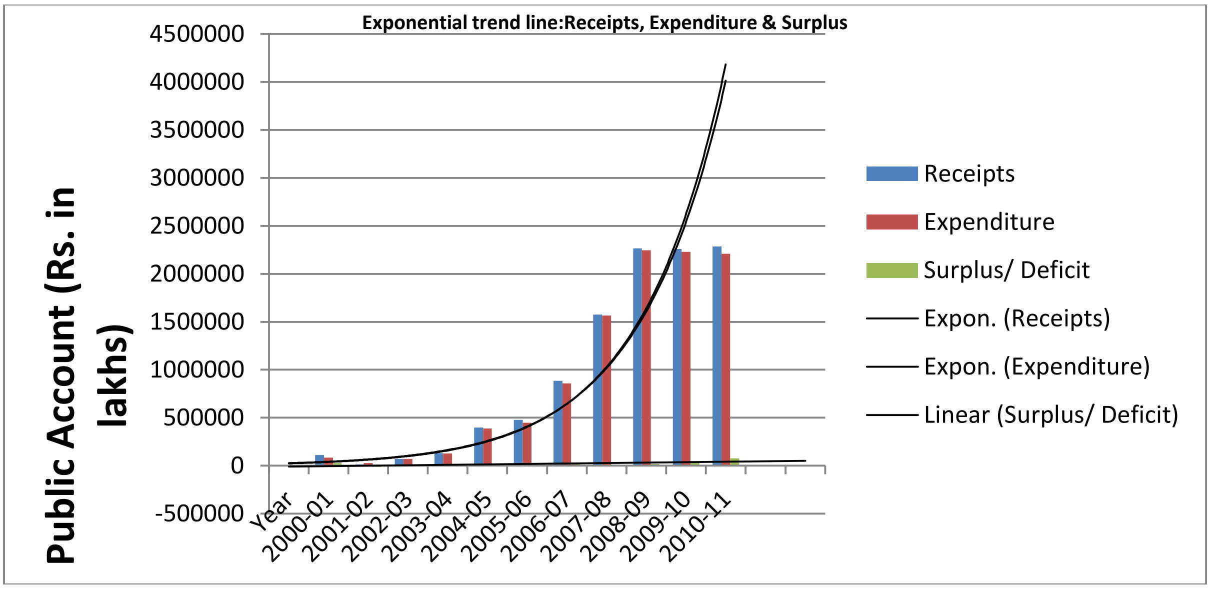
There is good record of receipts and expenditure in the Public Account during the period 2000 to 2010 except the two fiscal years 2001-02 and 2002-03. The public Account was in deficit at the tone of Rs. -11,260 and Rs. -405 lakhs (see Table 1.5) during 2001-02 and 2002-03 fiscal years respectively. The account on Suspense and Misc. has been a major component of the Public Account. Out of the Total public Account Receipts of Rs.22,87,409 lakhs, the Receipts on Suspense and Misc. was Rs.18,91,866 lakhs[2] in the fiscal year 2010-11.

TABLE 1.5: PUBLIC ACCOUNT OF STATE DURING 2000 TO 2010 Rs. In lakhs.

	Receipts	Expenditure	Surplus/ Deficit
Year			
2000-01	109519	83408	26111
2001-02	14945	26205	-11260
2002-03	71524	71932	-408
2003-04	129848	128830	1018
2004-05	396812	389112	7700
2005-06	476205	449029	27176
2006-07	883806	859088	24718
2007-08	1576629	1566493	10136
2008-09	2264523	2246227	18296
2009-10	2259782	2230447	29335
2010-11	2287409	2209298	78111

Sources: Government of Manipur (2007-08), Finance Department, Annual Financial Statement. & Government of Manipur (2012-13), A Picture of Manipur Budget, Directorate of Economics & statistics, Imphal.

FIGURE 1.6: TREND LINES OF PUBLIC ACCOUNT



The Exponential trend lines of the receipts and expenditure in the Public Account shows the increasing direction of the account. The upward sloping curves of the Receipts and Expenditure highlight the positivity. The flat portion of the curve shows the two is increasing at the slow rate in the first five fiscal years. The curve is steep from the fiscal year 2007-08 to 2010-11 indicating a sudden and spurt increase in both the Receipts and Expenditure.

5. SUMMING UP OF THE THREE ACCOUNT VIS-À-VIS THE FISCAL POSITION

In the foregoing section, we have presented and analyses the Revenue account, the Capital Account and the Public Account separately during the period 2000 to 2010. The public Account has better position than the other two Accounts. The worse situation was found in the Capital Account. It gives an idea of the State Fiscal Policy direction. In a developing economy like Manipur, the Capital account should be strong in composition and direction. It has found a decline direction in the Receipts and Expenditure on the Capital Account with a Capital deficit. During 2009-10 due to less devolution of Grant-in-aid from the Centre and lesser Non-tax revenue, the revenue surplus fell by Rs. 39,160 lakhs in 2009-10, and as a consequence and coupled with increase in Total Expenditure, the overall deficit in the fiscal year 2009-10 is Rs. – 3,616 lakhs in which Capital Account deficit is Rs. – 1,18,826 lakhs. There is a weak and imbalance scenario in the capital Account throughout the period.

The overall fiscal condition can be maintained with a proper check in the Revenue and Capital Account. The State Government should consider initiating steps on an urgent basis to make efforts to maintain a surplus on both the Account. The deficit in the state is not that of the quality of public finance. The deficit is undesirable deficit one and it was the maintenance of unproductive activities. If the deficit is for productive activity, it will generate more public revenue and ultimately for the development of the economy.

[2] Government of Manipur (2012-13) – A Picture of Manipur Budget, Directorate of Economics & Statistics, Imphal

6. TOTAL RECEIPTS VIS-À-VIS GSDP: A LINK TO ECONOMIC GROWTH

The relationship between Total Receipts of the Government and Economic Growth can be established from the analysis of total receipts of various years and the various years' figures of GSDP of the economy. In the context of Manipur's economy, there is a direct relationship between the Increase in Total Receipts of the Government and the growth of GSDP. As GDP is one of the indicator of Economic Growth of an economy and we have the idea that the increase in GDP is the increase in economic growth. During the period of Eleven year i.e. during the period 2000 to 2010, the GSDP of the Manipur's economy is increasing and at the same time, the Total Receipts of the Government is also at the increasing trend (Table 1.6).

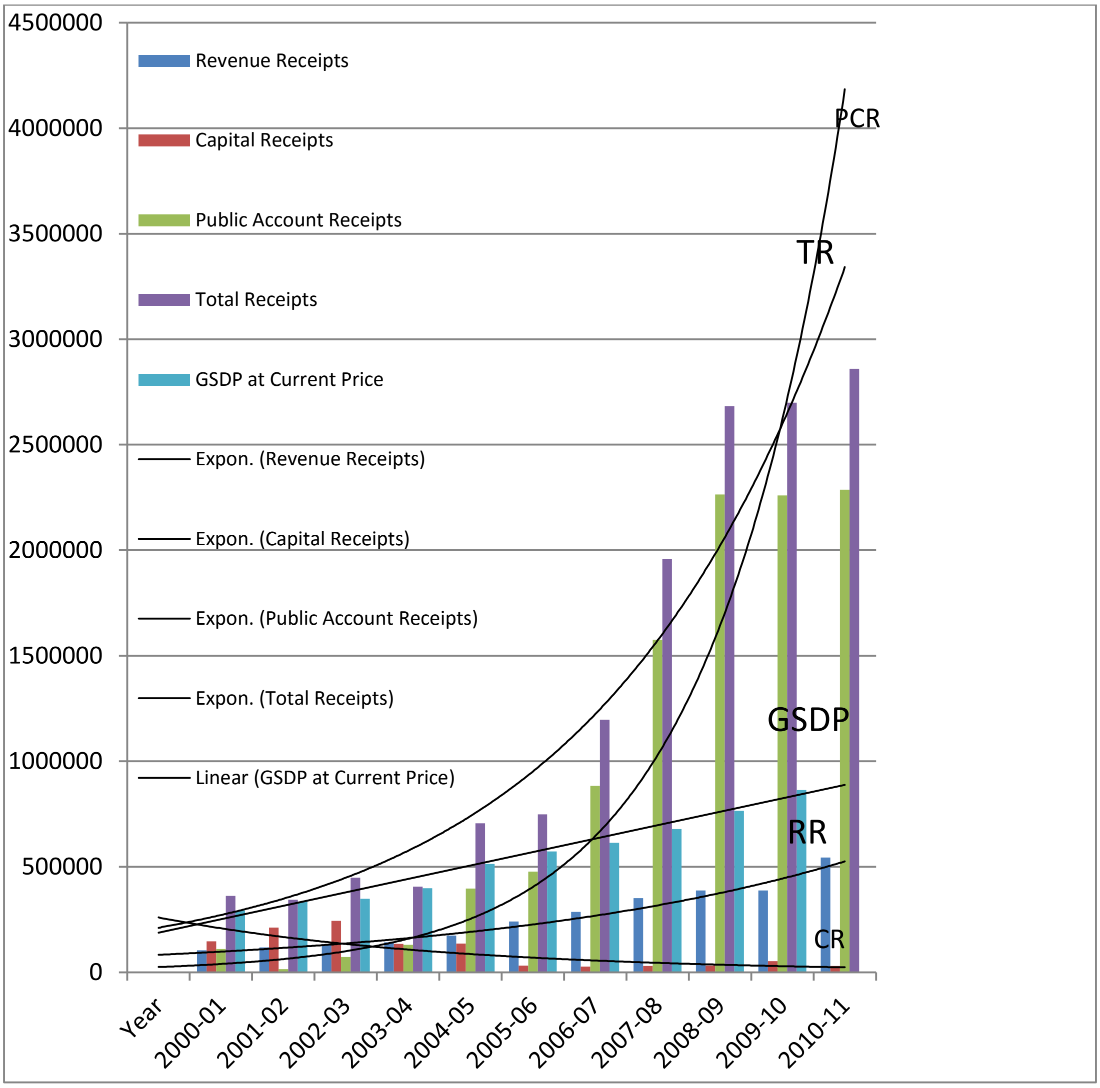
Our budget Receipts includes Debt and other borrowing. The State cannot meet all its Expenditure from its own sources of income. It is the reason that the GSDP is less than Total Budgeted Receipts. People frequently speak about Tax-GDP ratio because tax is a part of GDP. But, here it can express GSDP-Total Receipts ratio. Our Budgeted Receipts becomes treble times of the GSDP in the fiscal year 2010-11. It means that Rs. 100 of GSDP the Total Receipts is more than Rs. 300 in the fiscal year 2010-11.

TABLE 1.6: TOTAL RECEIPTS VS. GSDP AND THEIR RATIO (Rs. In lakhs.)

YEAR	REVENUE RECEIPTS	CAPITAL RECEIPTS	PUBLIC ACCOUNT RECEIPTS	TOTAL RECEIPTS	GSDP AT CURRENT PRICE	GSDP-RECEIPTS RATIO %	GSDP- RECEIPTS RATIO
2000-01	104462	147142	109519	361123	292010	123.66	1.236
2001-02	117678	211416	14945	344039	334423	102.87	1.028
2002-03	132799	243312	71524	447635	348171	128.56	1.285
2003-04	141971	133937	129848	405756	397924	101.96	1.019
2004-05	174276	135233	396812	706321	513336	137.59	1.375
2005-06	240895	30965	476205	748065	571988	130.78	1.307
2006-07	286274	26686	883806	1196766	613258	195.14	1.951
2007-08	350827	30208	1576629	1957664	678131	288.68	2.886
2008-09	387262	31520	2264523	2683305	739900	362.80	3.628
2009-10	387313	52317	2259782	2699412	831350	324.70	3.247
2010-11	542994	29960	2287409	2860363	919780	310.98	3.109

Sources: Government of Manipur (2005-06) & (2010-11), Economic Survey Manipur, Directorate of Economics and Statistics, Imphal. And Government of Manipur (2012-13), A Picture of Manipur Budget, Directorate of Economics & Statistics, Imphal

FIGURE 1.7: TRENDS LINE OF TOTAL RECEIPTS AND GSDP



The above figure represents the yearly trends of the components of Total Receipts and the GSDP. In the figure TR, PAR, RR, GSDP and CR are the Exponential and linear Curve of Total Receipts, Public Account Receipts, Revenue Receipts, Gross State Domestic Product and Capital Receipts. All the variables are in increasing direction except the Capital Receipts. The CR curve is sloping downward indicating the decreasing direction. The Revenue receipts and GSDP curve is increasing at a somewhat similar rate than the other variables. The two variables TR and PAR are increasing at the increasing rate from the year 2006-07 onwards.

7. THE GOVERNMENT EXPENDITURE VIA-A-VIA GSDP

The growth of "Government expenditure reacts to changing potential output as a result of the adaptation of the public sector to a modified size of the economy. However, it also true that shocks to government expenditure translate into aggregate demand and then changed GDP levels, *i.e.*, it is difficult to disentangle *a priori* whether the relation between government expenditure and GDP goes from the latter to the former or vice-versa"[3]. There is no uniqueness in the relationship between the growth of Government expenditure and the GDP growth. "Fiscal reaction functions generally analyse the behaviour of the share of primary government budget balance over GDP, but estimates have been carried out separately for government primary expenditure as a share on GDP. Results show in general that government expenditure tend to fall in relation to GDP as debt/GDP ratios fall, a result consistent with the hypothesis that fiscal authorities set expenditure motivated also by the purpose of stabilising debt"[4] .

In most of the developed and developing economies, there is some certain share of government expenditure to the GDP. Total Expenditure should be lesser than to its GDP. *"The spead in the size of government spending relative to GDP has narrowed in OECD member countries. Whereas government expenditures ranged from about 20% and 65% of GDP in 1995, today spending comprises between 30% and 55% of GDP in OECD member countries."*[5] However, in the context of Manipur's economy the Total Expenditure is more than the GSDP. There is a Government Expenditure - GSDP paradox in the State economy. It is contradictory in the sense that the expenditure made by the government is greater than its earned GSDP. In the fiscal year 2000-01, the GSDP- Total Expenditure ratio is 0.89, and the Total Expenditure-GSDP ratio is 1.11 (Table 1.7). In other words, the GSDP of the Manipur State is 89% of the Total Expenditure and Total Expenditure is 111% of the GSDP in the Fiscal year 2000-01. It is lowest in the fiscal year 2008-09, a ratio of 0.27 i.e. only 27% of the Total Expenditure. The GSDP in the fiscal year 2008-09 was Rs. 7,39,900 lakhs and the Total Expenditure was Rs.26,86,222 lakh.

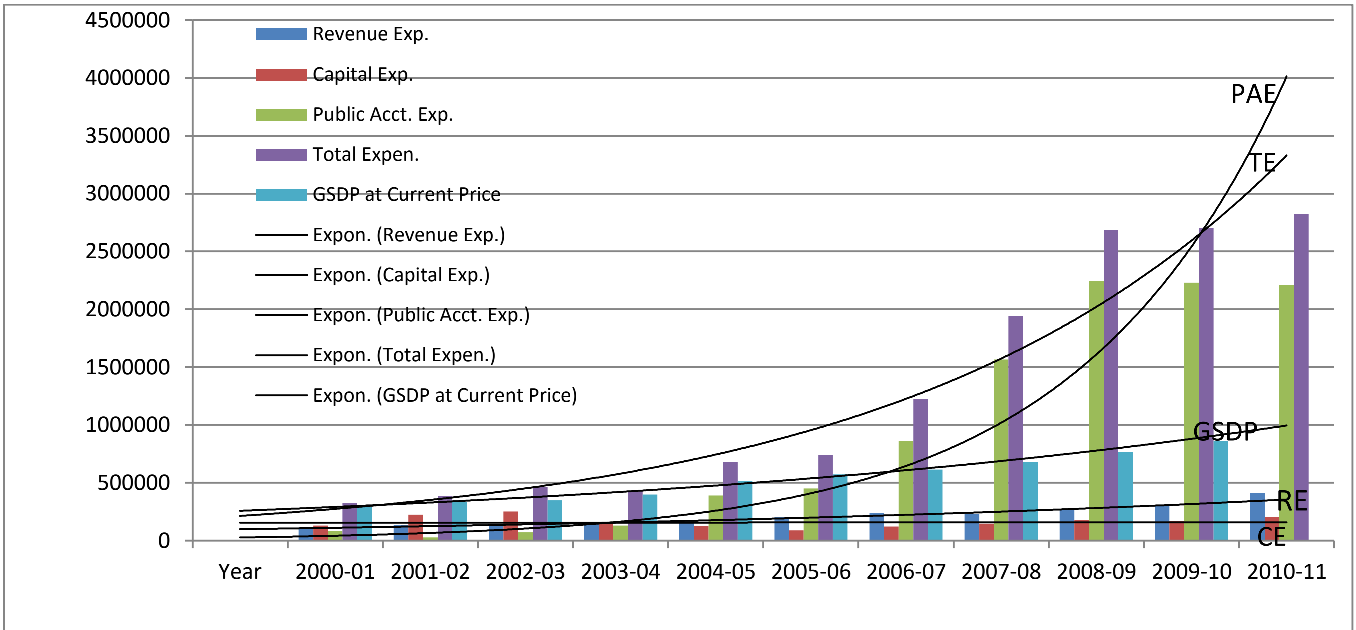
The great mismatch between Total Expenditure and the GSDP arises in the economy. There are various reasons for such a big difference and the lesser value of GSDP. It can be analysed from the expenditure side of the government, specially the nature of expenditure on developmental and non-developmental activities. In an underdeveloped and developing economy, the share of non-developmental expenditure to the total expenditure is higher than to that of developed economy. As the economy goes forward, and the economy becomes more and more advanced, the percentage share of non-developmental expenditure to the total expenditure decreases. It is because in an underdeveloped economy the government spend huge amount for its initiative role for a planned economic development. If the expenditure is for income generation activities only, then it may not raise the question for such less income or the big differences between GSDP and Total Expenditure. It is a general understanding that GSDP must be higher than Expenditure. An initial increase in Investment can generate multiple expansion of Income. This applicability can be brought soon in Manipur's economy, if the policy setters have the knowledge of right spending and proper direction of expenditure. Economic growth and increase in GSDP depends on many factor especially the nature of government expenditure, state of infrastructure, the tax rate, private investment etc.

TABLE 1.7: GSDP, TOTAL EXPENDITURE AND THEIR RATIOS (Rs. In lakhs)

Year	Revenue Exp.	Capital Exp.	Public Acct. Exp.	Total Exp.	GSDP at Current Price	Ratio of T0tal Expen. to GSDP	Ratio of GSDP to Total Expen.
2000-01	112344	130369	83408	326121	292010	1.116	0.895
2001-02	133796	223762	26205	383763	334423	1.147	0.871
2002-03	141511	250609	71932	464052	348171	1.332	0.750
2003-04	146347	149259	128830	424436	397924	1.066	0.937
2004-05	165119	123959	389112	678190	513336	1.321	0.756
2005-06	200451	88413	449029	737893	571988	1.290	0.775
2006-07	241465	120896	859087	1221448	613258	1.991	0.502
2007-08	229252	146243	1566492	1941987	678131	2.863	0.349
2008-09	262228	177767	2246227	2686222	739900	3.630	0.274
2009-10	301439	171143	2230446	2703028	831350	3.129	0.319
2010-11	407801	203688	2209298	2820787	919780	3.068	0.326

Source: Same as Table No. 1.6

FIGURE 1.8: TRENDS LINES OF TOTAL EXPENDITURE AND GSDP



The above diagram shows the trends in the expenditure components and the GSDP of the State economy. TE, PAE, GSDP, RE and CE are representing the Exponential Curve of Total Expenditure, Public Account Expenditure, Gross State Domestic Product, Revenue Expenditure and Capital Expenditure respectively. All

[3] Alfonso, A & Turrini, A - *Government Expenditure and Economic Growth in the EU: Long-run Tendencies and Short-term Adjustment, European Commission,* 2008, *P.805.*

[4] Ibid, p.833

[5] OECD library (2009-10), Government at a Glance 2009.

the variables are at the increasing direction except the Capital Expenditure. As the Total Expenditure and its other components increased, the GSDP also increased signifying that growth is relates to the expenditure.

8. ECONOMIC GROWTH, DEVELOPMENT, GSDP AND THE FISCAL POLICY

The important goal of fiscal policy and reforms is to attain growth and development. Economic growth is a quantitative aspects and development is both qualitative and quantitative aspects. Economic development is a wider concept. It is the economic growth plus changes in the structure of the economy. According to Khosravi and Karimi[6] (2010), classical studies estimate that economic growth is largely linked to labour and capital as factors of production. The endogenous growth theory has suggested the role of other factors in explaining the economic growth phenomenon (Bogdanov, 2010)[7]. Economic growth as a quantitative aspect represents the expansion of a country or State's potential GDP or output. Economic growth and Fiscal policy gave insight into why state grows at different rates over years and influences government in the choice of tax rates and expenditure levels that will influence the GDP growth rate.

"Development implies change, and this is one sense in which the term development is used, that is, to describe the process of economic and social transformation within countries."[8]The term economic development constituted a persuasive definition an increase in real income per head as a desirable objective. During the 1950's and early 1960's, development policies emphasized the maximization of growth of GNP through capital accumulation and industrialization based on import substitution. In view of a distrust of markets and a belief in the pervasiveness of market failure, government also turned to central planning.[9] Economic development is much bigger than the growth of GSDP and the role of government is the creation of a favorable environment for economic activity. "A government that creates a favorable enabling environment has a large role to play, for instance in ensuring the provision of infrastructure, including social services, such as poverty alleviation, basic education, and access to health care; public security; a stable macroeconomic framework; and an efficient fiscal and regulatory system"[10]. Economic development covers all these structure and it is economic growth plus the change in the structure of the economy. It includes the growth of GSDP and in this regard fiscal policy play an important role. The relationship between growth of GSDP and fiscal policy can be analyzed with the help of Econometric model. Correlation, Multiple and Simple regressions were used to analyze the model. Estimation of parameters of the model required data on government expenditure on Economic Services (capital and revenue), own tax revenue receipts, own non-tax revenue receipts, grant-in-aid and Gross State Domestic product at current prices. Some criteria such as correlation, coefficient of determination (R2), t-test and F-ratio were used in the analysis. F-ratio test was employed for the test of overall significance.

A lot of literature was found that the inverse relationship between tax and GDP. It is due to imposition of taxes on production activities. "Raising the level of taxes turns fiscal policy into a restrictive policy which inhibits economic growth. By increasing taxes, the State diminishes the level of disposable income Yd, which is reflected in the reduction of consumption and, eventually, in the decrease of aggregate demand; the reduction of aggregate demand results in a decrease in output Y"[11]. Okidim and Tuaneh derive similar case study. [12] It is general understanding that more the GDP more will be the Tax and Non-tax revenue. However, more tax imposed is a retarding factor for GDP. If we impose more and more taxes on goods and services, its impact is reduction of production. Therefore, it makes a decrease in GDP and does not mean that increase in GDP decrease the tax revenue.

MODEL SPECIFICATION

The following relationship is arrived.

For Multiple Regression

GSDP = F (x1, x2, x3, x4, x5) + Ut

Where,

GSDP = Gross State Domestic Product (y)

X1 = Own tax revenue.

X 2 = Own non-tax revenue.

X3 = Expenditure on economic services from revenue account (EESRA).

X4 = Expenditure on economic services from capital account (EESCA).

X5 = Grant-in-aid.

Ut = Stochastic variable, is the disturbance term measures the deviation of each observed Y value from the true but unobserved regression line.

Where GSDP is the dependent variable and X1 …….. X5 are independent variables, which influence growth (Dependent). The above relationship can be rewrite as

Y = a + b1 X1+ b2 X2+ b3 X3+ b4 X4 + b5 X5 + Ut ……………1

And for simple linear regression

Y = a + b Xi +Ut ……………2

Where, b1, b2…..b5 are the co-efficient.

TABLE 1.8: GSDP AND FISCAL COMPONENTS

	GSDP at current price	Own Tax	Own Non-tax	Govt. Exp.on Economic Services		Grants-in-aid
Year				Revenue Exp.	Capital Exp.	
2000-01	292010	4907	4166	21050	10563	79037
2001-02	334423	5101	2873	32545	12281	95490
2002-03	348171	6516	5649	30308	8077	101822
2003-04	397924	6824	4933	37145	13389	106126
2004-05	513336	8139	6975	42369	24864	130459
2005-06	571988	9495	7646	59788	29766	189540
2006-07	613258	12151	18104	87734	46502	212380
2007-08	678131	14742	16471	64235	62542	264571
2008-09	739900	17006	25346	72463	86486	286828
2009-10	831350	19604	23974	81598	92567	283979
2010-11	919780	26741	25988	108368	105257	391244

Source: Government of Manipur (2012-13) - A Picture of Manipur Budget, Directorate of Economics and Statistics, Imphal and Government of Manipur - Economic Survey, Directorate of Economics and Statistics, Imphal, Various issues.

[6] Khosravi, A. & Karimi, M.S. – To Investigate the Relationship between Monetary Policy, Fiscal Policy and Economic Growth in Iran: Autoregressive Distriduted Lag Approach to Cointegration, American Journal of Applied Sciences, 7(3); 2010, p.420-424.

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TABLE 1.9: CORRELATIONSHIP OF THE VARIOUS VARIABLES

VARIABLES	*GSDP*	*OWN TAX*	*OWN NON-TAX*	*REVENUE EXP.*	*CAPITAL EXP.*	*GRANT-IN-AID*
GSDP	1					
OWN TAX	0.965794	1				
NON-TAX	0.940835	0.936183	1			
EESRA	0.938885	0.917524	0.90499	1		
EESCA	0.970148	0.973471	0.974284	0.892647	1	
GRANT-IN-AID	0.977369	0.981513	0.942942	0.937043	0.971602	1

There is high correlation ship among the explanatory variables as shown in the table 1.9. A problem of Multicollinearity existed in the Multiple Regression. It makes insignificant to all the variables according to their t-value at 5% level of significance. However, from the values of R2 and F-ratio derive at an overall significant (Table 1.10). Now, it is better to estimate the significant levels in simple regression to derive a better conclusion.

TABLE 1.10: MULTIPLE REGRESSION

Parameter	Coefficients	Error	t-Value	Prob>|t|
Y-Intercept	236048.1	54159.43	4.35839	0.0073
OWN-TAX	-6.53008	13.19959	-0.49472	0.64177
OWN NON-TAX	-9.1557	8.93226	-1.02502	0.35236
Revenue expenditure	3.03857	1.89046	1.60731	0.1689
Capital expenditure	5.72342	3.51192	1.62971	0.16409
Grant-in-aid	0.48887	0.97615	0.50082	0.63776
R Square (COD)	Adj. R-Square	Root-MSE(SD)		F-value
0.97555	0.9511	46794.06		39.90152

TABLE 1.11: SIMPLE REGRESSION VALUES OF FISCAL VARIABLES

Variables	b	t	F	R2	p-value
Own tax	**29.388**	**11.173**	**124.8**	**0.93**	**1.41E-06**
Own Non-tax	**21.668**	**8.32**	**69.29**	**0.88**	**1.6E-05**
Grant-in-aid	**2.026**	**13.860**	**192.11**	**0.95**	**2.24E-07**
EESRA	**7.165**	**8.182**	**66.95**	**0.88**	**1.85E-05**
EESCA	**5.654**	**12.001**	**144.03**	**0.94**	**7.69E-07**

9. RESULTS AND DISCUSSION

Table (1.8 to 1.11) shows the various values of both dependent and independent variables. It shows GSDP at current prices, own tax revenue, own non-tax revenue, government expenditure on economic services (revenue and capital) and Grant-in-aid. For analyzing the impacts of Fiscal variables on GSDP, the time series data of selected fiscal variables for different heads were regressed on GSDP.

In the model, the Gross State Domestic product is the dependent variable. The GSDP had continued to grow from 2000 to 2010 with a higher growth rate in 2004-05. Likewise, government revenue (X1 and X2), government expenditure (X3 and X4) also increased and this increased the Grant-in-aid (X5). Within this period (2000-2010) own tax revenue, own non-tax revenue and expenditure on economic services increased. The research shows that increase in government expenditure on economic services, (X3) and (X4), increase gross state domestic product (GSDP). The values of b denote the absolute increase in GSDP because of one-unit increase in the heads of the selected fiscal variables. All the variables are significantly contributing to the growth of GSDP according to their P-value, R2, F and t statistics (Table 1.11).

Test of overall significance of the multiple regressions (F-test)[13]

The overall significance of the regression can be tested with the ratio of the explained to the unexplained variance. This follows an F distribution with k-1 and n-k degrees of freedom, where n is number of observations and k is number of parameters estimated.

The calculated F-value is 39.90 which exceeded the tabular value of F – 5.05 with (5, 5) degrees of freedom at 5% level of significance. The hypothesis (The growth of GSDP is depends on the growth of Fiscal Variables) is accepted that the regression parameters are not equal to zero and R2 is significantly different from zero. The high value for the F statistic suggests a significant relationship between the dependent and independent variables i.e. the GSDP and the selected Fiscal Variables, the Own tax, Own non-tax, Expenditure on Economic Services both capital and revenue account and grant-in-aid.

The conclusion emerging from the study is that the selected fiscal variables like own tax, own non-tax, Expenditure on economic services and Grant-in-aid have been contributing to the growth of GSDP. Base on the findings and outcome of this study, the following recommendations are being made. The Own tax and Non-tax revenue of the State are raise at the maximum from taxes on consumption and services. Therefore, it does not reduce the GSDP as it is not affected the production activities. Government should redirect its expenditure towards directly productive investment i.e. Expenditure on Economic services so as to increase output (GSDP). The amount of grant-in-aid can best used in the developmental activities for more GSDP growth.

[13] Salvatore, D. and Reagle, D. – Theory and Problems of Statistics and Econometrics, 2nd edition, McGraw Hill, Schaum's Outline Series, www.LisAri.Com, p.158.

TABLE: 1.12

SUMMARY OUTPUT of Total Receipts & Total Expenditure

Regression Statistics	
Multiple R	0.999709
R Square	0.999418
Adjusted R Square	0.999354
Standard Error	25502.11
Observation	11

ANOVA

	df	*SS*	*MS*	*F*	*Significance F*
Regression	1	1.01E+13	1.01E+13	15461.03	7.15E-16
Residual	9	5.85E+09	6.5E+08		
Total	10	1.01E+13			

	Coefficients	*Standard Error*	*t Stat*	*P-value*
Intercept	3446.826	12901.44	0.267166	0.795363
X Variable 1	0.998712	0.008032	124.3424	7.15E-16

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THE IMPACT OF NON-PERFORMING LOANS ON NET INCOME OF JORDANIAN BANKING SECTOR THROUGH 2003-2013

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ABSTRACT
The problem of loans and debts is among the main problems which affect the current state as well as the future of economic Growth in developing countries. At some countries, this problem threatens the economic, social and political stability. The use of debt in the structure of finance results in maximizing of profits, which is called the financial leverage. However, the freedom of commercial banks in terms of using debts is not free of constraints, and is impacted by a set of factors, both internal and external, which may result in increasing the amount of debt, especially non-performing loans, which affect profits before and after taxes. Thus, this study aims to examine the impact of the amount of non-performing loans on the net profit at the Jordanian banking sector after the payment of taxes. Statistical analysis and hypotheses testing were used for the purposes of examining the impact of the percentage of non-performing loans on the net income after taxes. Through the analysis of a series of annual reports of the years 2003-2014. Results of the study are provided based on the processing and analyzing of the hypotheses of the study. Results of the study showed the presence of a significant impact of the percentage of performing loans on net income after taxes. Additionally, a statistically significant impact of the percentage of non-performing loans on net income post taxation, as well as a statistically significant impact of the percentage of both performing and non-performing loans net income post taxation.

KEYWORDS
non-performing loans, banking sector.

INTRODUCTION
Most developing countries suffer from the openness of their economies to the economies of developed countries, which renders the former vulnerable to the international fluctuations, as well as more exposed to crises and external problems, which is reflected negatively on the degree of local stability in these countries. The impact of external changes is transferred to any country through the balance of payments, in addition to foreign debt, aids and grants which are impacted by external factors which include exchange rates, deterioration of terms of trade, slowing of growth in the industrial countries, and the rates of foreign interest, as well as the internal factors which include financial deficit and internal debt (Maharmeh et al, 2012: 136).

