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# LOGISTICS CAPABILITIES EFFECT ON CUSTOMER SATISFACTION: EVIDENCE FROM TAIWANESE LOGISTICS PROVIDERS

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## ABSTRACT

*Due to the intensification of market competition, manufacturing enterprises have to focus on their core competence, and outsource the non-core businesses, such as logistics to professional logistics providers (i.e. 3PLs), to gain more competitive advantages. As a producer services, logistics providers should strive to improve their service capabilities, which is the guarantee of customer satisfaction and long-term cooperation relationship. This paper collected data from the customers who accepted the service of some Taiwanese logistics providers. The result of empirical study shows that logistics capabilities have positive effects on customer satisfaction.*

## KEYWORDS

taiwanese logistics providers; logistics capabilities; customer satisfaction.

## 1. INTRODUCTION

The competition among logistics providers, in essence, is the competition of their service capabilities. The customers of logistics providers may be corporate (i.e. suppliers, manufacturers, etc.), or be a natural person (Ke & Huang, 2006). Generally speaking, the corporate customers with respect to natural persons will be more rational in the selection of logistics service providers, because corporate customers usually have a complete measurement system to select logistics service providers. Therefore, the logistics providers should always pay attention to the changes in customer satisfaction, in order to establish long-term stable cooperative relations.

Recently, researches on the logistics capabilities gradually increased. With regard to logistics providers, logistics capability is the basis to provide logistics services for customers. Moreover, there are significant differences on the logistics capability composition between 3PLs and traditional logistics enterprises. The service capabilities of 3PLs is significantly higher than that of the traditional ones. Because of the different logistics capabilities, certainly, the degree of customer satisfaction is different. However, current studies focused on the necessity and feasibility of logistics providers to improve logistics capabilities. In addition, dimensions of logistics capabilities are not united, especially with the perspective of customer satisfaction. Therefore, identifying the components of logistics capabilities, based on customer satisfaction, is of great significance to the survival and development of logistics providers.

This paper discusses the key components of logistics capabilities from the perspective of customer satisfaction. It could not only expand the ideas for improving the logistics capabilities in the future, but also can be regarded as a theoretical reference for the transformation of traditional logistics enterprises to modern logistics providers (i.e. 3PLs).

## 2. LITERATURE REVIEW

### 2.1 Logistics capability

Logistics capability was first launched in 1995 by the global logistics research team, Michigan State University (MSUGLRT). From the perspective of global supply chain, the research identified 17 kinds of general logistics capabilities, and classified them into 4 groups, namely configuration ability, agility ability, measurement ability and integration ability (Anonymous, 1995).

Daugherty and Pittman (1995), Morash, droge and Vickery (1996), Fawcett, Stanley and Smith (1997) identified some indicators, such as cost, service quality, the accuracy and reliability of distribution, the speed of responding order and service innovation.

Ma and Meng (2005) Ma and Shen (2005), Ma and Chen (2007) studied elements of logistics capabilities from the perspective of supply chain and divided logistics capabilities into three aspects respectively.

Bowersox and Closs (2002) proposed that the logistics capability was the evaluation of whether logistics enterprises can provide other enterprises with high level of logistics services and maintain the total cost of the system at a relatively low level at the same time. The research pointed out two tasks of logistics, namely the service and the total cost.

Lai (2004) argued that logistics capability referred to the capability that professional logistics providers optimized their own resources in order to meet the customer demand of diversified logistics services and excellence of the logistics service.

Wang and Feng (2002) proposed that logistics capability referred to the abilities of planning, organizing, coordinating and controlling the logistics activities in the process of meeting consumer demand value. Logistics capabilities was divided into dynamic capacity and static capacity. Dynamic capacity included management capabilities of enterprise logistics, and the static capacity included the capacity of logistics equipment and facilities and so on.

According to the conclusions above, it was found that Bowersox and Closs (2002), Lai (2004), and some other scholars had put forward the concept of logistics capabilities with customer orientation; Donald and David (2002) and Lai (2004) also concerned about the low cost. Most of definitions were focused on facilities, equipments and other hard capacities, as well as some soft capacities such as the level of enterprise management and organizational structure.

**2.2 The relationship between logistics capabilities and customer satisfaction**

The research on the relationship between logistics capabilities and customer satisfaction, was first documented in the Council of logistics management (1998), it brought out the definition of logistics: "logistics is that a part of the supply chain process that plans, implements, and controls the efficient and effective forward and reverse flow and storage of goods, services and related information between the point of consumption in order to meet customers' requirements." Obviously, it can be seen the definition was based on the needs of customers.

The concept of customer satisfaction was formally proposed by Cardozo (1965). And then the researches on customer satisfaction were extensive and in-depth. By the end of the 20th century, the theory of customer satisfaction had been widely recognized all over the world, and more and more enterprises began to attach importance to customer satisfaction. Therefore this paper would not refer to the content of customer satisfaction.

There were some useful studies about the relationship between the logistics capabilities and customer satisfaction (Zhu & Liu, 2003; Du and Zhu, 2005; Ke and Huang, 2006; Xi and Liu, 2007), and most of the researches were carried out by analyzing the large amount of data from market survey previously.

**3. RESEARCH DESIGN**

**3.1 Logistics capability**

This paper takes the staffs of 3PLs as well as the customer enterprises in Taiwan as the object of the depth interview. Based on their rich work experience and sensitive customer perception, the tangible and intangible elements are classified, so as to identify logistics capabilities of logistics providers.

According to the results of the interview and with the literature summary, the logistics capabilities of logistics providers are divided into four dimensions, namely the element capability, the management capability, the innovation capability and the planning capability, respectively. The definitions of each capability are shown in Table 1.

**TABLE 1: THE DEFINITIONS OF EACH LOGISTICS CAPABILITY**

Dimension	Definition
The element capability	The material basis for 3PLs to provide services to customers, including all kinds of logistics infrastructure (i.e. warehouse, distribution center), equipments (i.e. forklifts, roadway stackers, trucks), information systems, and human and financial resources.
The management capability	The use of certain management techniques and methods in the daily logistics operations.
The innovation capability	The abilities of innovation in logistics technology and logistics service to meet the customers' needs
The planning capability	According to the actual needs of customers, 3PLs should have the ability to make an overall decision on integrated logistics solutions before carrying out logistics activities.

**3.2 Customer satisfaction**

Customer satisfaction is a measure of how products and services supplied by a company meet or surpass customer expectation. Customer satisfaction is defined as "the number of customers, or percentage of total customers, whose reported experience with a firm, its products, or its services (ratings) exceeds specified satisfaction goals" (Farris et al., 2010).

According to the reference of Yuan and Lee (2009), they divided customer satisfaction into six dimensions, the overall satisfaction, kind of attitude, customer demand, timely service, professional knowledge and relationship management, respectively. The overall satisfaction represents the evaluation of once or continuous products or services. Kind of attitude, customer demand and relationship management emphasize the customer's psychological perception of the logistics enterprise service, so these three dimensions are merged into customer's psychological satisfaction. Timely service and professional knowledge is a prerequisite for the customer demand, which is the functional attributes of the dimensions of customer satisfaction, so this paper divide the satisfaction of customer into psychological satisfaction and demand satisfaction.

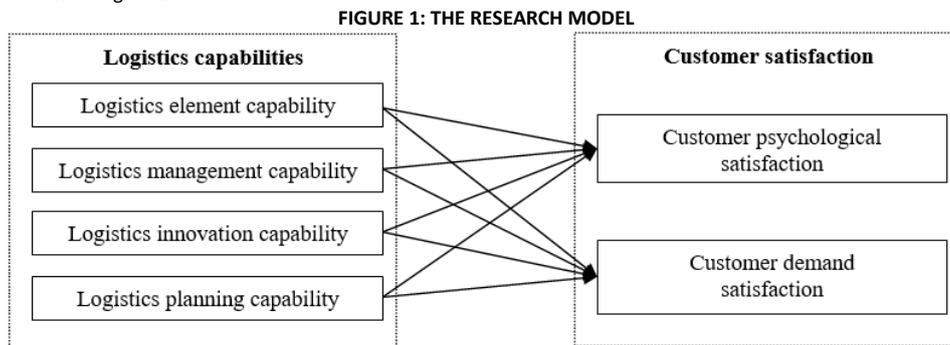
**3.3 Model and hypothesis**

The American Association of supply chain invited customers to carry on the satisfaction survey to evaluate the service of logistics providers every year, and the results were compared and analyzed. The results showed that the service capability of logistics providers had significant effect on customer satisfaction (Wang & Li, 2006). So this paper put forward the assumption as shown in Table 2.

**TABLE 2: THE HYPOTHESIS OF THIS PAPER**

No.	Hypothesis
H <sub>0</sub>	Logistics capability of logistics providers has positive effect on customer satisfaction
H <sub>1</sub>	Logistics capability of logistics providers has positive effect on customer psychological satisfaction
H <sub>1a</sub>	Logistics element capability of logistics providers has positive effect on customer psychological satisfaction
H <sub>1b</sub>	Logistics management capability of logistics providers has positive effect on customer psychological satisfaction
H <sub>1c</sub>	Logistics innovation capability of logistics providers has positive effect on customer psychological satisfaction
H <sub>1d</sub>	Logistics planning capability of logistics providers has positive effect on customer psychological satisfaction
H <sub>2</sub>	Logistics capability of logistics providers has positive effect on customer demand satisfaction
H <sub>2a</sub>	Logistics element capability of logistics providers has positive effect on customer demand satisfaction
H <sub>2b</sub>	Logistics management capability of logistics providers has positive effect on customer demand satisfaction
H <sub>2c</sub>	Logistics innovation capability of logistics providers has positive effect on customer demand satisfaction
H <sub>2d</sub>	Logistics planning capability of logistics providers has positive effect on customer demand satisfaction

The model of this paper is shown in Figure 1:



**4. EMPIRICAL STUDY**

**4.1 Validity and reliability**

Bartlett test of sphericity and Kaiser-Meyer-Olkin of KMO was used to test the validity. Table 3 showed KMO and Bartlett’s test of logistics element capability.

**TABLE 3: KMO AND BARTLETT’S TEST OF LOGISTICS ELEMENT CAPABILITY**

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.776
Bartlett’s test Sphericity	Approx. Chi-Square	512.063
	df	72
	Sig.	.000

According to Table 3, the value of KMO was 0.776; Meanwhile,  $\chi^2=512.063$  (df =72), the result was very significant, so there was a strong correlation between the variables, which indicated that the variable was suitable for factor analysis.

In this paper, principal component analysis was applied to extract common factors which were summed up the representative logistics capabilities. The variables were requested that eigenvalues greater than 1 be extracted, so the first three principal components form the extracted solution, as shown in Table 4.

**TABLE 4: TOTAL VARIANCE EXPLAINED OF LOGISTICS ELEMENT CAPABILITY**

Component	Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative%	Total	% of Variance	Cumulative%
1	3.124	30.532	30.532	3.125	27.893	27.893
2	1.715	13.219	43.751	1.807	18.356	46.249
3	1.116	9.693	53.444	1.162	7.195	53.444

According to Table 4, 3 common factors in the dimension of logistics element capability were generated. The value of cumulative variance rate was 53.444%, and each eigenvalue was greater than 1, which indicated that this scale had a high construct validity.

Tables 5-8 showed the KMO and Bartlett’s test of logistics management capability, logistics innovation capability, logistics planning capability and customer satisfaction, respectively.

**TABLE 5: KMO AND BARTLETT’S TEST OF LOGISTICS MANAGEMENT CAPABILITY**

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.831
Bartlett’s test Sphericity	Approx. Chi-Square	692.856
	df	115
	Sig.	.000

**TABLE 6: KMO AND BARTLETT’S TEST OF LOGISTICS INNOVATION CAPABILITY**

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.813
Bartlett’s test Sphericity	Approx. Chi-Square	472.359
	df	43
	Sig.	.000

**TABLE 7: KMO AND BARTLETT’S TEST OF LOGISTICS PLANNING CAPABILITY**

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.751
Bartlett’s test Sphericity	Approx. Chi-Square	503.521
	df	36
	Sig.	.000

**TABLE 8: KMO AND BARTLETT’S TEST OF CUSTOMER SATISFACTION**

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.879
Bartlett’s test Sphericity	Approx. Chi-Square	782.479
	df	32
	Sig.	.000

Tables 9-12 showed the total variance explained of logistics management capability, logistics innovation capability, logistics planning capability and customer satisfaction, respectively.

**TABLE 9: TOTAL VARIANCE EXPLAINED OF LOGISTICS MANAGEMENT CAPABILITY**

Component	Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative%	Total	% of Variance	Cumulative%
1	3.904	57.247	57.247	2.667	44.632	44.632
2	1.221	20.769	78.016	2.245	33.384	78.016

**TABLE 10: TOTAL VARIANCE EXPLAINED OF LOGISTICS INNOVATION CAPABILITY**

Component	Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative%	Total	% of Variance	Cumulative%
1	3.872	53.495	53.495	2.559	47.524	47.524
2	1.541	25.874	79.369	2.733	31.845	79.369

**TABLE 11: TOTAL VARIANCE EXPLAINED OF LOGISTICS PLANNING CAPABILITY**

Component	Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative%	Total	% of Variance	Cumulative%
1	3.162	54.789	54.789	2.457	43.396	43.396
2	1.997	19.748	74.537	2.697	31.141	74.537

**TABLE 12: TOTAL VARIANCE EXPLAINED OF CUSTOMER SATISFACTION**

Component	Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative%	Total	% of Variance	Cumulative%
1	4.578	60.104	60.104	3.774	57.981	57.981
2	2.306	14.588	74.692	1.117	16.711	74.692

Similarly available, according to Tables 5-12, the scales used in this paper had a high construct validity.

In order to test the reliability of the scale, Cronbach's  $\alpha$  coefficient was applied to verify whether the scale has internal consistency. Table 13 displayed the values of Cronbach's  $\alpha$ .

**TABLE 13: THE VALUES OF CRONBACH'S  $\alpha$**

Scale	Variable	Cronbach's $\alpha$	Reliability of the scale
Logistics capabilities	logistics element capability	0.701	0.748
	logistics management capability	0.756	
	logistics innovation capability	0.674	
	logistics planning capability	0.713	
Customer satisfaction	Customer psychological satisfaction	0.824	0.830
	Customer demand satisfaction	0.833	

According to Table 13, the Cronbach's alpha coefficients of logistics capabilities and customer satisfaction are 0.748 and 0.830, respectively, which showed that the reliability of the scales were good. Cronbach's alpha coefficients of logistics element capability, logistics management capability and logistics planning capability were greater than 0.70, indicating good reliability; the Cronbach's alpha coefficient of logistics innovation capability was 0.674 (0.65, 0.70), so the reliability of the items were acceptable. In summary, the scale of logistics capability had a high internal consistency. What's more, the Cronbach's alpha coefficients of customer psychological satisfaction and customer demand satisfaction were greater than 0.8, indicating a good reliability.

**4.2 Hypothesis test**

In order to measure the strength of the correlations among the variables, this paper introduced the Pearson correlation coefficient. Pearson correlation coefficient is a value between +1 and -1 inclusive, where 1 is total positive correlation, 0 is no correlation, and -1 is total negative correlation. Table 14 showed the correlation among all dimensions of logistics capabilities and customer satisfaction.

**TABLE 14: THE CORRELATIONS AMONG ALL DIMENSIONS OF LOGISTICS CAPABILITIES AND CUSTOMER SATISFACTION**

Variable	Customer satisfaction	
	Pearson correlation coefficient	Significance (Two-tailed)
Logistics capabilities	.597**	.000
logistics element capability	.478**	.000
logistics management capability	.556**	.000
logistics innovation capability	.539**	.000
logistics planning capability	.513**	.000

As shown in the table above, the Pearson correlation coefficients are greater than 0, which means logistics capability has a positive impact on customer satisfaction; the dimensions of logistics capability has a positive impact on customer satisfaction.

Table 15 showed the correlation among all dimensions of logistics capabilities and customer psychological satisfaction.

**TABLE 15: THE CORRELATIONS AMONG ALL DIMENSIONS OF LOGISTICS CAPABILITIES AND CUSTOMER PSYCHOLOGICAL SATISFACTION**

Variable	Customer psychological satisfaction	
	Pearson correlation coefficient	Significance (Two-tailed)
Logistics capabilities	.618**	.000
logistics element capability	.489**	.000
logistics management capability	.551**	.000
logistics innovation capability	.523**	.000
logistics planning capability	.457**	.000

According to Table 15, the Pearson correlation coefficients are greater than 0, which means logistics capability has a positive impact on customer psychological satisfaction; the dimensions of logistics capability has a positive impact on customer psychological satisfaction.

Table 16 showed the correlation among all dimensions of logistics capabilities and customer demand satisfaction.

**TABLE 16: THE CORRELATIONS AMONG ALL DIMENSIONS OF LOGISTICS CAPABILITIES AND CUSTOMER DEMAND SATISFACTION**

Variable	Customer demand satisfaction	
	Pearson correlation coefficient	Significance (Two-tailed)
Logistics capabilities	.517**	.000
logistics element capability	.358**	.000
logistics management capability	.486**	.000
logistics innovation capability	.473**	.000
logistics planning capability	.469**	.000

According to Table 16, the Pearson correlation coefficients are greater than 0, which means logistics capability has a positive impact on customer demand satisfaction; the dimensions of logistics capability has a positive impact on customer demand satisfaction.

**4.3 Result**

Based on the analysis above, the results of hypothesis testing are shown in Table 17.

**TABLE 17: THE RESULTS OF HYPOTHESIS TESTING**

No.	Hypothesis	Result
H <sub>0</sub>	Logistics capability of logistics providers has positive effect on customer satisfaction	support
H <sub>1</sub>	Logistics capability of logistics providers has positive effect on customer psychological satisfaction	support
H <sub>1a</sub>	Logistics element capability of logistics providers has positive effect on customer psychological satisfaction	support
H <sub>1b</sub>	Logistics management capability of logistics providers has positive effect on customer psychological satisfaction	support
H <sub>1c</sub>	Logistics innovation capability of logistics providers has positive effect on customer psychological satisfaction	support
H <sub>1d</sub>	Logistics planning capability of logistics providers has positive effect on customer psychological satisfaction	support
H <sub>2</sub>	Logistics capability of logistics providers has positive effect on customer demand satisfaction	support
H <sub>2a</sub>	Logistics element capability of logistics providers has positive effect on customer demand satisfaction	support
H <sub>2b</sub>	Logistics management capability of logistics providers has positive effect on customer demand satisfaction	support
H <sub>2c</sub>	Logistics innovation capability of logistics providers has positive effect on customer demand satisfaction	support
H <sub>2d</sub>	Logistics planning capability of logistics providers has positive effect on customer demand satisfaction	support

**5. DISCUSSION AND CONCLUSIONS**

Since there are some essential differences between modern logistics and traditional logistics, the 3PLs have much more capabilities than the traditional ones. According to the results of empirical study, a 3PL with strong logistics capabilities is more likely to be satisfied with the customers. Because the logistics element capability, logistics management capability, logistics innovation capability and logistics planning capability have different influence on customer satisfaction, 3PLs should pay attention to the following measurements to improve the level of customer satisfaction.

First, logistics management capability and logistics innovation capability are the key dimensions, which requires the 3PLs should pay more attention to the actual needs of customers. For instance, in addition to providing customers with high-quality basic services, 3PLs should also provide customers with customized value-added logistics services. Furthermore, 3PLs should strengthen their management abilities and pay attention to the construction of after-sales service system.

Second, the logistics industry belongs to the production service. The products of logistics providers are logistics service, so the capabilities to serve the customers is the core competitiveness of the logistics providers. As known to the empirical study, the capabilities of logistics providers have directly positive effect on customer psychological satisfaction and customer demand satisfaction. The current threshold of logistics market access in Taiwan is low, and many logistics providers with low services capacity, low safety and poor credit occupy the market using low-cost strategy. With modern logistics concept has been widely accepted, low-end logistics enterprises will gradually be eliminated in market competition. 3PLs should pay attention to the cultivation of logistics capabilities.

Third, logistics providers should pay attention to the importance of logistics planning capability. According to the results of empirical study, logistics planning capability has a positive effect on customer satisfaction, especially on customer psychological satisfaction. One of the main characteristics of modern logistics is emphasizing the systematic operation of the logistics, so only the logistics providers who can provide a comprehensive and systematic logistics services would be the protagonist of market. It requires logistics providers should not only have a global planning and coordination ability of supply chain, but also a scientific capability in logistics planning and design.