The problems of loans and debts had challenged several developing countries, including Arab countries, in recent years, and was among the main challenges to the current and future growth in these countries, and created real crises which threatened their economic, social and political stability in a direct manner. A country seeks debts when revenues fall short of covering expenditures. Additionally, a country may seek debts for the purpose of financing investments which exceed local savings, or in order to absorb the purchasing power of individuals (Al-Adhayleh et al, 2014: 3).

The increase in the amount of non-performing loans which are not employed in creating revenues contributes to decreasing the amount of income, so, this study aims to examine the impact of the amount of non-performing loans at the Jordanian banking sector on the net after- tax income.

PROBLEM OF THE STUDY
Using debts in the structure of financing results in maximizing income, i.e. financial leverage. However, the freedom of the country in terms of the use of debts is constrained, and impacted by a set of factors, both internal and external, which may result in increasing the amount of debts, especially in the case of non-performing loans which affect after- tax income. Thus, this study sought to highlight the impact of the amount of nonperforming loans at the Jordanian banking sector on after- tax net income.

IMPORTANCE OF THE STUDY
The importance of the present study is related to the importance of the phenomenon of loans, whether external or internal, which affect the economic and political stability. Additionally, the amount of loans impacts the performance of commercial banks, and consequently affects the economic growth.

HYPOTHESES OF THE STUDY
This study seeks to test the following hypotheses:
1- There is no statistically significant impact of the percentage of performing loans on net income after taxes.
2- There is no statistically significant impact of the percentage of non-performing loans on net income after taxes.
3- There is no statistically significant impact of the percentage of performing and non-performing loans on net income after taxes.

AIMS OF THE STUDY
This study aims to identify the:
- Percentage and amount of loans at Jordanian banking sector.
- Net income after taxes at the Jordanian banking sector.
- Impact of the amount of non-performing loans on the net income after tax at the Jordanian banking sector.
- Negative impacts of non-performing loans on the performance of the banking sector.
- Banking defaults resulting from non-performing loans on the economic stability.

VARIABLES OF THE STUDY
Independent variable: amount of non-performing loans
Dependent variable: net income after tax

OPERATIONAL DEFINITIONS OF TERMS
Loans: sums due to be paid back to an individual, party or an institution, and which involves two parties; the lender and borrower (Simone, 2011: 67).
Non-performing Loans: A sum of borrowed money which do not accrue revenues of interests for the bank, or the loans to be rescheduled based on the situation of the borrower. According to the current banking legislations in USA, the non-performing occurs when the debtor has not made his or her scheduled payments for at least 90 days (Peter and Sung, 2014).

Income: the difference between the accrued revenues of transactions during the accounting cycle and the historical costs (Hanan, 2003: 242).

Net Income: percentage of total sales revenue after subtracting costs and expenses, and is calculated by dividing net profit (or loss) on net revenues of sales (Kenneth, 2009).

REVIEW OF LITERATURE

1- The study of Al-Adhayleh et al. (2014): this study aimed to examine the structure of public debt in Jordan and its impact on economic growth during the period 1980-2012. Results of the study showed that foreign loans have anegative effect on economic growth, and that the impact of internal loans on GDP is positive. Results showed also that the amount of debt in Jordan is at acritical level, at 80% of GDP in 2012, which is a dangerous percentage, being above the highest acceptable level of 60% as stated in the Jordanian law of public debt of 2001.
2- The study of Al-Zoubi et al. (2011): this study aimed to investigate the case of rescheduling of loans in banking operations and its negative impacts on both the lender and borrower. Results showed that rescheduling of loans is a postponement of payments, and not a real solution for the problem of non-performing loans.
3- The study of Haddad (2005): this study aimed to examine the defaulting loans (non-performing loans) at Jordanian commercial banks. The study tackled the case of credit granting default at Jordanian commercial banks and the best solutions. Results showed that default of loans is affected by the credit analysis, upon which the credit granting decision was based, and that commercial banks analyse the financial position of the borrowing company prior to granting credit which is due to the fact that banks abstain from making a feasibility study which contributes to the occurrence of default.
4- The study of Panizza (2008): This study aimed at exploring the alternative and modern definitions of internal and external debts. Results showed that the traditional categorization of debts into internal and external has no meaning in the world of capital accounting. Results showed also that seeking internal debt has a positive role in alleviating the threats to sovereignty resulting from external borrowing, particularly the financial dangers.

NON-PERFORMING LOANS

It is not uncommon for banks to encounter crises and losses which threatens their stability and affect the trust of their customers. Such situations can be due to several serious banking problems including the problem of non-performing loans, which is a frequent occurrence in banking activity. These loans can be bad loans, either in default or close to being in default. These loans also affect revenues due to losses resulting from non-performing loans which consequently affects income and net profit (Abdullah and Sei'fan, 2008: 46).

THE CONCEPT OF LOAN

Subsequent to World War 2, several developing countries gained their independence, which was followed by the following aspiring developmental policies by their governments, which required huge capitals, despite the fact that most of these countries were suffering from low saving rates. In order to accelerate the process of economic development, most developing countries sought foreign capital in its various forms (Ahmad, 2013: 2): debts, loans, aids, grants and investments. Debts involve liabilities to lenders in foreign currency or commodities and services due in a year or more.

Loans can be defined as monetary sums or other forms of wealth provided by an organization or a government to the government of another country, with the commitment to pay the original sum in addition to its costs which constitute the interests on terms agreed upon by the concerned parties (Al-Abbadi, 2004: 81).

INTERNAL FACTORS FOR THE INCREASE IN THE AMOUNT OF LOANS

The internal factors are those related the economies of the developing countries suffering from the problem. Most developing countries have applied inappropriate local economic policies which complicated their problems. Most borrowed capital was directed towards increasing local consumption, especially for purchasing weapons. Additionally, they followed policies which exceed their capabilities and local resources, and the lack of targeting production. The role of public sector became stronger, and was reflected in the increasing expenditure which created a gap in local resources, and the increase dependence on external financing which resulted in the increase in debts and structural incompatibilities in developing countries, as well as an increasing competition between public and private sector (Jarrah, 2009: 132).

Additionally, the population of developing countries has witnessed huge increases, accompanied by mismanagement of the borrowed resources, the flight of national capital, administrative and financial corruption and the lack of a sound borrowing policy (Abd-Alrazzaq, 2006: 56).

CONCEPT OF FINANCIAL DISTRESS

Several definitions of financial distress were provided in accounting literature. Matar, defined it as the incapability of the firm to achieve appropriate revenues which exceeds the cost of capital (Matar, 2010: 352).

The stage at which the firm becomes incapable of paying the debts to lenders leads to its bankruptcy or rescheduling the loans (Drapeau, 2000: 2). Financial distress was defined also as the incapability of the firm to pay its current liabilities in due time (Al-Hyali, 2007: 56). Some researchers define it as filing for bankruptcy (Mohammed et al, 2008: 210). Gibson states that financial distress is the inability of the firm to pay the dividends of shares and short term liabilities and interest on debts (Gibson, 2009: 451). Companies Control Department considers a firm to be in distress when it faces losses for two consecutive years. It can be defined also as the incompatibility between the investment decisions and financing decisions, which results in the existence of a gap between revenues and the expenses of financing, in a manner which increases the probability of default. Usually, the beginning is reflected in the inability of the firm to pay due debts, and consequently its inability to pay the interest of the loans, bonds, and preferred stock (Al-Shaikh, 2000: 76).

ASPECTS OF FINANCIAL DISTRESS

- The economic aspect: which is the inability of the firm to create revenues from investments which are higher than the money invested in the project (Mohammad et al, 2008: 176), or the revenues falling short of covering total costs including financing costs, which is related to the inability of management to create revenue on investment that is higher than the rates of interest in the market, and which is not proportional to the expected dangers related to the investment (Al-Zubaidi, 2002: 236).
- The financial aspect: which is the stage of real insolvency, when the book value of the firm's assets is lower than the book value of its liabilities, which is called legal insolvency, which leads the firm to bankruptcy and default, which leads ultimately to liquidation of the firm (Matar, 2010: 363). The financial aspect of distress may be reflected in the inability of the firm to pay its short term liabilities, although assets exceed the liabilities. It can also refer to the case in which the liabilities of the firm exceed its assets (Al-Zubaidi, 2002: 236).

CAUSES OF FINANCIAL DISTRESS

The phenomenon of financial distress is telling, and results in serious dangers at various businesses in both developing and developed economies due to a set of external and internal causes such as: the inefficiency of management, lack of liquidity, accumulation of losses, and the inefficient operation policies and the pricing and selling policies as well as high leverage (the high contribution of debts in the structure of financing), or unjustified acquisitions and the inefficient collecting, in addition to surrounding conditions such as the governmental policies and competition. A survey conducted by Dun & Bradstreet showed that the causes of financial distress include:

Inefficiency of management and employees	93.1%;	Negligence	2%
Fraudulence	1%;	Catastrophes	0.9%
Other causes	3%		

This shows that the causes of failure and distress are various, and it can be noted that the state of financial distress can be related to the failure of the company, and the extreme case of financial distress occurs when the firm it fails to meet its liabilities, even if it is given chances. And in this case the firm is in complete failure which results in its liquidation (Al-Zubaidi, 2002: 233).

The main reason for financial distress is related to the shortage of liquidity, which eventually leads to the inability to repay due sums. However, other reasons for distress include the inefficiency of employees and management (Aqel, 2006: 446).it is a rare case when distress results from a single reason or decision, while it is usually the result of a set of decisions whose negative consequences accumulate at the company prior to financial distress.

The causes of financial distress can be divided into external (severe competition, economic hardships, governmental regulations, pessimistic expectations of investors) and internal causes (non-financial causes such as: inefficiency of management, unjustified expansion of business, inefficiency of employees, in sufficient number of customers and the late issuing of financial reports, as well as financial reasons such as: poor financial management, high debts, expanded Allocation of profits).

In other words, the causes of financial distress include:

1- Management:
  a- One-person management
  b- imbalanced management

2- Management of information:
a- Poor accounting system
b- Poor level of costs accounting
c- Poor flow of information within the organization

3- Lack of proper response to changes in business environment. Proper response to economic and technological changes in the internal and external environment facilitates development and sustainment of the firm.

4- Expansion of business.

5- The use of creative accounting as a tool for misleading the decisions of investors.

STAGES OF FINANCIAL DISTRESS

Studies and practice suggest that a firm pass through several stages in its way towards bankruptcy and liquidation, which include:

1- FIRST STAGE (TEMPORARY FINANCIAL INSOLVENCY)

At this stage, the firm is unable to meet its financial obligations, although its assets exceed its liabilities. This stage is described as short term shortage of liquidity, or the technical insolvency. This problem can be solved through dealing with the internal financial situation at the firm.

2- SECOND STAGE: REAL INSOLVENCY

When the firm can no longer meet its financial obligations with its lender or lenders as debts become due. Insolvency can lead to insolvency proceedings, in which legal action will be taken against the insolvent entity, and assets may be liquidated to pay off outstanding debts**.**

3- THIRD STAGE: (LEGAL FAILURE)

At this stage, the firm is unable to control failure, and the insolvency and liquidation proceedings are taking place.

4- STAGE FOUR: (BANKRUPTCY STAGE)

At this stage the firm is unable to meet its financial obligations, and the losses are accumulated and exceed the assets which makes liquidation inevitable (Al-Zubaidi, 2002: 237).

NET INCOME AFTER TAX

Maximization of profits is one of the main aims of banks, and the tool which sustains them, and strengthens their financial position, and increase their assets and supports their ability at dealing with crises and meeting obligations. Maximization of profits is the opposite of incurring losses which results in liquidation (Abu-Zuaiter, 2006: 3).

The income and profits of banks are impacted by several factors, some of which are related to management, while others are the result of the financial situation such as the amount of assets, liquidity, and number of branches. The presence of a proper policy which targets the maximization of profits is critical (Al-Shawawreh et al, 2009: 19).

DEFINING THE CONCEPT OF NET INCOME

Income is defined as the result of revenues minus costs. Costs ought to include all the elements of production used by the firm assessed at the market price. This applies to most cases, however, at some cases some of the elements can be ignored (Ross, 2002).

The two approaches for determining net income are (Abu-Zuaiter, 2006: 73):

- Total net income approach (Total Income After tax and interest): in this approach, all the elements of revenues and costs are considered important for determining net income, whether they are operational or nonoperational. Thus, net income is calculated as follows: (total revenues – total costs)
- Total operational income approach (net income before tax and interest): this approach is concerned with the difference between the revenues of the business unit during a certain period, and the costs spent during that period. In this approach, only the operational revenues and costs are considered in determining net income.

STATISTICAL ANALYSIS AND HYPOTHESES TESTING

This section provides the statistical analyses and hypotheses testing in order to determine the impact of nonperforming loans on net income after tax. Annual reports' data of the years 2003-2014 were analyzed using E-Views software (version E-Views 7.0). Results will be presented in relation to the hypotheses of the study.

METHOD OF THE STUDY

The present study is an applied analytical investigation of the financial reports of the Jordanian commercial banks, so, the applied analytical method will be used.

SOURCES OF DATA

- **SECONDARY SOURCES**

The secondary sources of the study include the relevant literature published in specialized research and academic journals.

- **PRIMARY SOURCES**

Annual financial reports of the commercial Jordanian banks were used as the source of primary data in this study.

Population and Sample of the Stud

POPULATION OF THE STUDY

All the commercial banks in jordan in 2015 (n =29) comprise the population of the present study.

SAMPLE OF THE STUDY

The sample included 24 banks, 12 of them are insolvent due to nonperforming loans, and (12) banks which are not insolvent due to nonperforming loans in the years 2003-2014.

STATISTICAL ANALYSIS AND PHASES OF THE STUDY

In order to achieve the purposes of the study, the researcher used Multiple Regression Analysis and Multi Discriminates Analysis in determining the discriminate variables (the discriminate equation).

The discriminate equation takes usually the following form (Nam and Jin, 2000; Hamdan, 2008):

$Z = a_0 + X_1a_1 + X_2a_2 + X_3a_3 + \ldots\ldots\ldots. X_na_n$

Where:

X= the discriminate variable (financial or non-financial index) selected through Multi Discriminates Analysis as discriminate variable with a predicting power.

a= the relative significance of the discriminate variable (financial or non-financial index) or the coefficient of the discriminate variable.

a_o= constant coefficient of all the variables in the discriminate equation.

Z= value at which discriminating between insolvent and solvent variables is carried, and is called the discriminate value.

RESULTS OF THE STUDY AND HYPOTHESES TESTING

FIRST HYPOTHESIS

There is no statistically significant effect of the percentage of performing loans on net income after tax: multiple regression analysis was used in determining the most influential indices, and Multi discriminate analysis in choosing the discriminate equation with the highest discriminating and predicting power. Inputs here were the financial indices. In order to test this hypothesis linear multiple regression was used as showed in table (1) below.

TABLE (1): RESULTS OF LINEAR MULTIPLE REGRESSION OF THE FINANCIAL INDICES

Financial indices	Partial R^2	Partial F	Sig. partial F	R	Total R^2 of model	Total f of model	Sig. f
Total income from operations and revenues	0.179	24.369	.000	0.612	0.375	12.93	0.000
ROI	0.068	10.088	.002				
Fixed Assets Turnover	0.047	7.282	.008				
Percentage of Net income before interest and tax to revenues	0.042	6.954	.010				
Earning Power	0.038	6.622	.011				

Table (1) shows the results of multiple linear regression analysis for the purposes of determining the impact of the percentage of performing loans on net income after tax. Data indicates that the accepted model consists of (5) financial indices. Correlation coefficient of the model is (0.612), while the calculated value of f for the model is (12.93). This relation is statistically acceptable, because the value of "f" is lower than (0.05). Considering f value, which indicates the capability of the model to account for variance in the dependent variable. Based on f value (12.93), which is significant (sig=0.000), it is indicated that the model is acceptable. The value of R^2 shows that the model accounts for (37.5%) of dependent variable variance, considering all independent variables accepted into the model. The (percentage of total income from operations to revenues) variable was the best index for accounting for variance in the dependent variable (17.9%), while the least powerful index for accounting for variance in the dependent variable was the earning power index (3.8%) which is the least percentage among the financial indices of the model. Thus, all the interpretations of all variables were statistically significant, based on the value of partial f and f sig. where all the values were below (0.05). thus, the null hypothesis of the study is rejected, and the alternative hypotheses, which states that there is a statistically significant effect of the percentage of performing loans to net income after tax, is accepted.

T-test was used for the purpose of checking the values of the coefficients of the model, and the constant, and table (2) shows the results.

TABLE (2): RESULTS OF T-TEST OF THE COEFFICIENTS OF THE MODEL OF FINANCIAL INDICES

Financial indices	Coefficients' values	t	Sig. t	constant
Total income from operations and revenues	0.005	4.178	0.000	0.238
ROI	0.043	4.420	0.000	
Fixed Assets Turnover	0.025	3.024	0.003	
Percentage of Net income before interest and tax to revenues	- .003	-3.693	0.000	
Earning Power	-0.029	- 2.573	0.011	

Table (2) shows the results of t-test and the values of the coefficients of the model as a whole as well as the constant for the financial indices of the banks. All Calculated t values were statistically significant, while the sig. level was less than 0.05 which indicates the presence of a linear relationship among the indices (as predicting variables) and the dependent variable, which reflects the amount of quantitative impact of the independent variable in predicting insolvency. It can be seen that the most significant index in terms of the amount of impact is ROA (0.043), while the index of the ration of net income before tax and interest to revenues was the least influential index (0.003).

SECOND HYPOTHESIS

There is no statistically significant effect of the percentage of nonperforming loans on net income after tax.

In order to test the hypothesis, multiple linear regression was used as shown in the table below.

TABLE (3): RESULTS OF MULTIPLE LINEAR REGRESSION ANALYSIS FOR DETERMINING THE IMPACT OF THE PERCENTAGE OF NONPERFORMING LOANS ON NET INCOME AFTER TAX

Nonfinancial indices	Partial R^2	Partial F	Sig. partial F	Total R^2 of model	Total f of model	Sig. f	R
Turnover of employees rate	0.424	140.560	.000	0.560	59.72	0.000	0.748
delay in issuing financial reports in days	0.050	18.003	.000				
Age of bank	0.038	14.850	.000				
Size of bank	0.048	20.325	.000				

The table shows that the approved model consisted of (4) nonfinancial indices, with R^2 at (0.748), and calculated f value for the model at (59.72). This value shows that the model is capable of accounting for the dependent variable. This relationship is statistically accepted because "f" value (0.000) is less than 0.05. The value of R^2 indicates that the model as a whole account for (0.560%) of the variance in the dependent variable, all the independent variables approved being considered. The "employees' turnover rate" variable was the nonfinancial index in the model which is capable of accounting for the variance in the dependent variable, with a level of (42.4%), while the "age of the bank" variable accounted for (3.8%), which is the least percentage among all the nonfinancial indices comprising the model. Thus, the values of all variables were statistically significant, based on the value of partial "f" and the sig. of "f" where all the values were below (0.05).so, the null hypothesis of the study is rejected, and the alternative hypothesis which states that there is a statistically significant impact of the percentage of nonperforming loans on net income after tax. And in order to calculate the values of nonstandard coefficients which comprises the model in most cases, the researcher used t-test, and the results were as shown in the table below.

TABLE (4): RESULTS OF T-TEST FOR NONFINANCIAL INDICES

Nonfinancial indices	t	Sig. t	Coefficients' values	constant
Turnover of employees rate	-10.511	0.000	-1.381	-0.618
delay in issuing financial reports in days	-5.83	0.000	-0.006	
Age of bank	-4.678	0.000	-0.010	
Size of bank	4.508	0.000	0.101	

Table (4) shows the results of t-test, the values of the equation coefficient and the constant of the nonfinancial indices. The values of sig. t were less than 0.05, which indicates the presence of a linear relationship between each of the nonfinancial indices (as an independent predicting variable) and the dependent variable, and the coefficient values reflect the quantitative value of the impact in the model. The most significant index in terms of the value of impact is the turnaround of employees' rate, with a coefficient value of (1.381), while the index of "delay of issuing financial reports in days" was the least influential with the value of its coefficient at (0.006).

THIRD HYPOTHESIS

There is no statistically significant impact of the percentage of performing and nonperforming loans on net income after tax.

In order to test the hypothesis, multiple linear regression analysis was used as shown in table (5):

TABLE (5): RESULTS OF MULTIPLE LINEAR REGRESSION ANALYSIS FOR THE IMPACT OF THE PERCENTAGE OF PERFORMING AND NONPERFORMING LOANS ON NET INCOME AFTER TAX

Nonfinancial indices	Partial R^2	Partial F	Sig. partial F	Total R^2 of model	Total f of model	Sig. f	R
Turnover of employees rate	1.314	48.978	.000	0.602	21.84	0.000	0.776
Turnover of lenders rate	0.076	13.207	.000				
Turnover of fixed assets rate	0.067	12.963	.000				
delay in issuing financial reports in days	0.044	9.227	.003				
Age of bank	0.044	9.945	.002				
Rate of covering interests	0.040	9.705	.002				
Internal finance of assets rate	0.017	4.434	.038				

Table (5) shows the results of multiple linear regression analysis. Results show that the approved model consists of (7) financial and nonfinancial indices, with the value of correlation coefficient for the model at (0.776), while the calculated "f" value of the model is (21.84). This relationship is statistically acceptable because the value of sig. f (0.000) is less than 0.05.

Considering the "f" value, which indicates the capability of the model at accounting the variance of the dependent variable, and based on that value (21.84), it is found that it is significant at sig.=0.000, which indicates that the model is capable of accounting for the variance in the dependent variable. The R^2 value shows that the model as a whole accounts for (0.602%) of the variance in the dependent variable, with all the independent variables accepted into the model being taken into consideration, the "turnover of employees" variable was the most significant index in accounting for the variance in the dependent variable, with its level being at (31.4%), while the "earnings power" variable was the least capable of accounting for the variance in the dependent variable (1.7%).thus, all the values of all the variables are statistically significant, based on the partial f value and sig. f, where all the values were below 0.05. this indicates that the null hypothesis of the study is rejected, and the alternative hypothesis, which states that (there is statistically significant impact of performing and nonperforming loans on net income after tax).

INTERPRETATION OF THE RESULTS RELATED TO HYPOTHESES OF THE STUDY

FIRST HYPOTHESIS

The Results related to the first hypothesis agree with the results of most previous studies concerning the presence of a statistically significant impact of the percentage of performing loans on net income after tax.

It can be noticed that most previous variables are nor related to income. These variables, from the perspective of accounting, are among the most important indices used in the assessment of the capability of the bank in generating income. Four variables have the most predicting power in terms of solvency, and they indicate the capability of the bank at making profits out of its operational activities (total income from operations to revenues ratio), (earning power), (ROA) and (net income before tax and interest to revenues ratio). The fifth variable indicates the ability of the bank at efficient management of its assets (Turnover of fixed assets rate), because investors are concerned mainly with the income generated by the bank as well as the efficient management of investments.

SECOND HYPOTHESIS

Results of the study suggest the presence of a statistically significant impact of the percentage of nonperforming loans on net income after tax. They are also significant for sustaining the firms. Results showed also that the rate of employees' turnover is a predictor of financial distress, as well as distinguishing between solvent and insolvent banks, with a high level of predicting power; whenever there is a high rate of turnover of employees, there is a higher possibility of insolvency. Results showed also that the level of employees' turnover at insolvent is high, while it's low at solvent banks. This shows that expert and experience employees are an asset, and losing them characterizes poor management.

THIRD HYPOTHESIS

Multiple regression analysis shows that the regression equation approved consisted of four financial indices and three nonfinancial indices. It was found that turnover rates took the first three ranks in terms of impact, which indicates that the efficiency of the management and employees is among the most important indices in terms of predicting financial distress. Additionally, management has an important impact on the banks solvency and insolvency.

RECOMMENDATIONS

1- Reviewing the lending policies at the banking sector, decreasing loans incorporating harsh terms, lessening lending levels, and linking loans to production businesses which are not burdens on economy.
2- Proposing uniform procedures at the Jordanian banking sector in order to alleviate the problem of nonperforming loans, and directing loans towards productive businesses which benefit the economy.
3- Conducting more studies which explore nonperforming loans and their impact on net income.

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GLOBALIZATION: IS IT A HOLISTIC MODEL OF DEVELOPMENT?

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ABSTRACT

The complex nature of the interaction between the growth of economies of most countries and the resultant trade and market patterns, which, to a great extent have been shaped by the nature of scientific and technological changes, have made globalization of the economy almost inevitable for every country. Globalisation is a two-way sword which helps a lot to skillful persons and on the other hand it harms the unskilled people in the name of competition. Infact several studies indicate that even urban poverty is predominantly due to the fact of impoverishment of rural people which forces them to move out of villages to seek some subsistence living in the town and cities. In this process they even lose the open space or habitat they had in villages albeit without food and other basic amenities. But it does not mean that globalization not opens any opportunity for the rural people. Thus, in this paper effort has been made to find out the channels and linkages such as growth, trade liberalization and the nature of technological change and diffusion through which globalization affects people especially underprivileged. Lastly the paper concludes with strategic policy issues and possible solutions for the eradication of absolute poverty and a globalization process which strike a balance on its impact on rural and urban people in order to make it a really inclusive growth strategy, in nutshell a holistic model of development based on equity and justice.

KEYWORDS

foreign trade, globalization, latest technology.

INTRODUCTION

Although globalization was in existence from the beginning but with the revolution of information technology especially during the last two and half decades, national economies with the increasing linkage through international markets for products and factors, leading to cross-border flow of goods, capital, and labor information, technology and management know-how has changed the world economy not only quantitatively but also qualitatively. This Process offers participating countries new opportunities for accelerating growth and development, as well as poses challenges to and imposes constraints on policy makers in the management of national, regional and global economic systems. Though opportunities provided by the globalization are numerous, question arises whether the underprivileged people living in rural areas benefit less than proportionately from globalization or could under some circumstance actually hurt by it.

The fear that the poor have been by-passed or actually hurt by globalization is being highlighted by the number of findings of different studies which examined the trend of world income distribution. There might be consensus that cross-country inequality is decreasing as the average per capita income is increasing but it is a hard fact that the within country inequality is increasing. The country like china and India where Per capita income is increasing comfortably, their citizens are moving further away from earning the average per-capita income as within country inequality in these two countries have been going up. Even the US, which is another very large country, has witnessed high within country inequality. Cornia and Kiiski (2001) found that over the last two decades, inequality has risen in 48 out of the 73 countries. These countries accounted for 73 percent of the total GDP and 59 percent of the total population of the 73 countries put together. Even the developed countries experienced rising inequality as a result of 'greater disparities in market-income', the effect of which compounded by changes in the tax system, public services and income transfers.

On the other hand, the propounder of the globalization presents a rosy picture of the impact of globalization on poverty mainly on the basis of correlation. They emphasize that the decline in poverty in China, India and Indonesia (which was characterized by massive rural poverty) in the recent decades is mainly due to international economic integration. As per the estimate of Chen and Ravallion, the percentage of rural people living below international poverty line (i.e., US $ 1.08 per day at1993 PPP) declined from 79% to almost 27% in China, from 63% to 29% in India and from 55% to 11% in Indonesia during the last two and half decades. But if we analyze it carefully, it becomes very difficult to accept that this decline is primarily due to globalization. In fact, it is the expansion of infrastructure facilities, massive land reform policy of 1978 and the policy changes in grain procurement – prices that was largely responsible for poverty reduction in China, because, the substantial part of the reduction in poverty in the last two decades already happened by the mid 1980s before the big strides in the foreign trade and investment. Similarly, the poverty reduction in India, especially the rural poverty is mainly attributed to the spread of Green revolution in agriculture, large scale anti poverty programmes such as Integrated Rural Development Programmes (IRDP), Rural Landless Employment Guarantee Programme (RLEGP), Employment Guarantee Programme (EGP) and Training of Rural Youth for Self-employment (TRYSEM) etc, and social movements and not the trade liberalization of 1990s. Where as, in Indonesia, it is the sensible macro economic policies- active rice price stabilization policy, massive investment in rural infrastructure and the green revolution that played a substantial role in the reduction of rural poverty between 1980 to 2000.On the other hand, during the same decade, poverty in Sub-Saharan Africa was actually increasing. As per estimate of Chen and Ravallion (2004), the percentage of people living below international poverty line increased from about 42% to 46% in sub-Sahara Africa, but it was mainly due to unstable or failed political regimes, wars and civil conflicts prevalent in various African countries rather than globalization.

According to Cornia (2000), the increased global inequality in recent decades is attributable more directly to the contemporary globalization effects, i.e., the nature of technological changes and policy reform measures such as frequent application of deflation policy under globalization cum adjustment; trade liberalization; the rise of financial rents following financial liberalization and privatization; changes in labor institutions; and erosion of the redistributive role of the state than to the traditional causes of inequality which include high concentration of land and other assets, dominance of natural resources and associated rents, unequal access to education and urban bias.

Therefore, an important issue in the globalization debate, is its impact on the people especially on those who are underprivileged as it is evident that globalization alters inequality vertically as well as horizontally. It may affect horizontal inequality particularly adversely by producing winners and losers among broadly similar groups and class conflicts by vertical inequality. So, in order to understand the impact of globalization especially on underprivileged people, the causal chain of openness-growth-inequality/poverty needs to be scrutinized.

GROWTH-OPENNESS LINK

Trade and capital movement liberalization affect growth directly through exports, imports and capital flows. Trade liberalization policies encourage exports which benefit export industries and contribute to GDP growth: According to Frankel and Romer (1999) trade influences growth both by increasing human and physical capital and by boosting total factor productivity growth.

The switch over from import substitution regime to trade liberalization, in the short run, have some negative results such as fall in the fiscal revenues (because of low tariffs) but this initial negative consequence on output are more than compensated through a more efficient allocation of resources and benefits of competition

in the long run. Successful cases of trade liberalization leading to growth are usually found when import liberalization is preceded by, or implemented in tandem with export provision policy and other measures to strengthen the technological capability of domestic producers.
Now in the case of capital flows and its impact on domestic output and growth, if FDI takes the form of 'green field' investment as opposed to investment through merger and acquisition, much of the capital inflow from transnational corporations (TNCs) tend to be converted directly in to factories producing new products, but the transfer of technology, skills and management know how that is assumed to accompany FDI is not necessarily automatic or guaranteed. The IMF study (Prasad et al 2003) acknowledges that it is difficult to establish a strong positive causal relationship between financial globalization and economic growth and on the other hand these short term capital flows contribute to the increased vulnerability to external shocks of the recipient developing countries. Thus countries need to strengthen its fundamental and must develop adequate safety nets to mitigate the contagion effects of the global uncertainty and crisis.