Fourth, logistics providers should increase investment in logistics element capability. Differently from other services, customers usually cannot visually see the entire process of logistics services, but can only experience the logistics services at the moment goods served or transferred, when the customer perception of service just affects customer psychological satisfaction. Logistics element capability can most directly reflect the strength of the logistics provider. Advanced logistics equipments and professional logistics operators, will give customers a good impression about the logistics providers, thus logistics element capability will also have a direct effect on customer satisfaction.

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## TRANSACTIONAL LEADERSHIP STYLE AND ORGANIZATIONAL COMMITMENT: THE MODERATING EFFECT OF EMPLOYEE PARTICIPATION

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### ABSTRACT

*This study was aimed at determining the effect of transactional leadership style on organizational commitment as moderated by employee participation in technical institutions in Kenya. This study was conducted in 47 technical institutions in Kenya. The population comprised of 3114 lecturers while 343 respondents made up the sample. The sampling techniques used to get the sample were multistage sampling, stratified sampling and simple random sampling. Data analysis was done using descriptive statistics and multiple regression. The results indicated that transactional leadership style had a significant effect on organizational commitment and its three dimensions. In addition, the results showed that employee participation did not have a moderating effect on the relationship between transactional leadership style and organizational commitment and its dimensions.*

### KEYWORDS

employee participation, organizational commitment, transactional leadership.

### INTRODUCTION

Human resource gives an organization competitive advantage and is a key asset in any organization. The success of an organization is dependent upon a committed workforce. Organizations therefore strive to acquire, develop, maintain and retain the best workforce as this is a vital success factor. Organizations today pay great attention to employees' organizational commitment as it is a priority (Dairush *et al.*, 2016). Committed employees are not likely to be sluggish and are rarely absent from work (Davenport, 2010). Cases of turnover are also lower among committed employees.

A manager's leadership style is another important factor of an organization's success. According to Shastri, Shashi, Mishra & Sinha (2010), leadership is the relationship between an individual and a group built around something common. The leader directs the behavior of the group. Many leadership styles have been advanced. This study focused only on transactional leadership style.

Transactional leadership style is an exchange between leaders and followers (Ivey & Kline, 2010). Bass (1985) advanced two characteristics of transactional leadership: the use of contingent rewards and management by exception. Contingent reward refers to the reward that the leader will give to the follower upon achieving goals that were earlier agreed on. A leader can use rewards to inspire commitment and loyalty. The two sub-divisions of management by exception are active management by exception and passive management by exception.

### OBJECTIVES

The general objective of the study was to determine the effect of transactional leadership style on organizational commitment as moderated by employee participation. The specific objectives were to: find out the effect of transactional leadership style on affective commitment, find out the effect of transactional leadership style on continuance commitment, find out the effect of transactional leadership style on normative commitment and establish the moderating effect of employee participation on the relationship between transactional leadership and organizational commitment.

### LITERATURE REVIEW

#### TRANSACTIONAL LEADERSHIP

According to Bass and Avolio (1990), transactional leadership refers to an understanding of employee needs, providing for those needs to reward employee contributions and hard work and committing to giving those rewards after employees complete assigned work duties. Transactional leadership involves a person connecting with others with the aim of exchanging valued things that could either be economic or political or psychological in nature (Burns, 1978). Transactional leaders are thought to trade money, jobs and security for compliance (Armstrong, 2012). The exchange between transactional leaders and the followers is aimed at advancing both parties' requirements (Ivey & Kline, 2010). Transactional leadership requires establishment of relations between the leader and the employees who work under the leader's supervision (Ahmadi *et al.*, 2012). Transactional leadership provides benefit when goals have been achieved and penalties when targets have not been achieved. The leader therefore uses "reward and punishment" as the best source of motivation for the followers (Hafeez, Rizvi, Hasnain & Mariam, 2012).

According to Hellriegel and Slocum (2006), transactional leadership is based on three primary components; contingent rewards, active management by exception and passive management by exception. Under contingent rewards, the leader clarifies the tasks that must be achieved and use rewards to satisfy to achieve results (Rehman *et al.*, 2012). In active management by exception, the leader ensures that followers meet predetermined standards. The leader monitors the followers and looks out for deviances, mistakes and errors and takes corrective action when they appear (Bass, Jung, Avolio & Berson, 2003). In passive management by exception, the leader intervenes only after the appearance of behaviors or mistakes against the requirements. Followers get contingent punishment due to obvious

discrepancies from the standard performance. A leader may also take no action at all. Such passive leaders avoid specifying agreements, clarifying expectations and providing goals and standards to be achieved by followers (Bass *et al.*, 2003). Under active management by exception and passive management by exception, the leader tries to attain the expected standards of performance by preventing or correcting individual mistakes (Wei *et al.*, 2010).

**ORGANIZATIONAL COMMITMENT**

Employees' organizational commitment influences their work attitudes and behaviors (Wiza & Hlanganipai, 2014). Commitment has an impact on several work-related attributes, such as intention to stay (Chew & Chan, 2008) and job satisfaction (Chughtai & Zafar, 2006; Meyer *et al.*, 2002). Organizations with committed employees can avoid the cost associated with high turnover rate and absenteeism. Committed employees are more likely to have higher work motivation, as well as higher job performance (Chen *et al.*, 2006).

Organizational commitment reflects an employees' loyalty to their organization and is a continuous process through which employees express their concern for the organization and its success (Luthans, 2007). Organizational commitment is related to an individual's identification with and involvement in an organization (Armstrong, 2012). Meyer and Allen (1991) identified the following three components of organizational commitment: affective commitment, continuance commitment and normative commitment. According to Allen & Meyer (1990), affective commitment (AC) involves an acceptance and internalization of organizational goals and values. It also entails an emotional attachment to the organization.

Continuance commitment (CC) has to do with being aware of the costs associated with leaving the organization (Meyer & Allen, 1991). Followers ranking high in continuance commitment remain with their organizations as the costs of leaving are too much and have a lot of time (Meyer & Allen, 1991). Normative commitment (NC) is related to being obligated to maintain employment memberships and relationships. Employees ranking high in normative commitment feel indebted to remain with the organization (Meyer & Allen, 1991).

**TRANSACTIONAL LEADERSHIP AND ORGANIZATIONAL COMMITMENT**

A study by Bass and Riggio (2006) showed that transactional leadership has a positive relationship with affective commitment and commitment to keep working with the organization. Aboodi *et al.* (2013) in an Iranian study found a significant negative relationship between transactional behavior of supervisors and organizational commitment of their subordinates. In a Nigerian study by Soieb, Zairy, Othman and D'Silva (2013), transactional leadership style was found to have a significant influence on commitment of lecturers of State Universities.

Based on the literature reviewed, the following hypotheses were formulated:

H<sub>01</sub>: There is no significant effect of transactional leadership style on organizational commitment in technical institutions in Kenya.

H<sub>01a</sub>: There is no significant effect of transactional leadership style on affective commitment in technical institutions in Kenya.

H<sub>01b</sub>: There is no significant effect of transactional leadership style on continuance commitment in technical institutions in Kenya.

H<sub>01c</sub>: There is no significant effect of transactional leadership style on normative commitment in technical institutions in Kenya.

**EMPLOYEE PARTICIPATION**

An organization's ability to innovate and successful implementation of business strategy and achievement of competitive advantage is to a large extent dependent on the level of employee involvement (Organ, Podsakoff & McKenzie, 2005). Employees are a key asset and the future of any organization depends on more participation of employees in order to generate new ideas (Singh, 2009). This has therefore led the great need and importance for employee participation. Robbins and Judge (2009) define employee participation as the participative process through which the input of employees is used to increase employees' commitment to the organization's success. The success of employee participation largely depends on the leader (Buciuniene & Skudiene, 2008). Busck *et al.* (2010) observed that the increased participation leads to employees having more control at work.

A number of studies have been conducted on the relationship between employee participation and organizational commitment. In a study conducted by Topolnytsky *et al.* (2002), a strong positive correlation was found between affective commitment and employees' job involvement. Torka (2003) found that employee involvement leads to more affective and normative commitment to the department as well as to the organization. In a South African study by Raymond and Mjoli (2013), the correlation coefficient between job involvement and organizational commitment was found to be significant and positively correlated. Kirmizi and Deniz (2009) reported that the participation of employees in the decision-making process and involving them in organizational plans and goals setting has a positive impact on the employees' commitment towards the organization.

Based on the literature reviewed above, employee participation is thought to moderate the relationship between transactional leadership style and organizational commitment.

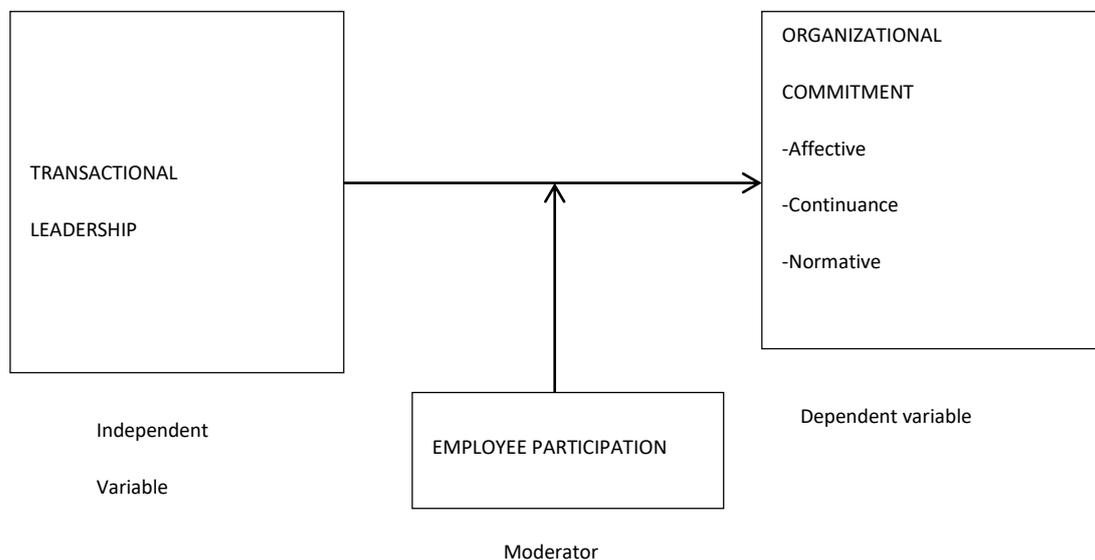
Hence, the following hypothesis is formulated:

H<sub>02</sub>: There is no moderating effect of employee participation on the relationship between transactional leadership style and organizational commitment in technical institutions in Kenya.

**CONCEPTUAL FRAMEWORK**

The various variables under study are conceptualized to be related as shown below:

FIGURE 1: CONCEPTUAL FRAMEWORK



**RESEARCH METHODOLOGY**

3114 lecturers in the 47 technical institutions in Kenya formed the study population. Technical institutions were chosen because of the critical role they are expected to play in the realization of vision 2030. Survey research design was adopted. Questionnaires were distributed to 343 respondents. 278 respondents completed the questionnaires giving a response rate of 81.05%. The sampling techniques employed were multistage, stratified and simple random sampling techniques. Multistage sampling design was employed to help in getting the clusters from which to get the sample from. Stratified sampling was used to ensure that each gender is included in the sample. Simple random sampling was adopted because the population constitutes a homogeneous group (Kothari, 2004). Simple random sampling was employed to get sixteen institutions from a total of 47. Twenty-two gender-based members were then selected from each institution. The main instrument of data collection for the study was a 5-point Likert scale questionnaire ranging from “Strongly Agree” to “Strongly Disagree”. The questionnaire had three sections. Section one helped in obtaining information on name of institution, demographic data on gender, religion, marital status, age bracket, family size, education, job title, job group and number of years of service in the institution and under current supervisor. Section two solicited information on transactional leadership style. A modified and improved version of Multifactor Leadership Questionnaire (MLQ) by Bass (1985) was used to generate data on leadership style. Section three was concerned with information on organizational commitment. An instrument by Meyer and Allen (1997) was modified to obtain data on organizational commitment. Section four solicited information on employee participation. A modified questionnaire by Barringer and Bluedorn (1999) was used. Cronbach’s alpha coefficient was used to test the instrument’s reliability. The reliability coefficients for the variables were: transactional leadership (0.753), employee participation (0.883) and organizational commitment (0.880). Therefore, all the variables met the minimum threshold. Data was analyzed using descriptive analysis and correlation analysis. Multiple regression was then applied in order to analyze the influence of transactional leadership style on organizational commitment as moderated by employee participation.

**FINDINGS AND DISCUSSIONS**

**Transactional leadership and organizational commitment**

The model to be tested was

$$Y = \beta_0 + \beta_1 X_1 + \epsilon$$

Where:

- Y = Organizational commitment
- $\beta_0$  = level of organizational commitment in the absence of transactional leadership
- $\beta_1$  = intercept for the independent variable
- $X_1$  = Transactional leadership
- E = Error term

The model was found to be valid (F (1,274)=49.615, p-value<0.001) as shown in Table 1.

**TABLE 1: REGRESSION RESULTS OF TRANSACTIONAL LEADERSHIP ON ORGANIZATIONAL COMMITMENT**

Model	Sum of squares	df	Mean square	F	Sig.
Regression	14.972	1	14.972	49.615	.000 <sup>a</sup>
Residual	82.687	274	.302		
Total	97.659	275			
R=0.392 R <sup>2</sup> =0.153 $\Delta$ R <sup>2</sup> =0.150					
a. Predictors: (Constant), X <sub>1</sub>					
b. Dependent Variable: Y					

The fitted model equation is  $Y = 0.392X_1$  with the predictors explaining 15.3% of the variation in organizational commitment. Details of the model are shown in Table 2.

**TABLE 2: REGRESSION COEFFICIENTS OF TRANSACTIONAL LEADERSHIP ON ORGANIZATIONAL COMMITMENT**

Model	Unstandardized coefficients		Standardized coefficients		t	Sig.
	B	Std. Error	Beta			
(Constant)	1.390	.233			5.969	.000
Transactional leadership	.504	.072	.392		7.044	.000

The model equation shows that standardized organizational commitment (OC) will increase by 0.392 units with one-unit increase in standardized transactional leadership style. The model shows that transactional leadership ( $X_1$ ) is significantly explaining the variation in organizational commitment. As such, hypothesis  $H_{01}$ : there is no significant effect of transactional leadership style on organizational commitment is rejected and conclude that transactional leadership style has a significant effect on organizational commitment.

The regression results of transactional leadership on the dimensions of organizational commitment are shown in Table 3.

**TABLE 3: REGRESSION COEFFICIENTS OF TRANSACTIONAL LEADERSHIP ON VARIOUS DIMENSIONS OF ORGANIZATIONAL COMMITMENT**

Dimension	F	Sig.	Beta	R	R <sup>2</sup>	$\Delta$ R <sup>2</sup>
Affective commitment	40.852	.000	0.360	0.360	0.130	0.127
Continuance commitment	35.119	.000	0.337	0.337	0.114	0.110
Normative commitment	24.665	.000	0.287	0.287	0.083	0.079

**Transactional leadership and affective commitment**

The model to be tested was

$$Y_1 = \beta_0 + \beta_1 X_1 + \epsilon$$

Where:

- $Y_1$  = Affective commitment
- $\beta_0$  = level of affective commitment in the absence of transactional leadership
- $\beta_1$  = intercept for the independent variable
- $X_1$  = Transactional leadership
- $\epsilon$  = Error term

The model was found to be valid (F(1,274)= 40.852,p-value<0.001) as indicated in Table 3.

The fitted model equation is  $Y_1 = 0.360X_1$  with the predictors explaining 13.0 % of variation in affective commitment. The model equation indicates that standardized affective commitment (AC) will increase by 0.360 units with one-unit increase in standardized transactional leadership style. The model shows that transactional

leadership is significantly explaining the variation in affective commitment. Therefore, hypothesis H<sub>01a</sub>: there is no significant effect of transactional leadership style on affective commitment is rejected and conclude that transactional leadership style has a significant effect on affective commitment.

#### Transactional leadership and continuance commitment

The model to be tested was

$$Y_2 = \beta_0 + \beta_1 X_1 + \epsilon$$

Where:

- Y<sub>2</sub> = Continuance commitment  
 β<sub>0</sub> = level of continuance commitment in the absence of transactional leadership  
 β<sub>1</sub> = intercept for the independent variable  
 X<sub>1</sub> = Transactional leadership  
 ε = Error term

Under the model  $Y_2 = \beta_0 + \beta_1 X_1 + \epsilon$ , the model was found to be valid (F(1, 274)=35.119, p-value <0.001) as indicated in Table 3.

The fitted model equation is  $Y_2 = 0.337X_1$ . This shows that standardized continuance commitment (CC) will increase by 0.337 units with one-unit increase in standardized transactional leadership style. The model shows that transactional leadership is significantly explaining the variation in the dependent variable (continuance commitment). Therefore, hypothesis H<sub>01b</sub>: there is no significant effect of transactional leadership style on continuance commitment is rejected and conclude that transactional leadership style has a significant effect on continuance commitment.

In a study by Saeed *et al.* (2013), transactional leadership was found to be significantly related with organizational commitment dimensions. This is in agreement with the findings of this study. Some studies have reported contrasting findings. Teshome (2011) in an Ethiopian study reported that transactional leadership has no statistically significant correlation with continuance commitment. Aghashahi *et al.* (2013) did not find transactional leadership to be a significant predictor of continuance commitment.

#### Transactional leadership and normative commitment

The model to be tested was

$$Y_3 = \beta_0 + \beta_1 X_1 + \epsilon$$

Where:

- Y<sub>3</sub> = Normative commitment  
 β<sub>0</sub> = level of normative commitment in the absence of transactional leadership  
 β<sub>1</sub> = intercept for the independent variable  
 X<sub>1</sub> = Transactional leadership  
 ε = Error term

The model was found to be valid (F(1,274)=24.665, p-value <0.001) as indicated in Table 3.

The fitted model equation is  $Y_3 = 0.287X_1$ . This shows that standardized normative commitment (NC) will increase by 0.287 units with one-unit increase in standardized transactional leadership style. The model shows that transactional leadership is significantly explaining the variation in normative commitment. As such, hypothesis H<sub>01c</sub>: there is no significant effect of transactional leadership style on normative commitment is rejected and conclude that transactional leadership style has a significant effect on normative commitment. The findings are in agreement with the findings of Wiza and Hlanganipai (2014).

#### The moderating effect of employee participation on the relationship between transactional leadership style and organizational commitment

The findings showed that there was no moderating effect of employee participation on the relationship between transactional leadership style and organizational commitment and its dimensions. Therefore, hypothesis H<sub>02</sub>: there is no moderating effect of employee participation on the relationship between transactional leadership style and organizational commitment and its dimensions is accepted.

## CONCLUSION

It is concluded that transactional leadership style has a significant effect on organizational commitment. It is also concluded that transactional leadership style has a significant effect on affective commitment, continuance commitment and normative commitment.

It is further concluded that there is no moderating effect of employee participation on the relationship between transactional leadership style and organizational commitment and its dimensions.

## RECOMMENDATION

In order to increase organizational commitment, leaders should employ transactional leadership style.

## FUTURE RESEARCH AREAS

Research should be conducted on effect of the components of transactional leadership styles on organizational commitment. The components of organizational commitment were investigated in this study whereas the components of transactional leadership were not considered.

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## AN ANALYSIS OF PERFORMANCE OF INDIAN BANKS W.R.T. NON-PERFORMING ASSETS (NPAs)

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**ABSTRACT**

**Purpose** - The topic of the research was to study on "An Analysis of Performance of Indian Banks w.r.t. Non-Performing Assets (NPAs)". The topic was selected for research as NPAs has been a matter of concern for the Indian economy as a whole. Health of the banking industry in a country is indicated by its level of Non-Performing Assets (NPAs). NPAs reflect the performance of the banks and are one of the major concerns for bank in India. NPA is an important parameter for the analyses of financial performance of banks. Reserve Bank of India (RBI) and Government are constantly framing new policies and regulations to strengthen this sector. The **objective** of the research is aimed at studying the NPA contribution sector wise. It was found through study that non-priority sector contributes more to total NPA in comparison to priority sector.

**Design/methodology/approach** - NPA trend of the public and private sector banks have been presented in the form of tables and figures and analyses has been done for last 10 years data.

**Findings** - It was observed that NPA has shown an increasing trend since the period of the study i.e. 2005-06. Steps taken by the RBI and the Government to reduce NPAs have also been studied in detail. Pros and cons of the steps taken have been discussed in detail.

**Research limitations/implications** - The research is based on the secondary data published on RBI website and the research is limited to the study and analyses of NPA in the private and public sector banks only. Foreign banks within India and co-operative banks NPA have not been studied.

**Practical Implications** - This paper can be used as a roadmap for scholars for detailed study on the topic.

**Originality/value** - New NPA data gets updated every quarter. There is always new data to study on this topic. The paper has covered data till March, 2015 and analyses have been done accordingly.

**KEYWORDS**

non-performing assets (NPAs), credit appraisal, public sector banks, private sector banks.

**INTRODUCTION**

This paper is an attempt to find the **sector wise contribution to NPAs in Indian banking sector**. Hence, the topic chosen for this research is "An Analysis of Performance of Indian Banks w.r.t. Non-Performing Assets (NPAs)". The main objective of the study is to compare NPAs of public sector banks with private sector banks (old private sector banks as well as new private sector banks) and to analyze the NPA trend over last 10 years for both the sectors. The need for the study arises as almost all banks are facing the problem of NPA. The study is based on the secondary data collected mainly through data published by RBI from time to time.

The banks are commercial organization. Their main business is to collect deposits from the public and lend it to the individuals, institution, business concerns etc. Risk is always there in lending business. One of the risks is the possibility of account becoming non-performing assets (NPAs). Non-performing assets (NPAs) do not earn interest income and repayment of loan to bank does not take place affecting income of the bank and thereby profitability. The non-performing assets do not generate income but at the same time banks are to require making provisions for such non-performing assets out of their current profit.

NPAs have an adverse effect on the return on assets in several ways-

- They erode current profits through provisioning requirements.
- They result in reduced income.
- They require higher provisioning requirements affecting profits and accretion to capital funds and capacity to increase good quality risk assets in future.
- They limit recycling of funds set in asset liability mismatch.

**OBJECTIVES**

1. To analyze the NPA trend of the public and private banks in India.
2. To study the NPA contribution sector wise – priority sector and non-priority sector.
3. To study the steps taken by Reserve Bank of India (RBI) and Government to reduce NPAs.

**LIMITATIONS**

1. The study is only limited to public and private sector banks in India. The study does not cover foreign banks in India.
2. The study is based only on secondary data.
3. There can be many interpretations and explanations to the data collected. This is an empirical study and the research provides explanation as understood by the researcher only.

**LITERATURE REVIEW**

**Grover in 2015** conducted a study on "Comparative Study of Non-Performing Assets among Public Sector Banks". In his result he found that NPA decreases bank's margin and higher provisioning is required for doubtful debts. Study of NPA of 5 public sector banks i.e. SBI, PNB, UCO Bank, Dena Bank and Indian Bank

was done w.r.t. increase/decrease in NPA. In his study he used SPSS tool to calculate Karl Pearson Correlation, Mean and Standard Deviation. Learning from the research was that NPAs are the main factors responsible for increase in provisioning in banks.

**Singh in 2013** conducted a study on “Performance of NPA’s in Indian Commercial Banks”. Research revealed that Public Sectors Banks are better in financial operations when compared with private sector banks. The study revealed that private sector banks have shown reduction in NPA year by year except some years. He concluded that private sector banks have strengthened their credit appraisal process in comparison with public banks which helped them to decrease their NPA’s except some years. Learning from the research was that proper credit assessment is necessary to control increase in NPAs.

**Kaur and Saddy in 2011** conducted a study on “A Comparative Study of Non-Performing Assets of Public and Private Sector Banks”. Their study covered what is NPA? The factors contributing to NPA’s, the magnitude of NPA’s, reasons for high NPA’s and their impact on Indian banking operations. Besides capital to risk weight age assets ratio of Public and Private sector banks, management of credit risk and measures to control the menace of NPA’s were also discussed. The research revealed that public sector banks have high NPA’s in comparison to private sector banks and credit measures have to be taken to control the Non-Performing Assets.

**Gurumoorthy in 2012** conducted a study on “Non-Performing Assets (A study with reference to Public Sector Banks). The banks in India are facing the problems of NPAs. The earning capacity and profitability of banks are highly affected because of the existence of NPAs. Moreover, the non-performance of non-receipt of interest and principal blocked banks money in the form of funds and is not available for further use of banking business and thus the profit margin of the banks goes down. In this connection banks must be aware of the problems and recovery of legislation of NPAs. He analyzed that in the liberalized economy, banking and financial sector get higher priority.

**METHODOLOGY**

The reason for choosing this topic “An Analysis of Performance of Indian Banks w.r.t. Non-Performing Assets (NPAs)” is that almost all the banks in India are facing NPA as a major issue. NPAs are the best indicator of the health of the banking industry and NPAs are the main problem through which banking sectors (both private and public banks) is going through. The study was conducted to have comparative analyses of NPA management in the public and private banking sectors. The paper also focuses on the loopholes that are to be amended so as to reduce the proportion of NPAs in the loan portfolios of Indian banks. The Indian banking industry has been studied with special reference to all public sector and private sector banks in India excluding foreign banks in India.

**RESULTS AND ANALYSIS**

**TABLE 1: ADVANCES AND NPAs OF DOMESTIC BANKS BY PRIORITY AND NON-PRIORITY SECTORS**

Bank Group	Priority Sector			Non-Priority Sector			Total		
	Gross Advances	Ad- NPAs	Gross NPAs as Per Cent of Total	Gross Advances	Ad- NPAs	Gross NPAs as Per Cent of Total	Gross Advances	Ad- NPAs	Gross NPAs as Per Cent of Total
<b>Public Sector Banks</b>									
2013	12,790	669	42.9	27,769	890	57.1	40,559	1,559	100.0
2014	15,193	792	36.5	30,712	1,375	63.5	45,905	2,167	100.0
2015	16,563	959	35.9	32,598	1,712	64.1	49,161	2,671	100.0
<b>Nationalised Banks**</b>									
2013	8,891	405	42.2	19,170	554	57.8	28,061	959	100.0
2014	10,711	530	37.7	21,249	877	62.3	31,960	1,407	100.0
2015	12,182	702	35.8	22,133	1,260	64.2	34,315	1,962	100.0
<b>SBI Group</b>									
2013	3,899	264	44.1	8,599	335	55.9	12,498	600	100.0
2014	4,482	261	34.4	9,463	499	65.6	13,944	760	100.0
2015	4,381	257	36.2	10,465	452	63.8	14,846	709	100.0
<b>Private Sector Banks</b>									
2013	3,157	52	26.0	7,309	148	74.0	10,467	200	100.0
2014	3,831	61	26.6	8,287	167	73.4	12,117	227	100.0
2015	4,444	72	22.8	9,942	244	77.2	14,386	316	100.0
<b>All SCBs (Excluding Foreign Banks)</b>									
2013	15,947	721	41.0	35,078	1,038	59.0	51,025	1,759	100.0
2014	19,024	852	35.6	38,998	1,542	64.4	58,022	2,395	100.0
2015	21,007	1,031	34.5	42,541	1,955	65.5	63,548	2,987	100.0

Source: Based on off-site returns (Domestic).

**Discussion:** - It can be figured out from the table that non-priority sectors have contributed more towards gross NPAs (as percentage of total) in comparison to priority sector for all the 3 years i.e. 2013, 2014 and 2015. Private sector banks have performed well in comparison to public sector banks in lending money to priority sector. Whereas when it comes to lend to non priority sector, public sector banks have performed well in comparison to private sector banks. The above analyses and findings are fulfilling our **second objective** of study i.e. to study the NPA contribution sector wise – priority sector and non-priority sector.

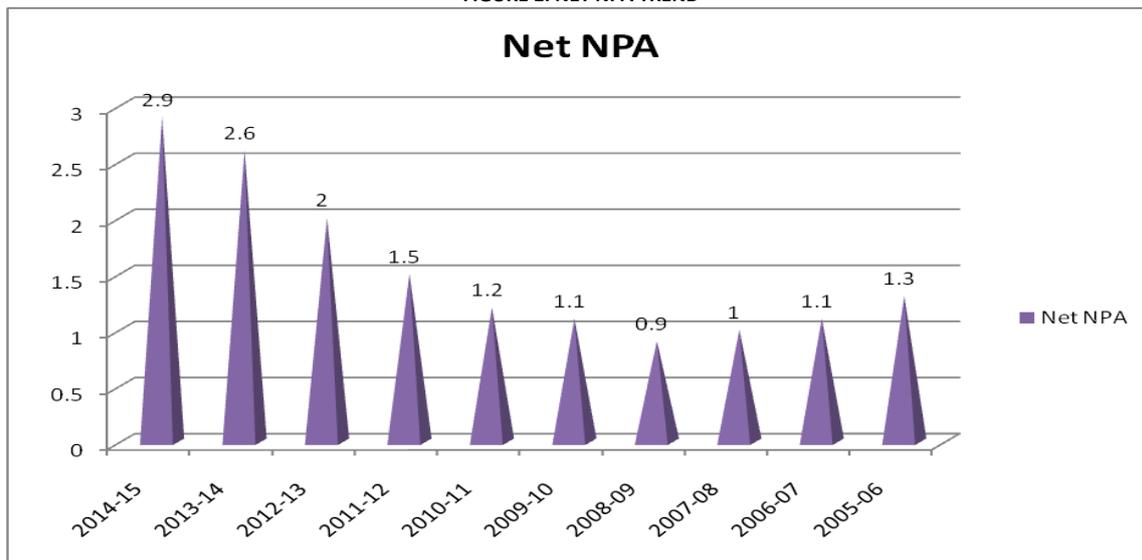
**TABLE 2: GROSS AND NET NPAs OF PUBLIC SECTOR BANKS – BANK GROUP WISE (AMOUNT IN BILLIONS) (Rs.)**

Year (End-March)	Advances		Non-Performing Assets					
	Gross	Net	Gross			Net		
			Amount	As Percentage of Gross Advances	As Percentage of Total Assets	Amount	As Percentage of Net Advances	As Percentage of Total Assets
2014-15	56167.18	54762.50	2784.68	5.0	3.2	1602.08	2.9	1.8
2013-14	52159.20	51011.37	2272.64	4.4	2.9	1306.35	2.6	1.6
2012-13	45601.69	44728.45	1656.06	3.6	2.4	900.37	2.0	1.3
2011-12	35503.89	38773.08	1178.39	3.3	2.0	593.91	1.5	1.0
2010-11	30798.04	33056.32	746.00	2.4	1.4	360.00	1.2	0.7
2009-10	27334.58	27013.00	599.26	2.2	1.3	293.75	1.1	0.7
2008-09	22834.73	22592.12	449.57	2.0	1.2	211.55	0.9	0.6
2007-08	18190.74	17974.01	404.52	2.2	1.3	178.36	1.0	0.6
2006-07	14644.93	14401.46	389.68	2.7	1.6	151.45	1.1	0.6
2005-06	11347.24	11062.88	413.58	3.6	2.1	145.66	1.3	0.7

**DISCUSSION**

As we can see from the table that Non-Performing Assets of Public Sector Banks has shown increase in amount as well as percentage year on year. Gross Non-Performing Assets (GNPA) as percentage of gross advances has increased from 3.6% in 2005-06 to 5.0% in 2014-15, while in terms of increase as percentage of total assets GNPA has increased from 2.1% in 2005-06 to 3.2% in 2014-15.

Net Non-Performing Assets of Public Sector Banks as percentage of net advances has increase from 1.3% from 2005-06 to 2.9% in 2014-15 and net NPA as percentage of total assets increased from 0.7% in 2005-06 to 1.8% in 2014-15.

**FIGURE 1: NET NPA TREND****DISCUSSION**

The above figure shows the net NPA percentages trend of public sector banks for last 10 years. Net NPAs in 2005-06 was at 1.3% which increased to 2.9% in 2014-15. Net NPA was lowest in 2008-09 at 0.9%, thereafter it has shown an upward trend.

Through above figure and table no 7, first objective of the study is fulfilled that is "To analyze the NPA trend of the public and private banks in India". NPAs have increased more than 2 times in 10 years from 2005-06 to 2014-15. NPAs have been increasing since 2005-06 and no correction is being seen in any year.

**CONCLUSION AND RECOMMENDATIONS**

The conclusions of the entire study are being discussed in the light of the objectives. The first objective of the study was to analyze the NPA trend of the public and private banks in India. NPAs have increased more than 2 times in 10 years from 2005-06 to 2014-15. NPAs have been increasing since 2005-06 and no correction is being seen in any year. The second objective of the study was to study the NPA contribution sector wise – priority sector and non-priority sector and it was found through study that non-priority sector has contributed more towards gross NPAs (as percentage of total) in comparison to priority sector for all the 3 years i.e. 2013, 2014 and 2015. Private sector banks have performed well in comparison to public sector banks in lending money to priority sector. Whereas when it comes to lend to non priority sector, public sector banks have performed well in comparison to private sector banks. The third objective of the study was to study the steps taken by Reserve Bank of India (RBI) and Government to reduce NPAs. Banks have been given time till March 2017 to clean-up their balance sheet by the RBI. Both the pros and cons of the steps taken by the RBI have been discussed in detail in the paper and to see whether the steps taken by the RBI is effective or not, can be seen after March 2017 when banks will come up with their balance sheet.

This research gave us a good awareness about the NPA in the banking sector especially in private sector (old private sector banks and new private sector banks) as well as public sector banks. It threw light on the NPA contribution by the priority sector and the non-priority sector and also the steps taken by the RBI and the Government to reduce NPAs. We suggest the research scholars that they can further do the research on the topic related to comparison of NPA of various banks. This paper can be used as a roadmap for research scholars for deep study in the subject.

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## AGGREGATE IMPORT DEMAND AND EXPENDITURE COMPONENTS IN INDIA

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### ABSTRACT

*The behaviour of India's imports during the period 1970-2007 has been studied using disaggregated expenditure components of final demand. The four components of final demand under the study are private consumption, government expenditure, investment expenditure and export. The newly developed bound testing approach to co-integration has been applied to examine the long-run relationship between aggregate import demand and the expenditure components. The results reveals that there exists a long-run relation between India's import demand, and its expenditure components. Among four components of final demand, investment and export earnings have significant influence on aggregate import demand both in short-run as well as in long-run. Further, the import demand has been found to be sensitive to import-price changes. The present study also suggests that the impact of liberalization of the early 1990s had left it's positive but statistically insignificant impact on India's imports.*

### KEYWORDS

bound test, cointegration, import demand, relative prices, elasticities.

### JEL CLASSIFICATION CODE

F14, F40.

### INTRODUCTION

The external trade is a key determinant of economic growth and development for a country. For policy purposes, it is pertinent to know the determinants of aggregate import demand in India. The present study, to the best of our knowledge, is the first to use the recent disaggregated import demand formulation approach to study the behaviour of aggregate import demand in India. We use the disaggregated components of domestic income (i.e. final demand expenditure components) together with the standard relative price variable to specify the aggregate import demand model for India.

The use of the disaggregated components of final demand in estimating the aggregate import demand is a relatively recent research approach: different from the traditional approach which uses aggregated final demand, and the relative prices. Two advantages accrue from using the disaggregated import demand model over the traditional import demand model. The later implicitly assumes that the import contents of all expenditure components are identical. If this assumption does not hold, the use of a single demand variable would lead to aggregation bias. By disaggregating the final demand, the disaggregate model not only avoids the problem of aggregation bias, but also separate the effects of each component on import demand. Moreover, by avoiding aggregation problems, the disaggregate model has better forecasting powers than that of the traditional import demand model (Giovannetti, 1989).

### REVIEW OF LITERATURE

In this field, the pioneering study was made by Giovannetti (1989) for Italy. He estimated the effects of different components of total expenditure on aggregate import demand. Further, he concluded that the disaggregated model had a better fit, and had predictability power than that of the traditional model. Later, Abbott and Seddighi (1996) used this approach to estimate an import demand model for the UK. In his study, consumption expenditure had the largest impact on import demand followed by investment expenditure, and export expenditure respectively.

Mohammed and Tang (2000) had estimated the determinants of aggregate import demand for Malaysia over the period 1970-1998. The results indicated that all expenditure components had an inelastic effect on import demand in the long run. Expenditure on exports was found to have the smallest impact on the imports. They found a negative and inelastic relationship between relative prices and import demand. Mohammad *et al.* (2001) examine the long-run relationship between imports and expenditure components for five ASEAN countries (Malaysia, Indonesia, the Philippines, Singapore and Thailand) using the Johansen multivariate cointegration analysis (1990). In their study, the final demand expenditure has been split into three major components, viz. consumption, investment and export. The results reveal that import demand is cointegrated with its determinants for all five countries under consideration.

Min *et al.* (2002) estimated South Korea's import demand using the Johansen and Juselius approach for the period: 1963-1998. They found the evidence of long run elastic impact of final consumption expenditure on import demand, and the inelastic impact of export expenditure on import demand. However, the impact of investment expenditure was found to be statistically insignificant with negative sign. Tang (2003) estimated China's import demand using the bounds testing approach to cointegration. In the long run, he found that the expenditure on exports had the biggest correlation with imports, followed by investment expenditure and final consumption expenditure respectively. The relative price variable bears the negative sign. In a study by Ho (2004), the import demand function for Macao was estimated using the quarterly data series over the period: 1970-1986. He applied the JJ-maximum likelihood method for co-integration. Among the different components of GDP, investment and export were found to be main determinants of aggregate import for this country. Narayan and Narayan (2005) have made an attempt on this area for Fiji. In their study, the three expenditure components of GDP are consumption, investment and export. They applied the bound test approach to co-integration using the sample period 1970-2000. All the regressors had been found to be significant both in short-run as well long-run. However, Fiji's import demand was inelastic with respect to all expenditure components.

Very recently, Agbola (2009) has made a study on this area for Philippines. The final demand was disaggregated into four components, viz. private consumption, government expenditure, investment and export. The sample period ranged from 1960 to 2006. He applied the Johansen's multivariate test for cointegration. The import demand was found to be inelastic both in short-run as well as long-run with respect to all expenditure components. In the long-run, government expenditure, investment and export are major determinants; while in the short-run, investment and export are major determinants of Philippines' import demand.

### IMPORTANCE OF THE STUDY

In the traditional import demand model, income and relative price are the main explanatory variables both for developed and developing countries (Ariz, 1990; Bahmani-Oskooee, 1998; Houthakker and Magee, 1969; Khan, 1974; Khan and Ross, 1977; Senhadji, 1998). The basic import demand model within the imperfect substitute framework is expressed in terms of real domestic income and relative import price (Goldstein and Khan, 1985). The disaggregation of income variable into different components of GDP has been made only in some recent research works.

### STATEMENT OF THE PROBLEM

There exist studies which examine the behavior of India's aggregate import demand using the traditional model (Dutta and Ahmed, 2006; Sinha 1996 etc.). However, from the surveyed of empirical literature for India, no study has been found that specifically estimates the disaggregate determinants of aggregate import demand. It is therefore logical for me to survey the existing literature that is directly relevant to the theme chosen for this study.

**OBJECTIVES**

The main objective of the present paper is to study the existence of cointegration relationship between India’s import demand and the components of aggregate final demand. Secondly, the present paper has made an attempt to estimate the long-run and short-run elasticities of India’s import demands using the autoregressive distributed lag (ARDL) framework. Thirdly, it quantifies the effect of trade liberalization of the early 1990’s on India’s import demand. Finally, the paper tests the structural stability of the import demand function for India.