GROWTH-INEQUALITY LINK

The next linkage is the interrelationship between growth and inequality. The classical approach argues that a higher degree of initial income inequality will yield higher aggregate savings, capital accumulation and growth. Whereas, the new political economy postulates that high initial inequality is detrimental to economic growth. The various sub channels through which the linkage of greater inequality to reduced growth operates are, (i) unproductive rent seeking activities that reduce the security of property,(ii)the diffusion of social and political instability leading to greater uncertainty and lower investment,(iii) redistributive policies encouraged income inequality that impose disincentives on the rich to invest and accumulate resources,(iv) imperfect credit markets resulting in under investment by the poor, particularly in human capital, and (v) a relatively small income share accruing to the middle class implying greater inequality has a strong positive effect on fertility, and this, in turn, has a significant and negative impact on growth. Moreover, there are some additional indirect paths such as wide income and wealth disparities impact on education, health and crime, impact of underinvestment in human capital on productivity, all those ultimately affects growth negatively in the long term.
Therefore, the fundamental issue in economic development is the understanding of the mechanisms through which growth affects poverty. There is two alternative approaches and models of the development-- one model emphasizes growth and efficiency under the idea that they eventually, if not immediately, improve the standard of living of the population at large, including the underprivileged, whereas, the other model stresses that the state must play an active role in determining where the benefits of development end up. No one can deny with the fact-that growth is a necessary condition for poverty alleviation especially in the rural areas, but the question is how the impact and magnitude of growth on poverty reduction can actually be fully ascertained and measured; and what is the optimal degree of active state intervention to reduce poverty without sacrificing efficiency. The answer to this question lies in the growth strategy and not the growth itself. But again question arises what would be the definition of pro-poor growth strategy. Despite conflicting definitions there is a general consensus that it would be a combination of higher growth and a more pro-poor distribution of the gains from growth. There may well be trade offs between what is good for growth and good for distribution, as some factors that impede growth may also prevent the poor from fully sharing in the opportunities unleashed by growth. So, there is increasing recognition that the 'trickle down' process often fails to materialize or is too slow to have a significant impact. Therefore, pro-poor growth requires strong commitments on the part of policy makers to adopt pro-poor policies capable of producing and sustaining a distribution -corrected growth path.
Apart from growth channel, there are various other channels such as; changes in relative product and factor prices, factor mobility and changes in global market and power structures, and technical progress and technological diffusion process through which globalization can produce winners and losers, and ultimately affect people especially those living in rural areas.
The income distribution effects induced by a shift in relative product prices in the process of the opening up of trade are well known. The losers especially the underprivileged people residing in rural areas may be vulnerable to these induced effects in addition to the changes in absolute and relative prices of wage goods. The highly differentiated degree of cross border factor mobility is another channel of producing winners and losers as a result of globalization. The features of factor movement such as the tendency for skilled labor to migrate from developing countries to develop countries, migration of skilled/semi-skilled labors from one region to another region within the country, and Propensity of capital flight to developed countries, particularly during periods of crisis or instability clearly indicate towards the possibility that as globalization would proceeds, developed countries would see inequality fall, while developing countries would experience rising inequality.
The nature of technical progress and of the technological diffusion process is a further channel through which globalization could affect income distribution and poverty. Most of the research and development activities are taking place in developed nations in response to conditions typical of their own resource endowment, which are labor saving and skill biased. Further, technological diffusion and access to new technology is not universal and spontaneous. Therefore, global productive differences may widen over time which may increase income inequality.
Institutional environments are important in determining whether the benefits of globalization are harnessed and spread positively and evenly, and negative shocks associated with globalization are filtered out through safety nets. For example, the impact of globalization on the poor is intermediated on the one hand by domestic political economy, structures and institutions- such as social polarization, oligarchic structure and predatory regimes that may bias confiscate or nullify globalization gains for particular groups of poor. On the other hand, the positive effects of globalization on growth and poverty can be found when institutional conditions are characterized by such elements- as political participation, social cohesion and management of social conflict arising directly form globalization effects. Globalization can also bring about changes in institutional environments by setting up new norms and conventions, as well as new standards of transparency, accountability and enforcement of law and accommodation of human rights and civil movement (Sindzingre 2004).
Now, analyze the effect of globalization on the people especially those who are underprivileged in their capacity as workers, as consumers, and as recipients of public service.

AS WORKER

First take the case of people especially those who are underprivileged and live in the rural areas. They generally are either self employed or wage earners. The self employed work on their own small land, as artisans and petty entrepreneurs in small shops and household enterprises and the constraints they usually face are in credit, marketing, insurance, infrastructure (like roads, power, irrigation etc) and government regulations. In this constrained situation it becomes very difficult for the poor self employed rural people to with stand competition from large agri-business or firms. In Swaziland, the import of sugar products from the European Union countries has undermined the local industries and sugar industry has lost about 16000 jobs and a further 20,000 have gone in transport and packaging, similarly, the cheap imports of processed sugar forcing the farmers to grow other crops or become poorer in Kenya.
Trade liberalization sometimes helps in relieving some of the bottlenecks in infrastructure and services. The international diffusion of technology in agriculture (green revolution) has led to large reductions in poverty, particularly in Asia, even though the larger dependence of farm households on purchased imports that become necessary increased the importance of the constraints of credit and irrigation.
Similarly, multinational marketing chains with global brand names can be very helpful for small producers in establishing brand name, quality and time delivery, which are crucial for marketing, particularly in international markets. At the same time coordinated attempts on the part of developing countries, with technical assistance from international organizations to build international quality certification institutions for their products should be a high priority. Depending upon their initial assets, credit and other infrastructure conditions, some firms adjust well to new trade opportunities, while others find it difficult to cope with the competition. Parker, Riopelle and Steel (1995) in their study of small enterprises in five African countries show that firms that adapted quickly benefited form import liberalization, while those ill-prepared to face competition lost out.
Turning to the poor wage earners, the international trade theory suggests that the workers in a poor country having abundant supplies of unskilled labor have a comparative advantage in products intensive in unskilled labor should benefit from trade liberalization. Hertel et al (2003) estimated on the basis of household survey data that global trade liberalization leads in the long run (when labor and capital are mobile across sectors) to a decline in poverty for all strata of the population, largely because of the increased demand for unskilled labor which lifts income even of some of the formerly self employed who now move into the wage labor market. Vietnam's liberalization of rice trade in the 1990s led to a gainful reallocation of labor of the poor from household occupations to the wage

labor market (Edmonds and Pavenik, 2003). However, if some factors of production are intersectorally immobile, and some goods are non traded, real wage of an unskilled worker in a poor country may not go up with trade liberalization. Therefore, opening the product markets internationally without doing anything about the weak or distorted factor markets like credit and infrastructural services may become a sub optimal policy for many poor farmers and artisans, both form the point of view of their exploiting new opportunities and of social protection for those who may need extra help to cope. Therefore, in this situation liberalization policy must be accompanied by a comprehensive policy package that would enhance the capability of certain firms and provide a safety net for people who lose in the process.

AS CONSUMER
Now consider the case of people as consumers. The gains from trade are dependent upon whether they are net buyers of tradable goods. For example poor laborers in east or south India may gain form imports of cheaper rice form Thailand but at the same time may lose from higher prices of medicines (as laws changed in 2005 form recognizing only process patents to the international product patent system under TRIPS).Out of the 115 low income and low middle income countries, 62 are net agricultural good importing countries and 53 are net agricultural exporting countries with the reduction of agricultural tariffs and subsidies in developed countries and the expected price rise would harm the agricultural good importing countries. So against the impression from advocates of agricultural trade liberalization, many poor countries will not gain form liberalization. As per the UN classification out of the 46 least developed countries, 30 are net agricultural good importing countries, and it is very unlikely that with high liberalization some of these countries will transform in to agricultural exporting countries.

AS RECIPIENT OF PUBLIC SERVICES
Now moving to the case of the people as recipients of public services in less-developing countries, the people, particularly those who are in the preponderant informal sector, do not receive much of effective social protection from the state, like education health and public works programmes. It is generally argued that cuts in public budgets (on basic services) to reduce fiscal deficits often come as part of a package of macroeconomic stabilization prescribed by international agencies like IMF. Definitely there is a lot of scope for improvement in the internationally prescribed stabilization programmes to minimize the adverse impact on underprivileged people, it is also true that the fiscal deficits in these countries are often brought by domestic profligacy, and that governments find it politically easier to cut the public expenditures for the voiceless people due to political clout of rich who are disinclined to share in the necessary fiscal austerity, and it is always convenient to blame external agency for the problem originated domestically. The heavy administrative hurdle, bureaucratic and political corruption prevalent in poor countries is another reason for the low quality of public services like education and health etc. So, the major effort required is to strengthen the domestic institution of accountability, instead of blaming external agencies. Environmentalists argue that trade liberalization damages the poor by encouraging overexploitation of the environmental resources like forestry, fishery, surface and ground water irrigation etc., on which the daily livelihoods of the rural poor people crucially depend. But simply restriction on trade would not be the solution because the environmental effects of trade liberalization on the rural economy depend on the crop pattern and the methods of production. Therefore, some programme of (time-bound) trade restriction coupled with serious attempts to overhaul the domestic institution frame work may be necessary.

CONCLUSIONS AND SUGGESTIONS
Finally, the debate on globalization and its impact would continue, but the preceding analysis raises the issue as to whether the present form of economic integration is conducive to the growth-cum-structural transformation process, which is capable of engendering and sustaining pro-poor economic growth and favourable distributional consequences, because the distributional effects of globalization are known to produce winners and losers, both between and within countries. In particular, losers are often extremely vulnerable to change in absolute and relative prices of various goods. Hence, Policy makers need to design an implement an active development policy not only to benefit from, but also to help counteract the negative effects of the immutable forces of globalization.Globalisation is not a natural phenomena but a set of concepts and policies designed by the developed countries on behalf of their companies and financial institution.Therefore,it would be not enough for governments to assume an active role in liberalizing trade and capital movements and de-regulating their economies while passively waiting for the fruits and forces of globalization to pull them on a fast track of development. Instead, it would be wiser to engage in a selective and strategic integration with the world market in order to take the opportunities and to avoid the pitfalls. In this process, the country can itself decide, the way and degree it wants to open up, the timing and sequence of opening up, and the particular sectors it wants to liberalize.

Hence, globalization should not be viewed as a substitute for a domestic development strategy. Instead to make it a holistic approach/model of development; governments of the developing nations need to pursue a selective liberalization and active targeted development policies, particularly for the underprivileged people, such as, expansion of credit, marketing and extension facilities, land reform, public works programmes for the unemployed, provision of education, vocational training and health facilities. On the other hand, developed country must work towards reducing protection on goods produced by the developing countries, facilitating international partnerships in research and development of products (for example drugs, vaccines, crops) suitable for the poor, and by organizing more substantial financial and technology transfers and international adjustment assistance for displaced workers. Apart from all these, the most important is that countries must be given the right and space to review the impact of globalization and they should be able to decide which aspects to make use in future and which aspects to discard, only then our strategy/model will be inclusive in nature and we can achieve real development which would be based on equity and justice, everlasting and highly sustainable.

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THE IMPACT OF INFLATION ON LIVING STANDARD OF HOUSEHOLDS IN HAWASSA CITY, ETHIOPIA

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ABSTRACT

In the modern globalization era, inflation crosses borders and affects both developing and developed countries. The most serious costs of persistent inflation is that it destroys the confidence that society can solve its problems and creates fear that their social contracts is falling apart. The food inflation index is currently over 12% and has shown no sign of coming down. The prices of essential food items are astronomical as compared to the prices earlier years. While the pinch is felt by every household, the poorest sections are understandably the worst affected. To understand the impact on the poorest households, the survey conducted across 240 households from five different sub-cities of Hawassa. While the average monthly expenditure has increased but more importantly, food expenditure as a percentage of monthly household expenditure has gone up dramatically. The prices paid by the households for essential food items have increased across the spectrum and this increase in prices has naturally resulted in a change in consumption habits. The burgeoning food budget has invariably led households to cut costs in other areas such as healthcare and transportation and consumption of individual food items also shows a significant reduction. In addition to women workload increase, households have also been forced to adopt other coping strategies such as using up savings, pawning or selling valuables, or taking a loan to finance their monthly cash requirements.

KEYWORDS

inflation, living standard, consumption and price.

INTRODUCTION

In this era of globalization, inflation crosses borders and affects both developing and developed countries. The term Inflation means sustained increased in the general price level of goods and services against a standard level of purchasing power of consumer, leading to fall in the currency's power. On the other hand, the standard of living is the sum of all those goods and services that this world affords us. The most serious costs of persistent inflation may be that it destroys the confidence that society can solve its problems and creates fear that their social contracts is falling apart (Edward, 1981).

For the past couple of years' Ethiopian economy has been under a severe and consistent inflationary pressure. Hawassa city, the most developing city in Ethiopia, is among the highly suffered area due to the following reasons. Hawassa is the destination of different tourists, more comfortable city for recreation, highly developing city, hosts different regional and zonal bureaus and workers. The above mentioned reasons implicitly show that there is a lot of money injection into this town which makes the cost of living very expensive. But this effect may not affect different group of society similarly or the degree of influence is not the same. Households with low levels of assets have been particularly adversely affected by this inflation. Lacking the financial resources to self-insure and being referred to informal employment and volatile earnings because of low skills, the urban poor appear to be highly vulnerable to price shocks and education appears to play a small role for the ability to cope with it.

The purpose of this research paper was to investigate the impact of inflation on different households in Hawassa city. On the other hand, this paper was studying study the micro level effects of inflation.

STATEMENT OF THE PROBLEM

Basically economic theory reveals that inflation results in redistribution of income and wealth because the prices of all the factors of production do not increase in the same proportion. The flexible income group, such as businessmen, traders, merchants, speculators gain during inflation due to wind fall profits that arise because prices rise faster than the cost of production. On the other hand, the fixed income groups, such as, workers, salaried persons, pensioners, interest and rent earners, are always the losers during inflation because their incomes do not increase as fast as the prices. Generally, inflation is unjust because it puts economic burden on those sections of the society who are least able to bear it. Different empirical studies conducted at macro level also confirm these economic principles. As a country many empirical studies are done on inflation and related topics at macro level. The findings of such studies represent the average effects of inflation on the whole population of the country. But in reality the effect of inflation on different groups of society is not the same. Rather than considering the influence of price shock on average it is better to understand the severity of this situation from grassroots. In our country the study of inflation at household level is not common. Specifically, in this paper the impact of inflation at household level was conducted in Hawassa city. Hence this paper tried to investigate closely the impacts of inflation on the society having different living standards and different sources of income and suggests appropriate policy interventions.

OBJECTIVES OF THE STUDY

The main purpose of this study was to investigate household level effects of recent inflation in Hawassa city. The specific aims of this paper was to:

- Identify copying strategies of households suffered from price shocks.
- Analyzed the depth of the problem
- Know the consensus of those societies on causes of inflation

SOURCES OF DATA AND METHODS OF ANALYSIS

The data required for the purpose of this study was obtained from primary sources through structural questionnaires distributed among the target groups. The questionnaires were designed in accordance with the objective of the paper. The prepared questionnaire was distributed on pre specified target groups. To take the sample initially, the whole population of Hawassa would categorized systematically into government employed, self-employed and unemployed households. After systematic division, had made 80 samples was taken randomly from each group and sum-up 240 sample households. Once the appropriate data was gathered, the descriptive statistics and case study methods was employed. In these analysis methods some copying strategies was revealed and discussed.

LITERATURE REVIEW

THEORETICAL FRAME WORK

Inflation brings shifts in the distribution of income between different sections of people. The producing classes such as agriculturist, manufacturers and traders gain at the expense of salaried and working classes. The rich become richer and the poor becomes poorer. Thus, there is a transfer of income from poor to rich classes. Inflation, therefore, is unjust. Besides, those who are hard hit by inflation are the young, old, widows and small savers, i.e. all those who are unable to protect themselves. But the most unfortunate thing is that monetary and fiscal authorities who are entrusted with the task of maintaining price stability are often responsible for creating inflationary conditions, for example, a country at war resorts to printing of currency notes as one of the methods of financing the war (Makanaka).

Similar, the government of a developing economy may resort to deficit financing as one of the methods of financing development projects. In these cases, inflationary finance, like taxation, brings additional revenue to the public authorities. However, taxation cannot destroy an economy except in rare cases by elimination whole groups of people. Inflation, on the other hand, can destroy fixed income group, pauperize the middle classes and destroy the very foundation of an economy. No wonder inflation has been termed as “a species of taxation, crueler of all “and “open robbery”. Inflation particular the hyperinflation type, will therefore endanger the very foundation of the existing social and economic system. It will create a sense of frustration distrust, injustice and discontent and may force people to revolt against the government. It is therefore, “economically unsound, politically dangerous and morally indefensible”. Therefore, it should be avoided and even if it occurs it should be controlled (Doepke).

In literature of economics we find quite vast theories that may corresponding or contradict to one another. Among these theories the structuralist and the monetarist theories are the major one. These are believed to have relevance in most literature in general inflation and few attempts on food price inflation.

THE MONETARIST THEORY

The monetarist theory of inflation scribes (food price) inflation to changes in the money supply. Several scholars wrote on money supply as the sole cause of any inflation. According to this theory, it is a behavioral ‘fact’ proven by empirical evidence that demand for money is stable (Ghatak, 1981:23) and late of inflation is loss of holding real balances. It follows, therefore, that the rate of increase of the nominal stock of money determines the inflation rate (Banerjee, 1975:15-16). This is made possible based on the assumption that agents do not change the relationship among their wealth, volume of transaction and their income level and constant velocity of money in the short run.

Frisch, 1990:221, then, derived growth rate of money supply to equate the growth of general prices. That is, the monetarist formulated that the elasticity of the general price level to the change in the supply of money is unity. A number of other researches, such as Kotwal (1987) indicated that ‘the long and large price movements are the liable to monetary factors’. The relationship between changes in the stock of money per unit of output and changes in the general price level is an outstanding specimen of empirical regularity in economics. However, they noted that:

…it should notice inferred that the relationship between money and price is straight, rigid and mechanical, but there are long and variable time lays with regard to the effect of changes in the rate of growth of money supply on price and output in other word, the monetary impulses that consist of changes in the rate of growth of money stock constitute a major force behind cyclical changes in the level of prices, output and employment (Ibid).

STRUCTURALIST THEORY OF INFLATION

Structuralist argues that there are equally important structural and institutional factors for food price inflation especially in developing countries. Thirwall (1989) wrote that:

…the basic forces of (food price) inflation are supply phenomena, that is, structural limitations or bottle necks inherent in the socio-economic system and cumulative inflationary processes. They, however, do not deny the fact that financial factors can propagate it. In view of this, school, structural constraints in developing countries is very powerful.

They also argue that not only are there equally important structural and institutional factors but also that money supply is explained by these factors outside the control of central banks. Moreover, Kirk Patric (1981) explained that information irregularity among agents and rigidities and disequilibria between supply and demand in different sectors are the characteristics of developing economies. As a result, we may find a simultaneous underutilization of resource in one sector and significant scarcity of commodities in the others.

The structuralist note that “nominal wage contact and a decline in real wages owing to inflation restricted agricultural supplies as prime cause of inflation as witnessed following a foreign exchange bonanza (e.g. Mexico) as possible episodes of conflict and price formation inspired inflation” (Taylor, 1992).

Similarly, Flemming (1976:39-40), in view of the structuralist theory, stressed two basic causes of inflation (especially in Latin American countries); namely, the rigidity of food supply and in adequacy and in stability of the purchasing power of exports, adding, the argue that in dual economies, food supply is in elastic and hence price are very flexible in response to changing demand.

Flemming (1976) puts the difference between these theories in nutshells; while for monetarist, excess demand for food resulting from excess supply of money as a major portion of it goes for food consumption is regarded as the only cause of inflation. The structuralist scribe inflation to the composition of demand for commodities accompanied by inflexibilities in the productive structure (p.39).

EMPIRICAL STUDIES

INFLATION AND THE URBAN POOR IN ETHIOPIA

The overall economic performance of Ethiopia during the last fifty years had been in adequate and disappointing. The period of military regime was charcterized by misguided and in effective economic policies, attended civil war, high military expenditure, devastating drought, and wide spread poverty.

After taking power in may 1991, EPRDF re-instituted and implemented ‘mar Retled’ economic system. Some reports revealed that the real GDP of the nations between 1991/92 and 20011/12 was glowing by 16.33%. despite some progress interms of reducing poverty in recent yeas (MoFED, 2012), Ethiopia still stands amonge the poorest countries in the world. According to the united nation’s (UNDP, 2012), human development index Ethiopia is 159th out of 177 countries, with human development index (HDI) of 0.606. in 2011, 78% of the total population live below the poverty line of USD 2 aday and 34% below then a final poverty line, life expectance at birth remains at 47 years for male and 45 for female, which was below the sub-saharan average of 48 (WB, 2012). In a similar line, according to the latest household survey, wms, 2004, malnutrition was preventing in the country with about 37% of children stunted, suffering from chronic malnutrition.

RESULT AND DISCUSSION

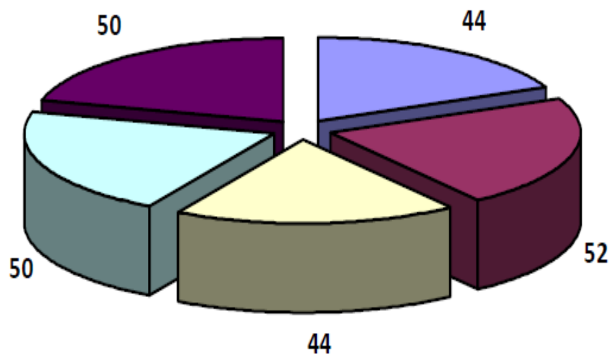
INTRODUCTION

The past few years have seen extreme fluctuations in the inflation index. After hitting double digits in early 2008, inflation has subsequently come down in the last two years. But the commodity prices in the markets are still very high, making it rather unaffordable to the poor and thus indicating a worsening food security situation. To understand the impact of the price rise in essential commodities on the households of Hawassa, the researcher decided to conduct a survey across households from some of the sub-cities. The objective of the survey was to understand the impact of price rise on the consumption patterns of the households, the effect on household aspects, and the means households have resorted to in order to survive the crisis.

RESPONDENT PROFILE

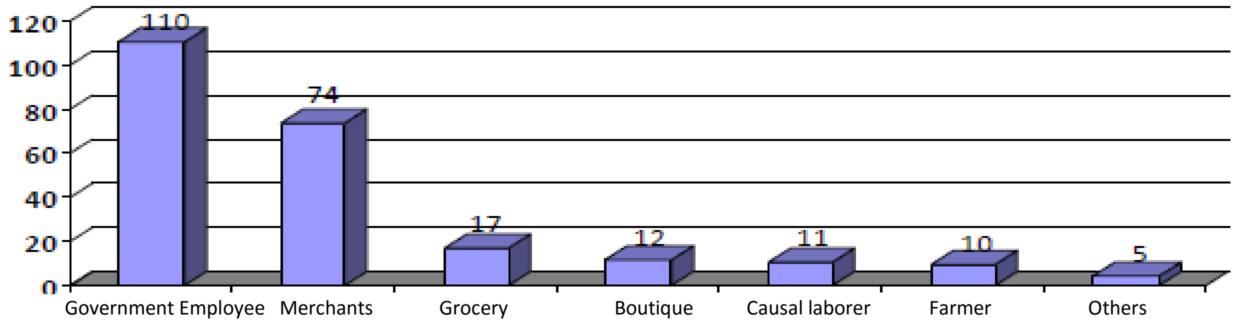
The survey covers 240 number of households which were taken from five different sub-cities of Hawassa. These sub-cities are Piazza, Meneharia, Misrak, Mehalketema and Haikdar. The distribution of the households across these five districts is shown in the following pie-chart.

CHART 3.1: SAMPLE SIZES IN SAMPLE SUB-CITIES



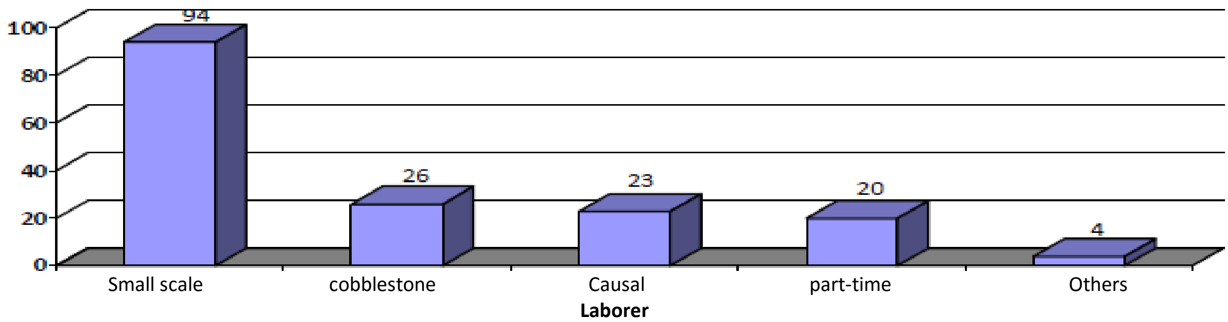
The average family size of the household is 7 with 4 adults and 3 children.
While almost half of the respondents (110) are government employees, the next largest category is that of merchants (74).

GRAPH 3.1: EMPLOYMENT PROFILE OF THE HOUSEHOLDS



A little over 70% of the surveyed households report a secondary revenue stream. Participating in small scale enterprise in different manner is the most common secondary occupation with as many as 94 households practicing it.

GRAPH 3.2: SECONDARY REVENUE STREAM OF THE HOUSEHOLDS

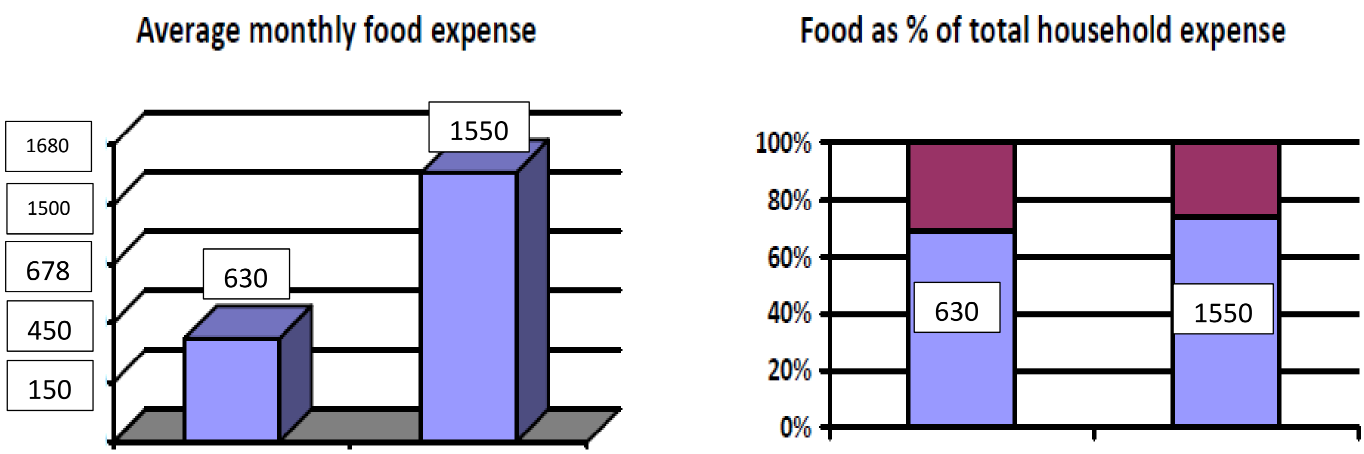


INCOME AND EXPENDITURE TRENDS

Average income over the entire sample (all five districts) has increased marginally from Birr 948fouryears ago to Birr 1,714 now. What is more relevant is the average monthly household expense, which has highly increased from Birr814four yearsago to Birr 1,988 now. This shows that the percentage at which income has increased (44.7%) over thepast four years is significantly less than the percentage increment of the household's expenditure (59.05%).

A more revealing statistic is the average monthly expense on foodwhich explains the increase in average monthly total household expense as well. As the chart on the right shows, monthly food expenses as a percentage of the monthly total household expense has risen marginally from 69% to 78%.

GRAPH 3.3: INCOME AND EXPENDITURE TRENDS



Hence, the average monthly household expenses havenot increased as much as the average monthly expenses on food indicates that the family has cut costs on other aspects of the household.

FOOD PRICE TRENDS

The respondents were asked the prices they paid on average for a list of essential commodities 4years back and the prices they now have to pay. The list of commodities included cereals, vegetables, oil, meat, milk and milk products. The resulting data reveals a substantial increase in prices for most of the commodities. Refer to the following table for the list.

TABLE 3.1: FOOD PRICE TRENDS

Items	Dec' 2009	Dec' 2012	% increase
Wheat	3.9	10	61%
Maize	2.25	7	68%
Onions	3.6	12	70%
Potatoes	1.25	4	66%
Tomatoes	3.8	9	57%
Oil	19.6	40	51%
Sugar	7	25	72%
Buttermilk	63	140	55%
Milk	5.5	12	46%
Eggs	0.6	2.5	61%
Chickens	48	100	52%
Meat	60	150	60%

Source: own computation

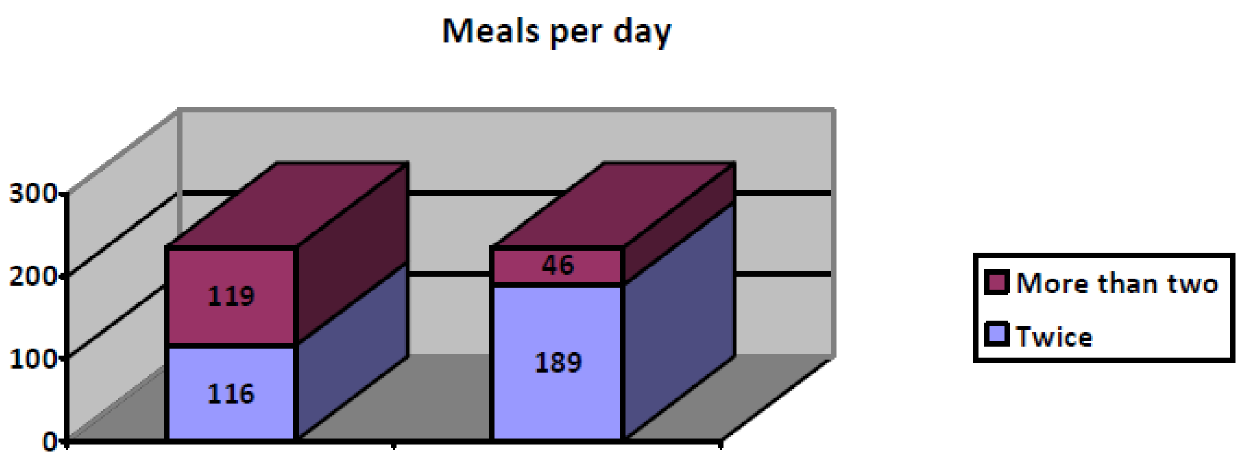
Prices of a kilogram of maize and wheat have risen by nearly 60%. Basic vegetables such as onions and potatoes have seen a rise of over 66%. It should be understood that these are the prices the households pay their local shopkeepers.

CHANGE IN FOOD HABITS

From the data presented in the previous section it can be deduced that the percentage increase in food expenses (9%) seem to be less than proportionate to the increase in commodity prices. Clearly this indicates a change in food habits – more specifically, a cut down in consumption volume and quantity.

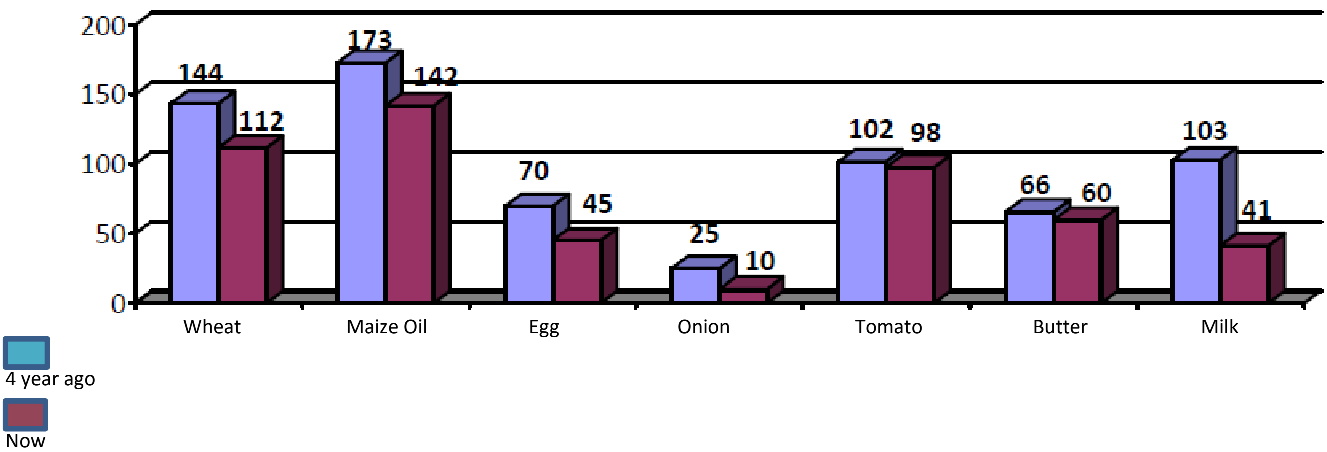
The survey data supports this hypothesis. To a question on how many meals per day do households consume now as compared to 4years ago, over 60% of the households who earlier consumed more than two meals a day report they are no longer able to afford more than two meals a day.