**ANALYTICAL FRAMEWORK**

**THE MODEL**

For the present study, the aggregate demand expenditure (GDP) is disaggregated into its components of private consumption expenditure (C), government expenditure (G), investment expenditure (I) and exports (X). We specify the computable disaggregate import demand model as follows:

$$M_t = a + b.C_t + c.G_t + d.I_t + e.X_t + f.RPM_t + g.Dummy-92 + u_t \tag{1}$$

where,  $M_t$  is the natural log of real imports of goods and services;  $C_t$  is the natural log of real of the final consumption of private sector;  $G_t$  is the natural log of real of the government expenditure;  $I_t$  is the natural log of real expenditures on investment goods (i.e. sum of gross capital formation and change in inventory);  $X_t$  is the natural log of real exports;  $RPM_t$  is the natural log of relative import prices (ratio of import price index to domestic price index); and Dummy-92 is the dummy variable to capture the effect of trade liberalization policy taken in early 1990s. The dummy variable takes the values 0 for 1970-1991 and 1 for 1992-2007.  $u_t$  is the i.i.d error term at period t. We expect the coefficients associated with the expenditure components (C, G, I and X) to be positive (i.e.  $b > 0, c > 0, d > 0$  and  $e > 0$ ). From the law of demand, an increase in import prices reduces demand for imports as imported goods become relatively more expensive. Therefore, it is expected that the coefficient of import price relative to domestic price (f) will be negative.

**DATA AND METHODOLOGY**

All equations are estimated using annual time series data for the period 1970 to 2007. The data series have been collected from IMF’s International Financial Statistics-Yearbook, various issues. All variables have been transformed into their natural logs to manage the high magnitudes of the figures. In this studies, the bounds testing procedure has been applied to examine the co-integration relationship between import demand and its determinants. Unlike most of the conventional multivariate co-integration procedures, which are valid for large sample size, the bound test is suitable even for a small sample size (Mah, 2000).

Further, this approach does not push the short-run dynamics into the residual term as in the case of Engle- Granger (1987) technique (Pattichis, 1999).

**BOUND TEST APPROACH**

Within the last two decades, several econometric techniques have been developed for testing the cointegration among variables. Among them, the most well-known techniques are Engle-Granger residual based test (1987), Phillip-Hansen Fully Modified test (1990), Johansen-Juselius multivariate test (1990) and so on. However, one problem associated with the above mentioned tests is that variables within the model must be stationary at equal order of integration. Very recently, Pesaran et al. (2001) have developed one advanced test for cointegration using auto regressive distributed lag (ARDL) model. This method can be applied even when the variables follows the different orders of integration. We can derive a dynamic error-correction model (ECM) from the ARDL model through a simple linear transformation (Banerjee et. al., 1998). The error-correction term lagged by one period links the short-run phenomenon with the long-run one without loosing the long-run information. This approach considers the sufficient number of lag structure within a general-to-specific approach (Laurenceson and Chai, 2003).

Following this approach (Pesaran *et al*, 2001), the general specification of the model described in the following manner:

$$DM_t = \alpha_0 + \beta_1 M_{t-1} + \beta_2 C_{t-1} + \beta_3 G_{t-1} + \beta_4 I_{t-1} + \beta_5 X_{t-1} + \beta_6 RPM_{t-1} + \gamma_1 DM_{t-1} + \gamma_2 DC_{t-1} + \gamma_3 DG_{t-1} + \gamma_4 DI_{t-1} + \gamma_5 DX_{t-1} + \gamma_6 DRPM_{t-1} + \delta Dummy-92 + u_t \tag{2}$$

Where, D represents the variables in difference form. In the above equation, the coefficients ‘ $\gamma$ ’ represent the short-term dynamism while the coefficients ‘ $\beta$ ’ represent the long-term mechanism.

In the second step, the long-run equation is derived from the restricted version of ARDL model (equation 2). Following Pesaran *et al* (2001), a conditional ARDL long-run model for import demand can be specified in the following manner:

$$M_t = \alpha_1 + \beta_1 M_{t-1} + \beta_2 C_{t-1} + \beta_3 G_{t-1} + \beta_4 I_{t-1} + \beta_5 X_{t-1} + \beta_6 RPM_{t-1} + \delta. Dummy-92 + u_t \tag{3}$$

Where, all variables are as previously defined. The lag length in the ARDL model is selected based on Akaike Information Criterion (AIC) and Schwarz Bayesian Criterion (SBC). Pesaran and Shin (1999) have recommended a maximum of 2 lags.

Finally, the error correction representation is estimated using the regression of variables in the difference form with the lagged error term (equation 4). The coefficient of one period lagged term reveals the speed of adjustment towards the long-run equilibrium when a shock affects the existing equilibrium situation.

$$DM_t = \alpha_2 + \gamma_1 DM_{t-1} + \gamma_2 DC_{t-1} + \gamma_3 DG_{t-1} + \gamma_4 DI_{t-1} + \gamma_5 DX_{t-1} + \gamma_6 DRPM_{t-1} + \delta Dummy-92 + \mu ecm(-1) + u_t \tag{4}$$

**RESULTS & FINDINGS**

**UNIT ROOT TEST**

I employ the augmented dickey-fuller (ADF) test for unit root. I perform the ADF test both with intercept and no trend, and with an intercept and trend. The test assumes the null hypothesis of non-stationarity or unit root of the time series against the alternative hypothesis of stationarity.

**TABLE 1: ADF-STATISTICS UNIT ROOT TEST**

Variables	Level/First Difference	Without Trend	I (r)	With Trend	I (r)
LM	Level	1.137	I (1)	-1.346	I (1)
	First Difference	-5.034	I (0)	-5.686	I (0)
LC	Level	1.487	I (1)	-1.297	I (1)
	First Difference	-6.380	I (0)	-7.309	I (0)
LG	Level	0.024	I (1)	-3.686	I (0)
	First Difference	-4.835	I (0)	-4.778	I (0)
LI	Level	1.603	I (1)	-0.227	I (1)
	First Difference	-4.867	I (0)	-5.316	I (0)
LX	Level	1.498	I (1)	-0.653	I (1)
	First Difference	-4.386	I (0)	-4.897	I (0)
LRPM	Level	-3.072	I (0)	-2.924	I (1)
	First Difference	-4.784	I (0)	-4.813	I (0)

Notes:

(1) 95% Critical value for ADF statistics without trend = - 2.940.

(2) 95% Critical value for ADF statistics with trend = - 3.531.

(3) I(r): r is the order of integration.

Table 1 shows that the estimated value of ADF-statistics without trend in absolute terms does not exceed the critical one for all variables in level form implying non-stationarity in data series, except import price variable. The estimated value of ADF-statistics with trend in absolute terms does not exceed the critical one for all variables in level form implying non-stationarity in data series except government expenditure. On the other hand, all the variables under consideration are found to be stationary in first difference form as revealed by the ADF-statistics both with or without trend.

**BOUND TEST RESULTS**

In the bound testing approach to cointegration, at first, the null hypothesis of zero restriction on all lagged variables in the model is tested using F-statistics. Under the null hypothesis, there does not exist any long-run equilibrium relationship in the model as mentioned in equation 1. The F-statistics has the asymptotic distribution which is non-standard. Pesaran et.al (2001) have derived the critical values of F-statistics as lower as well as upper bound. If the calculated value of F is greater than the upper value of F-statistics, then the null hypothesis of no-cointegration is rejected. On the other hand, if the calculated value of F is lower than the lower value of F-statistics, then the null hypothesis of no-cointegration is accepted. Finally, if the calculated value of F lies between lower and upper bound of critical values, then the decision is in-conclusive. The results of the bound test show that the India's import demand and the expenditure components are well co-integrated (Table.2). As the tabulated value of F-statistics is greater than the critical value at 1 per cent significant level, the hypothesis of cointegration is accepted for the present model. In other words, there exists a long-run relationship between India's import demand and GDP components.

**TABLE 2: BOUND CO-INTEGRATION TEST\***

Critical values (intercept+ no trend)	Lower Bound: I(0)	Upper Bound: I(1)
90 per cent level	2.08	3.00
95 per cent level	2.39	3.38
99 per cent level	3.06	4.15
Calculated F-Statistics (Dependent variable: aggregate import demand): F (M / C, G, I, X, RPM) = 4.528*		

\*Note: Critical values of F-statistics are extracted from Pesaran, Shin and Smith (2001), table C1, Case II, page-T-1.

**ELASTICITIES OF AGGREGATED IMPORT DEMAND**

As the import demand function is cointegrated with its determinants, we proceed to estimate equation (3) for long-run elasticities. The results have been derived from the ARDL approach to cointegration using the Micro-fit software (Pesaran and Pesaran, 2002). The results of the ARDL model depends on the order of the distributed lag function. Akaike Information criterion has been selected for this purpose. The optimal number of lags for each of the variables is shown as ARDL (1,1,0,0,0,1,0).

**TABLE 3: LONG-RUN ELASTICITIES OF AGGREGATE IMPORT @**

Dependent variable: M; Period: 1970-2007		
Regressors	Elasticity	't'-Statistics'
C	-1.066	-1.048
G	0.236	0.603
I	0.812	3.795*
X	0.828	2.975*
RPM	- 0.936	- 5.777*
Dummy-92	0.128	1.196
Intercept	1.814	0.674

@ Note: (1) ARDL Model (1,1,0,0,0,1,0) is based on Akaike Information Criterion, (2) all the variables are expressed in logarithm terms; and measured in real quantity except the relative price and (2) \*: significant at 5 % significant level.

Table 3 shows the long-run elasticities of import demand with respect to different components of GDP, and other regressors. Among the different components of GDP, investment and export are the major determinants of India's aggregate import demand in the long-run. Both the variables are statistically significant at 5 percent significance level. The results reveals that 10 percent increase in investment and export would increase India's aggregate import by 8.1 percent and 8.2 percent respectively. Although the elasticity with respect to government expenditure is positive, it fails to be statistically significant. On the other hand, the coefficient of private consumption expenditure is negative, and statistically insignificant. This result is not consistent with the economic theory. However, the similar kind of unexpected result with respect to private consumption was found by Tang (2005) for South Korea. One possible reason behind it may be attributed towards the significant growth in domestic production of import-substitutes as consumer goods (Bahmani-Oskooee & Niroomand 1998, p.102).

The elasticity of import demand with respect to relative import price is highly significant; although inelastic in nature. According to the Marshall-Lerner condition, to make the policy of devaluation to be successful, the sum of price elasticities of export and import demand in absolute term must be greater than unity (Salvatore 1993, p. 465). Although, the study has not estimated the export price elasticity, the sizable value of import price elasticity (-0.936) suggests that the Marshall-Lerner condition likely to be satisfied. Finally, the coefficient of dummy variable is positive, but fails to be statistically insignificant. This implies that the trade liberalization programme taken in 1990's has little effect on India's import. The similar kind of result has also been found by Dutt and Ahmed (2005).

The short-run elasticities have been estimated from error correction model (Table 4). As in the long-run, the major determinants of India's import demand are investment and export in the short-run also. However, the elasticities of import demand with respect to those expenditure components are smaller in short-run than that in the long-run. Ten percent increase in investment and export would lead 4 percent increase in import demand in the short-run. The elasticity with respect to import price bears expected negative sign, and statistically significant. Ten percent increase in relative import price would bring down India's import demand by 8 percent. The dummy variable, although positive, is statistically insignificant. The performances of private consumption and government expenditure are the same as found in the long-run.

**TABLE 4: SHORT-RUN ELASTICITIES BASED ON ERROR-CORRECTION MODEL**

Dependent variable: DM; Period: 1970-2007		
Regressors	Elasticity	't'-Statistics'
DC	-0.052	-0.114
DG	0.145	0.617
DI	0.497	3.753*
DX	0.488	3.113*
DRPM	-0.837	-8.312*
Dummy-92	0.078	1.311
Intercept	1.111	0.716
ecm (-1)	-0.612	-4.432*
R <sup>2</sup> = 0.825; Adjusted R <sup>2</sup> = 0.769; DW=1.774; F-Statistics (7,30) =18.932.		

@ Note: (1) all the variables are expressed in logarithm terms; and measured in real quantity except the relative price. (2) \*: significant at 1 % significant level. The co-efficient of error correction term lagged by one year measures the speed of adjustment at which import demand adjusts to changes in the explanatory variables. The estimated coefficient of this term is negative, and statistically significance at one percent level confirming the model to be stable at equilibrium. The medium value (-0.612) of this term reveals that the model would converge towards equilibrium by 0.61 percent within a year.

We have also carried out some diagnostic tests to judge the model perfection (Table.5). The calculated statistics have been verified in terms of LM-version. It shows that residual terms are serially independent as revealed by Lagrange multiplier test. Ramsey's RESET test suggests the model to be functionally well behaved. The chi-square test shows that the error terms are normally distributed. The error terms are homoscedastic as revealed by Jarque-Bera test.

TABLE 5: DIAGNOSTIC TESTS FOR AGGREGATED IMPORT

Test Statistics	LM Version
A.Serial Correlation	CHSQ(1)= 0.490
B.Functional Form	CHSQ(1)= 1.952
C.Normality	CHSQ(2)= 2.101
D.Heteroscedasticity	CHSQ(1)= 1.038

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

The estimated value of adjusted R-square shows that 76 percent variation in the India's import is explained by the regressors of the model. In addition, the plot of actual and fitted values confirms that the model captures the historical database very well (Figures 1 & 2). Further, the diagrams for stability test both in terms of cumulative sum of recursive residuals (CUSUM) and cumulative sum of square of recursive residuals (CUSUMQ) confirm that the parameters of the model are quite stable over the sample period ((Figures 3 & 4).

FIGURE 1: LONG-RUN TREND OF AGGREGATE IMPORTS

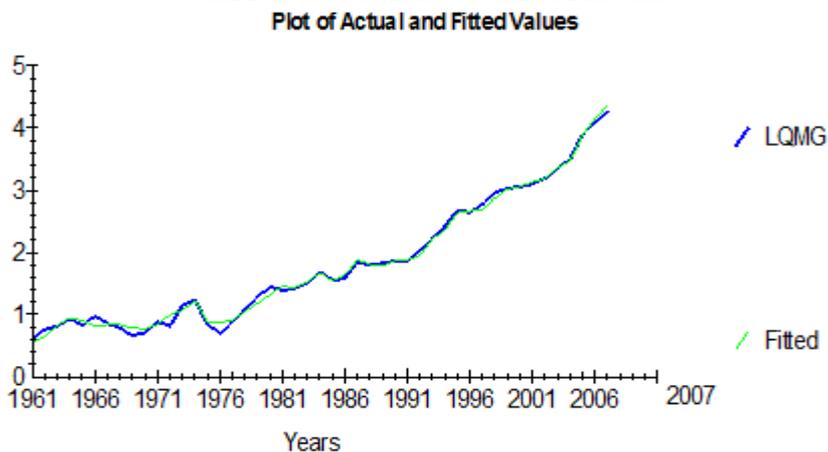


FIGURE 2: SHORT-RUN FLUCTUATIONS OF AGGREGATE IMPORTS.

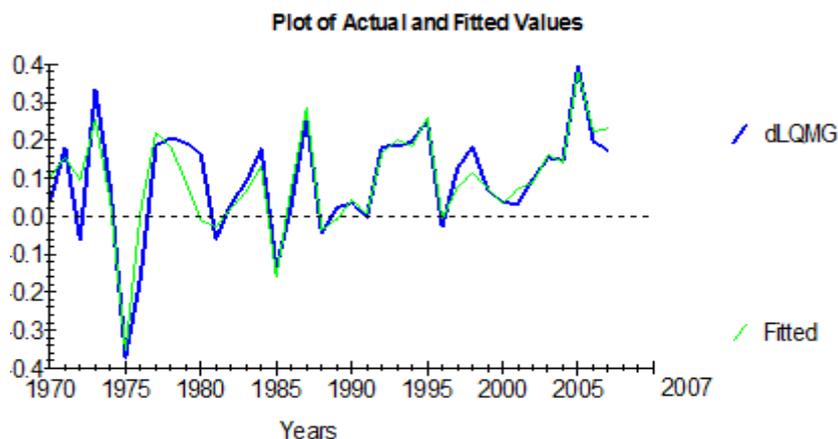


FIGURE 3: CUSUM STATISTICS FOR DEMAND OF AGGREGATE IMPORTS.

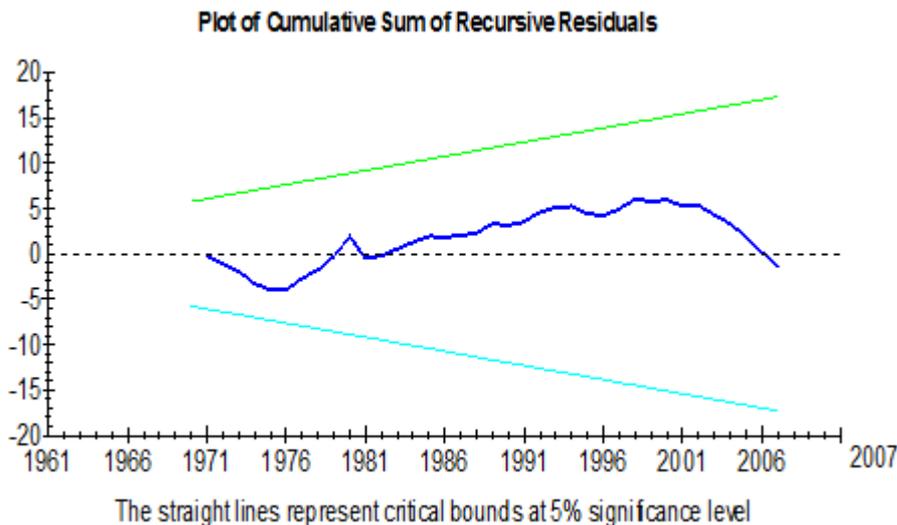
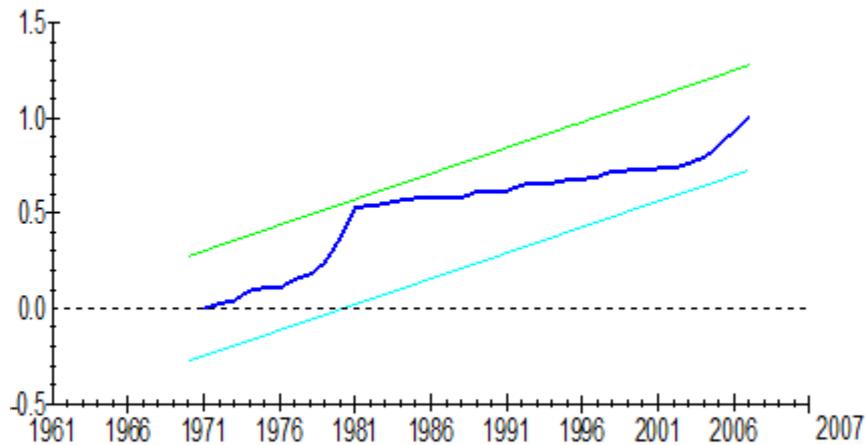


FIGURE 4: CUSUMQ STATISTICS FOR DEMAND OF AGGREGATE IMPORTS

Plot of Cumulative Sum of Squares of Recursive Residuals



The straight lines represent critical bounds at 5% significance level

### SUMMARY & CONCLUSIONS

The main objective of present paper is to find the long-run relationship between aggregate import and expenditure components for India. The recently developed bound test mechanism has been applied to find the long-run relationship between aggregate import demand and expenditure components of GDP, viz. private consumption, government consumption, investment and exports of goods and services. Among different components of expenditures, the elasticity of import demand with respect to exports is highest. It is well known that the share of manufactured items in India's total export basket is very high. As the manufactured items have high import contents, higher economic growth via the present export promotion strategy would imply higher growth in imports; resulting higher deficit in trade balance. Therefore, the policy makers have to use the effective exchange rate policy to tackle the disequilibrium situation in the current account of India's balance of payment. Policy makers should adopt the strategies for the development of capital-goods industries which would be competitive in terms of price and quality.

Heien (1968) has argued that for the effectiveness of devaluation "for a country, a value of the price elasticity between -0.5 and -0.10 is necessary to ensure the success of exchange rate depreciation". In other words, the relative price plays a significant role for the success of devaluation policy as a way to correct trade imbalance (Reinhart 1995; p.291). As the estimated value of import price elasticity in the present study lies between the range as suggested by Heien, it can be infer that the policy of devaluation likely to be successful for correcting the disequilibrium in the balance of payment for India.

The present rate of high inflation would keep pressure on import demand as the value of the price elasticity for import demand is fairly high (near unity). If the policy makers are seriously concern about the high deficit in the trade balance, then they should follow the fiscal and monetary policies with stronger impact on expenditures for exports and investment than private or government expenditure. In sum, the disaggregated demand model of this paper provides us a complete picture of the determinants of India's aggregate import demand. Further, this model can be used for the forecasting purposes as well.