GRAPH 3.4: TRENDS OF MEALS PER



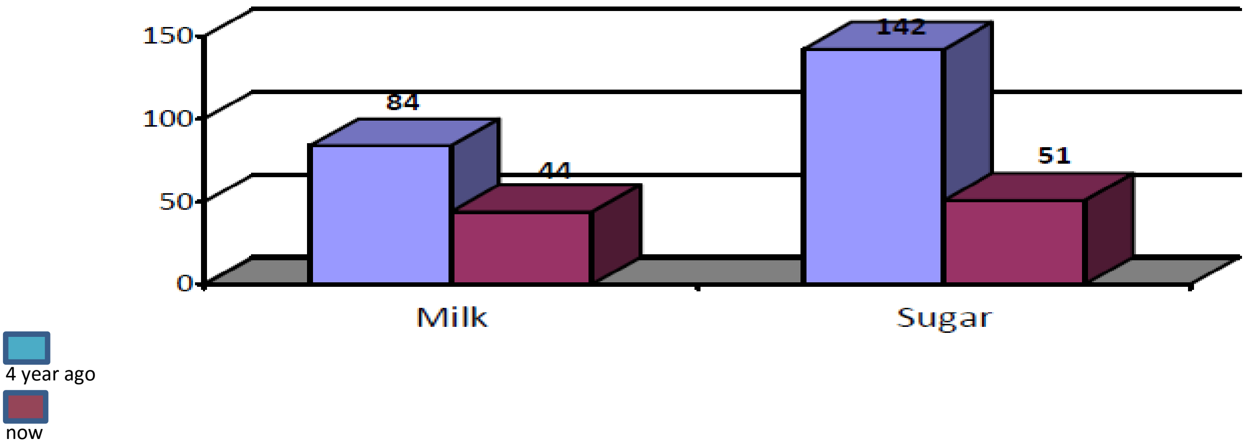
This trend has invariably been reflected in the consumption levels of individual commodities. The following chart displays the number of households who report consumption of a particular commodity at least once a day (4years ago and now).

GRAPH 3.5: CHANGE OF THE FOOD HABITS OF THE HOUSEHOLD



As shown in the chart, the number of households who consume cereals like wheat and maize at least once a day has come down substantially. A significant number of households however don't find the consumption of meatand buttermilk affordable on a daily basis anymore. Vegetable consumption has shown a marginal decline. Apart from these, commodities which are more frequently consumed, such as milk and sugar, also show a drop in frequency for many households. For instance, the number of households who consume milk and sugar at least twice a day has dropped by about 48% and 64% respectively.

GRAPH 3.6: CONSUMPTION TRENDS OF MILK AND SUGAR



Other commodities such as chicken and meat are seemingly consumed by very few households in general (less than 5% of the sample) and an analysis into the consumption patterns of such commodities therefore seems unjustified.

MANIFESTATIONS OF FOOD PRICE INFLATION IN HAWASSA CITY

In the city under consideration, the impact of food price inflation has been reflected in many ways. The shift of community's demand from more nutritious diet to food which has lesser nutritional values is among the manifestation of the problem. According to the response of some poor households previously though they are poor, they relatively get food with better nutritional values with affordable price, but nowadays due to food price inflation they are forced to rely on foods that are relatively cheaper and have very poor nutritional constituent.

According to the data, some households have reduced their daily food consumption and also started to have a meal a day. The effects of the inflation have also been deflected in some social life of the people. One of the typical examples of the fact is some households have been quitted from involving in some socially acceptable cultural and religious practices namely 'Edir", "Ekub" and "Senbete' because they are not able to afford the money contributed for this purposes. Theother evidence which indicates the severity of inflation is that some households even do not know the price of some expensive food items such as meat. This implies that such kinds of households do not go to butchery and buy meat for a long period of time.

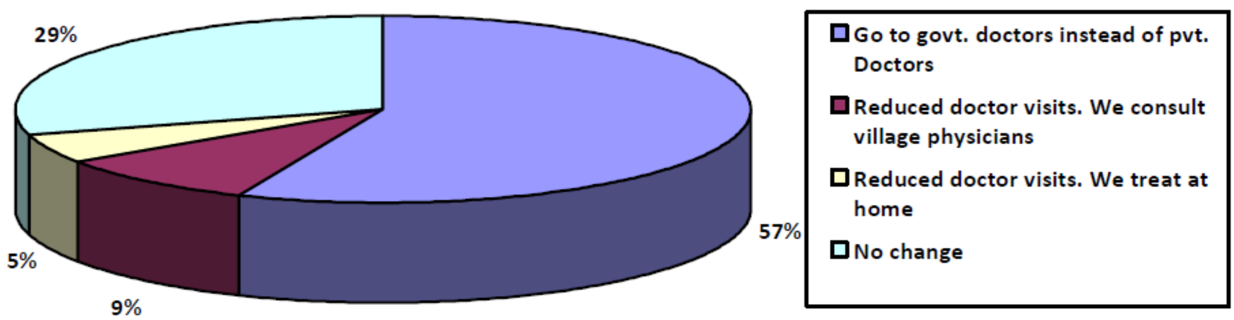
During the data collection most young generation say that they fear the inflation to get the marriage. Becausethey are risk averse in their life and not optimist over settle down of inflation in the near future. In addition to this most respondents believe that the wide spread of street dwellers, thefts and prostitution are also the other reflections of the expensive normal living standard. In other words, because of high living costs, these members of the city households have started involving in the above mentioned dangerous but socially not acceptable income generating activities.

IMPACTS OF INFLATION ON OTHER ASPECTS OF HOUSEHOLDS AND COPING STRATEGIES

As observed in an earlier section, the increase in the average monthly household expenditure is less than proportionate to the increase in the average monthly food expenses. This clearly indicates that the household has tried to cut costs in other aspects of the household. The survey attempted to capture this trend with appropriate questions about children's education, healthcare and transportation, and the data indeed reveals that the family has been attempting to compensate in other areas. While we are not implying that the changes in household circumstances described in this section and the earlier one are all because of the price rise, we do attempt to demonstrate that the increase in food expenses have had a significant impact for sure.

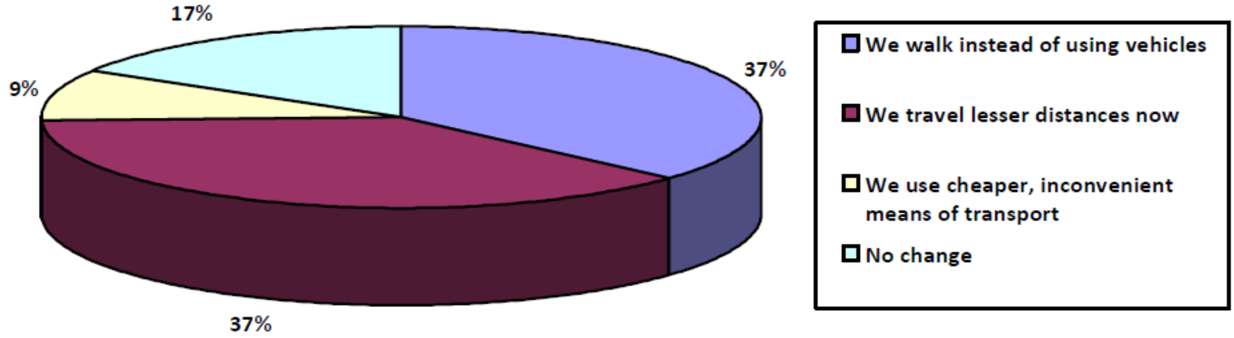
Healthcare seems to be a prominent area where the household has attempted to make adjustments. To a question on how the household handles its healthcare needs now as compared to 4 years ago, a significant majority responded that they now go to government hospitals/doctors instead of private dispensaries. What is of more concern is the fact that many other households are now desisting from seeking professional help.

CHART 3.2: THE TRENDS OF HEALTHCARE



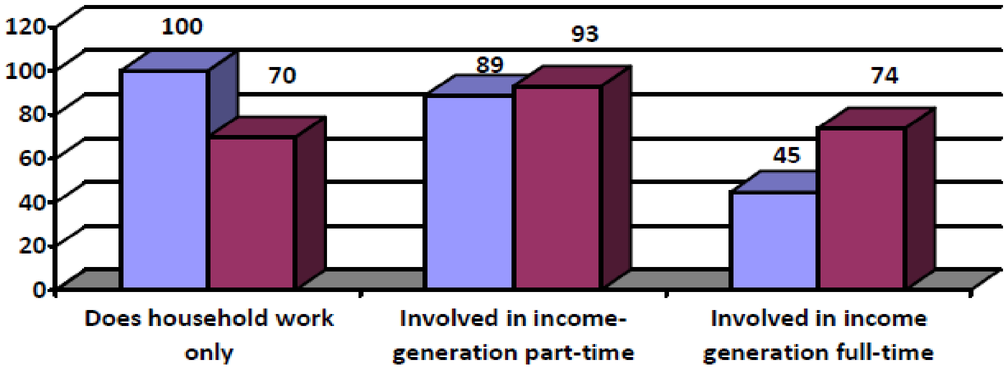
Transportation is another area where the household has cut down expenses. To a question on the household's transportation habits have changed, almost all the households have reported some coping mechanism they have adopted. Only 17% of households report no change in transportation habits.

CHART 3.3: CHANGES OF TRANSPORTATION HABITS



Fortunately, children's education doesn't seem to have been impacted drastically. A very marginal number of households (< 15) have reported that their children (boys or girls) no longer attend school, but this cannot credibly be termed as a tangible insight if we take into account factors other than the price rise and any surveying errors. If there is actually a trend, however, over the long term households–particularly the poorer ones–could very well be unable to afford their children's education (as over the short term households could adopt either use debt or other coping strategies). Women however have been working harder to contribute to household's finances. To a question on how the women's workload has changed over the past 4years, a sizeable number of households have suggested an increase in the women's workload. In the chart below, notice the decrease in the women who worked only in the household and the corresponding increase in the number of women who contribute to income generation now.

GRAPH 3.6: CHANGES OF WOMEN'S WORKLOAD

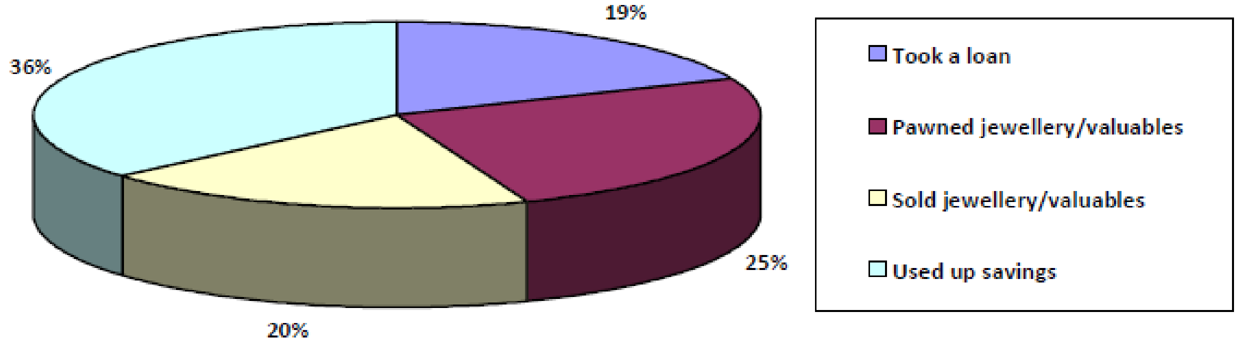


4 year ago

now

And finally many households have had to make arrangements for cash by digging into their assets or by taking a loan. Over 40% of the surveyed households were forced to resort to desperate measures of some sort. The measures these households have taken are displayed in the chart below.

CHART 3.4: SURVIVAL MEASURES OF HOUSEHOLDS TOWARDS INFLATION



CONCLUSION AND RECOMMENDATIONS

CONCLUSION

The price rise has clearly impacted the poor urban households, leaving the poorer among them in a state of helpless desperation. The main means of livelihood of these peoples are employment in governmental and non-governmental organizations, trade, and daily laborer. In addition to involving the aforementioned livelihood activities, a significant number of the study households involve in petty trade. Not only has the price rise rendered many commodities unaffordable on a regular basis (and thereby reduced consumption below levels termed as adequate nutrition), but it has also resulted in the household facing hardships in other spheres of the household. Over the long term worrying trends are likely to consolidate, wherein households are forced to sacrifice necessities such as professional healthcare and children's education just to make space for sufficient food to survive.

In order to squeeze the problem this price inflation each household have employed various coping mechanisms. Some of the coping strategies are reducing the quantity of food consumption, cut or reduceentertaining of non- food items, using their savings and fixed assets for daily consumption, taking loan selling jewelries, relish visiting of government hospitals, enjoying walking on foot and shifting consumption of foods towards poor nutritious diets. It is also concluded that the majority of the householdsemployed more than one coping strategies to handle the impact of the inflation on their livelihood.

RECOMMENDATIONS

The researcher believes that in addition to macro- level policies, micro-level interventions have to considered as alternative instruments. Of-coursegovernment has already started taking some measures so as to revert this problem. The following points are raised as alternative interventions: -

- Minimizing the chain of intermediaries in the market between sellers and buyers who inflates the prices of respective products.
- Distributing some food items like wheat, maize, food oil and etc to the urban people with lower price throw consumer cooperatives.
- Taking prior initiative for market cooperatives to be established and equipping their capacity by giving short term training and providing credit with lesserinterest.
- Providing credit to those individuals who organized themselves in group and want to involve in some entrepreneurship activities.
- Fighting the rent seekers in general and those in microfinance and consumer cooperatives which have direct effect inflation of food price in particular.

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IMPACT OF MICROFINANCE BANKS ON POVERTY ALLEVIATION: THE CASE OF AHMADU BELLO UNIVERSITY, MICROFINANCE BANK

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ABSTRACT

Poverty is one of the major problems of mankind and its alleviation one of her major agendas. In recent years' microfinance has emerged as an important instrument to relieve poverty in the developing countries. The objective of this study is to examine the impact of microfinance banks on poverty alleviation using the Ahmadu Bello University Microfinance Bank as case study. Primary data was obtained through questionnaire administration and the data was analysed with the aid of simple percentages and Chi-square statistics. The results showed that microfinance banks enhanced urban development; there were improved savings mobilization which improved credit facilities which in turn improved output from micro-enterprises. The study recommends that the ABU Microfinance bank should reduce its effective lending rate to a single digit by intensifying efforts to access chief funding source from the CBN window and other micro credit finance sources.

KEYWORDS

microfinance, micro credit, finance, poverty alleviation, savings mobilization.

INTRODUCTION

In recent years microfinance has emerged as an important instrument for poverty alleviation in developing as well as developed countries. Today there are more than 7000 micro lending institutions providing loans to more than 25 million poor individuals across the world, their vast majority being the women (Zubair, 2008). However, these institutions face some serious challenges, especially in Less Developed Countries (LDCs) where the proportion of people in poverty is high. The existing microfinance in Nigeria serves less than 1 million people out of 40 million being the potential number that need the service (Zubair, 2008). Also, the aggregate micro credit facilities in Nigeria, account for about 0.2 percent of the GDP and is less than one percent of total credit in the economy. This has further aggravated the existing inequalities in the distribution of wealth and income in Nigeria.

Formal financial system provides services to about 35 percent of the economically active population while, the remaining 65 percent of the economically active population (working or able-bodied individuals) are excluded from access to financial services (loan). This 65 percent are often served by the informal financial sector through money lenders or credit unions that often charged them comparatively high interest rates. The non-regulation of the activities of these informal actors has serious implications for CBN ability to promote monetary stability and sound financial system (CBN 2005).

Microfinance is about providing financial services to the poor who are traditionally not served by the conventional financial institutions (commercial banks and other institutions). Microfinance is created in response to the missing credit market for the poor. The problem here is that government has in the past, initiated a series of publicly-financed micro/rural credit programmes and policies targeted at the poor. Notable among such programmes were the Rural banking Programme (1977-1990), sectoral allocation of credits, concessionary interest rates and the Agricultural Credit Guarantee Scheme (ACGS). Other institutional arrangements were the establishment of Nigeria Agricultural and co-operative Bank (NACB) Ltd. Now Bank of Agriculture (BOA), the National Directorate of Employment (NDE), the Nigerian Agricultural Insurance Corporation (NAIC), the Peoples Bank of Nigeria (PBN,1987-1990), the Community Banks (CB,1990-2005), and the Family Economic Advancement Programme (FEAP). In 2000, Government merged the NACB with the PBN and FEAP to form Nigerian Agricultural Cooperative and Rural Development Bank Limited (NACRDB) to enhance the provision of finance to the agricultural sector. It also created the National Poverty Eradication Programme (NAPEP) with the mandate of providing financial services to alleviate poverty. Despite all these efforts, a higher percentage of Nigerian is still poor. Despite all the programmes established by the Federal Government of Nigeria to provide resources for development of small scale enterprises in Nigeria, they still suffer from scarcity of funds, either to start up new businesses or expand existing ones. This study therefore, investigates the role played by A.B.U. Micro-finance Bank in alleviating poverty to its micro customers; its condition on borrowing and repayment and its interest charges and the challenges facing the bank in discharge of its functions.

LITERATURE REVIEW

The term microfinance is often used interchangeably with microcredit and connotes a financial venture with interest in rendering services to the poor although with profit-making in view. (Elahi and Danopoulos, 2004) Schreiner and Colombel (2001: 339) and McGuire and Conroy (2000: 90) define microfinance as "the attempt to improve access to small deposits and small loans for poor households neglected by the banks." Microcredit, on the other hand is viewed as a development tool, essentially the dispersion of small collateral-free loans to groups of jointly liable borrowers in order to foster income generations and poverty reduction through enhancing self-employment and health (Ahmed, 2009; Chowdhury, 2005). Proponents of microfinance agree that it has the tendency to break poverty's vicious cycle; it is a win-win programme (Chemin, 2008). On the other hand, the critics such as Dale Adams of Ohio State University, who described the microfinance industry as 'microdebt industry' and Gonzalez-Vega, who questioned the rationale behind the goals and expectations put in place by the Microcredit Summit (McGuire and Conroy, 2000: 94-95). The stakeholders of microfinance include donors, government, Non-governmental Organisations (NGOs), microfinance banks, government banks, commercial banks, non-bank financial institutions, thrift societies (credit and loan cooperatives), credit unions, micro entrepreneurs, and other individual beneficiaries.

Most studies on poverty alleviation and microfinance concentrated on women (Elahi and Danopoulos, 2004: 62). The rationale being that they are prone to rural poverty than their male counterpart (Anyanwu, 2005). That women are given primary consideration in microfinance programmes does not suggest that the male gender is discriminated upon. This, however, raises moral questions bordering on who handles finance profitably and who has the capacity to repay credits received and responds to policy changes better than the other sex (Johnson, 2000). McCarther (2006) posits that women are the reason behind the success of microfinance as they are better clients and key drivers of development. Bangladesh, being the traditional home of microfinance development, has witnessed increased studies. One such study concentrated on both objective and subjective poverty with emphasis on the number of times participants have had access to microcredit. The results of the study show that microcredit is linked with poverty and its impact is only strong for about 6 years with subsequent decline (Chowdhury *et al*, 2005).

Another Bangladeshi study conducted by Haque and Yamao (2008) focused on determining how capably microcredit can alleviate poverty in Bangladesh. The study posits that 40% of Bangladeshi citizens live below the poverty line. Women members of reputable Non-governmental Organisations and Microfinance Institutions including Grameen Bank, Bangladesh Rural Advancement Committee, Association for Social Advancement, Thengamara Mohila Sabuj Sangha among others who had been borrowing from institutions for more than 6 years were sampled. The outcome of the study showed that credit disbursed was not sufficient for profitable economic activities let alone paying back the weekly installments. The credit defaulters had to borrow from other sources to repay the loans, and in consequence fell into further, prolonged indebtedness. However, without indebtedness, the study showed that proper utilization of microcredit can improve the livelihood of Bangladeshis (Haque and Yamao, 2008).

In the case of Vietnam, a similar research was conducted in the Mekong Delta by Rajula *et al* (2008). The objective of the study was to examine "if microfinance contributes to the reduction of poverty in the Mekong Delta region of Vietnam." Second and third objectives were to investigate "if it leads to the accumulation of assets" and "how poor women are enabled to adopt livelihood strategies that lead to poverty reduction." The finding of the research "suggests that the process of the accumulation of assets, leads to the creation of livelihoods that result in increased household income and poverty reduction." (Rajula *et al,* 2008: 191).

Still in Africa, a study was conducted in Uganda by Agha *et al* (2004) and centred on client perception of the quality of care provided by midwives. The study verified the impact of a microfinance scheme that provided relevant business skills and revolving loans on client loyalty. Result shows that midwives were very interested in microfinance. It further shows that microfinance have the capacity of strengthening private sector health services.

From the Nigerian perspective, Ewhrujakpor (2008) emphasized that poverty in Nigeria is the direct consequence of decreased investments, output, income purchasing power and savings. His review of the Poverty Alleviation programme, National Economic Empowerment and Development Strategy (NEEDS) shows that reducing poverty in Nigeria is the most difficult challenge and obstacle in her pursuit of sustainable economic growth. The implementation of government policies is left in the hands of people who betray the confidence of the masses. According to Shola (2008: 496), "the pervasiveness and persistence of poverty in Nigeria is a massive betrayal of her rich resource base. The failure of antipoverty initiatives, with its attendant negative implications may not be unconnected with the pervasiveness of perverse incentive structures that engender and nourish opportunism at the expense of a fairly even distribution of income and wealth."

Irobi, (2008), in her study titled "*Microfinance and Poverty Alleviation, A Case Study of Obazu Progressive Women Association, Mbieri, Imo State, Nigeria"* focused on women, the beneficiaries of microfinance, and how it affects the welfare of different groups of individuals and households. Mbieri, in Imo State, was chosen because "it is one of the villages that rural women, which engage in microfinance activities, live." Empirical data were collated using informant interview and questionnaire methods. The researcher's objective was to determine the rural women's (the beneficiaries) experiences in business (such as farming, dress making, trading etc.) with the assistance from the credits received from the association. The findings of the study showed that "the microfinance intervention has a positive impact on the alleviation of poverty among women of this association. Interestingly, this study found that most women in this association experienced increased income and therefore improved their economic status, political and social conditions after receiving the loans" (Irobi, 2008: vii).

Fasoranti, (2008), in his study titled "*Economic Implication of Poverty Alleviation Programs on Rural Women in Ondo State, A Case Study of Country Women Association of Nigeria" (COWAN)* examined the economic implication of COWAN poverty alleviation programme on rural women. Multistage sampling technique was used to select 100 respondents from Ikare and Ugbe from Akoko North-East and Oka and Okungba from Akoko South-West. The researcher focused on loans (by COWAN) granted to "poor women who don't have two dollars of their own to start any meaningful business" and who do menial jobs. "Result showed that loan facilities from COWAN has positive influence on the level of income; the result of the return to scale analysis showed efficient utilisation of the loans" (Fasoranti, 2008: 352).

THE ORIGIN OF MICROFINANCE AND MICROFINANCE POLICY IN NIGERIA

The unwillingness or inability of the formal financial institutions to provide financial services to the urban and rural poor, coupled with the unsustainability of government sponsored development financial schemes has contributed to the growth of private sector-led microfinance in Nigeria. Before the emergence of formal microfinance institutions, informal microfinance activities flourished all over the country. Informal microfinance is provided by traditional groups that work together for the mutual benefits of their members. These groups provide savings and credit services to their members.

The informal microfinance arrangements operate under different names: 'esusu' among the Yorubas of Western Nigeria, 'etoto' for the Igbos in the East and 'adashi' in the North for the Hausas (CBN, 2000). The key features of these informal schemes are savings and credit components, informality of operations and higher interest rates in relation to the formal banking sector. The informal associations that operate traditional microfinance in various forms are found in all the rural communities in Nigeria (Otu, et al, 2003). They also operate in the urban centres. However, the size of activities covered under the scheme is difficult to determine. The non-traditional, formalized microfinance institutions (MFIs) are operating side by side with the informal services.

In 2000, a National Conference on Microfinance organized by the Federal Government of Nigeria and the World Bank recommended that the Central Bank of Nigeria should take up the responsibility of developing an appropriate policy, as well as regulatory and supervisory framework for the operation of MFIs. The workshop recognized that the development of appropriate Microfinance Policy (MFP) was critical to the development of sound microfinance practice, sustainable MFIs and by implication viable micro enterprises in Nigeria. In responding to this recommendation, the Central Bank of Nigeria conducted a baseline study of MFIs in 2001. Consequent on the findings of the study, a policy paper regarding microfinance activities was adopted in the year 2005.

As at 2009, there are 898 registered microfinance banks (Jibril, 2011). Out of which about 64% of them transformed to microfinance banks from Community Banks. This implied that 34% of the microfinance banks in Nigeria were a direct result of the 2005 Microfinance Policy. Since then microfinance banks in Nigeria has been increasing in number among which are Ahmadu Bello University Microfinance Bank in Samaru, Nakowa Microfinance Bank in Tudun Wada, And Zazzau Microfinance Bank in Zaria-city; and recently Microcredit Microfinance Bank all of Zaria in Kaduna State of Nigeria.

METHODOLOGY

Primary data were utilized for the study. Since the study is based on primary source of data, the instrument of data collection was basically the questionnaire. Series of questions relating to the topic were asked and each of these was valid and reliable, for the purpose of the investigation. Considering the nature of the research on the poor and low income earners with limited or no access to financial instruments (credit loan) in Zaria Local Government, the sampling technique that was adopted for this study was the simple stratified random sampling in which two hundred and fifty respondents were given the questionnaire; mostly junior staff of the community. The choice of this technique is justified on the ground that, every client of the bank stands a chance of being benefited, from the microcredit scheme. Simple percentages and frequency tables were used "to examine the conditions for the loan" and 'to evaluate the interest rate charged by the bank". This is justifiable because frequency often distributes data into classes and determines the number of observations falling into each class for easy conclusion.

RESULTS AND DISCUSSIONS

TABLE 1: PERCEPTION OF INTEREST, LENDING CONDITION AND STRICTNESS ON LOAN REPAYMENT

Perception of interest rate/%		Lending condition/%		Strictness on loan repayment/%	
Too high	15(6)	Very good	10(4)	Very strict	100(40)
High	75(30)	Good	125(50)	Strict	50(20)
Average	10(4)	Average	100(40)	Normal	100(40)
No response	150(60)	Bad	15(6)	-	-

Source: Field survey, 2010.

Note: Percentages in brackets.

Table 1 shows that respondents largely agree that interest rate are high but the lending condition is good. The high percentage (60%) of none response is as a result of those people not aware of the lending conditions and interest rate on loans because they have not applied for any loans from the bank. On strictness of the bank on loan repayments, 40% of the respondents said that the bank is very strict while 40% said it is normal.

TABLE 2: AMOUNT RECEIVED AS LOAN, REPAYMENT PERIOD AND CONDITION FOR REPAYMENT

Amount of loan/%		Repayment period/%		Condition for repayment/%	
N5000-N10000	25(10)	0-6mths	50(20)	Installments	125(50)
N10000-N15000	25(10)	6-12mths	100(40)	At agreed time	100(40)
N15000-N20000	50(20)	12- 18mths	75(30)	At your convenience	00(00)
Above N20000	25(10)	Above 18mths	25(10)	No response	25(10)

Source: Field survey, 2010

Note: Percentages in brackets.

Table 2 shows the amount received as loan, repayment period and the condition for repayment. The amount disburses as microfinance loan is small; as such it agrees with the principle of microfinance loan.

TABLE 3: LOAN GRANTED, FOR HOW LONG, AND PROBLEM OF PAYING ON SCHEDULE

Loan granted? /%		Problem paying back/%		Duration of loan/%	
Yes	150(60)	Yes	25(10)	0-1ys	65(26)
No	75(30)	No	100(40)	1-2yrs	75(30)
No response	25(10)	Sometimes	25(10)	Above 2yrs	10(04)

Source: Field survey, 2010.

Note: Percentages in brackets.

Table 3 shows that 60% of the respondents were granted the loan and 40% had no problem paying back. The duration for the loan indicates that it is short term although some 4% are granted loan that extend beyond two years.

Deduction from these results is that the impact of microfinance loan on poverty will be very minimal because growth and development are long term variables. When asked about how they resolve problem of paying back; some of them reply they are able to repay despite the high interest.

To further examine the impact of loan granted by the bank on the income of the poor and low income earners among its customers, Chi-square a non- parametric test was run and the results are presented on table 4 below.

H_o: $\alpha = 0$ Loan granted by the bank do not have impact on the income of the beneficiaries.

H_i: $\alpha \neq 0$ Loan granted by the bank does have impact on the income of the beneficiaries.

Decision rule:

Accept H_o if $X_c{}^2 < X_t{}^2$

Reject H_o if $X_c{}^2 > X_t{}^2$

From the table below, the pearson Chi-square Asymp sig (2-sided) = 0.000 is (46.875) while the critical X_t^2 at (0.05) is 3.33. Thus the chi-square value is greater than the critical value; therefore, we reject H_o and conclude that loan granted by the bank have positive impact on the income of the beneficiary clients, even though the bank charged higher lending rate.

TABLE 4: CHI-SQUARE TESTS RESULTS

	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	46.875[a]	9	.000
Likelihood Ratio	56.596	9	.000
Linear-by-Linear Association	16.155	1	.000
N of Valid Cases	50		

a. 12 cells (75.0%) have expected count less than 5. The minimum expected count is 40.

DISCUSSION

Based on the opinion of respondents as depicted on table 1, we can conclude that 90% of them assessed the lending condition to be good while only 6% assessed it to be bad. This generalization helps us to draw conclusion that the lending condition under A.B.U MFB is good but that repayment terms were harsh because majority of them believe that the bank is strict on repayment. This strictness by the bank is good for risk management and for the benefit of other potential borrowers even though it may be harsh to the customers.

Lending rates of between 18- 20% is considered high by more than 70% of the respondent's/loan beneficiaries of ABU MF Bank. This is consistent with the underlying principles of microfinance banking which, seek to provide cheap funding source to the very poor of the society. Microfinance Banking Policy of the Federal Government envisaged a single digit interest rate of below 10% on loans/Advances by the microfinance banks. It is therefore safe to conclude that ABUMF charges commercial rates to its customers and it negates the purpose of the policy.

CONCLUSION AND RECOMMENDATIONS

With the coming up of the Microfinance Policy and Regulatory Framework, microfinance banks are now deliberately linked with the country's developmental policy objectives. Microfinance banks are important instruments designed to provide poor economic agents with access to credit. This community banking scheme has enabled the very poor of ABU community and surrounding communities to have greater access to formal credit. The bank has been drawing excess funds in the community and lending same to the members of the community. The performance of the bank based on the results of the study has been satisfactory. However, there were many borrowers who were yet to be covered especially women.

Microfinance banks are promoted and supported by government for them to act as catalyst for poverty alleviation and enhanced the common people's standard of living. It is therefore pertinent that they tailored their lending operations towards assisting the government to achieve its stated objectives. We are therefore recommending that ABU microfinance Bank and indeed all other microfinance banks should intensify efforts towards accessing cheap and or interest free sources funding for on-lending to clients at a very low interest rate. They should work with identified Non-Governmental Organizations to provide finances to the very poor of their clients and also assist in monitoring the loans for efficient utilization and repayment on schedule so as to enable others to benefit.

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IMPORT DEMAND, CAPITAL INFLOWS AND DUTCH DISEASE IN GHANA: THE CASE OF FOREIGN DIRECT INVESTMENTS (FDIS)

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ABSTRACT

This paper examined the relationship between import demand, capital inflows and Dutch disease in Ghana. In examining this relationship, two models were constructed and the Autoregressive Distributed Lag (ARDL) Bound test for cointegration applied. In the first model, an import demand function for Ghana was estimated: first to find out the impact of agriculture share in gross domestic product (tradable sector contribution to output) on imports and second, to show the extent to which windfall inflows affect import demand. It was found that rising imports cannot be attributed to any Dutch disease effects in Ghana as the coefficient of the Dutch disease variable was not significant. Also, it was established that windfall inflows had significant positive impact on imports. Given this relationship, as well as the inability of Dutch disease to explain increased imports in Ghana, we interpreted this to mean that the increased imports are perhaps of capital and intermediate goods which generate positive externalities to the tradable sectors thereby neutralizing any Dutch disease effects. Finally, the estimated Dutch disease model also suggests that Ghana did not experience any Dutch disease effects as a result of its natural resource boom. Rather declined contribution of tradable agricultural sector to gross domestic product is as a result of economic development theory.