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**TO STUDY THE CUSTOMER PERCEPTION TOWARDS BEER OF MOHAN MEAKINS LTD.**

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**ABSTRACT**

*The performance of the Beer Industry for the past few years is outstanding and witnesses a huge revamping exercise, significantly contributed by the growth of the Industry. Rapid urbanization, exposure to large number of foreign brands and changing lifestyle and preferences has contributed to the growth of Industry in India. This study on customer perception on Beer Industry to identify the dimensions in which the customers and also it reveals the dimensional measure and the perception of the customers. Further this study explores the factors that derive the perception of the customers on Beer industry.*

**KEYWORDS**

beer industry, customer perception, Mohan Meakins.

**INTRODUCTION**

Beer is an alcoholic beverage produce by the fermentation of malted barley. Although the preparation of fermented beverages has been practiced in India since early times, the art of brewing of Europeans. There were 26 beer breweries in across India when the government called the game over in the early 70's by freezing the industries production capacity. Nobody was permitted to either expand existing units or build new ones. In swift reaction, the cash rich Bangalore based u. b group began buying up all the breweries if it possible could bring its tally up to 10. Many of these were small, sick units going cheap. Given government new anti-alcohol pasture. U.B was amongst the few willing act on the future of the beer business. Rather than cost U.B.'s actual consideration was that they were located in the north and east markets it wanted to gain access to (beer being perishable product and transportation being a costly proposition, sales are usually combined to a radius of few hundred KM around the brewery). Although the south and west accounted for an over whelming majority of sale. U.B. was confident other part would grow, some U.B.'s brewing capacity was on par with that of its arch rival, muhanmeakin. The Indian beer market has been growing rapidly over the last 10 years, due to the positive impact of demographic trends and expected changes

**PESTLE ANALYSIS OF INDIAN BEER INDUSTRY**

PEST analysis from the view point of industry following some preliminary research and discussions with key stakeholders in order to:

- Provide a framework for understanding the macro environment in which the drinks industry operates
- Provide a means of identifying key external trends to feed into decision making
- Identify key areas of relevance to policy making
- Provide a distillation of key themes and considerations

**POLITICAL**

India is the biggest democracy in the World. The government type is federal republic.

- Concern about binge drinking and anti-social behavior
- Government use increased demand for alcohol as a way of boosting indirect tax revenues.
- No harmonisation across the EU which means cross border shopping is common
- Duty Free trading abolished in the EU in 1999 with little affect on the drinks industry
- International consolidation had led the EU to pay attention to cross-border mergers as they influence domestic markets
- Tight social policies on alcohol consumption

**ECONOMIC**

The economic factors in India are improving continuously. The GDP (Purchasing Power Parity) is estimated at 2.965 trillion. There is a continuous growth in per capita income; India's per capita income is expected to reach 1000 dollars by the end of 20010-11 This will lead to higher buying power in the Hands of the Indian consumers. Rising consumption has been linked to an increase in the relative affordability of alcohol, and in particular increases in consumer's disposable incomes Price fluctuation can be dictated by global commodity markets which gives multi-nationals an advantage Increasing price differential between on and off trade Asian financial crisis

**SOCIO-CULTURAL**

There has also been a continuous increase in the consumption of beer in India. With an increase in the purchasing power the Indian consumer which preferred local hard liquor which is far cheaper is now able to get a taste of the relatively expensive beer market. The social trend toward beer consumption is changing and India has seen an increase of 90% beer consumption from the year 2002- 2007. This increase is far greater than the increase in the BRIC nations of Brazil (20 per cent), Russia (50 per cent) and China (almost 60 per cent). Thus this shows a positive trend for beer industries in India.

- Drinking is built into the social fabric
- Recent upsurge in café culture
- Increase in eating out and in holidaying overseas - impact on consumption of wine and bottled water
- Increases in under age drinking
- Health of consumers
- Lifestyle changes: emerging wine culture in key markets
- Growing health conscious: diet/light beers & mixeries
- Trend toward premium & speciality products

**TECHNOLOGICAL**

The Indian beer industry is heating up with a lot of foreign players entering the Indian market. The technological knowhow and expertise will also enter the Indian market with an increase in competition. For example, beer brewing technology major Ziemann has entered India and has set up manufacturing plant in India. Ziemann Group, based in Ludwigsburg near Stuttgart in Germany, has founded Ziemann India. It will start production in 2008. This will help bring in technological knowhow and increase the production of beer. SABMiller has just placed an order for the design and construction of two turnkey plants in India to Ziemann. The new plants are planned for Sonapat in Haryana and for another location near Bangalore. Both breweries will have an annual capacity of 1 million hectoliters each in the beginning and might be extended later. Thus with European technology entering the Indian beer market increased production and lowering cost of production could play a major role in the Indian beer market.

- packaging
- bottling
- influence of the Internet and eCommerce
- introduction of global medias

**LEGAL**

- Licensing Act 2003
- Private Security Industries Act 2003
- Beer Orders and other changes to Competition Law in the 1990s

**ENVIRONMENTAL**

- Increasingly focus on the sustainability agenda - and corporate social responsibility

**LITERATURE REVIEW**

Alcohol arguably is both the oldest social beverage and the substance most widely used by human beings. Its power to change behaviors positively and negatively is extraordinary, although both the reasons and effects for drinking vary widely from culture to culture (Pettigrew and Charters, 2006; Measham, 2008; Ormrod, 2009). It is widely accepted that alcohol is used to enhance positive emotions and to cope with negative emotions and that positive impacts are likely to result in positive life experience; while on the other hand, alcohol consumption can also lead to negative impacts, such as immorality and crime (Bellis et al, 2005). Recently, there is also a mixed message of the pros (for example normality and sociability of drinking) and cons (for example health warnings) of alcohol consumption (see Measham, 2006). Nevertheless, a few studies suggest that drinking moderately could promote health and result in low mortality risk (Albala, 2006). Golding et al (1992) argue that there are many reasons for people to drink alcohol, in two main categories: social and individual. Bailly et al (2001) agree by suggesting two main motivations for drinking: positive social motivations (that is, enhance social occasions), and personal psychological motivation (that is, to achieve more favorable self-perception or to cope with personal dissatisfactions). For the former, alcohol is known for its effect in enhancing one's sociability, as consuming alcohol could be a symbol of good fellowship and companionship (Pettigrew et al, 2000). Although excessive alcohol consumption can be harmful and destructive, a normative consumption is often associated with personal enjoyment, which could also facilitate social bonding between people (Szmigin et al, 2008). In fact, refusing to drink could be considered as antisocial, prudish, unkind or impolite (Kirby, 2006). Furthermore, alcohol is often consumed for celebrative purposes. In celebrations, drinking is an important element that symbolizes togetherness (Pettigrew et al, 2000). Other social reasons for drinking include to have fun, conform to peers, increase confidence in a social situation and so on (Institute of Alcohol Studies, 2006).

**RESEARCH METHODOLOGY**

Marketing Research is a systematic analysis of the marketing problems. Model building and fact finding for the purpose of improved decision making and control in the marketing of goods and services.

Research methodology may be understood as a "Science of studying how research is done scientifically".

Here, we study the various steps that are generally adopted by a researcher in studying his research problems along with the logic them.

To plan a research project, it is necessary to anticipate all the steps, which must be undertaken if the project is to be completed successfully. These steps are referred collectively as "Research Procedure". It consists of a number of inter-related frequency overlapping activities.

**SOURCES OF DATA**

The task of data collection begins after the research problems has been defined. Normally, the sources of data are classified into Primary data & Secondary data.

**1. PRIMARY DATA**

Primary data are collected directly from the field. They are the first hand data.

Since primary data are collected specially for a particular survey. Extra care is taken to collect all the required data with the required degree of accuracy. Primary data are reliable, complete and fresh.

Primary data are costly. Their collection consumes more time and labor than the collection of secondary data.

**TECHNIQUES OF COLLECTING PRIMARY DATA**

- a. Direct personal interview.
- b. Indirect personal interview.
- c. Information through correspondence.
- d. Method of questionnaire.
- e. Method of schedule.
- f. Telephone interview method.

**2. SECONDARY DATA**

Secondary data are the data, which the investigator borrows from others who have collected the data for some other purpose. Since the data is collected for some other purpose, it may not contain all the required information. They are not as dependable as primary data. The collection of secondary data, which consumes less fund, time and labor than the collection of primary data.

**SOURCES OF SECONDARY DATA****1. PUBLISHED SOURCES**

- a. Reports and publications of international bodies.
- b. Reports and publications of government departments.
- c. Publication of banks, research institutions, Administrative officers, etc.
- d. Magazines and Newspapers.

**2. UNPUBLISHED SOURCES**

- a. Records maintained at Government offices and municipal offices.
- b. Records maintained at research institutions and research scholars.

**Sampling**

Sample size	:	200
Age	:	25-35 years
Sex	:	male
Area	:	Delhi & NCR region

Region : Urban population  
 Occupation : White-collar service/professional  
 Social class : Middle and upwards  
 Family life cycle : Youth

**TOOLS FOR DATA COLLECTION**

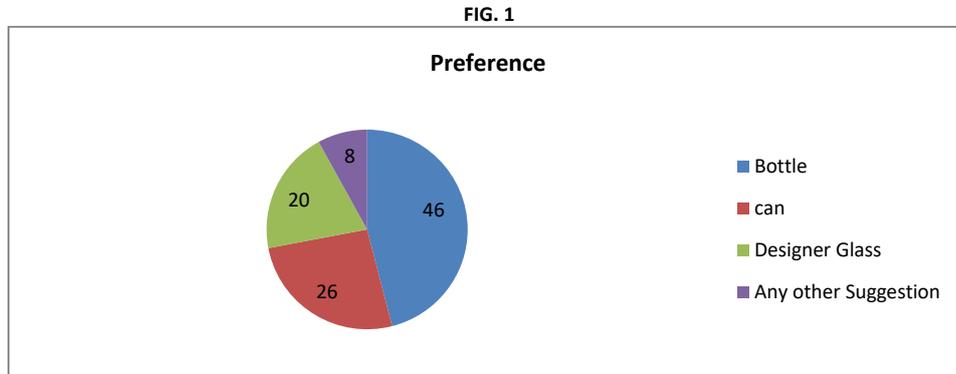
For this project report, Questionnaire method was adapted to analyze the consumer’s preference/ behaviors and personal interview were conducted together information from the consumers/ clients and company organization.

The primary data was collected by questionnaire format method and personal interview method. It helps to display in the form of tables, graphical charts etc. The secondary data were collected from books magazines.

**DATA ANALYSIS & FINDINGS**

**BRAND PREFERENCE**

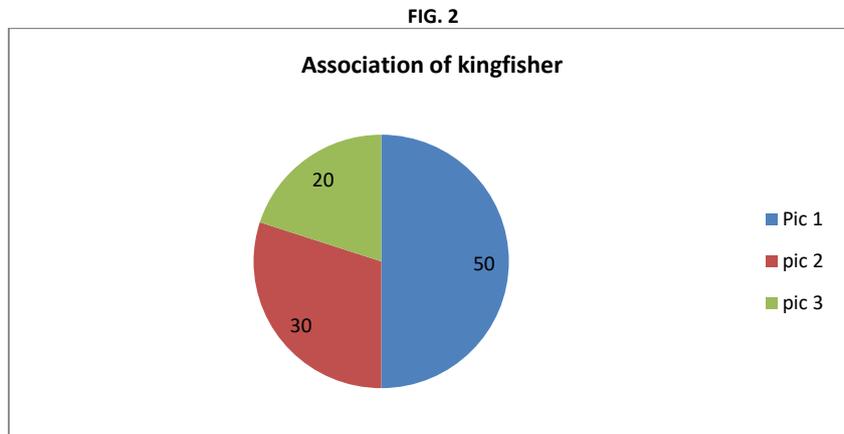
Preference of having a beer in:



**Analysis:** The study found that 46 %of respondent have shown interest in consuming beer in bottle while 26% in can, 20% in designer glass.

**BRAND RECOGNITION**

In some cases brand recognition is defined as aided recall - and as a subset of brand recall. In the case, brand recognition is the extent to which a brand name is recognized when prompted with the actual name.



Pic 1- kingfisher

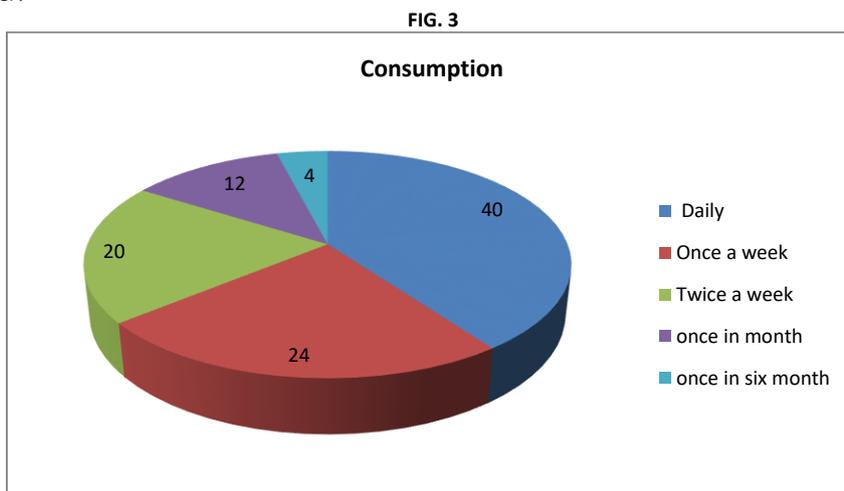
Pic 2 –fosters

Pic 3-budweiser

Analysis: pic 1 denotes kingfisher as highly recognized brands from other brands

**REPORT ANALYSIS**

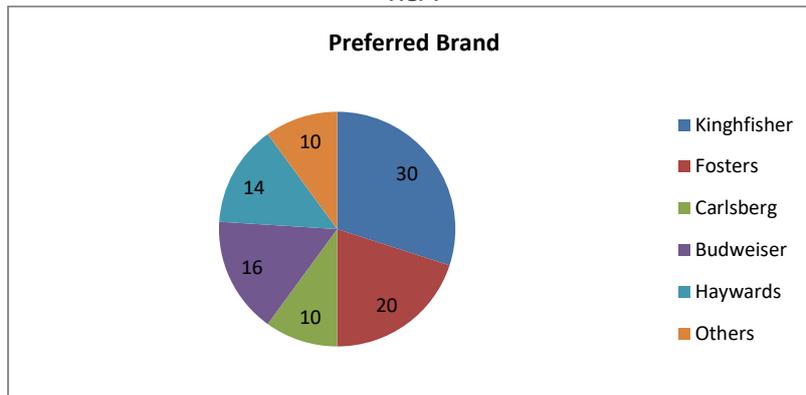
How often do you consume beer?



**Analysis:** The study found that 40% respondents likes to consume beer everyday 24% once aweek, 20% twice aweek,12% once in month, 4% once in six month,

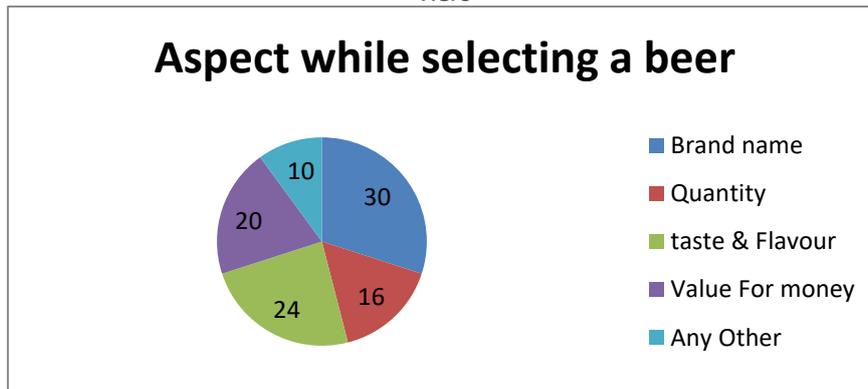
PREFERRED BRAND IN BEER

FIG. 4



**Analysis:** The study found that 30% respondents prefers Kingfisher Brand, 20% Foster, 6% Budweiser, 14% Haywards, 10% Carlsberg, What aspects do you look at while selecting beer?

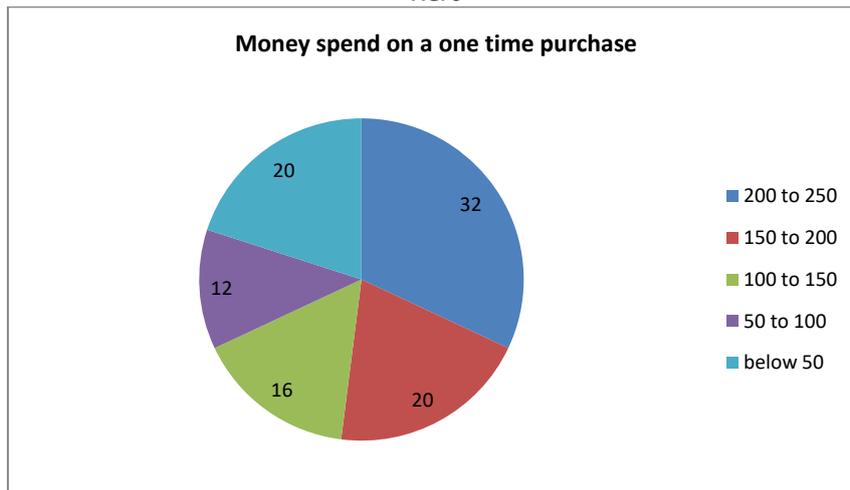
FIG. 5



**Analysis:** The study found that 30% respondents go by brand name while selecting a beer. 4% respondents go by taste & flavor, 16% by quantity, 20% value for money.

MONEY SPEND ON A ONE TIME PURCHASE

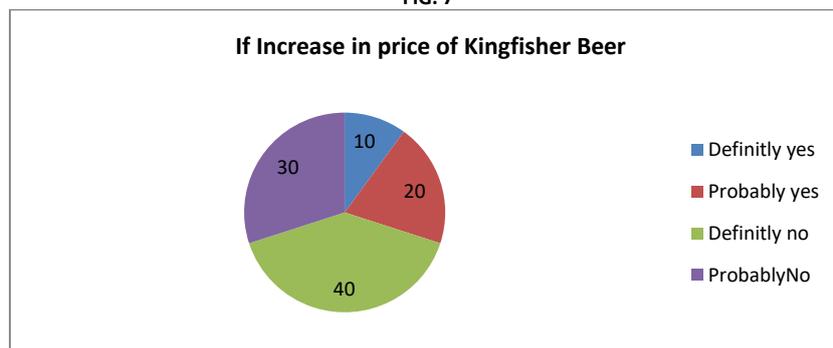
FIG. 6



**Analysis:** The study found that 32% respondents likes to spend around 200-250 on one time purchase. 20% respondents likes to spend around 100-150

ANOTHER BRAND IF THE PRICE OF MOHAN MEAKIN BEER INCREASES

FIG. 7



**Analysis:** The study found that 10% respondents will switch to other brand if price of Mohan Meakin increases.

LOCATION OF PURCHASE

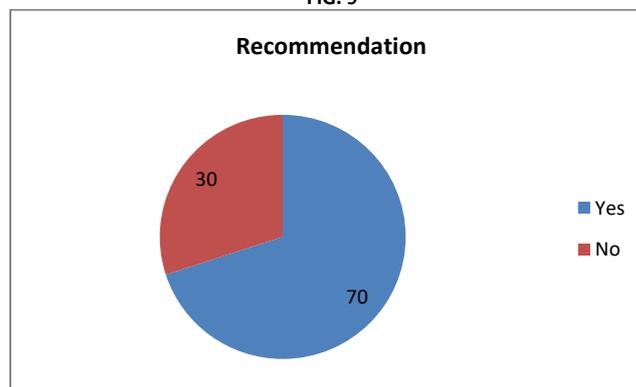
FIG. 8



**Analysis:** The study found that 50% respondents purchase beer from winestore, 20% from bar, 16% from pub, 14% from club. Would you recommend Mohan Meakin beer for a tea-totler?

- Yes
- No

FIG. 9



**Analysis:** The study found that 70% respondents will recommend to a tea-totler

**CONCLUSIONS**

India as a nation is making economic progress. There are lots of people who are indulging in luxurious life, they prefer to buy branded products and do not mind paying a premium for quality. But for the majority price is a constraint, especially for the middle class population. They would only purchase items that they feel is value for money. So if they feel that they don't get enough benefit from the product then they avoid buying it.

As far as buying behavior of people with respect to beer is also the same. The highest selling beer in India is Mohan Meakin strong and premium which is priced at Rs70 for 650ml bottle. The sales of Super Premium beer like kingfisher Ultra is relatively low, which is priced at Rs. 100 for 650 ml bottle. Even though the Super premium beer is of high quality and has been appreciated by the consumer, it has not resulted in as high sales as compared to the premium category beer.

This just shows that it will still take some time for the Indian mindset to change where more number of people will be willing to spend on quality without thinking much about the cost. But we can already see a reasonable change in the consumer mindset, from say 10 years back.

What I feel is that even though price is a barrier at present, but things will get better in the future and super premium beer would take over the market from the current 5% to about 25% in the near future. Even though there is stiff competition from the foreign brands like Carlsberg and tuborg, Budweiser, corona. there would not be any major threat to the Mohan Meakin brand. The brand is still the favorite among the Indian consumer and it will grow from strength to strength.

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**UNDERSTANDING BRAND INDIA CAMPAIGN AND ITS IMPACT OVER SMALL SCALE INDUSTRIES**

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**ABSTRACT**

*Being one of the fastest growing economies in the world, the Indian economy is at the centre stage of the changing economic order in the world. A nation of over 1.2 billion people with a median age of 24 years, Brand India today is very relevant for the growth of global economy. Also India's nation brand value has increased by a whopping 32 per cent to \$2.14 trillion in the year 2015 from \$1.62 trillion last year. Interestingly, only three Asian nations - China, India and South Korea - figure among the top 20 most valuable nation brands. The second largest English speaking nation in the world, India has emerged as one of the decisive nations shaping the contours of the world economy. Today, the triumph of Brand India is visible in almost all fields and sectors both in the domestic and overseas markets. India's GDP is expected to cross the US\$ 5 trillion mark by 2020. With the second largest pool of scientists and engineers in the world, Brand India is known as the talent powerhouse for the world. In fact, the country is expected to have 25 per cent of world's skilled workforce by 2025. The author has used both primary as well as secondary source of information for the research. Primary information has been collected through questionnaire survey of 300 people throughout the country belonging to four different age groups i.e., 15 years to 25 years; 25 to 35 years; 35 years to 50 years and 50 years & above. The basic objective behind this research is to understand the Brand India Campaign and identify challenges & opportunities before it. The authors have also studied the impact of brand India over small scale industries and made some recommendations for its improvements.*

**KEYWORDS**

brand, campaign, equity, economy, india, power, promotion, value.

**1.1 INTRODUCTION**

Ups and downs in the Indian Economy, since the reign of kings & emperors to the present day democratically elected governments, had been the part and parcel of its evolution process. The rich culture and prosperity of the country called Golden Bird once (*SonekiChidia*) lured many foreigners. Surmounting all challenges in the past ranging from economical, technological, to political, the country has proved the world that we are capable enough to overcome all hurdles. The strong Indian economy, the science & technological excellence, the strong foreign & anti-terrorist policy of the country bear testimony to these claims. Modi's Make in India call for enhancing employment in the country came at a perfect time when economically, politically, technologically & also demographically country is capable enough to host such an initiative (Rawat S. R., et. al. 2016)<sup>1</sup>.

**1.2 BRAND INDIA CAMPAIGN**

According to the American Marketing Association, "Brand is a name, term, sign, symbol or design, or a combination of these **intended to identify the products or services of one organization and differentiate them from those of another.**"

<sup>1</sup>Rawat S. R., Dushyanth S., Kediya A. and Dhruvastha P. (2016). Modi's Make in India drive: Right Time to give a National Call to become Global Manufacturing Hub. *Indian Journal of Science and Technology*, Vol 9(21), DOI: 10.17485/ijst/2016/v9i21/92606, June 2016. ISSN (Print) : 0974-6846 ISSN (Online) : 0974-5645, Available at <http://www.indjst.org/index.php/indjst/article/viewFile/92606/70192> . Accessed on 18<sup>th</sup> September 2016.

The success of Make in India initiative like the success of any other product or service depended upon its appropriate promotion, positioning & differentiation. Thus there arose a need to uplift the image and good will of Indian products and services in India and abroad. To achieve this massive campaign was launched to ameliorate the image of Made in India; this campaign is known as Brand India. The objective behind this campaign is to project India as an alluring destination for both **Made in India & Make in India** and also tell the world that India is not just a market but also an apt place for investment in Manufacturing Sector. MC&I, GOI, through its India Brand Equity Foundation (IBEF) is leaving no stone unturned in building the Brand India. Its website, IBEF.org/Brand-India is a one point contact for all the whereabouts related to Indian economy, different government policies, status of foreign investments and other business developments (India Brand Equity Foundation, 2015)<sup>2</sup>.

Strengthening Brand India through enhancing quality followed by its proper marketing was the best measure adopted by India to boost its economy. Marketing primarily comprise of activities and processes for creating, communicating, delivering and exchanging offerings that have value for customers, clients, partners and society at large. Realising the fact that howsoever good your products may be, unless you make people aware of its quality, you cannot be accepted and appreciated by the consumers, India took the stance of branding the country as a whole. The Other pressing reason behind this initiative was to overcome the bad state of Indian economy during 2012 (Pravakar Sahoo, 2012)<sup>3</sup>. Prime Minister Modi's various foreign visits, wherein he introduced India to the world, also led to marketing of Brand India. His personal interactions with the world brought home strong foreign investments in the form of Foreign Direct Investment. All this did not happen overnight. Various initiatives such as Make in India, Digital India, Brand India Pharma, Brand India Engineering, *Swachh Bharath Abhiyaan* made way for it.

### 1.3 THE EFFECT OF BRAND INDIA CAMPAIGN ON SMALL SCALE INDUSTRIES

The plight of Small Scale Industries pre independence was not very good. Post-independence the first few five year plans not only improved but also strengthened the state of small scale industries in India. Strong measures such as assistances in the form of aids & technical know-hows, exemptions & other such like measures helped change the scenario of small scale industries' in the last 50 years.

### 2.1 REVIEW OF LITERATURE

The idea of nation building was very well received by some quarters of scholars but a significant proportion opposed it too. Where on one side researchers opine that this drive will improve Indian economy and lead to development of country through creation of employment, we have significant pool calling it a futile exercise.

The idea behind branding a country is to establish a global image of the country as an idealistic and competitive brand (Loo & Davies, 2006)<sup>4</sup>. This recognition can be in any field e.g. Germany is known for Automobiles, Japan is recognized for Technologies etc.

**Morgan and Levine (2006)**<sup>5</sup> have stated that India today holds perfect environment to host business in the travel and tourism industry globally. Various campaigns like Make in India and Incredible India have facilitated in making India a global brand. **Amitabh Kant (2008)**<sup>6</sup> has narrated the success story of 'Incredible India' campaign mentioning the evolution of Indian tourism over a period of 6 years through this campaign.

Further, in a research carried out by **Rawat S. R. et.al, (2016)**<sup>7</sup>, it was observed that majority of the Indian population feels that India has the potential to carry out a successful Make in India campaign which will lead to economic development of the country. As a consequence, it will add to the brand value of the country.

According to **Shivani Mishra (2012)**<sup>8</sup>, the small and medium scale industries which constitute 45 percent of the manufacturing output of the country has shown an upward trend in the era of globalization and has been able to carry forward the momentum of developing GDP of the country. However, challenges such as high cost credit, low access to new technology, poor adaptability to changing trends etc. cannot be denied. These factors may still come on the way of prosperity of these industries.

Many researchers are of the view that we should stop marketing India as a brand. According to **Sunil Khilnani (2009)**<sup>9</sup>, it is not good to market India.

However, Branding of a country does not come without challenges. According to **Gupta & Singh (2007)**<sup>10</sup>, Branding of country like India has always been a daunting task because of the deeply rooted caste and political divides that pose an obstruction. However, in an era where '*Branding is not a choice but an obvious necessity*', a constant effort towards branding of the country has facilitated in solving the challenges presented before it by a country of widely varying Diaspora of population. In past decade or so, Brand India has gone leaps and bounds which can be seen by the increased income levels, spending propensity and purchasing power.

**Khanna & Monica (2011)**<sup>11</sup> have emphasized upon the complexity of Destination Branding. Various initiatives taken by the Union Government like Incredible India Campaign, India Brand Equity Foundation and India Everywhere Campaign launched at the World Economic Forum at Davos 2006, have facilitated in moving forward with the campaign. However, for the campaign to be a complete success a joint effort by various stakeholders is required.

### 2.2 OBJECTIVES

The basic objective behind this paper is to:

1. Find out the current perspective of Indian people about Brand India on a global forum.
2. Identify the challenges and opportunities before Brand India campaign.
3. Contest its impact over (MSMEs) Micro, Small and Medium Enterprises.

### 2.3 RESEARCH METHODOLOGY

The research is based on both primary as well as secondary sources of information. Secondary data was collected from research papers, articles, newspapers, journals, magazines and online databases.

Primary Data was collected through a questionnaire survey using random sampling method and its in-depth analysis. The sample comprised of 300 people from across the country belonging to four different age groups i.e., 15 years to 25 years; 25 to 35 years; 35 years to 50 years and 50 years & above. The sample was collected from professionals, service sector workers, students and employees of Small Scale Industries in the ratio of 25:25:25:25. The choice of sample was based

<sup>2</sup> India Brand Equity Foundation (2015) <http://www.ibef.org/>

<sup>3</sup>Pravakar Sahoo (2012). The Indian economy: a rough 2012 but tougher 2013. East Asia Forum: Economics, Politics and Public Policy in East Asia and the Pacific

<sup>4</sup>Loo & Davies (2006). Branding China: The Ultimate Challenge in Reputation Management. *Corporate Reputation Review*, September 2006, Volume 9, Issue 3, pp 198-210

<sup>5</sup>Morgan & Levine (2006). Doing Business Globally- Marketing 'Brand India'. *Roymorgan Research* available at [www.roymorgan.com/~media/files/papers/2005/20050301.pdf?la=en](http://www.roymorgan.com/~media/files/papers/2005/20050301.pdf?la=en). Accessed on 27<sup>th</sup> September 2016

<sup>6</sup>Amitabh Kant (2008). *Branding India: An Incredible Story*, ISBN: 9788172238094 Harper Collins India.

<sup>7</sup>Rawat S. R., Dushyanth S., Kediya A. and Dhruvastha P. (2016). Modi's Make in India drive: Right Time to give a National Call to become Global Manufacturing Hub. *Indian Journal of Science and Technology*, Vol 9(21), DOI: 10.17485/ijst/2016/v9i21/92606, June 2016. ISSN (Print) : 0974-6846 ISSN (Online) : 0974-5645, Available at <http://www.indjst.org/index.php/indjst/article/viewFile/92606/70192>. Accessed on 18<sup>th</sup> September 2016.

<sup>8</sup>Shivani Mishra (2012). Small Scale industries: Striving and Thriving in the era of Globalization. *International Journal of Enterprise Computing and Business Systems*, Vol. 2 Issue 2 July 2012, ISSN(Online): 2230-8849

<sup>9</sup>Sunil Khilnani (2009). Stop marketing India as a brand. The Hindu. 30 September 2009. Available at [http://www.thehindu.com/opinion/columns/Hasan\\_Suroor/stop-marketing-india-as-a-brand-says-historian/article24254.ece](http://www.thehindu.com/opinion/columns/Hasan_Suroor/stop-marketing-india-as-a-brand-says-historian/article24254.ece) accessed on 18th Sep 2016.

<sup>10</sup>Gupta & Singh (2007). The Making of Brand India. *International Conference on Marketing & Society*, 2007, p.261-274

<sup>11</sup>Khanna & Monica (2011). Destination Branding: Tracking Brand India. *Synergy* (0973-8819), Jan 2011, Vol. 9 Issue 1, p40-49. 10p

on samples understanding of the topic. The expert opinion was also collected through in-depth interviews of Economics & Marketing professors from Pune City. Analysis and interpretation of findings is based on graphical analysis of data.

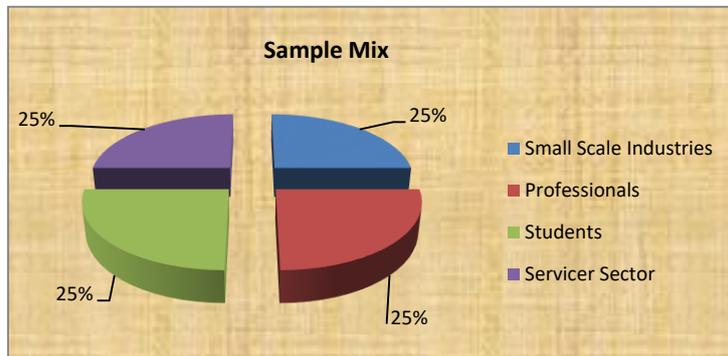
**3 FINDINGS AND DISCUSSION**

Through the questionnaire survey an attempt was made to understand the perception of population towards the Brand India Campaign and impact on small scale industries.

**3.1 SAMPLE MIX**

Post “The micro, small and medium enterprises development act, 2006” (MSMED Act, 2006)<sup>12</sup> the small scale industries now include Micro, small and Medium enterprises also<sup>13</sup>. 25% of the sample thus comprised of people engaged in such activities. The sample had equal representation of the sample belonging to different categories including SSIs employees, professionals (lawyers, engineers, and teachers), students currently pursuing either Economics or Commerce and people engaged in service sectors namely IT, consultancy and others.

FIG. 1



**3.2 ANALYSIS OF THE PARAMETERS AS PER THE SURVEY**

Findings of the data collected have been summarised here under in the Table No. 1 and explained in the following paragraphs numbered 3.2.1 to 3.2.9.

TABLE NO. 1

S.No	Parameters	Strongly agree (%)	Disagree (%)	Agree (%)	Strongly Disagree (%)	Neither Agree Nor Disagree (%)
3.2.1	Brand India Campaign’s (BICs) Role in Bringing FDI to the Country	3	3	20	48	25
3.2.2	Role &Importance of Small Scale Industries in Strengthening Indian Economy	3	21	11	57	8
3.2.3	Impact of BIC on Small Scale Industries	5	14	19	47	15
3.2.4	Increment in Nation’s Value	3	2	5	52	37
3.2.5	Success of Government’s Strategy in Attracting FDI	6	11	18	50	15
3.2.6	India- an Apt Destination for Investment	0	2	13	60	25
3.2.7	Growth Potential for SSIs	2	6	18	54	20
3.2.8	Well planned marketing	12	4	26	48	10
3.2.9	Execution of BICs Marketing	22	51	21	4	2

**3.2.1 Brand India Campaign’s (BICs) Role in Bringing FDI to the Country**

Responding to the question on whether Brand India Campaign is capable enough to attract foreign investment for strengthening the Indian economy, 25% Strongly Agreed, 48 % Agreed, 20% said Neither Agree Nor Disagree, 3 % Disagreed and remaining 3% Strongly Disagreed. The results clearly infer that 73 % in total are optimistic of the initiatives success towards strengthening Indian economy.

**3.2.2 Role &Importance of Small Scale Industries in Strengthening Indian Economy**

With the introduction of new MSMED (Micro, small, medium enterprise Development) Act, 2006 the small scale industries now include Micro, small and also medium enterprises. This sector now has more potential to generate employment and contribute towards manufacturing and exports of the country. Responding to the question on the role of SSIs in strengthening Indian Economy, 8 % Strongly Agreed that Indian Economy thrives on small scale industry, 57% Agreed, 21% Disagreed, 3 % Strongly Disagreed and 11% Neither Agree Nor Disagree. So for this question also we majority i.e. 78 % felt that Indian Economy thrives on small scale industries.

**3.2.3 Impact of BIC on Small Scale Industries**

The sample comprising of professionals and also the employees of SSIs seemed to be satisfied by government’s Brand India Campaign and its impact over SSIs. 15 % Strongly Agreed, 47% Agreed, 19% remained indecisive, 14% Disagreed and 5% Strongly Disagreed. 14% who Disagreed were of the opinion that brand India Campaign did not have any impact on the MSMEs or even if they had it was not positive.

**3.2.4 Increment in Nation’s Value**

Brand India Campaign was introduced with an objective to declare the world that India is a favourable destination not just as a market but also as an investment hub with major thrust on manufacturing. This step towards financial independence launched multiple projects including Make in India, Digital India and Incredible India to make it a fully developed nation in every sphere. Responding to the question on brand India campaign’s success on ameliorating the image of India and its products globally, 37% Strongly Agreed that the campaign managed to increase the nations worth, 52% Agreed, 5 % remained indecisive, 2% Disagreed, 3% Strongly Disagreed.

The research findings are strongly hinting at the success of this initiative. The authors observed that majority agreed to its success in achieving the objectives for which it has been launched. 5 % of the sample saying Neither Agree Nor Disagree hints at either their lack of awareness of the topic or they want to reserve their comment as they feel it’s too early to make a decision.

**3.2.5 Success of Government’s Strategy in Attracting FDI**

The campaign has done a lot to impress multinational corporations and nations as a whole to come up and invest in a country like India. India with the help of its campaign has successfully made itself a suitable place to carry out business operations and has been able to attract foreign investors. It has been opening up different spheres for investments, be it airports, railways, FMCG or any other sector, the Foreign direct investment would generate employment opportunities in this great nation and would successfully be able to multiply those investments for a better tomorrow.

In the survey when asked whether the government’s strategy worked out for generating FDI, 50% of the population Agreed, 15 % Strongly Agreed, 18 % Neither Agreed Nor Disagreed, 11 % Disagreed and 6 % Strongly Disagreed to it.

<sup>12</sup>MSMED Act, 2006. Available at <http://ibcham.org/Documents/MSME%20Act%202006.pdf>. Accessed on 18<sup>th</sup> September 2016.

<sup>13</sup>Shivani Mishra (2012). Small Scale industries: Striving and Thriving in the era of Globalization. *International Journal of Enterprise Computing and Business Systems*, Vol. 2 Issue 2 July 2012, ISSN(Online): 2230-8849

**3.2.6 India- an Apt Destination for Investment**

With the increasing globalization and liberalization, India has been readily accepting foreign investors and trying its best to provide each and every business a suitable environment favourable for its growth and development.

The data collected through the survey shows that 60% of the population Agreed that India is an able destination for business in various fields of service sector etc. The researcher believes that it is the manpower and skilled labour that India possesses that attracts people so easily and it is a good sign for India that it is moving toward the desired goal very quickly. Apart from this 25% Strongly Agreed to the fact of India emerging as an able destination for carrying business while 13 % Neither Agreed Nor Disagreed and rest 2 % Disagreed.

**3.2.7 Growth Potential for SSIs**

Small scale industry is contributing in a big way towards the growth of Indian economy, but according to respondents there is still a lot of potential for further growth in this sector. 20% Strongly Agreed, 54 % Agreed, 18% Neither Agreed Nor Disagreed, 6% Disagreed and 2% Strongly Disagreed. Inferring that small scale industries still have a lot to make and build the nation a future ready country.

**3.2.8 Planned Marketing of Brand India Campaign (BIC)**

Since it is the government who formulates its schemes and programmes, a successful planning and implementation of the campaign is very necessary. The campaign’s objective being to attract the other nations and show India as a brand, the marketing techniques played a vital role in the process. To ensure whether government has been doing it the right way or not, the survey asked whether the government has been using the appropriate marketing techniques, 10% of the population Strongly Agreed and 48 % Agreed to the fact that the government has been doing pretty well. These responses were based on the assumptions that these campaigns were able to attract foreign MNC.

Of the remaining 26% said Neither Agree Nor Disagree, 4% just Disagreed and 12% said Strongly Disagreed with the fact that there has been planned and appropriate marketing of Brand India Campaign.

**3.2.9 Execution of BICs Marketing**

Just to cross check the sample as to whether it is the planning or the execution that they are confused about and find out flaws in the government’s marketing technique, the researcher got a satisfactory data showing that 51% of the population Disagreed with the statement that the execution was improper thus in consonance with the previous question that was put forward. Whereas 4% said that the government failed to properly execute the marketing of a campaign which was planned very well. 21 % said Neither Agree Nor Disagree, 22% Strongly Disagreed and 2% of Strongly Agreed to the statement.