KEYWORDS
import demand, dutch disease, capital inflows, exchange rate.

1.0 INTRODUCTION

The debate over best management practices of the oil revenue in Ghana to avert the so called Dutch disease that is said to have afflicted most resource rich economies has raged on among policy makers, NGOs, civil society, academicians and the media (Osei and Domfe, 2008), (Hobenu, 2010), (Moss and Young, 2009), (Document of the World Bank, 2009), (CEPA, 2010), (Bank of Ghana Policy Brief, 2007) (Breisinger, et al, 2009). The importance of transparency and accountability, solid macroeconomic policies, economic diversification, prudent financial management, strong and effective institutions and laws to maximize the natural resources for economic development are highlighted in these studies. To this end, the parliament of Ghana enacted the Petroleum Revenue Management Act (PRMA) which was assented to in April 2011 by the President of Ghana. The framework for a transparent accountable and sustainable management of the revenue inflows from the oil for the benefit of all Ghanaians is provided in this act.

Dutch Disease is the process by which natural resource exports cause a steep contraction of a country's non-resource tradable sector such as manufacturing sector for developed countries or agricultural sector for developing economies. Alternatively, the Dutch disease phenomenon can be explained as a situation where revenue inflows from natural resource exports cause a decline in a nations productive sectors through an appreciation of the nation's real exchange rate coupled with rising wages. As a result of the real exchange rate appreciation together with the wage hikes, the country's productive sector in international markets becomes less competitive. (Bank of Ghana, 2007).

The Experiences of most African countries such as, Angola, Equatorial Guinea and Zambia informs us that efficient management of resource windfalls for the benefit of the citizenry is an enormous challenge for most developing economies.The works of Sachs and Warner, (1995), and Gylfason, (2001) established that natural resource endowed countries tend to grow at a slower pace than countries that are less endowed with natural resources.For most resource endowed countries, high poverty rates, corruption and weak institutions and conflicts have been the order of the day in the midst of all these wealth from the resources (Sala-i-Martin and Subramanian, 2003). Thus, natural resource discoveries and for that matter positive commodity price shocks in Africa have been described as the ''resource curse syndrome'' (Bategeka and Matovu, 2011).

According to Oteng-Abayie and Frimpong, (2006), the important items on Ghana's import bill constitute capital goods, energy and crude oil. This is clearly the case as the Bank of Ghana Annual Report for 2010 indicates that77.1 percent of total non-oil imports in Ghana were capital and intermediate goods, compared to 73.7 percent in 2009. They however contended also that a great deal of primary raw materials and consumables are imported. This is apparently supported by their empirical results that investment expenditures as well as export expenditures are the aggregate components that mostly influence import demand in Ghana, with elasticities of 0.63 and 0.64 respectively.

The approach of the Dutch disease studies has traditionally been through the exchange rate appreciation approach ignoring the nature of the import and export functions of the countries involved in the studies, which is crucial in explaining the extent to which exchange rate appreciation can ruin the tradable sectors of resource rich countries (Ismail, 2010), (Arezki and Ismail, 2010), (Gylfason, 2001), (Adenauer and Vagasky, 1998) (Fayad, 2010), just to mention a few. As put by Mckinley, (2005), and LI and Rowe, (2006), if the inflows from the resource exports are used to purchase entirely imports, then there is no effect on exchange rate and for that matter no Dutch disease effect. Again, Mckinley, (2005) further argued that a supply response induced inflows that offsets demand response creates no Dutch disease effects. Finally, if the inflows are used to import capital goods to boost domestic production, then the domestic tradable sector benefits from the resource exports and cannot be said to collapse as a result of the inflows.

This paper has five (5) sections. After the introductory section, section two covers both theoretical and empirical literature. Section three considers the methodology and models specifications. Section four contains the results and discussions. The study is concluded with the fifth section which includes summary of findings, recommendations and conclusion.

2.0 REVIEW OF LITERATURE

The discovery of oil in Ghana presents a great opportunity for the country to chat a new growth path that will bring about improvement in living conditions of all its citizens. However, the Dutch disease literature cautions us that, the expected structural change in the economy might deprive people in the traded goods sector some benefits (Christine, 2003).

The Dutch disease is often associated with discovery of a natural resource, but it can also result from a large increase in foreign currency inflows, including foreign aid, foreign direct investments (FDIs) or substantial natural resource price increases. Corden and Neary, (1982) are the cornerstones of a large Dutch disease literature which is built around how a natural resource boom initiate a process of "deindustrialization." The name "Dutch disease" perhaps arose from the effect of the discoveries of the North Sea gas on the manufacturing sector of the Dutch economy. The new found wealth caused an appreciation of the Dutch Guilder which consequently made all non-oil products of their economy non-competitive in international markets thereby leading to a decline in the manufacturing sector. Corden and Neary, (1982) in their analysis of the Dutch disease posited that the economy can be divided into three main sectors. These include the natural resource sector, the non-resource tradable sector (agriculture or manufacturing sector) and the non-tradables sector (non-tradables services and construction). The real exchange rate can be defined as the price of tradables relative to the price of non-tradables. There are two mechanisms through which the Dutch disease can occur. These mechanisms include the resource movement effect and the spending effect.

THE SPENDING EFFECT

This relates to a higher domestic income brought about by the resource boom culminating into extra-spending on both traded and non-traded goods.

THE RESOURCE MOVEMENT EFFECT

This results if in addition, the booming resource sector share domestic production factors with other sectors of the economy such that expansion in the resource booming sector bids up prices in these factors. The improved prices in the booming natural resource sector and non-traded resources sector attracts capital and labour away from the traded manufacturing or agricultural sectors thereby damaging these sectors. The ensuing consequence of both spending and resource movement effects is a fall in the output share of tradables relative to non-tradables.

It must be noted that, some views about the Dutch disease phenomenon point to some assumptions which may not hold and therefore any possible adverse effects of increased capital inflows might be dampened if such assumptions are relaxed. A conspicuous assumption that is often made in the analysis and theory of the Dutch disease is that the beneficiary economies are operating on their production possibilities frontiers, yet it is an undeniable fact that most developing economies do have excess capacity capable of absorbing the more spending from the resource boom without any Dutch disease (Mckinley, 2005).The phenomenon also assumes that all inflows are not entirely used to finance imports.There is also the assumption of a perfectly elastic demand for tradable goods. What is conspicuously clear here is that the Dutch disease effect may be lessened if not entirely eliminated with a relaxation of any of these underlying assumptions. Li and Rowe (2006) for instance, have argued that theeffects of the Dutch disease could be eliminated if the foreign currency inflows are used to induce a rapid supply response which more than offsets a demand response.

The empirical literature on the Dutch disease phenomenon is enormous and diverse, ranging from the effects of resource booms and windfalls, official development assistance (ODAs) and foreign direct investments (FDIs) on the tradable sectors of resource rich economies, as well as the effects of remittances on the tradable sector of recipient economies. More recent studies like Sosunov and Zamulin, (2007), Lartey, (2008) and Acosta et al, (2009) have explored the use of dynamic sectorial general equilibrium (DSGE) models to assess the impact of a positive external shock in a small open economy. These articles discussed the impact of a positive external shock as an increase in capital inflows (Lartery, (2008)), remittances (Acosta et al, (2009)) or a commodity price boom (Sosunov and Zamlin, (2007).

Gelb, (1998) provides an extensive cross-country empirical study of the Dutch disease where the effects of windfall on oil exporting countries were examined following large spending by such countries as a result of the oil price boom in 1973. Virtually no Dutch disease effects were found in this study. According to the author, a possible explanation for the missing Dutch disease was that these sectors were initially too small and that subsidies combined with price controls and active promotion of the traded sectors enable these countries to escape the Dutch disease.

Also, the empirical evidence concerning the interaction between additional capital inflows and Dutch disease effects has been inconclusive. The IMF, (2005) studied five African countries (Ghana, Ethiopia, Mozambique, Tanzania and Uganda) and found that inflows through aid surges do not have Dutch disease effects in these countries. In fact, they found that years in which aid inflows surged were associated with exchange rate depreciation. This is confirmed by Li and Rowe, (2006) who found a strong negative and significant relationship between aid surges in Tanzania and real effective exchange rate (REER). Earlier, Nyoni, (1998) for the period 1967-1993 found similar results where aid surges were associated with exchange rate depreciation. All these contrast the Dutch disease theory.

A more related study pertaining specifically to Ghana is the one by Sackey, (2001), who estimated an empirical model for Ghana's real exchange rate with focus on foreign aid. His results showed that though aid dependence in Ghana is quite high, this dependence led to real exchange rate depreciation and had a positive significant impact on exports. Again, the World Bank, (2009) using dynamic comparative general equilibrium (DCGE) model to run simulations over the period 2009-2029, showed a long downward shift in the long-term growth trajectory of the country with oil production compared to a non-oil scenario. They projected that by 2029, per capita income may be 14 percent lower indicating that Ghana may not benefit that much from its oil.

Rajan and Subramanian, (2009) in their study of 33 countries over the 1980s and 15 countries in the 1990s showed evidence of systematic adverse effect of foreign aid on competitiveness of exports. Fayad, (2010) using a sample of 73 aid receiving countries for the period 1981-2000 showed that aid surges had a strong negative impact on manufactured exports which is consistent with the Dutch disease phenomenon. Doubling of aid according to Prati et al, (2003) appreciates the real exchange rate by 4 percent in the short-term and up to over 30 percent in the long-term. Using DCGE model simulations, Bategeka and Matovu, (2011) studied how different spending options of the oil revenue in Uganda affect the competitiveness of the traded goods sector and concluded that in all scenarios, oil revenues inflows would lead to a significant exchange rate appreciation in Uganda. All these findings are consistent with the theory of the Dutch disease.

Lartey, (2011) in his studies of financial openness and the Dutch disease revealed that increased financial openness leads to exchange rate appreciation in more financially opened countries only. Studying the impact of exchange rate on non-oil exports in Azerbaijan, Hasanov and Samadova, (2010) concluded that real exchange rate has a strong negative impact on non-oil exports performance which they contended was the Dutch disease effects of oil production.

It is important to note that different kinds of foreign inflows can be used to study the Dutch disease phenomenon. The most frequently kinds of inflows that have been used in the Dutch disease literature includes: aid, capital inflows, oil revenue inflows, remittances and foreign direct investments (FDI). The empirical results that have been obtained in these studies have largely been mixed.

3.0 PROBLEM STATEMENT

Since authors such as (Ismail, 2010), (Arezki and Ismail, 2010), (Gylfason, 2001), (Adenauer and Vagasky, 1998) (Fayad, 2010) and others, contend that the exchange rate appreciation approach to studying the Dutch disease phenomenon, ignores the nature of the import and export supply functions of the countries involved in the studies, which is crucial in explaining the extent to which exchange rate appreciation can ruin the tradable sectors of resource rich countries, this paper seeks to fill this gap. Thus the paper adopts a new approach to studying the Dutch disease phenomenon by incorporating the import demand function which hitherto has not gained attention in the Dutch disease literature.

Moreover, the study sought to directly test for any Dutch disease effects in the traded agricultural sector using the share of agriculture in GDP as the dependent variable to verify whether agriculture which is the traded goods sector in Ghana shows any symptoms of Dutch disease. This approach is quite different from the one that has been used in most literature of the Dutch disease where the Dutch disease dependent variable is proxied by real exchange rate. This study is largely motivated by the recent discussions concerning the Dutch disease in Ghana and the knowledge gap in studying the phenomenon by incorporating the import demand function.

To fill this knowledge gap, an import demand function that captures the effects of both inflows and Dutch disease is estimated. Finally, a Dutch disease model is constructed to examine the Dutch disease effects on the competitive traded agricultural sector.

4.0 IMPORTANCE OF THE STUDY

As stated already, this study is largely motivated by the recent discussions concerning the Dutch disease in Ghana. To the best of the authors' knowledge, even though there is a vast knowledge on the subject matter, such studies often fail to go beyond the effects of inflows on the exchange rate which has often been referred to as the Dutch disease. This paper adopts a new approach to studying the Dutch disease phenomenon by filling a knowledge gap of incorporating the import demand function which hitherto has not gained attention in the Dutch disease literature. This contributes immensely to the existing literature on the Dutch disease phenomenon, particularly in a developing country context. Thus people from academia and policy makers in general will benefit immensely from this research work by knowing the exact link between the import demand function and Dutch disease, in a typical developing country context and hence inform policy prescriptions.

5.0 OBJECTIVES OF THE STUDY

The major objective of this study is to examine the Dutch disease phenomenon of capital inflows in Ghana taking into consideration the import demand structure of the country. Specific objectives of the study include:

1. To examine whether natural resource revenue inflows have Dutch disease effects in Ghana.
2. To examine the effects of inflows on imports.
3. To examine the Dutch disease effects on the traded competitive agricultural sector.
4. To outline other factors responsible for non-competitiveness of traded sector (agriculture).

6.0 RESEARCH METHODOLOGY

In this paper, we have incorporated the import demand function as crucial in determining whether or not Dutch disease effects will arise in Ghana as a result of capital inflows proxied by foreign direct investments (FDIs).

Data for this study is sourced from the World Bank Development Indicators (WDI) (2011), The International Monetary Fund (IMF) International Financial Statistics (IFS) (2011), UNCTAD Handbook of Statistics, (2011) and Bank of Ghana BoG (2011). Specifically, data on constant GDP, imports, private consumption, and Agriculture share of GDP, came from the World Bank WDI; data on real effective exchange rate, openness of the economy, per capita income and FDI came from the IMF's IFS; data on terms of trade was sourced from UNCTAD and BoG. Openness of the economy was calculated as the sum of exports and imports as a ratio of constant GDP. Cyclical income (YAG) which is a proxy for declined tradable agricultural sector was calculated as the ratio of agricultural value added to non-primary resource GDP. The non-primary resource GDP was obtained by subtracting the contribution of primary exports to GDP from GDP. Time series data is employed in this study and spines from the period 1980-2010, constituting a sample size of 31 years.

The standard specification of the import demand model is similar to the specification of any other demand model. It treats imports as dependent on import prices and income. In modeling the import demand function for Ghana, we follow the imperfect substitutes model where neither imports nor exports are perfect substitutes to domestic goods (Goldstein and Khan, 1985). Since Ghana imports only a small fraction of world's import supply, it is realistic to assume perfectly elastic supply of world import supply to Ghana. This assumption reduces our model to a single equation import demand model. Relative prices can include price indices for both tradable and non-tradable sectors as these types of goods form the consumption basket of most consumers (Holder and Williams, 1995). The real exchange rate is included in this model to allow for the transmission of terms of trade shocks to import demand behaviour.

MODELING THE IMPORT DEMAND FUNCTION

The theoretical framework of the Dutch disease is that, as a result of the revenue inflows following discovery of a natural resource, there is an eventual decline in the local tradable goods sector (agricultural for developing countries or manufacturing sector, for most advanced economies). To deduce a relationship between the model of the Dutch disease and import demand in Ghana, a variable of the Dutch disease must be included in the import demand function. The measure of this variable in this work is agricultural share in non-primary resource GDP (YAG), which Holder and Williams, (1995) referred to as real cyclical income. It is expected that, evidence of any Dutch disease which in this model is a reduction in the share of agriculture in cyclical income should lead to increased imports. Thus a priori expectation of this variable is negative. The import model is therefore stated as:

$$Mt = f(GDPt, TOTt, CONt, YAGt, FDIt, TRADE, REERt) \quad (1)$$

Where: M is the demand for imports, GDP is the gross domestic product at constant prices, TOT is the terms of trade (relative price of exports and imports), CON is the level of private consumption, YAG is the share of agriculture in non-oil/non-resource GDP, FDI is net direct investment inflows, which is a proxy for capital inflows, TRADE is the openness index (trade liberalization index), REER is the real effective exchange rate and 't' time.

A priori expectation of GDP, CON, TOT and FDI is positive since both the substitution and income effects reinforce each other. Saleh-Isfahani, (1989) has argued that the exclusion of quantitative restrictions in a standard import demand function leads to misspecification such that the error term will account for the difference between actual and desired imports hence a priori positive relationship is expected for TRADE.However, a priori negative is sign is expected for YAG.

The import demand function can be appropriately put into logarithmic form as:

$$LNMt = \beta 0 + \beta 1 LNGDPt + \beta 2 LNTOTt + \beta 3 LNYAGt + \beta 4 LNCONt + \beta 5 LNFDIt + \beta 6 LNTRADEt + \beta 7 LNREERt + \mu t \quad (2)$$

The autoregressive distributed lag model (ARDL) bounds testing procedure developed by Pesaran et al, (2001) is used in this model to examine the cointegration relationship between the variables in the model. Per Pesaran et al, (2001), we specify a conditional unrestricted error correction model (UECM) of import demand as:

$$\Delta LNMt = \beta 0 + \beta 1 LNMt{-}1 + \beta 2 LNGDPt{-}1 + \beta 3 LNTOTt{-}1 + \beta 4 LNYAGt{-}1 + \beta 5 LNCONt{-}1 + \beta 6 LNFDIt{-}1 + \beta 7 LNTRADEt{-}1 + \beta 8 LNREERt{-}1 + \sum_{i=0}^{p} \Phi 1i \Delta LNMt{-}i + \sum_{j=0}^{p} \Phi 2j \Delta LNGDPt{-}j + \sum_{k=0}^{p} \Phi 3k\, \Delta LNTOT_{t-k} + \sum_{l=0}^{p} \beta 4l\, \Delta LNYAG_{t-l} + \sum_{m=0}^{p} \beta 5m \Delta LNCON_{t-m} + \sum_{n=0}^{p} \beta 6n \Delta LNFDI_{t-n} + \sum_{p=0}^{p} 7p \Delta LNTRADE_{t-p} + \sum_{r=0}^{p} \beta 8r \Delta LNREER_{t-r} + \mu t \quad (3)$$

Where all variables are as previously defined and Δis the first difference operator. Testing for cointegration relationship between the variables in the above conditional UECM involves three steps. The first step is to estimate the conditional UECM equation above by OLS, and conduct an F-statistic test to determine the joint significance of the coefficients of the lagged levels of the variables as:

H_0: $\beta_1 = \beta_2 = \beta_3 = \beta_4 = \beta_5 = \beta_6 = \beta_7 = 0$

H_1: not H_0

The second step in the ARDL bounds approach calls for the specification of a conditional ARDL (p, q^1, q^2, q^3, q^4, q^5, q^6, q^7), long-run model for import demand (LNMt) based on the UECM equation (3) once cointegration is established.

$$LNMt = \alpha 0 + \sum_{i=1}^{p} \alpha 1 \Delta LNMt{-}i + \sum_{i=1}^{q1} \alpha 2 \Delta LNGDPt{-}i + \sum_{i=1}^{q2} \alpha 3\, \Delta LNTOT_{t-i} + \sum_{i=1}^{q3} \alpha 4\, \Delta LNYAG_{t-i} + \sum_{i=1}^{q4} \alpha 5 \Delta LNCON_{t-i} + \sum_{i=1}^{q5} \alpha 6 \Delta LNFDI_{t-i} + \sum_{i=1}^{q6} \alpha 7 \Delta LNTRADE_{t-i} + \sum_{i=1}^{q7} \alpha 8 \Delta LNREER_{t-i} + \mu t \quad (4)$$

The final step consists of the construction of an error correction model that captures the short-run and long-run dynamics of the variables as:

$$\Delta LNMt = \gamma 0 + \sum_{i=0}^{p} \alpha 1i \Delta LNMt{-}i + \sum_{j=0}^{q1} \alpha 2j \Delta LNGDPt{-}j + \sum_{k=0}^{q2} \alpha 3k\, \Delta LNTOT_{t-k} + \sum_{l=0}^{q3} \alpha 4l\, \Delta LNYAG_{t-l} + \sum_{m=0}^{q4} \alpha 5m \Delta LNCON_{t-m} + \sum_{n=0}^{q5} \alpha 6\, n \Delta LNFDI_{t-n} + \sum_{p=0}^{q6} \alpha 7\, p \Delta LNTRADE_{t-p} + \sum_{r=0}^{q7} \alpha 8r \Delta LNREER_{t-r} + \lambda ecmt{-}1 + \mu t \quad (5)$$

Where γsare the short-run coefficients, $ecmt{-}1$ is the error correction model and λ is the speed of adjustment to long-run equilibrium of the variables.

MODELING THE DUTCH DISEASE

A standard model of the Dutch disease should take into account the declining effect of the traded goods sector of the economy. A traded goods sector decline (agriculture or manufacturing) is hypothesised to be a function of the spending effect and resource movement effect.

Decline in Agric or Manufacturing = f (spending effect + resource movement effect) (6)

Authors like (Rudd, 1995), (Saleh-Isfahani, 1989) and (Holder and Williams, 1995) argue that, modeling the Dutch disease using agriculture share of GDP is most appropriate for developing countries since agriculture seems to be the competitive tradable sector in most less developed countries. Based on these arguments as well as the observable facts over the years which indicate that in fact, agriculture has been the major contributor to GDP than any single sector until the last few years, we model the Dutch disease dependent variable in Ghana as Agriculture share in GDP.The spending effect of the Dutch disease is captured by real exchange rate since increased spending by government feeds through domestic price level which eventually affects exchange rate thereby affecting the competitiveness of the tradable agricultural sector. This is particularly a better measure of spending effect since most African countries finance deficits by resorting to the printing of money. A measure of the resource movement cannot be captured in this paper due to lack of data but this is not expected to affect the results of the study in any way.

One explanation of declining agricultural share of GDP is what Rudd, (1995) referred to as "the natural development process." To this end, per capita GDP is used as a proxy for the natural development process, since it is widely used as the measure of development of a country. We include a variable of openness (LNTRADE) to capture the effects of trade liberalization on the tradable sector. The Dutch disease model is therefore specified as:

AGRICt = f(REERt, PYCt, TRADEt) (7)

The log linear form of equation (7) is specified as:

$$LNAGRICt = \pi 0 + \pi 1LNREERt + \pi 2LNPYCt + \pi 3LNTRADEt + ut \quad (8)$$

The Dutch disease equation also follows the bound testing procedure for cointegration as outlined in the import demand model. Therefore, the conditional unrestricted error correction model (UECM) is specified in equation (9).

$$\Delta LNAGRICt = \pi 0 + \Omega 1LNAGRICt-1 + \Omega 2LNREERt-1 + \Omega 3LNPYCt-1 + \Omega 4LNTRADEt-1 + \sum_{i=1}^{p} \pi 1i\Delta LNAGRICt-i + \sum_{j=1}^{u} \pi 2j\Delta LNREERt-j + \sum_{k=1}^{u} \pi 3k\Delta LNPYCt-k + \sum_{l=1}^{u} \pi 4l\Delta LNTRADEt-l + et \quad (9)$$

The long-run cointegration equation of the Dutch disease model can be specified as:

$$LNAGRICt = \rho 0 + \sum_{i=1}^{p} \rho 1\Delta LNAGRICt-i + \sum_{i=0}^{u1} \rho 2\Delta LNREERt-i + \sum_{i=0}^{u2} \rho 3\Delta LNPYCt-i + \sum_{i=0}^{u3} \rho 4\Delta LNTRADEt-i + vt \quad (10)$$

The lag length of the ARDL model is selected based on the Schwarz Bayesian Criterion (SBC). We specify the error correction model of the Dutch disease model as:

$$\Delta LNAGRICt = \Psi 0 + \sum_{i=0}^{p} \Psi 1i\Delta LNAGRICt-i + \sum_{i=j}^{u} \Psi 2j\Delta LNREERt-j + \sum_{i=k}^{u} \Psi 3k\Delta LNPYCt-k + \sum_{i=l}^{u} \Psi 4l\Delta LNTRADEt-l + \sigma ecmt-1 + et \quad (11)$$

Again, $\Psi 1,2$, $\Psi 3$ and $\Psi 4$ are the short-run dynamics elasticities and $\sigma$is the speed of adjustment.

The Augmented Dickey-Fuller (ADF) test is used to test the stationarity or otherwise of the variables.

7.0 RESULTS AND DISCUSSION

This section presents a thorough analysis and discussion of the regression estimates of the models discussed in the previous section.

7.1 TIME SERIES PROPERTIES OF THE DATA

A test for statioarityof the data involving the two models was done to ensure that the variables were integrated of at most order one I(1) to avoid spurious results since the ARDL breaks down with I(2) according toPesaran et al, (2001). The Augmented Dicker-Fuller test was used to check for unit root and order of integration of the variables. The test indicates that all the series were either I(0) or I(1) and hence the ARDL applied. The unit root test and cointegraion test results for both the import demand and the Dutch disease models are presented in tables 7.0, 7.1 and 7.2 respectively.

TABLE 7.0: UNIT ROOT TEST

Variable	Levels		First Difference	
	Constant	Constant and Trend	Constant	Constant and Trend
LNMT	0.4222 I(1)	0.04538** I(0)	0.0000*** I(0)	0.0000***I(0)
LNRGDP	0.9932 I(1)	0.00199*** I(0)	0.0000*** I(0)	0.0001*** I(0)
LNREER	0.1381 I(1)	0.5815 I(1)	0.00674*** I(0)	0.00722*** I(0)
LNYAG	0.2049 I(1)	0.08373 I(1)	0.00347*** I(0)	0.001247*** I(0)
LNTOT	0.2353 I(1)	0.558 I(1)	0.0000*** I(0)	0.0000***I(0)
LNFDI	0.9349 I(1)	0.1289 I(1)	0.00059*** I(0)	0.001738*** I(0)
LNCON	0.9786 I(1)	0.9245 I(1)	0.03659** I(0)	0.0313** I(0)
LNPYC	0.9408 I(1)	0.9391 I(1)	0.03082** I(0)	0.0316** I(0)
LNAGRIC	0.8351 I(1)	0.02203** I(0)	0.0000*** I(0)	0.0000***I(0)
LNTRADE	0.05072** I(0)	0.5556 I(1)	0.0000*** I(0)	0.0000***I(0)

Source: Author's Estimation

*Note: ** and *** denotes the rejection of the null hypothesis of non-stationarity at the 5% and 1% significance level respectively, I(0) indicates stationarity of the variable and I(1) indicates non-stationarity.*

7.2: COINTEGRATION TEST

TABLE 7.1: ARDL BOUND TEST FOR COINTEGRATION OF THE IMPORT DEMAND MODEL

Number of parameters (k)	Computed F-statistic	Bounds test critical values At 5%	
6	7.6388 [.019]**	Lower bound	Upper bound
		2.22	3.39

Source: Author's Estimation

*Note: ** denotes the rejection of the null hypothesis of no cointegration at the 5% significance level.*

TABLE 7.2: ARDL BOUND TEST FOR COINTEGRATION OF THE DUTCH DISEASE MODEL

Number of parameters (k)	Computed F-statistic	Bounds test critical values At 5%	
4	4.6457 [.011]**	Lower bound	Upper bound
		3.47	4.57

Source: Author's Estimation

*Note: ** denotes the rejection of the null hypothesis of no cointegration at the 5% significance level.*

7.3 IMPORT DEMAND MODEL

TABLE 7.3: ESTIMATED LONG RUN COEFFICIENTS OF THE IMPORTS DEMAND MODEL

ARDL (0,1,0,0,0,1,1,1) selected based on Schwarz Bayesian Criterion (SBC)

Dependent variable is LNMT			
Regressor	Coefficient	Standard Error	T-Ratio[Prob]
LNRGDP	.63395	.53594	1.1829[.253]
LNTOT	-.14712	.084061	-1.7501[.098]*
LNYAG	-.0031121	.074769	-.041622[.967]
LNFDI	.031703	.013129	2.4147[.027]**
LNREER	-.036828	.044024	-.83654[.414]
LNCON	.89286	.053344	16.7380[.000]***
LNTRADE	.93948	.065513	14.3403[.000]***
C	-11.3856	10.5693	-1.0772[.296]
T	-.024938	.032761	-.76123[.457]

Source: Author's Estimation

*Note: *, ** and *** denotes the rejection of the null hypothesis at the 10%, 5% and 1% significance levels respectively. P-values are in parenthesis.*

TABLE 7.4: RESULTS OF THE IMPORT DEMAND ERROR CORRECTION MODEL

ARDL (0,1,0,0,0,1,1,1) selected based on Schwarz Bayesian Criterion (SBC)

Dependent variable is DLNMT			
Regressor	Coefficient	Standard Error	T-Ratio[Prob]
LNRGDP	2.7448	.79954	3.4329[.003]***
LNTOT	-.14712	.084061	-1.7501[.095]*
LNYAG	-.0031121	.074769	-.041622[.967]
LNFDI	.031703	.013129	2.4147[.025]**
LNREER	.057420	.050481	1.1375[.269]
LNCON	1.0046	.068792	14.6030[.000]***
LNTRADE	1.1012	.069820	15.7716[.000]***
C	-11.3856	10.5693	-1.0772[.294]
T	-.024938	.032761	-.76123[.455]
Ecm	-1.0000	0.00	*NONE*
ecm = LNMT -.63395*LNRGDP + .14712*LNTOT + .0031121*LNYAG -.031703*LNFDI+.036828*LNREER -.89286*LNCON -.93948*LNTRADE + 11.3856*C + .024938*T			
R-Squared	.99129	R-Bar-Squared	.98514
S.E. of Regression	.034952	F-stat. F(9, 20)	215.0214[.000]
Mean of Dependent Variable	.11286	S.D. of Dependent Variable	.28677
Residual Sum of Squares	.020768	Equation Log-likelihood	66.5652
Akaike Info. Criterion	53.5652	Schwarz Bayesian Criterion	44.4574
DW-statistic		1.6206	

Source: Author's Estimation

*Note: *, ** and *** denotes the rejection of the null hypothesis at the 10%, 5% and 1% significance levels respectively. P-values are in parenthesis.*

Since all variables in the model are expressed in logarithms, the coefficients of the model can be interpreted in terms of elasticities. It is clear from table 7.3 that all the coefficients of the import model are inelastic since they are all less than one. Again we can see that all coefficients both in the long run and the error correction models are identical in terms of significance except in the case of GDP which is alternating in significancein the long-run and short-run.

From the results, LNRGDP has the expected sign and is insignificant in explaining import demand in Ghana in the long-run. It is however significant in determining import demand in the short-run. This is perhaps the reality on the ground in Ghana over the years as it is observed that economic growth in Ghana is often accompanied with trade deficit. The elasticity of imports with respect to terms of trade (TOT), which is a measure of the relative price of exports and imports is significant in explainingboth the long and short-run behavior of import in Ghana at the 10% significance level. Its magnitude indicates thatGhanaians are less responsive to import prices. This is consistent with the Cochrane-Orcutt estimates of Abayie and Frimpong, (2006).

The share of non-resource agriculture shares in output (LNYAG) which is of particular interest in this study is what is called cyclical income and is measured by non-major natural resource share of GDP. Its elasticity (-.0031121) has the expected sign although highly inelastic and insignificant in explaining variations in imports in Ghana. The magnitude of its coefficient tells us that, for a 10% decrease in cyclical income, imports are expected to increase by 0.03%. Since this variable in this study captures the Dutch disease effects (decline in agricultural shares), the study's proposition that, Ghana is unlikely to suffer from the Dutch disease effect following its natural resource windfall inflows, can be upheld. William and Holder, (1995) who studied the Trinidad and Tobago's economy however, found that increased imports were partly attributable to Dutch disease effects.

Furthermore, the elasticity of foreign inflows (LNFDI) is statistically significant at the 5% level. Oteng-Abayie and Frimpong, (2006) have established that investment demand and export expenditures are the major determinants of import demand in Ghana. The significance of LNFDI pre-informs us that, as foreign inflows come as a result of natural resources, these inflows are returned in the form of imports, and therefore the expected exchange rate appreciation that would causeDutch disease is minimized if not eliminated entirely.

Again, the elasticity of imports with respect to the real effective exchange rate (LNREER) (-.036828) though insignificant has the expected sign in the long run only. This is particularly true since the empirical results indicated that the elasticity of imports with respect to relative prices (TOT) is inelastic and significant only at the 10% level. The statistical insignificance of LNREER means exchange rate movement has no or little influence on import demand in Ghana. This is particularly true as observations indicate that, import demand in Ghana did not reduce in the midst of exchange rate depreciation, especially in the 1990s through to the 2000s, as economic theory would have predicted.