**3.2.10 Future of MSMEs Because of the Campaign**

Responding to the question on whether Brand India Campaign has positive impact on MSMEs, 74% of the population strongly agreed with 12 % agreeing, 5% neither agreeing nor disagreeing, 3 % disagreeing and 6 % strongly disagreeing with the question. This brings the researcher to the conclusion that Indian Economy is showing a positive growth so far and if everything goes well there is every possibility that the India once again will become the Golden sparrow.

**3.2.11 Impact of Brand India over Small Scale Industries**

FIG. 2

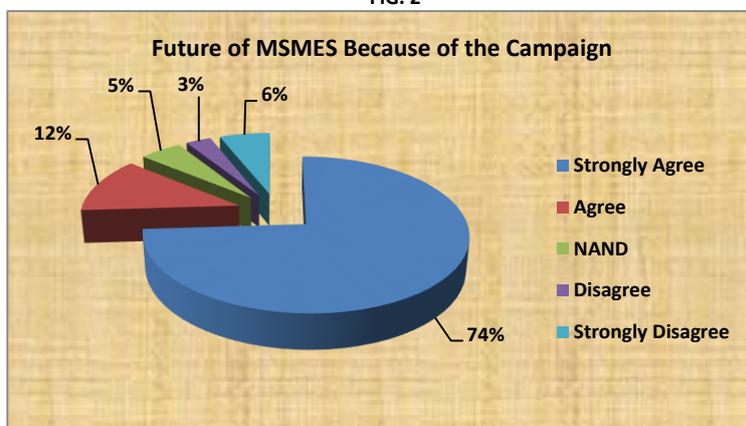
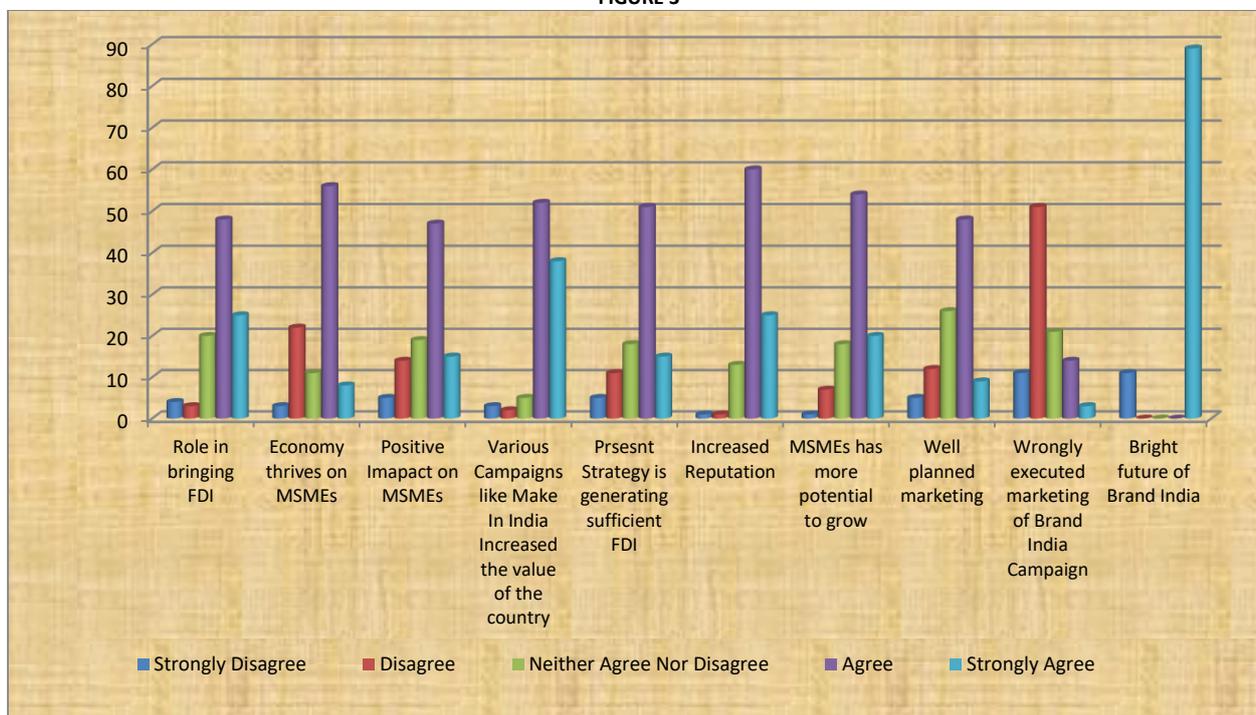


FIGURE 3



The above figure clearly reveals that the majority of sample believes that through this campaign the country's development process will get a good kick-start. The small scale industries which in a way are the back bone of our economy need to be further encouraged and improved though various steps have already been instituted for improving the plight of SSIs in India under the Brand India Campaign.

51.8% adhered to the view that campaigns like Make in India, Digital India and Incredible India are making Indians the talk-of-the-show in every nook and corner of the world. Personalities like Facebook CEO, Mark Zuckerberg and Hollywood Actors are openly endorsing Brand India. One may even see Make in India posters at Heathrow airport.

50.6 % people believed that the Government's strategy is working out. This response from the majority of the people shows that the residents and the citizens have faith in the present government. However, one must note that country image is for external audiences, and this exercise must not be used to serve domestic political objectives. The experience of the 2003 'Indian Shining' campaign has entered the lore of how branding can be misused for partisan purposes.

#### 4. CONCLUSION

##### *Things look bright for sure!*

Brand India is an attempt to create ripples in this vast ocean of marketing and pacing the process of development in the country. The International Monetary Fund (IMF) and the Moody's Investors Service have forecasted that India will witness a GDP growth rate of 7.5 per cent in 2016, due to improved investor confidence, lower food prices and better policy reforms. Besides, according to mid-year update of United Nations World Economic Situation and Prospects, India is expected to grow at 7.6 per cent in 2015 and at 7.7 per cent in 2016. If everything goes right, India's GDP will be bigger than Japan, Germany combined in 4 years (IMF)<sup>14</sup>. In a developing country like India, the role and importance of small-scale industries is very significant towards poverty eradication, employment generation, rural development and creating regional balance in promotion and growth of various development activities. It is estimated that this sector has been contributing about 40% of the gross value of output produced in the manufacturing sector and the generation of employment by the small-scale sector is more than five times to that of the large-scale sector. This clearly shows the importance of small-scale industries in the economic development of the country. People were asked about the possibility of small scale sector benefitting. A total of 89% answered that they view MSMEs flourishing because of this campaign.

We must also take in account the various criticisms put forth by distinguished economists in posing India as a brand and the need to Make for India along whilst Make in India. But at the end we must not forget that the world is a global village and principle today says that consumers across the world like to purchase products which are cheaper and are of good quality. We must strive to make the consumer the king pin of the market by offering such goods and rendering world class services. Much has been done and much needs to be done as we still have miles to go before we sleep. Experience shows that a strong and stable government at the centre is a requisite for proper functioning of policies and implementation of framework. Intentions have always been bona-fide but lack of managerial efficiency has slowed us from climbing that extra ladder

Good marketing is no accident. It is both an art and a science and it results from careful planning and execution using state-of-the-art tools and techniques. In the face of digital revolution and other major changes across the globe it is imperative for India to show that it has great power. But as it is said that with great power comes great responsibility, so is true for India to build itself as a strong brand and its people as intangible assets for the whole astronomical object known to harbor life.

#### 5. RECOMMENDATIONS

FDI plays an important role in any country's economic activities. Companies big or small cannot solely depend on the conventional source of finance all together. For financial and technological support they have to depend on foreign resources. For big companies getting FDI is not difficult issue because of financial security, reach in global market and business experience but for small scale industries it is still a buzzword<sup>15</sup>. And with huge investments in infrastructure development on the anvil, India today is a preferred investment destination globally. It has one of the world's most rapidly growing markets with a huge consumer base. In order to match up with this progress and for the survival of the small scale industries the author would like to make following recommendations that should be done like-

- With a view to liberalize the small scale industries sector and augment economic activity in the country, the FDI norms governing SSIs should be relaxed and a notification should be tabled before Parliament, enabling an increase in the limits of FDI in the small scale industries sector.
- To involve the small scale industries of various ends of the countries to make it more far reaching
- To set up a different helper bodies for the sole purpose of making innovative idea of marketing the small scale industries through brand India campaign and help the government in executing it
- To market the brand India campaigns as much as possible through social media and natural press by highlighting the changes in the situations of the nation and improvements in small scale industries.
- To give boost to Make For India<sup>16</sup> along with make in India through initiatives such as Start-up India<sup>17</sup>

#### 6. LIMITATIONS AND FUTURE SCOPE OF STUDY

The respondents to this empirical survey were majorly citizens of India and not NRIs whose opinion on the change of the reputation of the nation at a global level would be insightful.

This empirical survey has its responses majorly from the education sector and service sector but not many from the primary sector (i.e. agricultural sector) on which many small scale depend on. So, there is a future scope for research in this area.

The topic of this research exceptionally covers a very vast area and is of extreme significance and the Researchers trusts that it will incite more Indian academicians to research on this matter as it can also be taken as different aspect of Brand India campaign

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## IMPACT OF FACULTY TURNOVER ON STUDENT'S PERFORMANCE IN MANAGEMENT EDUCATIONAL INSTITUTIONS WITH SPECIAL REFERENCE TO BANGALORE

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### ABSTRACT

*Faculty's are the most important and valuable resource any educational institute has. Competent and motivated faculties create healthy institutions contributing to the holistic development of students as well as the institutions. Such faculties can make things happen and enable an educational institute create students worthy of being the responsible citizens of the society. There is a growing consensus among researchers and educators that the single most important factor in determining student performance is the quality of faculties. Researchers and policymakers often assume that faculty's turnover harms student achievement. In education sector the role of faculty is important because they are responsible for the growth and building of students. This is not a positive sign for both organization and student and it briefs about how faculty turnover influence the performance of the students. When faculty's leave overall morale appears to suffer enough that student achievement declines. This data will be a source of reference in journal and also for management concerns which will help the student and society at large. This paper examines the impact of faculty turnover on student performance in management institution in Bangalore. The paper analyses the effect viz., faculty student bonding on the interest in subject, late faculty replacements on the student's stress build-up, the effect on curriculum completion and how faculty replacement lead to class avoidance by the students.*

### KEYWORDS

faculty turnover, student bonding, student performance, management educational institutions.

### INTRODUCTION

Faculties don't simply teach concepts and skills. Any new technology can do that. Good faculties inspire our young people to be lifelong learners, creating a culture of independent enquiry with their enthusiasm and passion. I know this because I see it every day. Good faculties have the skills to know exactly how to get the best out of each and every young person.

The fate of an institution depends on its ability to recruit and retain talented faculty members. Fast turnover of academicians affects both the faculties and the institution. For faculty members that leave their employment, it cannot be easy to learn new job-specific skills and find different career prospects. Subsequently, fast turn-over of faculty reduces the quality of education to students and their performance. This fast turn-over of faculty as well as different professionals from academic institutions has not yet received due attention from both academics and university. Minimal, if any, effort has been given to investigate and understand the causes of such high turn-over in developing countries. However, actions to prevent such occurrences are rarely seen. The current analysis is aimed at investigating the impact of fast faculty turnover on the academic performance of students. The result could also help to proactively act in and facilitate decisions in struggling to achieve quality of education in management institution.

When faculties decide to leave a particular institution, this decision affects curriculum design, class size, student development, scheduling and the overall cohesion, all of which negatively impact student performance. Being able to implement new programs or academic opportunities for student is interrupted, even on a small scale, each time one faculty leaves and another steps in to take his or her place. With constant fluctuations and little fluidity, it's hard for the school to find its own rhythm of operations.

Student's attachment with the faculty is of great concern for both management and faculty as the students perform well; both of them are benefited, the management gets the good result overall while faculty is positively appraised as per students' performance. In late 1990s, the common resignation percentage was higher than 2.5% in different countries like South Korea, Singapore and Taiwan.

As the faculties leave any organization it might have some effects on the organization, as finding the right people might not be easy and induction and training cost of new faculties can also go high. Even if we talk about the higher educational institutes, so turnover is a severe issue and the cost is very high when new staff is inducted because faculties with greater competency level and knowledge are the important assets and are not easy to find, which effects the academic and research activities of any organization going through the problem of turnover. Quitting during the semester has a high impact as it is difficult for universities to arrange the replacement having the same or higher competencies and for students to adjust with the new teacher and his teaching methodology. Faculty turnover is an extensively studied fact due its severe nature, which needs to be addressed. Due to sudden faculties turnover the students do suffer psychologically while their motivation and performance decreases.

### REVIEW OF LITERATURE

One of the organization's precious possessions are its top performing faculties and when they start to leave the organization so it clearly tells that it is an alarming situation for that organization. It appears that organizational management does not care much when low performing employees leave the organization, may be according to them it does not affect them that bad.

**Morrell, Clarke, & Wilkinson (2004)**: The study conducted shows that 25% of intentional and Unintentional faculty turnovers are mainly of low performance faculties who leave the organization. In addition, the research indicates that faculties leave an organization because of the changing marketplace situation and organizational hierarchal complexity.

**Rose (1989)** discusses the role of the faculties in his book as the teachers from the very beginning are the source from where the students start learning and know how to behave in different situations. Faculties have to take interest in what they do to transfer interest, help and to provide a flexible environment to the students as they become teachers after going through a lot of training and experiences. Anyone who is a faculty or sees career in teaching should get prepared the best he/she can as they will be in a better position to control the classroom.

A study by **Habib, Mukhtar, & Jamal (2012)** shows that a number of instructors decide to quit the job due to lack of career advancement and development chances in the teaching field especially in the private universities. In addition university rules and regulations and management style, wage and working environment have key impact and because of these reasons the teachers intend to quit their job.

Advancement in this regard is discussed in terms of growth and it involves career growth, promotion, knowledge, skills, learning, training and development opportunities. Motivation is one of the factors that force the teachers to quit because of their dissatisfaction with the job. In addition to this most of the private universities have the young teachers having the less experience and salary issues are also the reason while no effective policy is there in the private universities that can benefit the teachers in the disengagement stage of career like there is no retirement plan, no insurance policy and no proper reward system.

Lavy (2001) recommends an effective way to improve student’s performance is to use monetary incentives. The plan to develop strong performance based incentives are directly centred at students’ outcomes is effective and popular but incentives have hardly ever been practiced in real. The incentive program has the basic portion of a rank order game plan where only the top three teachers who performed well are rewarded with monetary benefits. His results also show that the teacher’s performance based incentives resulted in prominent positive changes in all high school graduates’ performances, including average test results and the dropout rate.

**METHODOLOGY**

1. **RESEARCH DESIGN:** The study is conducted to analyse the cause and effect relationship between the faculty turnover and its impact on student performance.
2. **SAMPLING TECHNIQUE:** A random sampling technique was used for the study.
  - a) **SAMPLING UNIT:** The sampling units for the study are the students of business management course in Bangalore.
  - b) **SAMPLE SIZE:** A sample of 200 students was chosen for the study.
3. **TOOLS FOR DATA COLLECTION**

**QUESTIONNAIRE:** Data collection was done through a structured questionnaire using closed ended and open ended question.
4. **SOURCES OF DATA:** The study includes primary research to collect the responses of the students’ performance. It also includes a secondary data research using various books, journals, case studies, internet, and newspapers.

**RESEARCH OBJECTIVES**

1. To find out whether faculty-student’s bonding creates interest in the subject?
2. To find out whether late replacement of the faculty builds stress in students?
3. To know the effect of late replacement of faculty on curriculum completion.
4. To study the impact of faculty turnover on class avoidance of students.

**THE EFFECT ON FACULTY TURNOVER ON MANAGEMENT INSTITUTION:**

**(i) FACULTY TURNOVER AND STUDENT BONDING**

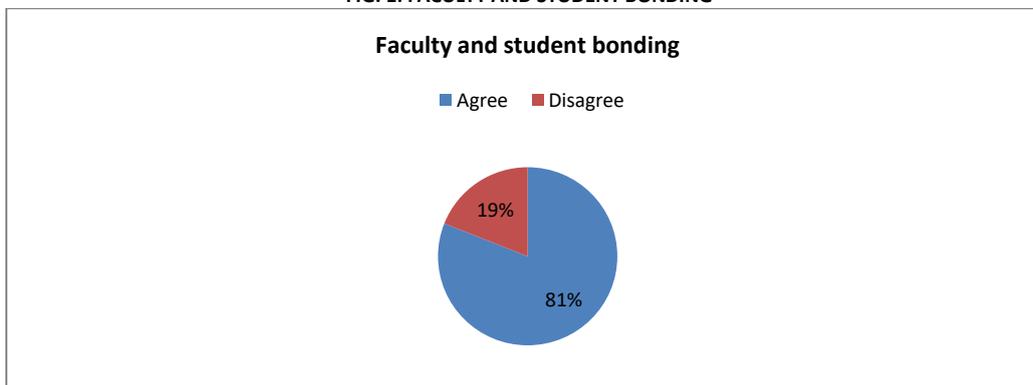
Education is much more complex. It is about the trust and bond between a faculty and young person (and parents) that creates the environment where learning can occur and grow. Virtual learning simply cannot do that. I would argue that in a world now where young students are retreating more and more into virtual unreality, the teaching profession is more important than it ever was. It is teaching that keeps it real – teaching that keeps young people alive. In short, teachers and the profession will never die.

When faculty leave educational institutions, previously held relationships and relational patterns between students and faculty are altered. To the degree that turnover disrupts the formation and maintenance of faculty cohesion with the students, it may also then effect student performance. In our study it is found that faculty turnover indeed has a negative effect on the students psychological climate - including trust. The results of our survey shows: i) The teacher explains things well and makes the subject interesting. (33%), ii) The teacher is funny and has a lot of personality. (25%), iii) The teacher is interested in what students have to say (9%). Other answers rated high, depending on the age of the student. About 200 students took the poll and 13% said they appreciate teachers who go beyond the classroom and help with stuff other than class work, like career planning.

**Does the faculty student bonding builds up the interest in subject.**

Particulars	Agree	Disagree
Number of respondents	162	38
Percentage	81	19

**FIG. 1: FACULTY AND STUDENT BONDING**



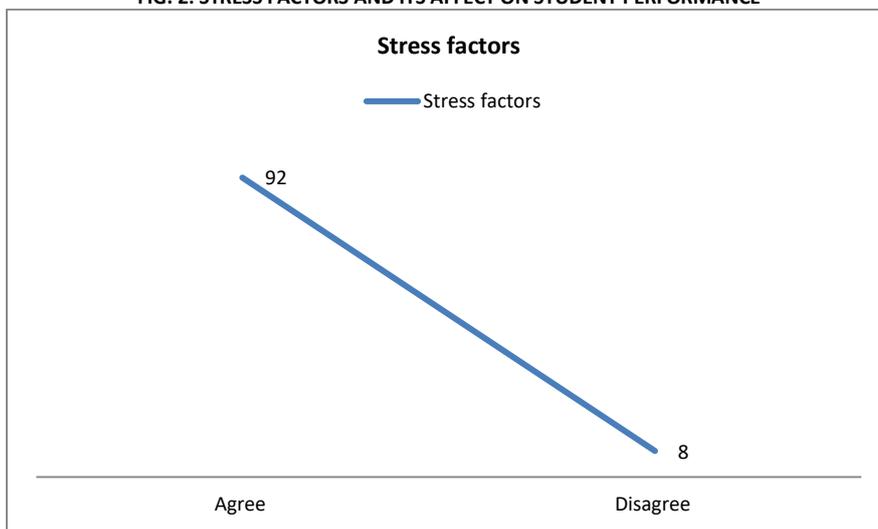
**(ii) FACULTY TURNOVER AND STRESS -BUILD UP IN STUDENTS**

A student’s attitude towards their education and towards those with whom they interact is dependent on whether they have been motivated or not by their faculties. It has become important to keep on encouraging the students to achieve more and more goals in their educational life that motivates them because the tough competition has increased due to which students are under great stress to be on top. Faculty turnover results in the decreasing level of motivation with time, get under negative stress and in the end the students lose focus and perform low.