The elasticity coefficients associated with private consumption (LNCON) and the openness index (LNTRADE) are highly significant even at the 1% level, and have the expected signs. Since a great deal of the inflows from the natural resources ordinarily accrues to government in the form of taxes and royalties, any government policy that is geared towards a rise in private consumption; such as a policy of drastic increase in emoluments and personal income tax cuts, which may serve as a direct distribution of the windfalls from the natural resource to its citizenry, has the tendency of significantly increasing the import bill of the country and subsequently an adverse effect on its balance of trade. This is probably the reason why Ghana has often produced a trade deficit in recent decades.

Evidence from table 7.4 also indicates that, the error correction model passed the diagnostic tests. A Durbin Watson (DW) value of (1.6206) implies no serious autocorrelation problems. Also, the overall regression is highly statistically significant as shown by the F-statistic and p-value 215.0214[.000] and has high explanatory power as indicated by both the R-Squared and the R-Bar-Squared values of .99129 and .98514 respectively. Other diagnostic tests are presented in appendix 1.

7.4 THE DUTCH DISEASE MODEL

An issue of interest to this paper is to find out whether capital inflows in Ghana have Dutch disease effects which was done through the import demand model. This paper is also interested in establishing whether declining agricultural share of output could be as a result of Dutch disease or just some other factors such as the natural growth path that the now developed countries have followed. To this end, a Dutch disease model is specified with agricultural share as the dependent variable.

TABLE 7.5: EMPIRICAL RESULTS OF THE LONG RUN DUTCH DISEASE MODEL

ARDL (0,0,0,0,0) seclected based on the Schwarz Bayesian Criterion (SBC)

Dependent variable is LNAGRIC			
Regressor	Coefficient	Standard Error	T-Ratio[Prob]
LNREER	.046363	.035669	1.2998[.206]
LNTRADE	-.0033536	.065613	-.051111[.960]
LNPYC	-.14884	.047930	-3.1054[.005]***
C	4.5979	.33573	13.6950[.000]***
T	-.011400	.0036740	-3.1029[.005]***

Source: Author's Estimation

*Note: *, ** and *** denotes the rejection of the null hypothesis at the 10%, 5% and 1% significance level respectivel. P-values are in parenthesis.*

TABLE 7.6: ESTIMATED SHORT RUN COEFFICIENTS OF THE DUTCH DISEASE MODEL

ARDL (0,0,0,0) selected based on the Schwarz Bayesian Criterion (SBC)

Dependent variable is dLNAGRIC			
Regressor	Coefficient	Standard Error	T-Ratio[Prob]
dLNREER	.046363	.035669	1.2998[.206]
dLNTRADE	-.0033536	.065613	-.051111[.960]
dLNPYC	-.14884	.047930	-3.1054[.005]***
Dc	4.5979	.33573	13.6950[.000]***
dT	-.011400	.0036740	-3.1029[.005]***
ecm(-1)	-1.0000	0.00	*NONE*

ecm = LNAGRIC -.046363*LNREER +.0033536*LNTRADE + .14884*LNPYC -4.5979* C + .011400*T

R-Squared	.49741	R-Bar Squared	.41699
S.E. of Regression	.054741	F-statistic	4.9485[.003]
Mean of Dependent Variable	-.022899	S.D. of Dependent Variable	.071693
Residual Sum of Squares	.074914	Equation Log-likelihood	47.3210
Akaike Info. Criterion DW-statistic	42.3210 1.3111	Schwarz Bayesian Criterion	38.8180

Source: Author's Estimation

*Note: *, ** and *** denotes the rejection of the null hypothesis at the 10%, 5% and 1% significance level respectively. P-values are in parenthesis.*

The results indicate that all the elasticity coefficients have their priori signs and are similar in both the short-run and long-run and the error correction model shows a 100% adjustment level. The coefficient associated with LNPYC (per capita income) is highly statistically significanteven at the 1% level of significance. This implies that most of the variations in agricultural share in GDP are due to variations in per capita income. The economic theory underlying economic development and the empirical observation of the now developed countries in their developmental stages experienced a decline in their agricultural sectors and increased manufacturing shares. Thus the economic reasoning underlying agricultural decline is what is referred to as the natural development process. We can therefore conclude that declining share of agriculture in GDP is as a result of a natural development process in Ghana.

The coefficients of LNREER, a proxy for the spending effect of the Dutch disease, and LNTRADE, openness index, are however, statistically not different from zero; implying that variations in the share of agriculture in GDP are not significantly explained by variations in the real effective exchange rate and trade liberalization, though the implied signs are achieved in this study. This means that the spending effect of the Dutch disease cannot be validated. A conclusion that can be made from this result is that agricultural decline in Ghana may be attributed to factors such as the natural growth process other than a Dutch disease phenomenon.

In the error correction model, a relatively low R-squared value of .49741 is obtained; implying that approximately 50% variations in the share of agriculture in GDP is explained by the independent variables in the model. The low R-squared value is probably due to the use of few independent variables in the model. This does not however affect the results much as the interest of this paper is not really to identify the determinants of agriculture share in GDP, but rather to establish whether or not decline in agriculture shares in GDP is as a result of the ongoing debate of the Dutch disease. The model passed all the diagnostic tests as presented in table 7.6 and appendix 1.

In sum, we do not obtain any evidence of Dutch disease effects in Ghana at least from the estimation of Dutch disease equations. Other factors such as the natural development process are more important explanations of declined tradable sector (agriculture shares) than Dutch disease in Ghana. We can therefore refute the phenomenon of the Dutch disease in Ghana.

8.0 SUMMARY OF FINDINGS

The major objective of the study was to examine the relationship between import demand, capital inflows and Dutch disease in Ghana with focus on FDIs that come as a result of natural resources such as gold, cocoa and oil. The ARDL Bounds Testing procedure to cointegration was used to carry out the study and the following findings were established.

- Even though the implied negative relationship between the Dutch disease and import demand is achieved, this relationship was insignificant and therefore there was no evidence to support the proposition that increased imports in Ghana are as a result of Dutch disease (decline in tradable sector) effects, at least over the period of study of this research.
- Interestingly, there is evidence of a positive significant impact of foreign capital inflows on import demand in Ghana. The implication is that, as capital flows into the country, it leaves in the form of imports and therefore may not cause any exchange rate appreciation and for that matter Dutch disease in Ghana. Given that rising import demand in Ghana was not attributable to falling traded sector (Dutch disease) as given by LNYAG, the interpretation of the significant impact of inflows on import was that, the rising imports are perhaps of capital and intermediate goods in nature. These kinds of imports are mainly imported for investment and further production purposes and therefore generate positive externalities in the tradable sectors of the economy. The study also draws on the empirical work of Oteng-Abeyie and Frimpong, (2006) on Ghana to support this finding and conclusion. There is therefore no reason to fear that inflows from natural resources have Dutch disease effects in Ghana.
- Finally, the study did not find any evidence to support the existence of any Dutch disease in Ghana. At least the spending effect of the Dutch disease could not be validated. Though the study does not build a prediction model, the research is of the firm conviction based on the results obtained; that economic,

social, institutional, environmental and political conditions in Ghana are well developed and grounded and therefore isolates Ghana from a host of its African counterparts such as Nigeria, Angola and many others. Therefore, Ghana is most unlikely to surfer from any Dutch disease as a result of its new found oil as has been argued by many people since the announcement of the oil find in 2007.

9.0 RECOMMENDATIONS

Firstly, the study did not find any evidence of harmful effects of foreign capital inflows from the country's natural resources as the Dutch disease will often predict. In fact, the contrary is evidenced in this study even though insignificant. Perhaps the increased inflows are used to finance private consumption, especially of traded non-capital and intermediate goods. At this point it may therefore be unwise to think of Dutch disease effects from revenue inflows in Ghana, rather such inflows must be redirected towards capital and intermediate goods that will in the long run improve the domestic traded sector so as to make it internationally competitive.

Secondly, the policy implication of the significance of private consumption in Ghana is that increased private consumption has depreciating effects on the local currency. This means that private consumption is traded goods bias in Ghana. This has been an observable fact since a substantial percentage of Ghana's consumption is imported; ranging from food staples such as rice, sugar, to other items such as fabrics and even toothpicks. Since prices of traded goods are internationally determined, if Ghana is to benefit from this private consumption, it must initiate policies that would increase the production of traded goods domestically at very competitive prices so as to reduce imports of such products internationally.

Finally, the study does not support the hypothesis that declining agricultural share (the tradable sector) in GDP is as a result of Dutch disease effects; rather, the study established that declining share of tradable sector is due to the so called 'natural development process'. The implication here is that there is no fear of Dutch disease symptoms in Ghana following the revenue inflows from her natural resources. Therefore, an attempt to redirect investments to the sector must not be based on the premise of a Dutch disease.

10.0 CONCLUSIONS

Since the Dutch disease effects are absent in both the import demand model and the Dutch disease model, and that per capita income has a significant negative impact on agricultural decline, we conclude that tradable sector decline is only as a result of economic growth process and not a Dutch disease effect in Ghana.

11.0 LIMITATIONS

A major limitation of this study is that of appropriate measurement of variables. In order to decouple the Dutch disease effects in the import demand model, we employ what Holders and William (1995), called cyclical income. This variable measures the contribution of the traded goods sector to output. It was concluded that a good measure of cyclical income therefore would be non-resource agricultural share of GDP since most of Ghana's resource is agricultural in natures such as that of cocoa and timber. This might not be an accurate measure of cyclical income though and further research is needed in this area to establish a good measure of cyclical income.

Secondly, the Dutch disease model suffers from limited explanatory variables. This situation is attributable to non-availability of data on key explanatory variables such as the resource movement effect of the Dutch disease. The lack of adequate explanatory variables might be the cause of the low R-square in the Dutch disease model.

Lastly, the study might be susceptible to problems related to time series data and proxy variables since some proxy variables were used.

12.0 SCOPE FOR FUTURE RESEARCH

This study is of the view that a Dutch disease will not occur following inflows arising from discovery of natural resources if the inflows are used to finance imports. The study therefore departs from the traditional approach to the Dutch disease literature using the import demand function and incorporating a Dutch disease variable called LNYAG which Holders and William (1995), referred to as cyclical income. The study therefore sets the path for a new crop of studies of the Dutch disease taking into account the behavior of the import demand function of the country. A correlation analysis of the import and export functions of a country is also a good area of research to establish what the inflows are used for.

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APPENDIX

APPENDIX 1

TABLE 1.0: RESULTS OF THE IMPORT DEMAND DIAGNOSTIC TESTS

Test statistic	LM Version	F Version
A:Serial Correlation	CHSQ(1)= 4.1685[.410]	2.5819[.128]
B:Functional Form	CHSQ(1)= 3.8704[.490]	2.3700[.143]
C:Normality	CHSQ(2)= .71263[.700]	Not applicable
D:Heteroscedasticity	CHSQ(1)= .57528[.448]	.54743[.466]

Note:
A: Lagrange multiplier test of residual serial correlation
B: Ramsey's RESET test using the square of the fitted values
C: Based on a test of skewness and kurtosis of residuals
D: Based on the regression of squared residuals on squared fitted values

TABLE 1.1: DIAGNOSTIC TESTS RESULTS OF THE DUTCH DISEASE MODEL

Test statistic	LM Version	F Version
A:Serial Correlation	CHSQ(1)= 3.4452[.063]	3.1138[.090]
B:Functional Form	CHSQ(1)= .15536[.693]	.12494[.727]
C:Normality	CHSQ(2)= .75366[.686]	Not applicable
D:Heteroscedasticity	CHSQ(1)= 2.7352[.098]	2.8090[.105]

Note:
A: Lagrange multiplier test of residual serial correlation
B: Ramsey's RESET test using the square of the fitted values
C: Based on a test of skewness and kurtosis of residuals
D: Based on the regression of squared residuals on squared fitted values

APPENDIX 2

TABLE 2.0: AUTOREGRESSIVE DISTRIBUTED LAG ESTIMATES (IMPORT MODEL)

ARDL (0,1,0,0,0,1,1,1) selected based on Schwarz Bayesian Criterion

Dependent variable is LNMT			
Regressor	Coefficient	Standard error	T-Ratio [Prob]
LNGDP	2.7448	.79954	3.4329[.003]
LNGDP (-1)	-2.1108	.75771	-2.7858[.013]
LNTOT	-.14712	.084061	-1.7501[.098]
LNYAG	-.0031121	.074769	-.041622[.967]
LNFDI	.031703	.013129	2.4147[.027]
LNREER	.057420	.050481	1.1375[.271]
LNREER (-1)	-.094247	.035540	-2.6518[.017]
LNCON	1.0046	.068792	14.6030[.000]
LNCON (-1)	.11171	.067925	1.6446[.118]
LNTRADE	1.1012	.069820	15.7716[.000]
LNTRADE (-1)	-.16169	.065209	-2.4796[.024]
C	-11.3856	10.5693	-1.0772[.296]
T	-.024938	.032761	-.76123[.457]
R-Squared	.99949	R-Bar-Squared	.99912
S.E. of Regression	.034952	F-stat. F(12, 17)	2756.8[.000]
Mean of Dependent Variable	21.5181	S.D. of Dependent Variable	1.1808
Residual Sum of Squares	.020768	Equation Log-likelihood	66.5652
Akaike Info. Criterion	53.5652	Schwarz Bayesian Criterion	44.4574
DW-statistic		1.6206	

TABLE 2.1: AUTOREGRESSIVE DISTRIBUTED LAG ESTIMATES (DUTCH DISEASE MODEL)

ARDL (0,0,0,0,0) selected based on Schwarz Bayesian Criterion

Dependent variable is LNAGRIC			
Regressor	Coefficient	Standard error	T-Ratio [Prob]
LNREER	.046363	.035669	1.2998[.206]
LNTRADE	-.0033536	.065613	-.051111[.960]
LNPYC	-.14884	.047930	-3.1054[.005]
C	4.5979	.33573	13.6950[.000]
T	-.011400	.0036740	-3.1029[.005]
R-Squared	.92888	R-Bar-Squared	.91750
S.E. of Regression	.054741	F-stat. F(4, 17)	81.6323[.000]
Mean of Dependent Variable	3.7449	S.D. of Dependent Variable	.19059
Residual Sum of Squares	.074914	Equation Log-likelihood	47.3210
Akaike Info. Criterion	42.3210	Schwarz Bayesian Criterion	38.8180
DW-statistic		1.3111	

APPENDIX 3

TABLE 3.0: VARIABLE DELETION TEST (OLS CASE) IMPORT DEMAND MODEL

****

Dependent variable is DLNMT
List of the variables deleted from the regression:
LNMT (-1) LNRGDP (-1) LNTOT (-1) LNYAG (-1) LNFDI (-1)
LNREER (-1) LNCON (-1) LNTRADE (-1)
29 observations used for estimation from 1982 to 2010

****

Regressor	Coefficient	Standard Error	T-Ratio[Prob]
DLNMT(-1)	-.14600	.21862	-.66782[.516]
C	-.073189	.054876	-1.3337[.205]
T	.0017366	.0016009	1.0848[.298]
DLNRGDP	1.0931	.61086	1.7894[.097]
DLNRGDP(-1)	-.89957	.60264	-1.4927[.159]
DLNTOT	.073355	.094362	.77737[.451]
DLNTOT(-1)	-.18984	.10383	-1.8285[.091]
DLNYAG	-.072651	.076447	-.95034[.359]
DLNYAG(-1)	.17216	.096041	1.7926[.096]
DLNFDI	.053965	.018436	2.9271[.012]
DLNFDI(-1)	.0017743	.014944	.11873[.907]
DLNREER(-1)	-.019058	.034113	-.55867[.586]
DLNCON	1.0116	.053080	19.0587[.000]
DLNCON(-1)	.049955	.23927	.20878[.838]
DLNTRADE	1.1610	.061717	18.8116[.000]
DLNTRADE(-1)	.093401	.26487	.35263[.730]

****

Joint test of zero restrictions on the coefficients of deleted variables:
Lagrange Multiplier Statistic CHSQ (6) = 26.8067[.001]
Likelihood Ratio Statistic CHSQ (6) = 74.8747[.000]
F Statistic F (6, 5) = 7.6388[.019]

****

TABLE 3.1: VARIABLE DELETION TEST (OLS CASE) DUTCH DISEASE MODEL

****

Dependent variable is DLNAGRIC
List of the variables deleted from the regression:
LNAGRIC (-1) LNPYC (-1) LNREER (-1) LNTRADE (-1)
29 observations used for estimation from 1982 to 2010

****

Regressor	Coefficient	Standard Error	T-Ratio[Prob]
C	-.0067133	.035733	-.18787[.853]
T	.3861E-4	.0018531	.020838[.984]
DLNAGRIC(-1)	-.093211	.23001	-.40525[.690]
DLNREER	.079839	.062447	1.2785[.216]
DLNREER(-1)	.022880	.049476	.46244[.649]
DLNTRADE	.0094739	.075613	.12529[.902]
DLNTRADE(-1)	.024370	.11131	.21894[.829]
DLNPYC	-.22419	.083594	-2.6820[.014]
DLNPYC(-1)	.010879	.099977	.10882[.914]

****

Joint test of zero restrictions on the coefficients of deleted variables:
Lagrange Multiplier Statistic CHSQ (4) = 15.5830[.004]
Likelihood Ratio Statistic CHSQ (4) = 22.3523[.000]
F Statistic F (4, 16) = 4.6457[.011]

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PRIMARY EDUCATION IN ANDHRA PRADESH: A CASE STUDY OF GUNTUR DISTRICT

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ABSTRACT
The windows and doors of education are to be opened widely. So that girls and women get the bright light of knowledge in abundance. A literate mother can do wonders in building up a healthy society and a bright future for our nation. One hundred eighty-nine countries have committed themselves to eight Millennium Development Goals, aimed at eradicating extreme poverty and improving the welfare of their people by the year 2015.

KEYWORDS
education, women education, Millennium Development Goals (MDG).

INTRODUCTION
Since the dawn of history education has been considered important in Indian life. During the British rule the extensive educational surveys conducted by Thomas Munro, Mount Stuart Elphinstone and William Aden in Madras, Bombay, Banglore, Bihar and Punjab in the 19th century provide information about the existence of a widespread indigenous system of education.

A bill in compulsory Elementary Education was moved by Gopal Krishna Gokhale in the Imperial Legislative Council in 1911. But it was rejected. Bombay Education Council passed the first law on compulsory education in 1917 at the initiative of Vithalbai Patel. A National Committee on education for girls was set up in 1958 under Mrs. Durgabai Deskhmukh. It recommended the setting up of national and state level councils for the promotion of female education and allocation of resources to provide better facilities.

To impart functional literacy to persons between the age of 15– 45, The National Literacy Mission was started in 1988. This was converted into the Total Literacy Mission in 1990. The goal of the mission is to impart functional literacy and education to illiterate persons between the age group of 9-35. According to mission statistics, it has made 320 lakh persons literate and out of which 62 percent are women. 258.12 lakh children were estimated to be enrolled in these programmes out of which 37.9 percent were girls.

In spite of all these serious efforts, a majority is still without access to education. For them, education is still a forbidden fruit. The reasons for this are many. Domestic duties, employment at home and outside create an impediment to girl's access to education. She is often assigned the duty to look after the younger members of the family, as her mother has to work hard to add the family income. The main aim of the ICDs and non formal education programmes are to help her reduce this burden to house hold duties so that she can attend the classes along with her younger siblings and get some education and income earning skills.

Many households need the income the girl child earns as domestic helpers, from the jobs provided by small village industries, agriculture etc. As a result, her access to education and outside world is denied. The families and the girls are to be motivated to overcome such impediments.

Social development depends on good education. Female education has an impact on health and other social issues like sex ratio, birth rate, infant and mother mortality rate etc, Sex ratio is very low in almost states where female literacy rates are low.

The windows and doors of education are to be opened widely. So that girls and women get the bright light of knowledge in abundance. A literate mother can do wonders in building up a healthy society and a bright future for our nation.

PRIMAY EDUCATION IN ANDHRA PRADESH
One hundred eighty-nine countries have committed themselves to eight Millennium Development Goals, aimed at eradicating extreme poverty and improving the welfare of their people by the year 2015. The second of the goals is to achieve universal primary education, with the specific target of ensuring that, by 2015, children everywhere boys and girls alike, will be able to complete a full course of primary schooling. It echoes a commitment made by the many of the countries in Jomtien, Thailand in 1990 to achieve universal primary education by the year 2000. The Jomtien commitment was reaffirmed and extended at the World Education Forum in Dakar in 2000.

Primary Education develops the capacity to learn, read and use of mathematics, to acquire information and to think critically about information. Primary education is also the gateway to higher education. Micro-economic research has revealed that education improves individual income. Research also indicates the contribution of primary education to better natural resource management and more rapid technological adaption and innovation. When a large share of children do not complete primary education, the productivity of labour force and the human potential from which the society and economy can draw, are limited. In several developing regions, the average level of schooling of the labour force is still less than primary education. Researches in this area have brought out that such low level of human capital is fundamentally inadequate for sustained development and poverty eradication. It has also been pointed out that without six years of schooling, the development goals cannot be achieved. The role of primary education in reducing poverty and inequality has been strongly established. Literacy is one of the strongest predictors of poverty and inequal access to educational opportunity is one of the correlates of income inequity. It is clearly visible in societies in respect to girls, ethnic minorities, orphans, people with disabilities and people living in rural areas. Extending adequate quality primary education to these vulnerable groups is crucial to equip them to contribute to and benefit from economic growth. The International Literacy Survey reveals high correlation between income inequality and inequality in the distribution of literacy.

Ultimately the case for universal primary education goes beyond economic consideration. Noble laureate Amratya Sen has called for human capabilities – the essential and individual power to reflect, make better choice, seek a voice and enjoy a better life. Primary education promotes the achievements of all the Millennium development goals. Education for girls is one of the strongest movers of improvement in fertility, health and nutritional outcomes. Its impact is also fell on infant and child mortality and enhanced family welfare. It has been found that mothers who have completed primary education are 50 percent more likely to ensure that their infants are immunized, that illiterate mothers. Research data also indicates that for boys and girl's education may be the single most effective weapon against HIV/AIDS. However, primary education completion should not be regarded as terminal education. It is only the first step towards the ultimate goal of lifelong learning.

Since independence, the country has witnessed phenomenal education development both in quantitative and qualitative terms. But the national goals of Universal Elementary Education(UEE) and the total eradication of illiteracy still remain elusive. The Government is committed to achieve the national goal and has been steadily increasing the budget allocation for education. India spent 4.02 per cent of it GDP on education during 2001-02 but about 44 percent of its adult population is still outside the educational net. In China the percentage of adult illiterate population is only 15.0 per cent and it spends 2.3 per cent of its GNP on education. Thailand whose illiterate population percentage is the same as India's spends 4.8 per cent of its GNP on education.

The expenditure on elementary education was 1.78 percent of the GDP in 1990-1991.This shows a gradual fall to 1.65 percent in 1994-95 and then a gradual rise to 2.02 per cent in 2001-02. The share of expenditure on elementary education to total education in all sectors was 6.19 per cent during 1990. This shows an irregular rise and fall and finally settled at 6.61 per cent during 2001-02. The per capita budgeted expenditure during this year was lowest in Bihar followed by Uttar Pradesh and Odisha.

EXPANSION OF SCHOOLING FACILITIES IN RURAL & URBAN AREAS

Rural primary schools increased from 44,412 in 1993 to 58, 883 in 2002, while urban primary schools increased from 4,729 to 7,245 during the same period. The growth in upper primary schools is phenomenal during this period. Rural Schools increased from 4,724 to 11,904 and urban schools increased from 1,657 to 3,191. The growth in secondary schools is also significant during this period. Rural secondary schools increased from 4,762 to 8,280 and urban secondary schools increased from 2,197 to 4,085. Girls schools have also increased phenomenally in both rural and urban areas.

GROWTH OF EDUCATIONAL FACILITIES IN VILLAGES

The 1990's have been watershed decade for expansion of schooling facilities. In 1993, 23,535 (88.0 per cent) villages as against a total of 26,650 villages had facility of primary school within the villages. In 2002, 2,4774(93.0 per cent) villages out of 26,646 villages had facility of primary school within the village. While the number of villages having the upper facility within the village increased from 8,111(30.0 per cent) in 1993 to 13,598 (51.0 per cent) in 2002, the number of villages having the secondary school's facility within the village increased from 4,317(16.0 per cent) to 6,447 (24.0 per cent) in the same period.

EDUCATIONAL FACILITIES IN RURAL HABITATIONS

Providing elementary education to all, with an ever increasing population is not an easy task. The number of rural habitations increased from 62,905 in 1993 to 66,416 in 2002 (increase of 5.8 per cent). The facility for primary education is available within the habitation in 51,482 habitations (77.5 per cent) and within a walking distance of 1.0 km in 61,594 (92.7 per cent) habitations. 98.7 per cent of the rural population living in 66,416 habitations has access to primary school within a radius of 1km.

The facility of upper primary education is available within the habitation in 15,917 habitations (23.9 per cent) and within a walking distance of 3.0 km in 51605(77.7 per cent). 91.0 per cent of the rural population have access to upper primary school within a radius of 3 km. The facility for secondary education is available within the habitation in 6,738 habitations (10.0 per cent) and within a walking distance of 5.0 km in 48,148 (72.5 per cent) habitations. 85.0 per cent of the rural population have access to secondary school within a radius of 5 km.

In the Indian Constitution, school education was included in the State list. As such it was responsibility of the State Government to provide universalization of elementary education. At the policy level the situation changed with Constitutional change made in 1976 by which school education was put in the concurrent list. UEE become a shared responsibility of the Central and State Government. The national Government realized its direct responsibility in this field after the adoption of National Policy of Education in 1986. In the 1990s there was very intensive activity in the field of literacy in elementary education. Issues of adult literacy in elementary education and its direct relationship to development entered public discourse. This led to union Government to procure and channelize funds from international agencies for initiatives and intervention in a big way in different states. The stress in recent decades is now to sustain and new management strategies. It is recognized that growth in elementary education is largely determined by State specific conditions. Mere funds and schemed from the centre will not guarantee the achievement of UEE goals. It is very much dependent on the tradition and values of local communities, commitment and enthusiasm of State level educational leadership, political will of the State Governments and the capacity to adopt innovative approaches. It is on account of these factors that differential success has been achieved in different states.

To reduce the impact of rising cost of text books and exercise books the Government has exempted writing and printing paper supplied to all the State Textbook Corporation from excise duty. This would enhance the affordability of text books for the disadvantaged section of the society.

On account of the spread of Total Literacy Campaign environment building for primary education has accelerated massive community mobilization. There is now a demand for education as one of the primary needs even among families in which there was no education earlier.

Under the Kasturba Gandhi Sikhsha Yojana a large number of residential schools for girls has been established in all districts, which have low level of female literacy. In addition to this, Central Government has also decided to grant financial incentive for the girl child belonging to BPL families.

Most of the State and Central Government have introduced projects to address the objectives and the strategies of National Policy on Education 1986. Special attention has been paid to increase community involvement, improving teaching and learning materials and providing in-service teacher's training for better performance.

One of the earliest such schemes known as Operation Blackboard was started in 1987. It is aimed at improving the school climate and enhancing retention and learning achievement of children by providing certain minimum essential facilities in all primary schools. The scheme has brought about remarkable qualitative and quantitative improvement in primary education. More than 5,23,000 primary schools have already **been** all over the country under this scheme.

Decentralized planning and management of elementary education visualize direct community involvement in the form of Village Education Committees. The action plan uses micro-planning as a tool for designing a family-wise and child-wise plan by which every child regularly attains the school or the NFE centre's, continues his education in a nearly place and completes atleast eight years of schooling on its equivalent at NFE centre.

Through the introduction of Punchayati Raj which aims at the transfer of power to the people, the participation of local institutions of self government has been ensured. The Panchayati Raj institution have to play a more dynamic and proactive role in education. These structures have provided voice to women, scheduled castes and tribes, minorities, parents and educational functionaries. Panchayati Raj bodies have been delegated the responsibility of the supervision of entire educational process in their areas. They can choose the locations of the schools on the basis of micro-planning and school mapping. The decentralization of school management to grass-root level bodies is an important policy initiative.

During the Eight plan the District Primary Education Plan shifted the planning mechanism from the State to the district level. Lok Jumbish, one such initiative in Rajsthan has gone one step further by assigning decision making process to a block level committee. At the village level the VEC is mainly responsible for community mobilization, school mapping, renovation and construction' of school building and improvement in school curriculum. The VEC of the Siksha Karmi Schools have been activated as a result of the Lok Jumbish effort.

On 15th August 1995, the School Meal programme was started to increase enrollment, retention and attendance in primary classes by providing supplementary nutrition to all children in primary school. The scheme has spread throughout the country. Hundred grams of food grains in the form of cooked meal is given to every child per school day in classes I to V. By 1997-98, 110 million children in primary classes were covered under this scheme. Evaluation reports have confirmed theo ositive impact on student's enrolment and retention.

TABLE 1: CLASS WISE GIRLS ENROLEMENT FROM 2001-14 IN ANDHRA PRADESH

S. No.	Year	Class-I	Class-II	Class-III	Class-IV	Class-V
01	2001-02	9,65,480	9,54,121	8,32,434	7,68,636	7,23,532
02	2002-03	9,57,880	8,70,153	8,67,186	7,70,186	7,44,591
03	2003-04	8,16,523	8,20,805	7,87,904	7,79,104	7,27,175
04	2004-05	7,69,705	7,40,494	7,73,946	7,48,460	7,65,157
05	2005-06	8,01,798	6,98,889	7,04,405	7,18,745	7,25,387
06	2006-07	8,13,747	7,46,531	6,83,850	6,74,235	7,08,085
07	2007-08	7,82,132	7,22,128	7,10,312	6,52,985	6,65,660
08	2008-09	7,69,369	7,03,515	6,98,803	6,83,673	6,53,127
09	2009-10	7,69,013	6,94,935	6,88,675	6,78,461	6,79,613
10	2010-11	7,52,683	7,09,846	6,83,132	6,68,319	6,77,596
11	2011-12	7,37,755	7,03,559	6,96,741	6,63,101	6,62,718
12	2012-13	7,16,425	6,81,337	6,85,236	6,68,437	6,50,476
13	2013-14	7,12,907	6,81,311	6,82,413	6,76,466	6,72,148
Combined		1,03,65,417	7,27,723	94,91,965	1,01,50,808	90,54,270

Source: Educational Statistics of Andhra Pradesh 2013-14

The table-01 presents that class wise Girls enrolment in Andhra Pradesh. Majority of child joining year wise 2001-2014 academic year. Lowest enrolment in 2013-14 and highest in 2001-02 of First class. Second class child enrolment in 2013-14 and highest 2001-02 year. Third class enrolment lowest recorded 2013-14 and highest recorded in 2002-03 year. The class fourth Girls enrolment lowest 2007-08 year and highest recorded 2003-04 year. Fifth class enrolment lowest recorded 2012-13 year and highest 2004-05 year.

TABLE 2: GROSS ENROLEMENT RATIO FROM 2001- 14 OF PRIMARY EDUCATION IN ANDHRA PRADESH

S. No.	Year	Boys	Girls	Combined
01	2001-02	114.24	112.65	113.48
02	2002-03	118.07	117.41	117.74
03	2003-04	108.50	108.83	108.66
04	2004-05	109.26	110.52	109.88
05	2005-06	109.80	111.65	110.70
06	2006-07	97.21	97.54	97.37
07	2007-08	96.19	96.62	96.40
08	2008-09	96.61	97.54	97.07
09	2009-10	98.85	99.23	99.04
10	2010-11	100.58	100.34	100.46
11	2011-12	101.33	100.72	101.02
12	2012-13	100.98	99.76	100.38
13	2013-14	98.54	98.98	98.76

Source: Educational Statistics of Andhra Pradesh 2013-14

The table-02 shows that grass enrolment ratio boys and girls in Andhra Pradesh. 2007-08 academic year boy's ratio 976.19 and girls 96.62, combined ratio is 96.40 this is the very lowest ratio recorded in the combined state.

TABLE 3: DROP-OUT RATES FROM 2001-14 IN PRIMARY EDUCATION ENROLEMENT OF ANDHRA PARADESH

S. No.	Year	Boys	Girls	Combined
01	2001-02	35.36	33.64	34.54
02	2002-03	33.74	30.91	32.39
03	2003-04	42.42	42.80	42.61
04	2004-05	31.77	32.14	31.95
05	2005-06	24.61	24.85	24.73
06	2006-07	26.76	27.32	27.04
07	2007-08	19.10	18.48	18.79
08	2008-09	16.14	15.15	15.65
09	2009-10	16.34	15.24	15.80
10	2010-11	18.10	16.73	17.43
11	2011-12	15.92	15.27	15.60
12	2012-13	15.13	15.45	15.29
13	2013-14	12.88	12.60	12.74

Source: Educational Statistics of Andhra Pradesh 2013-14

The table-03 shows that dropout rates in the primary schools in Andhra Pradesh. The dropout rates of 2003-04 academic year boys (42.42 per cent) and girls (42.80 per cent) and combined rate (42.61 per cent). 2013-14 academic year boys dropout rare (12.88 per cent) and girls dropout rate (12.60 per cent).

REVIEW OF LITERATURE

According to Ghost (1998) education is an important social resource and a means of reducing in equality in society. It helps in the individual to raise his social status in various ways. Knowledge, skills, values and attitudes acquired through education helps one to achieve a desired quality of life. With the realization the union and state Governments after Independence have adopted policies and programmes for improvement of education. Consequently, there has been enough progress in the field of education. In this rising trend various states and population groups have unequal results. States like Kerala, Himachal Pradesh and Maharastra are leading while Bihar, Utter Pradesh and Rajasthan are trailing behind. Within the states different population groups have unequal share in this progress. Communities like SC's and ST's are still logging far behind others in many states despite special facilities and protective discrimination in favor of them. After about five decades of planning and in the context of liberalization and structural adjustment it may be of interest to make a comparative assessment of the progress made by SC's and ST's vis-a- isv other in different states.

According to Denzil Saldanha (1998) discuses the status of literacy and primary education in the country based on data organized according to gender, region and community. The characteristics of the literacy campaign approach its strengths and weakness and impact are highlighted. The focus is on what are considered to be crucial issues emerging from the data and suggestions for a greater contextualization of the strategy.

According to Uma Devi. K. (2000) education brings perfection to life which means the growth and development of personality. It qualifies a person to filfil certain economic, political and cultural functions and thereby improve the socio-economic status of the people. It also helps to equalize the status of individuals who belongs to different social strata. The Constitution of India contemplates a social change to be brought in through the use of low of the objectives which is implicit in the preamble, fundamental rights and the change is not always true to the Constitutional directives.

According to Nandula Venkateswarlu (2000) discussed the importance of the role of education in socio-economic development of a Nation has been recognized since long. By increasing Knowledge, Education transforms human material into human capital. Education plays a crutial role International Development by providing the required manpower to the economy.

According to Neelima and Shayam Swaroop (2000) education improves the quality of life. It promotes a better health, expands access to employment, increases market productivity and facilities, social and economic participation. It is an important form of human capital that improves personality, health and education of the people of a country and slows down population growth. Education is an important too of mobility of identity, recognition and self-worth.

BRIEF HISTORY OF ANDHRA PRADESH

In February 2014, the Andhra Pradesh Re-Organization Act, 2014 bill was passed by the Parliament of India for the formation of Telangana state comprising 10 districts and in Andhra Pradesh 13 districts. Hyderabad will remain as a joint capital for 10 years for both states.

Andhra Pradesh is one of the country's southeastern coasts. The state is the 8th longest state in India covering an area of 61,855 sq.m. According to 2011 cencus the state is 10 th largest by population with 49,386,799. The state has the 2nd longest coastal line of 972 k.m. There are 2 Regions which are more often referred as Seemandhra by the news media. There are 13 districts with 9 in costal Andhra and 04 in Rayalaseema. The GSDP of Andhra Pradesh was Rs.2953.3 billion in 2014-15. The growth in state was mainly driven by the Agriculture, Industry and Service sectors.

OBJECTIVES

The present research work is framed on the basis of the following objectives.

1- To study the primary education in India and Andhra Pradesh
2- To analysis the socio-economic and demographic Conditions of the parents.
3- To explain the enrolment rate and causes of drop-outs rates of the primary education in the study area.
4- To suggest measures to improve the primary education enrolment and suitable measures for improvement of primary education.

SOURCES OF DATA

The sources of data divided into two types namely are broadly primary sources and secondary source. Research studies can be conducted either through primary or secondary data. In the present paper both primary and secondary data are used.

PRIMARY DATA

Primary data also collected through field survey either through interview schedule or a questionnaire. In the present paper an attempt is made to collected the primary data on Primary Education Schools Girls in Krishna and Guntur Districts of Andhra Pradesh through a structured questionnaire framed for this paper.

METHODOLOGY

The Primary data needed for the present paper was collect through a small survey conducted in 3 district in Andhra Pradesh out of 13 districts in the state. Only 01 districts are selected randomly from Capital Regional Development Authority(CRDA). In the district 4 Revenue Divisions and 57 Mandals. Each Division 03 Mandals were selected and each Mandal 25 responds were selected. The total number of schedules covered is 300.

PROFILE OF THE GUNTUR DISTRICT

At present the district is administratively divided into 4 Revenue Divisions namely Guntur, Tenali, Narasaraopet and Gurazala and constitute 57 Mandals, 729 villages and 706 panchayats. The district has got a costal line of 42 kms. The total population of the Guntur district according to 2011 census is 48,89,230 with a literacy rate is 67.99 per cent.

In Guntur district 4 Mandals were selected as 4 divisions. They are from Guntur division from Guntur rural mandal. Tenali division from Tenali mandal. Narasaraopet division from Narasaraopet mandal and Gurazala division from piduguralla mandals were selected from each mandal 25 respondents were selected.

SOCIO-ECONOMIC PROFILE OF SAMPLE RESPONDENTS

TABLE 4: SEX OF THE RESPONDENTS

S. No.	Gender	Frequency	Per cent
01	Male	110	36.67
02	Female	190	63.33
Combined		300	100.00

Source: Primary Data

An analysis of Table-04 shows the sex of the respondents out of 300 respondents majority 63.33 per cent are females. In a country like India, generally male members are the head of the household and only exceptional cases where male member is not present alive, the family member will act as head of the household. In the present study 36.67 per cent of the respondents are males.

TABLE 5: MARITAL STATUS OF THE RESPONDENTS

S. No.	Marital Status	Frequency	Per cent
01	Unmarried	067	22.33
02	Married	172	57.33
03	Widowed	028	09.33
04	Separated	022	07.33
05	Divorced	011	03.68
Combined		300	100.00

Source: Primary Data

In the present study out of 300 respondents the big majority 172 (57.33 per cent) are married. 67 (22.33 per cent) respondents are unmarried followed by 28 (09.33 per cent) of the respondents are widowed. There are 22 (07.33 per cent) respondents who are separated. There are 11 (03.68 per cent) respondents are divorced. Divorce is an uncommon phenomenon in India more especially in the labour families. Even there are problems between wife and husband they will not go to the extent of divorce. In such cases separation is common. But in the present study about 03.68 per cent of the respondents are divorced which is a peculiar situation in the study area.

TABLE 6: AGE DISTRIBUTION OF THE RESPONDENTS

S. No	Age (in years)	Frequency	Per cent
01	Below 15	005	1.66
02	15-18	010	3.33
03	18-25	043	14.33
04	25-35	057	19.00
05	35-45	133	44.34
06	45-55	033	11.00
07	55-65	010	03.33
08	65 above	009	03.00
Combined		300	100.00

Source: Primary Data

An analysis of Table-06 shows that out of the 300 respondent's majority 133 (44.34 per cent) are in the age group 35-45 years followed by 57 (19.00 per cent) in the age group 25-35 years. There are only 05 (01.66 per cent) respondents who are less than 15 years of age. About 43 (14.33 per cent) of the respondents are 18-25 years. 33 (11.00 per cent) respondents are 45-55 years are followed by 10 (03.33 per cent) respondents are above 65 years. The average age of the respondent is 45 years.

TABLE 7: EDUCATIONAL LEVEL OF THE RESPONDENTS

S. No	Educational Level	Frequency	Per cent
01	Illiterate	058	19.33
02	Can Sign only	045	15.00
03	Primary	028	09.33
04	Upper Primary	052	17.34
05	High School	054	18.00
06	Inter	039	13.00
07	Graduate	024	08.00
Combined		300	100.00

Source: Primary Data

Table-07shows that out of the 300 respondents, majority of the respondents are illiterates (19.33per cent). The percentage of the respondents who studied up to upper primary level are 52 (17.34 per cent), who studied up to primary level are 28 (09.33 per cent), 45 (15.00 per cent) of the respondents can sign only. The percentage of the respondents who studied inter level are 39 (13.00 per cent). Out of the total respondents 08.00 percent studied graduate level.

TABLE 8: COMMUNITY OF THE RESPONDENTS

S. No	Caste Status	Frequency	Per cent
01	General	071	23.66
02	SC	045	15.00
03	ST	032	10.66
04	BC	096	32.00
05	Others	056	18.68
Combined		300	100.00

Source: Primary Data

Table-08 had shows that out of 300 respondents covered by the present study, majority 96 (32.00 per cent) belong to BC category and any 71 (23.66 per cent) belong to general, 56 (18.68 per cent) belong to others, 45 (15.00 per cent) belong to SC and 32 (10.66 per cent) belong to ST category. There is representation to all community groups in the present study.

TABLE 9: RELIGIOUS COMPOSITION OF THE RESPONDENTS

S. No	Religion	Frequency	Per cent
01	Hindu	169	56.33
02	Muslim	097	32.33
03	Christian	023	03.67
04	Others	011	07.67
Combined		300	100.00

Source: Primary Data

The data presented in Table-09 shows that out of 300 respondents the big majority i.e.169 (56.33 percent) belong to Hindu religion 97 (32.33 percent) respondents belongs to Muslim religion 23 (07.67 percent) respondents belongs to Christians followed by 23 (03.67 percent) respondents are Other religion.

TABLE 10: PREVIOUS OCCUPATION OF THE RESPONDENTS

S. No	Previous Occupation	Frequency	Per cent
01	Unemployed	065	21.66
02	Agricultural Labourers	096	32.00
03	Domestic Labourers	026	08.67
04	Agriculture	083	27.67
05	Construction Laborers	030	10.00
Combined		300	100.00

Source: Primary Data

Table-12 clearly indicates that the previous occupation of the respondents. Out of 300 respondents 96 (32.00 per cent) are agricultural labourers and another 83 (27.67 per cent) are Agriculture. 65 (21.66 per cent) are unemployed followed by 10.00 per cent respondents are Construction Laborers. 26 (08.67 per cent) respondents are domestic workers.

TABLE 11: FATHER'S OCCUPATION OF THE RESPONDENTS

S. No	Father's Occupation	Frequency	Per cent
01	Unemployed	009	03.00
02	Agricultural Laborers	076	25.34
03	Wage Worker	083	27.66
04	Migrated Laborers	132	44.00
Combined		300	100.00

Source: Primary Data

Table-11 clearly indicates that 132 out of 300 (44.00 per cent) respondents are Migrated Laborers and another 83 (27.66 per cent) respondents are wage workers followed by 76(25.35 per cent) respondents are agricultural laborers. Only 03.00 per cent respondents are unemployed.

TABLE 12: MOTHER'S OCCUPATION

S. No	Mother's Occupation	Frequency	Per cent
01	Agricultural Laborers	032	10.67
02	Migrated Laborers	096	32.00
03	Unemployed	172	57.33
Combined		300	100.00

Source: Primary Data

The Table-12 highlights that out of 300 respondents, majority of the172 (57.33 per cent) respondents are unemployed. 96 (32.00 per cent) respondents are migrated laborers followed by 32 (10.67 per cent) respondents are agricultural laborers of mother's occupation side.

TABLE 13: TYPE OF HOUSE

S. No	Household Type	Frequency	Per cent
01	Permanent (RCC)	103	34.33
02	Temporary (Penku)	197	65.67
Combined		300	100.00

Source: Primary Data

The Table-13 clearly indicates that out of 300 respondents, majority 197(65.67 per cent) of the respondents are living in Temporary houses and the remaining 103 (34.33 per cent) of the respondents living in Permanent houses.

TABLE 14: OWNERSHIP OF HOUSE

S. No	Household Type	Frequency	Per cent
01	Rent	173	57.66
02	Own	092	30.67
03	Government House	035	11.67
Combined		300	100.00

Source: Primary Data

From the Table-14 it is deduced that out of 300 respondents, majority173 (57.66 per cent) are living in rented houses and remaining 92 (30.67 per cent) of the respondents living their own houses and 35 (11.67 per cent) of respondents living in government houses.

TABLE 15: NUMBER OF DEPENDENTS OF THE RESPONDENTS

S. No	No.of Dependent	Frequency	Per cent
01	Below-2	029	02.67
02	2-4	163	54.33
03	4 -Above	108	36.00
Combined		300	100.00

Source: Primary Data

A perusal of Table-15 shows that the number of dependents of the respondents out of 300 respondents, majorly163(54.33 per cent)2-4 dependents.108(36.00 per cent) respondents are 4-above dependents followed by 29 (09.67 per cent) respondents are below 2 dependents.

TABLE 16: MONTHLY INCOME OF THE RESPONDENTS

S. No	Income Distribution (in Rs.)	Frequency	Per cent
01	Below 2000	015	05.00
02	2000-3000	065	21.67
03	3000-4000	098	32.66
04	4000-5000	058	19.33
05	5000-6000	032	10.67
06	6000-7000	027	09.00
07	7000 Above	005	01.67
Combined		300	100.00

Source: Primary Data

The Table-16 elucidates that the Monthly income earned by the respondents. In the present study, out of 300 respondents' big majority 98 (32.66 per cent) are earning Rs. 3000- 4000 per month. Another 65 (21.67 per cent) are earning between Rs. 2000-3000 per month. 58 (19.33 per cent) of the respondents are earning Rs. 4000-5000 per month followed by 09.00 per cent respondents are between Rs. 6000-7000 per month out of 300 respondents only 15 (05.00 per cent) earns Rs. 2000 per month. It is observed that only 1.67 per cent respondents are above Rs. 7000 per month earning in the study area.

TABLE 17: SCHOOL GOING CHILDREN CLASS-WISE

S. No.	Class	Frequency	Per cent
01	First	032	10.66
02	Second	045	15.00
03	Third	068	22.66
04	Forth	049	16.34
05	Fifth	106	35.34
Combined		300	100.00

Source: Primary Data

The table-17 shows that majority of the respondent's child class wise going to the schools in the study area 106 (35.34 per cent) Fifth class. 68 (22.66 per cent) Third class school going child. Another 49 (16.34 per cent) Forth class school going child followed by 45 (15.00 per cent) Second class going child. Only 32 (10.66 per cent) First class going child in the study area.

TABLE 18: REASONS TO JOIN GOVERNMENT SCHOOLS

S. No.	Class	Frequency	Per cent
01	Admission Fesses problems	022	07.33
02	Poverty	079	26.33
03	Unemployment	064	21.34
04	Low income	077	25.66
05	Parents illiteracy	058	19.34
Combined		300	100.00

Source: Primary Data

The table-18 indicates that out of 300 respondents, majority of the respondents are 79 (26.33 per cent) BPL groups they have join to their child in Government schools followed by77(25.66 per cent) respondent's low income groups. 64(21.34 per cent) respondents faced unemployment. Another 58 (19.34 per cent) parent's illiterates. Only 22 (07.33 per cent).

TABLE 19: PRIMARY EDUCATION COMPLECTED IN ONE SCHOOL

S. No.	Number of schools	Frequency	Per cent
01	Yes	097	32.34
02	More than one	084	28.00
03	More than Two	051	17.00
04	Dropout	068	22.66
Combined		300	100.00

Source: Primary Data

The table-19 shaven that out of 300 respondent's majority of the child education completed only one school 97 (32.34 per cent). Another 84 (28.00 per cent) child education completed more then one school. Another important problem in primary level education at Government school's dropouts 68 (22.66 per cent) this type of problems faced in the study area. 51 (17.00 per cent) child to completed more then two schools.

TABLE 20: CAUSES OF DROP-OUTS

S. No.	Causes	Frequency	Per cent
01	Low Income	082	27.34
02	Unemployment	058	19.34
03	Migration	067	22.33
04	Lack of School	041	13.66
05	Teachers Behavior	052	17.33
Combined		300	100.00

Source: Primary Data

In the study area. Table-20 re3veals that causes of dropouts, majority of the child dropout depend upon families 82 (27.34 per cent) respondent's family income is very low. 67 (22.33 per cent) respondents for the sake of employment they have going to other areas i.e. migration is impact on child education. 58 (19.34 per cent) respondents lack of employment in native areas. Another 52 (17.33 per cent) respondents point out teacher's behavior isn't satisfied. Only 41 (13.66 per cent) respondents lack of schools in our locality i.e. the low enrolment in primary level schools

TABLE 21: SATISFACTION OF EDUCATION

S. No.	Opinion	Frequency	Per cent
01	Excellent	031	10.34
02	Very Good	088	29.33
03	Good	069	23.00
04	No satisfaction	112	37.33
Combined		300	100.00

Source: Primary Data

It is found that table-21, Out of 300 respondents, majority of the respondents unsatisfied education in Government schools.112 (37.33 per cent) respondents are no satisfaction regarding to education followed by 88 (29.33 per cent) respondents are very good satisfaction to education. Another 69 (23.00 per cent) respondents are Good satisfaction to education. Only 31(10.24 per cent) respondents are excellent satisfaction to education of child in the study area.

TABLE 22: FREQUENTLY VISITIG HIGHER AUTHORITY TO THE SCHOOLS

S. No.	Visiting	Frequency	Per cent
01	Weakly	014	04.67
02	Twice in a Monthly	019	06.34
03	Monthly	037	12.33
04	Occasionally	079	26.33
05	Not visiting	151	50.33
Combined		300	100.00

Source: Primary Data

The table-22 shows that visiting higher authority how many times to the schools. Out of 300 respondents, majority of 151 (50.33 per cent) higher authorities not visiting followed by 79 (26.33 per cent) respondents have said that higher authorities visiting occasionally to the school. Another 37 (12.33 per cent) respondents says that monthly visiting of the higher officials to the school and 19 (6.34 per cent) respondents have said that twice in a month to the school. Only 14 (04.67 per cent) respondents have said that weakly visits of the officials.

TABLE 23: AVALIABILITY OF TEACHERS

S. No.	Teachers Availability	Frequency	Per cent
01	Not Availability	052	17.34
02	Absenteeism	077	25.66
03	Classes not attending	041	13.67
04	D'nt maintain Timing	085	28.33
05	Perfect Timing	045	15.00
Combined		300	100.00

Source: Primary Data

The table-23 finds out availability of teachers for students in the schools. Majority of 85 (28.33 (per cent) teachers does not available to the child followed by 77 (25.66 per cent) teachers frequently absent to the school. Another 52 (17.34 per cent) of teachers without the information to head of the school and 41 (13.67 per cent) teachers not attending classes properly. Only 45 (15.00 per cent) teachers perfectly maintain timings.

TABLE 24: STUDENTS LACK OF ATTENDENCE

S. No.	Students Attendance	Frequency	Per cent
01	Regularity	043	14.34
02	Irregularity	058	19.34
03	Health Causes	052	17.33
04	Less Interest	079	26.33
05	Parent's Attitudes	068	22.66
Combined		300	100.00

Source: Primary Data

The table-24 indicates that student's attendance in the study area. Majority of 79 (26.33 per cent) are less interest to attend to school regularly followed by 68 (22.66 per cent) parent's attitudes are different to their child income sources to help their work. Another 58 (19.34 per cent) respondents regularly go to school. 52 (17.33 per cent) due to health causes. Only 43 (14.34 per cent) respondents are regular in going to school.

TABLE 25: TEACHERS STAY AT SCHOOL AREAS

S. No.	Staying	Frequency	Per cent
01	Staying	038	12.67
02	Journey	109	36.34
03	Head quarters	067	22.33
04	Weakly going to houses	053	17.66
05	Nearest Towns	033	11.00
Combined		300	100.00

Source: Primary Data

The table-25 presents that teachers stay in the local area of the schools. Out of 300 respondent's majority of 109(36.34 per cent) respondents shuttle from their places. Another 67 (22.33 per cent) respondents are staying at school surroundings and go to house Weakley. Only 33 (11.00 per cent) respondents living nearest towns.

TABLE 26: LACK OF PARENTS INCOME TO JOIN THE CHILDREN IN GOVERNMENT SCHOOLS

S. No.	Opinion	Frequency	Per cent
01	Yes	197	65.66
02	No	103	34.34
Combined		300	100.00

Source: Primary Data

The table-26, shown that lack of parent's income forcefully sends to the child to Government schools. Out of 300 respondent's majority of 197 (65.66 per cent) parents income is very low they have joined their child in Government schools followed by103 (34.34 per cent) positively respond to the above opinion.

TABLE 27: TEACHERS TO TEACH REGULLARLY TO TOPIC WISE

S. No.	Opinion	Frequency	Per cent
01	Excellent	023	07.66
02	Very Good	048	16.00
03	Good	073	24.34
04	Satisfaction	054	18.00
05	Not satisfaction	102	34.00
Combined		300	100.00

Source: Primary Data

The table-27 shows that teachers teach their lessons regularly in a topic wise in the schools.102 majority of the teachers (34.00percent) are not satisfied with their teaching followed by 73 (24.34 per cent) respondents teach topic wise with good satisfaction towards the child. Another 54(18.00per cent) respondents express their satisfaction. Only 23(07.66 per cent) respondents excellent teaching.

TABLE 28: TEACHERS TO INVOLVE OTHER ACTIVITIES IN THE SCHOOL PREMISES

S. No.	Other Activities of the Teachers	Frequency	Per cent
01	To try for promotion	087	29.00
02	Prepare for Examinations	073	24.34
03	Business	065	21.66
04	Politics in local areas	048	16.00
05	Non academic activities	027	09.00
Combined		300	100.00

Source: Primary Data

The table-28 reveals that teachers involving other activities in the school compound. Majority of 87 (29.00per cent) respondent's tray to promotion for better positions followed by 73 (24.34 per cent) respondents prepare for competitive examinations in the school. Another 65 (21.66 per cent) respondents to conducting business in the school i.e. shares, finance business and real-estate etc. 48 (16.00 per cent) respondents have involved in local politics. Only 27 (09.00 per cent) respondents are in non- academic activities.

SUMMARY AND FINDINGS

Since the dawn of history education has been considered important in Indian life. During the British rule the extensive educational surveys conducted by Thomas Munro, Mount Stuart Elphinstone and William Aden in Madras, Bombay, Banglore, Bihar and Punjab in the 19th century provide information about the existence of a widespread indigenous system of education.

In spite of all these serious efforts, a majority is still without access to education. For them, education is still a forbidden fruit. The reasons for this are many. Domestic duties, employment at home and outside create an impediment to girl's access to education. She is often assigned the duty to look after the younger members of the family, as her mother has to work hard to add the family income

One hundred eighty-nine countries have committed themselves to eight Millennium Development Goals, aimed at eradicating extreme poverty and improving the welfare of their people by the year 2015.

Ultimately the case for universal primary education goes beyond economic consideration. Noble laureate Amratya Sen has called for human capabilities – the essential and individual power to reflect, make better choice, seek a voice and enjoy a better life. Primary education promotes the achievements of all the Millennium development goals.

- Out of 300 respondent's majority 63.33 per cent are females.
- Out of 300 respondents the big majority 172 (57.33 per cent) are married.
- Out of the 300 respondent's majority 133 (44.34 per cent) are in the age group 35-45 years.
- Majority of the respondents are illiterates (19.33 per cent).
- Majority 96 (32.00 per cent) belong to BC category and any 71 (23.66 per cent) belong to genera.
- Out of 300 respondents the big majority i.e. 169 (56.33 percent) belong to Hindu religion 97 (32.33 percent) respondents belongs to Muslim religion.
- In the study 132 out of 300 (44.00 per cent) respondents are Migrated Laborers.
- It is deduced that out of 300 respondents, majority 173 (57.66 per cent) are living in rented houses.
- Out of 300 respondents' big majority 98 (32.66 per cent) are earning Rs. 3000- 4000 per month.
- Child class wise going to the schools in the study area 06 (35.34 per cent) Fifth class.
- Out of 300 respondents, majority of the respondents are 79 (26.33 per cent) BPL groups they have join to their child in Government schools.
- Majority of the child education completed only one school 97 (32.34 per cent.
- Majority of the child dropout depend upon families 82 (27.34 per cent) respondent's family income is very low.
- Majority of the respondents unsatisfied education in Government schools. 112 (37.33 per cent).
- Out of 300 respondent's majority of 151 (50.33 per cent) higher authorities not visiting followed by 79 (26.33 per cent) respondents.
- Majority of 85 (28.33 (per cent) teachers does not availability to the child.
- Majority of 79 (26.33 per cent) less interest to attend school regularly.
- Out of 300 respondent's majority of 109(36.34 per cent) respondents daily journey their places.
- Majority of the teachers 102 (34.00 per cent) teaching not satisfaction.
- Majority of 87 (29.00 per cent) respondent's tray to promotion for better positions followed by 73 (24.34 per cent) respondents prepare for competitive examinations in the school.

FINDINGS

- Government Schools should maintain good Quality of education providing to the students.
- All Primary Schools should maintain the records of the student's attendance, teacher's attendance and other related office files.
- Innovative teaching methods should have developed for the children.
- To maintain Bio-metric system for Teachers and Students in all schools.
- To Control the dropouts at the primary education level itself.
- Primary schools should maintain Teacher and student relations.
- All teachers should attend to the assembly regularly.
- Teachers attendance should be increase.
- Teachers should stay in the campus from starting to ending of the school. Primary school children should not be feel under the pressure.
- Good friendly schooling Environment must create by the teachers.
- Every primary school should maintain Parent Teachers Associations (PTA's) meetings regularly.
- Each teacher to join their children compulsorily in Government Schools.
- All teachers should stay in the school surroundings.
- Teachers to attend the classes with more subjective analysis.

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A COMPARATIVE EVALUATION OF PRIVATE SECTOR BANKS LENDING IN INDIA

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ABSTRACT

This paper studies the Lending Performance of selected private sector banks within and outside India. In the last decade's various developments have been witnessed in the Private Banking Sector. Banks mainly make profit from the difference of interest received and loans paid. Private Banks generally perform two main functions lending & accepting deposits. But nowadays banks are performing the number of functions in addition to its two main function lending and accepting deposits. Banks grant loans in order to satisfy the growing credit needs of the different sections of the society but since the private banks are profit making organization thus they have profit making dimension added to the advances granted by them.

KEYWORDS
Private Banks, Loan Performance, Lending.

INTRODUCTION
This paper studies the Lending Performance of selected private sector banks. In the last decade's various developments have been witnessed in the Private Banking Sector. Private Banks generally perform two main functions lending & accepting deposits. It facilitates business activities providing money and services that helps in exchange of goods. Lending is the most profitable because interest rates realized on loan is more than those realized on investment. Interest receive on loans are the main source of income for banks. The banking industry has undergone a sea change after the first phase of economic liberalization in 1991 and hence credit management. Asset quality was not prime concern in Indian banking sector till 1991, but was mainly focused on performance objectives such as opening wide networks/branches, development of rural areas, priority sector lending, higher employment generation, etc. While the primary function of banks is to lend funds as loans to various sectors such as agriculture, industry, personal loans, housing loans etc., but in recent times the banks have become very cautious in extending loans. The reason behind this is Non-Performing Assets (NPAs) and nowadays these are one of the major concerns for banks in India. When bank or finance company is unable to recover its lent money from borrower in 90 days than that amount which have not been recovered will be treated as NPA. It represents bad loans, the borrowers of which failed to satisfy their repayment obligations.

REVIEW OF LITERATURE
1) The paper studies the relationship between the banking industry and selected private banks in addition to this it also studies the performance of loans, net profit and NPA. Last decade has witnessed many changes in the banking industry. In this paper we are trying to throw light on the effect of the loans and advances on the Indian Economy. Banks mainly make profit from the difference of interest received and loans paid. Nowadays banks are performing the number of functions in addition to its two main function lending and accepting deposits. Banks grant loans in order to satisfy the growing credit needs of the different sections of the society but since the private banks are profit making organization thus they have profit making dimension added to the advances granted by them. In this paper we have focused on the movement of NPA, Loans, and Net Profit of the private banking industry by analyzing the data from the year 2007 to 2011. Wherever the data for the years to the year 2007 could be taken have been taken for analysis.
2) Roma Mitra, Shankar Ravi (2008), A stable and efficient banking sector is an essential precondition to increase the economic level of a country. This paper tries to model and evaluate the efficiency of 50 Indian banks. The Inefficiency can be analyzed and quantified for every evaluated unit. The aim of this paper is to estimate and compare efficiency of the banking sector in India. The analysis is supposed to verify or reject the hypothesis whether the banking sector fulfils its intermediation function sufficiently to compete with the global players. The results are insightful to the financial policy planner as it identifies priority areas for different banks, which can improve the performance. This paper evaluates the performance of Banking Sectors in India.
3) B. Satish Kumar (2008), in his article on an evaluation of the financial performance of Indian private sector banks wrote Private sector banks play an important role in development of Indian economy. After liberalization the banking industry underwent major changes. The economic reforms totally have changed the banking sector. RBI permitted new banks to be started in the private sector as per the recommendation of Narasimha committee. The Indian banking industry was dominated by public sector banks. But now the situations have changed new generation banks with used of technology and professional management has gained a reasonable position in the banking industry.
4) Brijesh K. Saho, Anandeep Singh (2007), this paper attempts to examine, the performance trends of the Indian commercial banks for the period: 1997-98 - 2004-05. Our broad empirical findings are indicative in many ways. First, the increasing average annual trends in technical efficiency for all ownership groups indicate an affirmative gesture about the effect of the reform process on the performance of the Indian banking sector. Second, the higher cost efficiency accrual of private banks over nationalized banks indicate that nationalized banks, though old, do not reflect their learning experience in their cost minimizing behavior due to X-inefficiency factors arising from government ownership. This finding also highlights the possible stronger disciplining role played by the capital market indicating a strong link between market for corporate control and efficiency of private enterprise assumed by property right hypothesis. And, finally, concerning the scale elasticity behavior, the technology and market-based results differ significantly supporting the empirical distinction between returns to scale and economies of scale, often used interchangeably in the literature.
5) Vradi, Vijay, Mauluri, Nagarjuna (2006), in his study on Measurement of efficiency of bank in India concluded that in modern world performance of banking is more important to stable the economy .in order to see the efficiency of Indian banks we have see the fore indicators i.e. profitability, productivity, assets, quality and financial management for all banks includes public sector, private sector banks in India for the period 2000 and 1999 to 2002-2003. For measuring efficiency of banks, we have adopted development envelopment analysis and found that public sectors banks are more efficient then other banks in India
6) Petya Koeva (July 2003), in his study on The Performance of Indian Banks. During Financial Liberalization states that new empirical evidence on the impact of financial liberalization on the performance of Indian commercial banks. The analysis focuses on examining the behavior and determinants of bank intermediation costs and profitability during the liberalization period. The empirical results suggest that ownership type has a significant effect on some performance indicators and that the observed increase in competition during financial liberalization has been associated with lower intermediation costs and profitability of the Indian banks.

TYPES OF LENDING
NON-FUND BASED LENDING AND FUND BASED LENDING
In Non-fund based lending, bank does not make any funds outlay but only gives assurance. The "letter of credit" and "bank guarantees" fall into the category of non-funding loans. The non-funding loan can be converted to a fund-based advance if the client fails to fulfil the term of contract with the counterparty. In banking language, the non-funding advances are called Contingent Liability of the banks.

The Fund based lending is direct form of loans on which actual cash is given to the borrower by the bank. Such loan is backed by primary and / or a collateral security.

SECURED LOANS AND UNSECURED LOANS

In the secured loans, the borrower has to pledge some assets (such as property) as collateral. Most common secured loan is Mortgage loan in which people mortgage their property or asset to get loans. Other example is Gold Loan, Car Loan, Housing loan etc.

In unsecured loans, the borrower assets are not pledged as collateral. Examples of such loans are personal loans, education loans, credit cards etc. They are given out on the basis of credit worthiness of the borrowers.

The interest rates on unsecured loans are higher than the secured loans. This is mainly because the options for recourse for lender in case of unsecured loans are limited.

TERM LOANS AND DEMAND LOANS

The commercial banks provide loans of both short term (short term credit), Medium and long term. Short term loans are those loans whose tenure is less than one year. Medium term tenure is between 1 to 3 years and long term is above 3 years. However, In case of agriculture loans, there are three types of loans viz. Short term (tenure <15 months), medium term (tenure 15 months to 5 years) and long terms (tenure > 5 years).

The demand loans are the loans which can be recalled by bank on demand at any time.

PERSONAL LOANS AND COMMERCIAL LOANS

If the debtor is an individual person (consumer) or a business; it is called personal loan or consumer loan. Common examples of personal loans are mortgage loans, car loans, credit cards, educational loan etc. The credit worthiness (or credit score) of the debtor is major criteria for banks to impart such loan facility. Commercial loans include commercial mortgages and corporate bonds. The credit rating of commercial organizations is one criterion for availing such loans.

Commercial loans are available for practically any kind of activity and also for both long and short tenures. Based on customer profile, these loans are of two types:

- **CORPORATE LOANS**

These loans are meant for corporate bodies (and bigger ones among other entities like proprietorships, partnerships and HUFs) engaged in any legal activity with the object of making profit. Banks lend to such entities on the strength of their balance sheet, the length of cash cycle and depending upon the products available with individual banks.

- **RETAIL LOANS**

This type of lending is meant for very small entrepreneurs as well as individuals who are engaged in gainful commercial activity and have the capacity to repay the loan. Loans are given on the strength of the means of the borrower with an eye on the repaying capacity. The latter is judged through the cash streams (income) available with the borrower for repayment of the loan.

LOANS FOR PURCHASE OF AUTOMOBILES/CONSUMER DURABLE ITEMS

Most banks nowadays have a product for financing the purchase of automobiles and other consumer durable items. The quantum of loan is generally determined by the repayment capacity of the prospective borrower. This in turn, depends upon the monthly income. Most Banks have their own method to calculate the maximum monthly repayment capacity of a person. Thereafter, a loan for which Equated Monthly Installment (EMI) is within this capacity is considered the outer limit for a person.

WORKING CAPITAL FINANCE AND PROJECT FINANCE

If the loan amount is used for operating purposes of the business, and its utilization results in the creation of the current assets; it is called Working Capital finance. To provide such loans, the lending banks carry out detailed analysis of the borrowers' working capital requirements and then fix the credit limits. Normally, this loan is a secured loan and the working capital finance is primarily secured by the inventories and receivables of the business. The common examples of Working capital finance include Cash Credit Facility and Bill Discounting.

On the other hand, project finance mainly refers to extending the medium-term and long-term rupee and foreign currency loans to the manufacturing and infrastructure sectors. Various tools of project finance include Share capital, Term loan, Debenture capital etc.

PRIORITY SECTOR LENDING

The overall objective of priority sector lending program is to ensure that adequate institutional credit flows into some of the vulnerable sectors of the economy, which may not be attractive for the banks from the point of view of profitability.

- **MSME CREDIT**

Banks grant a substantial amount of loans to the micro, small and medium enterprises (SMEs) as a part of Priority sector. Banks usually follow the cluster based approach while sanctioning such loans. This sector plays very important role in the economy and given its importance, RBI has taken several measures to increase flow of institutional credit to this segment. The Small Industries Development Bank of India (SIDBI) also facilitates the flow of credit to MSME sector at reasonable rates.

- **RURAL AND AGRICULTURAL LOANS**

Banks extend term loans to farmers for their agricultural inputs. Regional Rural Banks and Lead Bank Scheme have played important role in this.

OBJECTIVES OF THE STUDY

This study mainly focuses on the lending performance of the selected private banks and comparative analysis of the lending performance of eight private banks. The main objectives for the study were:

1) To analyze the growth of lending in different private banks.
2) To analysis lending portfolio of private banks.
3) To find the sources or causes that promoted or weakened the credit programme of private banks.

SCOPE OF THE STUDY

For the present study, 8 banks have been considered. The period covered under the present Study is 5 years, beginning from 2010-2011 to 2014-2015. The banks taken in the study are Axis Bank, ICICI Bank, HDFC Bank, Kotak Mahindra Bank, Yes Bank, City Union Bank, The Federal Bank and Dhanlaxmi Bank. The present studies have been undertaken to analysis the lending performance of private banks from 2010-2015 to 2014-2015. The present studies have also been undertaken to analysis lending performance and return on it of private banks with and outside India. Trend analysis method is used taking base year 2010-2011 as 100.

METHODOLOGY OF THE STUDY

The data for the present study has been collected from the annual reports and accounts, which was obtained from the related sites. All the data related to the study have been given in crores (rupees). The items given in the Balance Sheet under the head of loans and advances have been bifurcated into two loans and advances inside India and loans and advances outside India. Figure of total loans and advances is plotted on Bar chart. For interpretation of the data trend analysis method has been used taking base year 2010-2011 as 100. Yield on advances is also calculated using trend analysis method taking base year 2010-2011.

TABLE 1: LOAN PERFORMANCE OF ICICI BANK LTD.

Particular	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015
Loan and Advances inside India	432,731.82	507,455.31	580,498.87	677,405.30	775,044.16
Loan and Advances outside India	55,096.67	69,402.92	73,357.03	89,696.01	94,120.05
Total	**487,828.49**	**576,858.23**	**653,855.90**	**767,101.31**	**869,164.21**

Source: www.acekp.com

TABLE 2: LOAN PERFORMANCE OF HDFC BANK LTD.

Particular	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015
Loan and Advances inside India	3199653.31	3908400.58	4794412.87	6060005.42	7309900.63
Loan and Advances outside India	46535.42	59215.7	95958.49	232935.51	288412.94
Total	**3246188.73**	**3967616.28**	**4890371.36**	**6292940.93**	**7598313.57**

Source: www.acekp.com

TABLE 3: LOAN PERFORMANCE OF AXIS BANK LTD.

Particular	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015
Loan and Advances inside India	2848156.58	3395190.77	3939319.14	4601335.18	5621660.59
Loan and Advances outside India	195775.9	253021.67	301328.11	357327.78	458228.17
Total	**3043932.48**	**3648212.44**	**4240647.25**	**4958662.96**	**6079888.76**

Source: www.acekp.com

TABLE 4: LOAN PERFORMANCE OF YES BANK LTD.

Particular	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015
Loan and Advances inside India	687272.77	759772.84	939991.33	1112659.25	1510996.33
Loan and Advances outside India	0	0	0	0	0
Total	**687272.77**	**759772.84**	**939991.33**	**1112659.25**	**1510996.33**

Source: www.acekp.com

TABLE 5: LOAN PERFORMANCE OF KOTAK MAHINDRA BANK LTD.

Particular	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015
Loan and Advances inside India	586586.14	781584.66	969379.66	1060552.65	1323214.26
Loan and Advances outside India	0	0	0	0	0
Total	**586586.14**	**781584.66**	**969379.66**	**1060552.65**	**1323214.26**

Source: www.acekp.com

TABLE 6: LOAN PERFORMANCE OF CITY UNION BANK LTD.

Particular	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015
Loan and Advances inside India	185109.2	242749.21	304921.15	321936.76	359310.02
Loan and Advances outside India	0	0	0	0	0
Total	**185109.2**	**242749.21**	**304921.15**	**321936.76**	**359310.02**

Source: www.acekp.com

TABLE 7: LOAN PERFORMANCE OF DHANLAXMI BANK LTD.

Particular	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015
Loan and Advances inside India	181303.04	175161.05	155541.17	158719.25	153396.28
Loan and Advances outside India	0	0	0	0	0
Total	**181303.04**	**175161.05**	**155541.17**	**158719.25**	**153396.28**

Source: www.acekp.com

TABLE 8: LOAN PERFORMANCE OF THE FEDERAL BANK LTD.

Particular	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015
Loan and Advances inside India	639064.68	755119.72	881934.05	868722.08	1025699.84
Loan and Advances outside India	0	0	0	0	0
Total	**639064.68**	**755119.72**	**881934.05**	**868722.08**	**1025699.84**

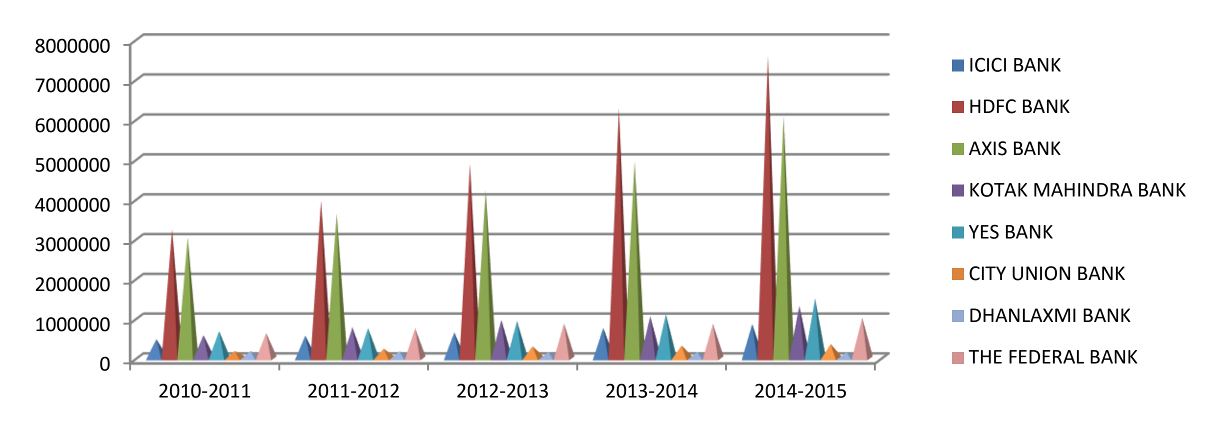
Source: www.acekp.com

TABLE 9: LOAN PERFORMANCE OF INDIAN PRIVATE BANKS 2010-11 TO 2014-15 (IN CRORE)

BANKS	2010-'11	2011-'12	2012-'13	2013-'14	2014-'15	TOTAL	RANK
ICICI BANK LTD.	487828.49	576858.23	653855.9	767101.31	869164.21	**3354808.14**	6
%	**100**	**118.250213**	**134.033972**	**157.248157**	**178.170039**		
HDFC BANK LTD.	3246188.7	3967616.28	4890371.36	6292940.93	7598313.57	**25995430.9**	1
%	**100**	**122.223833**	**150.649632**	**193.856287**	**234.068756**		
AXIS BANK LTD.	3043932.5	3648212.44	4240647.25	4958662.96	6079888.76	**21971343.9**	2
%	**100**	**119.85195**	**139.314761**	**162.903185**	**199.737964**		
KOTAK MAHINDRA BANK LTD.	586586.14	781584.66	969379.66	1060552.65	1323214.26	**4721317.37**	4
%	**100**	**133.242947**	**165.257853**	**180.800837**	**225.578848**		
YES BANK LTD.	687272.77	759772.84	939991.33	1112659.25	1510996.33	**5010692.52**	3
%	**100**	**110.548951**	**136.771217**	**161.894854**	**219.85395**		
CITY UNION BANK LTD.	185109.2	242749.21	304921.15	321936.76	359310.02	**1414026.34**	7
%	**100**	**131.138382**	**164.725011**	**173.917212**	**194.107057**		
DHANLAXMI BANK LTD.	181303.04	175161.05	155541.17	158719.25	153396.28	**824120.79**	8
%	**100**	**96.6123072**	**85.7907126**	**87.5436231**	**84.6076712**		
THE FEDERAL BANK LTD.	639064.68	755119.72	881934.05	868722.08	1025699.84	**4170540.37**	5
%	**100**	**118.16014**	**138.003879**	**135.936488**	**160.500161**		
TOTAL	**9057285.5**	**10907074.4**	**13036641.9**	**15541295.2**	**18919983.3**	**67462280.3**	
AVERAGE	**1132160.7**	**1363384.3**	**1629580.23**	**1942661.9**	**2364997.91**		

Source: www.acekp.com

FIGURE 1: LOAN PERFORMANCE OF PRIVATE BANKS



INTERPRETATION

Table 1 to 8 shows the loan performance of Indian Private Banks within and outside India during 2010-2011 to 2014-2015. Here, 2010-2011 is taken as base year. Loan performance of HDFC Bank Ltd., Axis Bank Ltd., Yes Bank Ltd. and ICICI Bank Ltd. is constantly increasing compare to base year. There is marginal increase in loan performance of Kotak Mahindra Bank Ltd. and City Union Bank Ltd. compare to base year as well as loan performance of all these banks during 2010-'11 to 2014-'2015. During the period of 5 years' loan performance of Dhanlaxmi Bank Ltd. is showing decreasing trend compared to base year 2010-2011. These may be due to decrease in borrowed fund as well as payment of liabilities. Profit and Loss Account of Dhanlaxmi Bank shows continuous loss from 2011-2012. The Federal Bank Ltd. is also showing marginal increase trend till 2012-2013 but in 2014-2015 it gradually increases compare to 2010-2011. Out of eight selected banks the loan performance of HDFC Bank Ltd. and Axis Bank Ltd. is very good. In some banks the amount of loans had increased but the overall performance was not good. People will not prefer loans from these banks because of high interest rates.

TABLE 10: YIELD ON ADVANCES (In Percentage)

BANKS	2010-'11	2011-'12	2012-'13	2013-'14	2014-'15
ICICI BANK LTD.	12	13.22	13.81	13.04	12.67
% difference	100	1.10	1.15	1.09	1.06
HDFC BANK LTD.	12.46	14.26	14.63	13.58	13.26
% difference	100	1.14	1.17	1.09	1.06
AXIS BANK LTD.	10.64	12.96	13.8	13.32	12.62
% difference	100	1.22	1.30	1.25	1.19
KOTAK MAHINDRA BANK LTD.	11.76	16.6	17.65	17.94	15.32
% difference	100	1.41	1.50	1.53	1.30
YES BANK LTD.	14.29	15.81	16.59	16.53	14.69
% difference	100	1.11	1.16	1.16	1.03
CITY UNION BANK LTD.	14	13.16	13.98	14.36	15.82
% difference	100	0.94	1.00	1.03	1.13
DHANLAXMI BANK LTD.	10	15.91	16.82	16.28	16.74
% difference	100	1.59	1.68	1.63	1.67
THE FEDERAL BANK LTD.	12.68	14.72	13.99	15.99	14.47
% difference	100	1.16	1.10	1.26	1.14

Source: annual report of banks

INTERPRETATION

The above table show yield on advances in percentage. Trend analysis method is being applied. HDFC Bank Ltd. in 2011-2012 and 2012-2013 is increasing compare to base year 2010-2011. In 2013-2014 and 2014-2015 return on advances show marginal increase compare to base year. In Axis Bank Ltd., Yes Bank Ltd. and Kotak Mahindra Bank Ltd. return on advances is constantly increasing compare to 2010-2011 till 2013-2014. But in 2014-2015 it decreases compared to other years and marginal increase as compare to base year. Return on Advances of The Federal Bank Ltd. and ICICI Bank Ltd. is constantly increasing than 2010-2011 but showing increasing and decreasing trend compared to other years. City Union Bank Ltd. in the year 2011-2012 is 0.94 which is less then base year. In 2012-2013 return on advances is similar to base year. Marginal increase in last two years. Dhanlaxmi Bank Ltd. return on advances is increasing compare to 2010-2011.

RECOMMENDATIONS AND SUGGESTIONS

After having studied the Loan Performance of the selected Private Banks, the following Suggestions could improve the operational efficiency of the Private Banking Sector. They are as follows:

- It was observed that the lending policies of the various Banks were not proper due to improper management of funds.
- Banks should provide detailed information to the customer about their lending policy.
- Various Private Banks are not granting Loans outside India, so they could do so to expand their business.
- Instead of focusing on urban areas only, the Banks should set up branches in the rural regions also which could improve their profitability.

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HISTORY OF TOURISM IN HIMACHAL PRADESH

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ABSTRACT
The present paper analyses the History of Tourism in the state of Himachal Pradesh. From times pre historic the state has seen many visitors. Right from puranic times to the time when the first foreigner set foot on this soil everyone was and still is fascinated by its natural beauty. The various stages of the development of tourism till the present day are critically discussed. The formation of Himachal Pradesh Tourism Development Corporation (HPTDC) its functions, objectives and its role in the promotion of tourism in Himachal Pradesh have not only had a positive impact on the tourist inflow but have also successfully provided visitors with world class facilities away from their homes, bringing a smile on their faces creating memories in the process which they will cherish for a lifetime.

KEYWORDS
history of tourism, hill stations, modern tourism, hptdc, health sanatoriums of the britishers, tourism promotion techniques, tourist inflow.

INTRODUCTION
The state of Himachal Pradesh lies in the lap of the Western Himalayas, this ancient land abounds the myth and legends that date back to the Puranic times. The pandavas travelled extensively in this region during their exile the proof of which are the numerous temples dedicated to them along the Pabbar valley which are in existence even today. The pandavas travelled extensively and spent their last years of exile in the Kullu valley; they remained undiscovered from the world and preferred to spend their time in the remote areas such as the Sangla valley (Kinnaur). History is proof that there was a lot of travelling going on in Himachal from the prehistoric time, Tattapani, Nirath and Nirmand are associated with the legendary saint Parshuram. Manali is named after Rishi Manu, present day Bilaspur is has the association with Rishi Vyas who is believed to have lived here and similarly Renuka in Nahan is named after goddess Renuka mother of Parshuram. All this come out to show that even ancient travelers covered this land extensively.

There are evidences of pre-historic humans existing in this region. It is also believed that a large number of people inhabiting this region had actually migrated from Central Asia Region as well as the Indian plains from time to time. The very first race to enter the region was the Proto-Australoid, followed by the Mongoloid, and then the Aryan's started coming in. There is mention in the Rig Veda of Dasyus and Nishads living in this very region and also of their powerful king Shambra who is said to have had 99 forts. The Aryans, were superior in war tactics, defeated the local tribes and settled in the region permanently. This period also saw the establishment of small *Janpadas* (republics) in Himachal. They had a good relationship with the Mauryans, which insured that they remained independent for a long time. Their independence lost only with the rise of the Guptas in the North Gangetic plains. There came a time which lead to the decline of the Guptas after which several small kingdoms came to rule this hilly state establishing their power in its different regions. They continuously fought with each other from time to time and the history of Himachal Pradesh is full of the stories and legends related to these kingdoms.

Traveling for pleasure to the hills was a tradition started by the Mughals. The Britishers followed this tradition and Thomas Coryal is considered as the first European to have visited the state. He visited Nagarkot in present day Kangra and then Jwalamukhi in the year 1916 AD. Foster was a civil officer with the East India Company and travelled through the hills of Nahan to Jammu via Bilaspur, Hamirpur and Nurpur in the year 1783. Although the Britishers came to India during the 16th century their influence was felt after the Anglo Gurkha war. It was after their victory in the war against the Gurkhas in the year 1814 – 15 the British under the treaty of Sugauli annexed parts of the present day Himachal east of the river Satluej.

In the year 1846 the British took over the control of Kullu from the Sikhs. Consequently, the whole state of Himachal Pradesh came under the control of the British which lead to several transformations, major amongst them was the development of transportation, communication and the introduction of cash crops like, tea, temperate fruits, potatoes etc. Another introduction was the idea of hill stations which was perhaps the most important of all. After the Anglo Gurkha war the first European traveler to travel deep into the hills of Himachal Pradesh was James Bajllie Frazer. He started off from Delhi and reached Nahan with the British army, during his travel he gave a vivid description of the geography of the state as it appeared before the impact of the British rule. His further journey took him through Sirmour, Jubbal, Rohru, Narkanda and across the Satluej river. On his way back he visited Theog and entered Uttrakhand by crossing the river Pabbar.

Captain Alexander Gerard was another important traveler who travelled for three months in the year 1821 from a place called Sabathu covering majority of the northern parts of the state and then ended up at Kotgarh. During his journey he covered the rugged and remote terrain of the state. He travelled through the Pabbar valley and entered Sangla in Kinnaur. From Sangla he travelled further north exploring the interiors of Kinnaur along the Satluj River. He even visited the remote villages of Nako, Namgia, Leo and Shipki on the Tibetian border, on his return journey Gerard again traveled along the Satluej to Rampur Bushahr and ended his journey at Kotgarh.

In the year 1847 Thomas Thomson along with Captain Henry Stracy and Major Cunninghan of the Bengal Engineers started their journey from Shimla. They sat out to explore Tibet and the Great Himalayas. The followed the route on the Hindustan Tibet road and entered Kinnaur via Nichar and Wangtu. After exploring the region, they moved westwards to into the Spiti valley and they finally into the Lahaul valley documenting everything on the way and ending their journey on the banks of the river Indus. The first Englishmen to enter the Kullu valley were Moorcroft and Trebech who reached central Asia through Kangra, Kullu and Lahaul. The accounts made by these travelers contributed greatly to the geographical knowledge of the state which was pretty low at that point of time. This was also an inspiration for others to explore the Himalayas.

The idea of hill stations was developed from the favorable climatic change the British Soldiers experienced in the hills during the Anglo – Gurkha war, hill stations became the answer to many of the health problems of the British living in India. Hence their number grew rapidly across various locations in the hills. Many important hill towns of today in Himachal namely Shimla, Chail, Kasauli, Solan, Dharamsala, Dalhousie, Dagshai etc. emerged during this period on the other hand the pre-existing towns such as Chamba and Kullu experienced development and gained popularity as well. Numerous health sanatoriums were built during this period at various Hill Stations across the state. The reason behind the British developing numerous Hill Stations was to protect themselves from the extreme heat and dust of the northern plains in the summer. Shimla became the summer capital of India and saw heavy tourist inflow to the city since it was discovered as a summer retreat. Even today, many old houses and buildings across hill towns in Himachal tell the story of the English grandeur.

Efforts were also made for the development of transport during this period because prior to the coming of the British there were very few roads in the state. It was during this era that the construction of the Hindustan Tibet road started at a place called Kalka in the year 1850 so as to fulfill the desire of Lord Dalhousie who had a vision and a grand design of a road which would provide for good communication and transportation right up to the border at Tibet.

The Hindustan Tibet road made Shimla easily accessible from the plains, this in turn lead to a rapid expansion of the town with all the amenities and hence became the "summer capital" of the British Empire. Similarly, roads from the plains connected Kullu and the whole Kullu valley started developing. Apart from roads, emphasis was also given on connecting the Hill stations with rail lines. Shimla was connected with a rail line in the year 1905. Another railway line built during the year 1926 - 1929 was in the Kangra valley which connects Jogindernagar to Pathankot. After India gained independence in the year 1947, numerous princely hilly states were integrated into a single unit to be administered by the Government of India through a Chief Commissioner. As a result of which Himachal Pradesh came into being as a state of the India Union on April 15, 1948. This was done by the integration of 31 big and small hill states of the region. In 1956 saw the conversion of the state of Himachal Pradesh to a Union Territory as per the recommendations of the State Reorganization Commission. Subsequently, a few more hilly areas of the erstwhile state of Punjab were added to the Union Territory of Himachal and this lead to it conversion into a full-fledged state in the year 1971, a status it enjoys till date.

MODERN TOURISM
Tourism in the modern sense started to develop in the 19th century when the British administrators were followed closely by travelers, explorers, missionary workers and vacationers. This was also the period when the perception of mountains changed from a fearsome place to an attractive place. In the initial years of the British Raj the retreat to the hill stations during the summer months was confined to the elite class. It is only in the recent 30- 40 years that the retreat top the hills has gathered pace and become popular amongst the foreigners and the Indian masses. Transport and communication network is the backbone of all developmental work. After the Sino Indian conflict, a vast network of roads has been built for strategic interest and developmental activities in the state. This in turn has paved way of modern mass tourism in the state.

TOURISM PROMOTION
The government of has been taking up initiatives for the promotion of tourism in the state. The strategies have been changing from time to time and are in accordance to the modern day tourist demands. The facilities that the tourists avail in the state are also as per international standards. Some of the initiatives taken up by the government over the passage of time are mentioned below.
- Government's active participation in the tourism industry and efforts to exploit the tourism potential of the state goes back to the year 1955 when a tourist information centre was established at Shimla.
- Soon after Shimla, other centers such as Chamba, Nahan, Bilaspur and Mandi followed as the tourist inflow to Himachal was on the rise.
- A Golf Club at Nalderah and a winter sports club at Kufri were set up by the government in the year 1958-59.
- Initially during the period of the 1st five year plan the tourism cell was headed by a deputy director, who worked in close coordination with the Public Relations Department.
- During the reorganization of the state of Punjab a separate directorate of tourism was established in the state. Post 1972 when Himachal gained full statehood the HPTDC (Himachal Pradesh Tourism Development Corporation) was formed by converting a part of the Directorate of Tourism into a limited company.

HIMACHAL PRADESH TOURISM DEVELOPMENT CORPORATION (HPTDC)
The HPTDC was created to play the role of a pioneer in developing and organizing new vistas and horizons for tourism as well as providing healthy competition to the private sector. Its role also includes providing technical and consultancy services in both the promotional and the commercial capacity to the hotel industry. HPTDC today has multiple functions so as to provide facilities in the field of accommodation, transport, promoting fairs and festivals, adventure sports and the overall publicity of tourism in the state.

HPTDC - OBJECTIVES, FUNCTIONS AND PROMOTIONAL ACTIVITIES
The Himachal Pradesh Tourism Development Corporation (HPTDC) was formed in September, 1972 as an undertaking of the government of Himachal Pradesh under the company act of 1956. HPTDC is a government run premier organization of Himachal Pradesh operating in tourism sector. The corporation is running hotels and restaurants at various locations for tourists, besides providing transport facilities. In addition to all this the corporation is also engaged in the production, distribution and sales of literature which helps in tourism publicity and is also providing entertainment and duty free shopping facilities to the tourists.

OBJECTIVES
1. The main aim of the company is to establish, develop, promote, execute, operate and otherwise carry on projects, schemes and other activities including running and maintenance of tourist vehicles to facilitate or accelerate the development of the tourism within the state.
2. Construct run and maintain tourist information centers and main centers in and outside the state.
3. Publish and sell different types of material for the purpose of gaining publicity for tourism not only amongst Indians but also amongst the foreigners.
4. Construct, lease out, take on lease, run and maintain tourist bungalows, tourist inns, youth hostels, hotels and cafeterias.
5. To promote culture, fairs, temples, tourist attractions, cuisines of the state.

FUNCTIONS
1. To promote Himachal Tourism in the regional, national, international markets.
2. Establish hotels, restaurants & resorts at major and minor tourist destinations.
3. To provide good transportation facilities to tourist visiting the state.
4. Maintenance of various heritage and historical sites of the state.
5. Development of various tourism sites or destinations in Himachal Pradesh.
6. Developing fine infrastructure like TOP's ROP's BTE's etc.
7. Establish various theme parks, eco-parks in different parts of state.
8. Organize various exhibitions and meeting related to promotion of tourism.
9. Organize various cultural events, fairs, exhibitions and trade fairs with the help of the local community

TOURISM PROMOTIONAL STRATEGIES
With the passage to time the requirements of the tourists also change. In the early days of tourism to the state, tourists were satisfied with a simple visit to a hill station. Now the scenario is such that tourist are moving towards the rural parts of the state where there is peace, fresh air, water and where he can get away from all the hustle and bustle of the crowded city life. They want to enjoy nature and get a feel of rural farm life. This not only provides a much needed change in the daily routine of the tourist but also proves a much needed stress buster. Providing the basic amenities at these rural locations has been a task for the HPTDC but with the collective efforts of the locals and the corporation tourism in these areas seems to have a bright future. Some of the promotional schemes are as under.

HOME STAY SCHEME
This scheme was launched in 2008 by the government of Himachal Pradesh with the aim of providing clean, comfortable and affordable supplementary accommodation to tourists in rural areas in the vicinity of famous tourist destinations when hotel and guest houses are packed to capacity. The scheme was intended to broaden the stakeholder's base for tourism in the state by including the rural and interior areas of the state in providing tourism accommodation infrastructure and at the same time this helped in decongesting the urban areas, which was running full to capacity in terms of tourist traffic during the peak season. The scheme proved to be highly successful for the Himachal Pradesh Government with home stay unit evoking overwhelming response in Kullu, Manali, Shimla, Dharamshala, Palampur and Dalhousie Regions. A Total of 891 rooms in 332 units were registered as home stay units by the end of February 2011.

HAR GAON KI KAHANI
This was an initiative started by the Himachal Government in the year 2010. One village from each of the twelve districts of the state was selected, fascinating tales, folklore and anecdotes related to these villages are used to lure tourists. This scheme aimed at developing villages of historic importance as tourism villages by providing basic amenities and making sure that the tourists gets a deep insight of the rural life in the hill state. The state has also won the award for most innovative marketing technique.

TOURISM PROMOTION TECHNIQUE

HPTDC is using the print media to promote tourism in the state and in the national and international tourism market as well. This includes advertisements in newspapers and publishing books such as "Unforgettable Himachal" and other printed handouts. The department has also used TV channels, primarily news channels to advertise tourism. The department also participates in various national level tourist festivals across the countries and also conducts road shows to draw attention of the tourist towards the state. For promoting tourism in Himachal Pradesh (HPTDC) introduced various new strategies in the recent past. One of these services is the *Swiss Cottage Tents*. At present these tents are available only at two destinations in Himachal Pradesh i.e. at Hamta Huts (Manali) and Hotel Bhagsu (Mcloadgunj).

TABLE 1: COUNTRY WISE FOREIGN TOURIST ARRIVALS IN HIMACHAL PRADESH

Country	Year and Tourists			
	2011		2012	
	Number	%	Number	%
United Kingdom	75176	15.32	78322	15.66
France	32295	6.67	26853	5.37
Italy	10768	2.22	10427	2.08
Canada	13824	2.85	13883	2.78
USA	32897	6.79	36481	7.29
Germany	20738	4.28	23851	4.77
Malaysia	8201	1.69	7650	1.53
Australia	19616	4.05	19524	3.90
Japan	9621	1.99	8258	1.65
Sri Lanka	15800	0.33	2275	0.45
Switzerland	4727	0.97	6745	1.35
Others	255075	52.64	266015	53.17
Total (H.P.)	484518	100.00	500284	100.00

TABLE 2: MONTH-WISE INDIAN AND FOREIGN TOURIST ARRIVALS IN HIMACHAL PRADESH

Month	Tourists arrivals (2013)			
	Indian		Foreign	
	No.	Share (%)	No.	Share (%)
January	808598	5.49	21272	5.14
February	850026	5.78	19585	4.73
March	1088760	7.39	32932	7.95
April	1784266	12.13	37707	9.10
May	1756065	11.93	48443	11.69
June	1289768	8.77	38356	9.26
July	1030959	7.01	31851	7.69
August	1185420	8.06	33099	7.99
September	1276631	8.68	37100	8.96
October	1565026	10.63	45134	10.89
November	969053	6.58	31488	7.60
December	1111014	7.55	37282	9.0
Total (H.P.)	14715586	100.00	414249	100.00

SOME TOURISM PROMOTIONAL ACTIVITIES AND EVENTS ORGANIZED BY HPTDC

- HPTDC organizes various events from time to time like the summer festival at Shimla and the winter carnival at Manali where may national many national level singers share the stage with local folk artists creating a musical fusion which is a treat to the ears. HPTDC also organizes events from time to time such as a classical fusion music night which was recently held at its property Holiday Home in Shimla.
- Special Offers for women: HPTDC is offering a 10% additional discount on accommodation to women par and above the normal discounts at its properties across the state.
- Special "Karva Chauth Packages" launched for tourists on this festival.
- Various cultural activities are organized at the Gaiety Theater from time to time to keep the tourists and locals entertained.
- HPTDC also takes part in various exhibitions held all across the length and breadth of the nation in the hope of promoting tourism to Himachal.

CONCLUSION

It is concluded that from times pre historic the state has seen many visitors. Right from puranic times to the time when the first foreigner set foot on this soil everyone was and still is fascinated by its natural beauty. The various stages of the development of tourism till the present day are critically discussed. The formation of Himachal Pradesh Tourism Development Corporation (HPTDC) its functions, objectives and its role in the promotion of tourism in Himachal Pradesh have not only had a positive impact on the tourist inflow but have also successfully provided visitors with world class facilities away from their homes, bringing a smile on their faces creating memories in the process which they will cherish for a lifetime.

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