**DO YOU THINK THE LATE REPLACEMENT WILL BUILD STRESS IN YOU DUE TO LAST MINUTE BRUSH UPS.**

Particulars	Agree	Disagree
Number of respondents	184	16
percentage	92	8

FIG. 2: STRESS FACTORS AND ITS AFFECT ON STUDENT PERFORMANCE



(iii) **FACULTY TURNOVER AND EFFECTIVE COURSE COMPLETION**

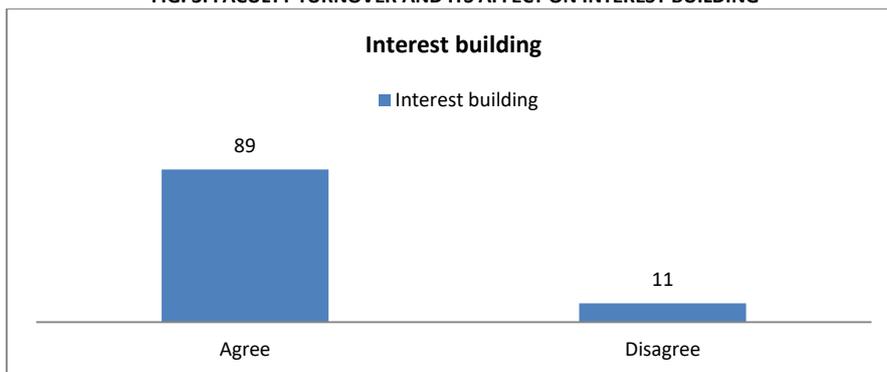
Faculty turnover presents significant challenges to the successful and coherent implementation of instructional programs at the institution; it also harms student’s achievement. With faculties leaving goes organizational knowledge important to the effective implementation of such programs. Moreover, newly hired teachers initially lack essential knowledge and skills to implement an unfamiliar instructional program, so must be brought up to speed before institutional progress can be made.

Even when the arriving and leaving faculties are equally effective, the turnover itself may cause a great disruption in the teaching pedagogy amongst students that impacts all. They focus on the difference in quality between faculties who leave and those who replace them to account for the overall effect of turnover on student achievement. When leaving teachers are, on average, worse than those who replace them, the effect of turnover on student achievement is assumed to be negative. In compositional explanations, the distribution of teacher quality alone is thought to drive any effects of turnover on student achievement. Our study on faculty’s effect at class level shows that low instructor’s effectiveness is a strong reason for the downfall in students’ learning.

**Do you think replacement of faculty drags the curriculum completion time which will effect final exam preparation?**

Particulars	Agree	Disagree
Number of respondents	178	22
percentage	89	11

FIG. 3: FACULTY TURNOVER AND ITS AFFECT ON INTEREST BUILDING



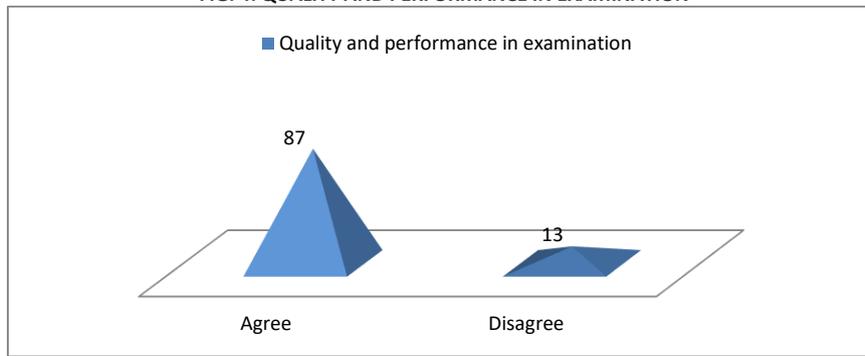
(iv) **FACULTY TURNOVER AND CLASS AVOIDANCE**

Teacher’s effectiveness can play a significant part in increasing students’ attendance ratio. It is also found that easy ways of managing motivation and other ignored reasons have a fair effect on the link between student absenteeism and his performance. Attendance is a significant element of performance as studies have found CGPA results to have greater impacts. An attendance criteria was set after realizing that students get lower grades in the final exam which results from decreasing attendance rates and students’ motivational issues arise.

**Did the lack of interest due to faculty replacement lead to class avoidance?**

Particulars	Agree	Disagree
Number of respondents	174	26
percentage	87	13

FIG. 4: QUALITY AND PERFORMANCE IN EXAMINATION



### CONCLUSION

The better the faculty perform, the more successful the institution is. If an institution does not focus on the retention of human resource, not only the goals remain unaccomplished but work performance also suffers. Therefore, administration must take its retention responsibilities seriously for the enhancement of their institution and accomplishment of institutional goals. In this competitive world, educational administration should attract and select faculty who are the most competent and skilled in their relevant fields. They should hone their skills through proper training and development, appraise their performance by using some standardised appraising tools, retain them by appropriate compensation and benefits, and provide them a conducive and secured working environment. Thus, the indispensable issue for today's institution is how to retain their HR's effectively and efficiently for the betterment of their institutions/organizations.

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**HUMAN CAPITAL: A VITAL COMPONENT OF ORGANIZATIONAL SUCCESS****SIMRAN SAINI****LECTURER****DEPARTMENT OF COMMERCE****NEW HORIZON COLLEGE****KASTURINAGAR, BANGALORE****ABSTRACT**

*Capital is considered as the vital component of producing the goods in a company because of which it is always considered as an instrument of production. Out of various kinds of capitals, human capital is treated as one of the most important as it involves the skills, capabilities and experience of the individuals which is considered as a most valuable asset for the organizations. This paper focus on the need of human capital to the business organizations and the steps that can be taken to enhance their skills. The paper also deals with the strategic importance of human capital and their interaction, as an asset, with other important assets of the organization because it is always taken in form of cost volume relationship.*

**KEYWORDS**

human capital, organisational success.

**INTRODUCTION**

**W**hen you think of investments you may think of stocks, bonds, mutual funds, savings accounts, CD's, etc. There are some other ways that you can invest. You can invest in your life through various things whether it is volunteer or paid. That is called human capital and that is "the stock of knowledge and skill, embodied in an individual as a result of education, training, and experience that makes them more productive. This capital is always taken in form of cost value relationship and is the combination of all intangible resources possessed by the individuals or the groups within an organization. These resources include the knowledge of the individuals, their abilities, skills, intelligence, training and judgment. The cumulative total of all the above factors represents the wealth availability with the company.

Human capital is an acknowledgement that people in an organization and business are considered as an important asset who plays a big part in the development and growth of an organization. It can be said, that the importance of human capital is tantamount to other assets within an organization such as buildings, financial gains and machineries. It cannot be denied that people's skills, abilities and knowledge contribute highly and productively to the performance and success of an organization. Hence, organizations allocate huge sums of money and offers appropriate trainings to their employees, treating them as an investment to the organization in the long run. Inevitably, people in an organization are required and expected to maintain an organization's existence and growth. Traditional human capital theory (Becker, 1964, 45; Mincer, 1974,97) explains differences in the human capital of workers as a result of differences in their observed ability of level and type of formal education, experience and training. A variant of human capital theory is the human capital model in which ability and competence are not observable at the time a worker enters the labor market, but can be learned by employers from what is observed from the way the job is performed (Harris and Holmstrom, 1982, 198). Therefore the concept of Human capital is changed over time mainly for two reasons:

- Employees acquire new abilities.
- The information about their ability improves and they can be better matched to job positions.

According to Becker 1964 "Human capital refers to knowledge, skills, and abilities acquired by an individual, traditionally through education and work experience. It is uniquely possessed by each individual and can be enhanced by continued education and job-related training"

According to Michael Parkin "Human capital refers to the skill and knowledge of human beings. Human capital is the attributes of a person that are productive in some economic context. Human capital is the stock of competencies, knowledge, social and personality attributes, including creativity, embodied in the ability to perform labor so as to produce economic value".

**PROMINENCE OF HUMAN CAPITAL**

In today's dynamic business world human capital is considered as one of the main resource owns by the companies because of which the companies started recognizing the contribution of human capital to their growth and success. The companies always aim at the development of this human capital by improving their personal and group management skills. Because of increase in competition and to survive in this dynamic business world, good companies always prefers to invest huge amount in human capital. For this purpose companies incurs the cost, the benefit of which can be reaped in future period of time.

Human beings possess qualities, skills, and talents that make them different from other human beings. Skills are considered as human capital because they make an individual unique. Human capital is imparted with different kind of skills. Some human beings possess scarce skills and some can have a high level of skills, such as a great education and knowledge at computer programming such as Bill gates. These people have a huge human capital because they possess skills no one else has, and these scarce skills give them the opportunity and the advantage to become rich. They get paid a lot of money because no one else can do what they do. People invest on human capital, such as education and training, but some human capital is not for anyone to invest on. Some human capital is like a gift, like a talent, and cannot be bought or paid for. The gift that Michael Jordan was born with was the physical and mental skills to be the best basketball player, and he never invested on them, he just worked on them to become better. If this type of traits are present in the human capital, it will be considered as a goodwill for the organization. By providing continuous training, employment security, performance appraisal and alternative compensation systems an organization can motivate its skilled employees to engage in effective discretionary decision making and to improve their behavior in response to a variety of environmental contingencies. Modern approaches recognize that selection of Human Resources Capital (HRC) is a complex process that involves a significant amount of vagueness and subjectivity. Important assets as such machinery, building, stocks and shares are pretty straightforward to capital, their visible and substantial nature makes them relatively easy to define and in most cases there is an active market from where this capital can be easily derived. In contrast, intangible assets are not so easily defined and it is rare that they are actively traded. In general intangible assets are classified into four major categories:

1. Organizational human resources related,
2. Organizational human resources for marketing related,
3. Organizational human resources for technology based,
4. Organizational human resources for empowering.

**ENHANCING HUMAN CAPITAL SKILLS**

Because of today's dynamic and competitive business environment, a company should always focus on continuous enhancement and improvement of its human capital skills. Following are some of the important steps that the companies can follow for increasing the skills and abilities of their human capital:

- Efforts can be made on improving the quality of the individuals hired, or on raising the skills and abilities of current employees, or on both. Employees can be hired by following a sophisticated selection procedures designed to screen out all but the very best potential employees. One research indicates that selectivity in staffing is positively related to the performance of the firm.

- Organizations can improve the quality of current employees by providing them a complete set of training and development activities after selection. The more the organization understand people and their total working environment, the more their needs are likely to be met. A positive experience throughout the workers cycle should foster trust and develop loyalty, therefore allowing an organization to generate more revenue for less incremental expenditure. For example: If existing workforce is happy then they will be more willing to take up all the operations or services in the organization.
- Leaders must ponder the current and future needs of the organization, assess the workforce, and then determine how to develop and apply new skills and tools to maximize the benefit for themselves and their team members.
- Organizations can use the technique of rotational assignments. This is a structured work design that allows the business to deliver key projects while developing individuals through rotational assignments throughout the organization. Many companies provide leaders and high potential employees with the opportunity to work in various business units throughout the organization, with the goal being the development of a well-rounded leader who has a keen sense of the organizations operations and priorities.
- An ideal performance management process should be designed so that individual performance goals are tied to the goals of the business and the overall organization. This allows the employee to understand the significance of their work, and how their performance affects the results of the whole organization. Employees who understand their role in the accomplishment of business goals feel that their efforts matter, and they become more motivated and engaged. This also involves the concept of teaching managers who are responsible for effectively providing coaching to employees both formally and informally.
- Another approach is to establish Tours of Duty, a concept that can be applied in leadership development as well as for individual employees. Effective leaders must prioritize development of their staff, and be held accountable for engaging in the process and ensuring the desired growth in capability, performance and achievement of results. The focus should be on interacting with their employees in a meaningful and purposeful way, not just managing to tactical objectives.
- Feedback is also considered as a crucial factor in developing an employee performance. Not only does it provide a status report at any particular time, but it guides and informs performance, so that employees know how to use that feedback constructively. When employees have a better sense of how to do things well, they take ownership for their performance, and they request more feedback to guide them. The companies should aim at developing and identifying mechanisms through which employees can request this feedback.
- By following the philosophy of Management by Objectives (MBO) organizations can increase the skills and knowledge of their Human capital. MBO has replaced the traditional philosophy of "Management by Dominance" by emphasizing on the effective utilization of material and human resources of an organization. This can be done by integrating the individual with the organization and organization with the environment.
- E-training can be used for enhancing the skills of the human capital. E-training provides a complete, scalable and open infrastructure that allows the organizations to manage, deliver and track the employees training participation on line. Trainees interact with the trainers through E-training systems that deploy contents relating to use of mixed media and multiple learning modalities and provides a learning path to the trainees.

## ORGANIZATIONAL PERFORMANCE AND HUMAN CAPITAL

Human Capital is important because it is linked to productivity. Productivity is the efficiency with which output is produced by a given set of inputs. Wheelan defines productivity as "the efficiency with which one can convert inputs into outputs". In other words, it is how good one can make things. This means that if one is highly trained to do something, productivity will be high, and the benefits will be greater. Productivity is generally measured by the ratio of output to input. An increase in the ratio indicates that there is an increase in productivity also. Conversely, a decrease in the output/input ratio indicates a decline in the productivity. The human capital focuses on the two main components which is individuals and the organizations. This concept has further been described by Garavan et al., (2001) that human capitals have four key attributes as which are given as follows:

- (1) Flexibility and adaptability
- (2) Enhancement of individual competencies
- (3) The development of organizational competencies and
- (4) Individual employability.

It shows that these attributes in turn generate add values to individual and organizational outcomes. There are various findings that incorporate human capital with higher performance and sustainable competitive advantage (Noudhaug, 1998); higher organizational commitment (Iles et al., 1990); and enhanced organizational retention (Robertson et al., 1991). Hence, all this debates fundamentally focuses on individual and organizational performance.

From the individual level, Collis and Montgomery (1995) point out that the importance of human capital depends on the degree to which it contributes to the creation of a competitive advantage. From an economic point of view, transaction-costs indicate that firm gains a competitive advantage when they own firm-specific resources that cannot be copied by rivals. Thus, as the uniqueness of human capital increases, firm have incentives to invest resources into its management and the aim to reduce risks and capitalize on productive potentials. Hence, individuals need to enhance their competency skills in order to be competitive in their organizations. The human capital theory has undergone a rapid development. Within its development, greater attention has been paid to training related aspects. This is much related to the individual perspective. Human capital investment is any activity which improves the quality (productivity) of the worker. Therefore, training is an important component of human capital investment. This refers to the knowledge and training required and undergone by a person that increases his or her capabilities in performing activities of economic values. In any case, it is fitting to point out that the workforce's lack of training is related to low competitiveness (Green, 1993). In turn, a greater human capital stock is associated with greater productivity and higher salaries (Mincer, 1997). Likewise, training is linked to the longevity of companies (Bates, 1990) and greater tendency to business and economic growth (Goetz and Hu, 1996). In addition, Doucouliagos (1997) has noted human capital as a source not only to motivate workers and boost up their commitment but also to create expenditure in R&D and eventually pave a way for the generation of new knowledge for the economy and society in general. Also, for small businesses it is a valuable asset, which is positively associated with business performance. Finally, investment in training is desirable form both a personal and social perspective.

From the organizational level, human capital plays an important role in the strategic planning on how to create competitive advantages. Following the work of Snell et al., (1999) it stated that a firm's human capital has two dimensions which are value and uniqueness. Firm indicates that resources are valuable when they allow improving effectiveness, capitalizing on opportunities and neutralizing threats. In the context of effective management, value focuses on increasing profits in comparison with the associated costs. In this sense, firm's human capital can add value if it contributes to lower costs, provide increased performances. Another study by Seleim, Ashour, and Bontis (2007) analysed on the relationship between human capital and organizational performance of software companies. They found that the human capital indicators had a positive association on organizational performances. These indicators such as training attended and team-work practices, tended to result in superstar performers where more productivity could be translated to organizational performances. This was also supported by Dooley (2000) who found a significant positive correlation between the quality of developers and volume of market shares. Based on the above arguments it can be concluded that human capital indicators enhanced the firm performance directly or indirectly. A study by Bontis and Fitzenz (2002) found that the consequences of human capital management and they established the relationship between human capital management and economic and business outcomes. In this study, a total of 25 firms in the financial services companies were selected. The study measured human capital effectiveness with four metrics; revenue factor, expense factor, income factor and HC ROI. The fundamental aspects of any organization are to generate more revenue and income per employee. Human capital has a direct impact on the intellectual capital assets that will yield higher financial results per employee. The development of human capital is positively influenced by the educational level of employees and their overall satisfaction. Therefore, development human capital has a direct impact on ROI of firms.

A causal model using a set of cross-sectional data developed by Selvarajan et al. (2007) indicates that human capital enhancement paves a way for greater innovativeness and this in turn offers positive implications on firm performance. In the meantime, firm performance and human capital could also be viewed in the context of high performance work systems (Hsu et al., 2007). It is argued that the formation and emphasis on the human capital enhancement will result in high performance or rather high performance work systems. Admittedly, human capital development and enhancement in organizations tend to create a significant contribution on organizational competencies and this in turn becomes a great boost for further enhancing innovativeness and the current literature to a large

extent supports the fact that firm performance is positively impacted by the presence of human capital practices (Noe et al., 2003; Youndt et al., 2004). Some even endorsed that human capital development is a prerequisite to good financial performance (Delaney & Huselid, 1996) and in addition, the importance of organizational human capital with regard to firm performance was further supported by Hsu et al. (2007). In addition, evidence shows that the relevance of human capital to firm performance has also become prevalent among the technology-based new ventures, and it seems that the use of human capital tool (emphasizing quality of employees) per say in small technology-based new ventures tends to have a great impact on the firms' success (Shrader & Siegel, 2007). In the meantime, human capital enhancement can also be viewed in the context of top management team (TMT). Heterogeneity or sometimes is called diversity in TMT will tend to lead to greater performance because the argument is heterogeneity promotes various characteristics to be absorbed into the workforce team; this includes people of different age groups, functional backgrounds, education backgrounds, tenure and gender. These characteristics have a positive impact on firm performance as argued under the upper echelon theory (Hambrick & Mason, 1984). Studies reveal that heterogeneity cultivates greater knowledge, creativity and innovation among the team members (Watson et al., 1993; Maimunah & Lawrence, 2008). Heterogeneity is positively linked to better problem solving and offering creative solutions (Michel & Hambrick, 1992). Hence, diversity is positively related to performance. Even in the context of an organization, the implementation of certain management approaches or philosophies also deals with the infusion of human capital (e.g quality circles, team of employee's experts) especially when faced with problems (Kanji, 1997). Again (Kaplan & Norton, 1994) reveals that in the context of total quality management (TQM), firms can be assessed using financial and non-financial performance. The financial performance includes employee productivity, defect rates and market share and non-financial performance that include workflow improvement, innovation, customer satisfaction and skills development. Besides this, diversity is able to attract and retain the best talent available; reduced costs due to lower turnover and fewer lawsuits, enhanced market understanding and marketing ability, better problem solving, greater organizational flexibility and better overall performance and improvement in decision making at strategic level (Bantel, 1993). Heterogeneity is positively linked to better problem solving and offering creating solutions (Michel & Hambrick, 1992). A recent study in the related area also provides some insightful information about the heterogeneity effect on firm performance (Maran, 2008). Undoubtedly, heterogeneity (in the form of human capital) can be a significantly important input to human capital development and enhancement as it makes organizations to be more creative and innovative for long term survival in their international and global markets (Grossman, 2000). In light of this, the competency of TMT is supported by the input-based international human capital, transformational human capital and output-based international human capital (Huang et al., 2002; Wu et al., 2002). However, some even argue that the relationship between innovative human resource practices (though human capital practices are not directly involved) and organizational performance could be described as 'non-linear' (Becker & Barry, 1996; Chadwick, 2007)

## HUMAN CAPITAL MANAGEMENT

Human capital is typically managed by an organization's human capital management (HCM) department, known as human resources department. A HCM department of an organization's aims at the acquisition, management and optimization of the human resources. For nurturing the skills of the employees the same department can also organise different types of activities like planning and strategy making, recruitment, employee training and development, and reporting and analytics. Under HCM employees are treated more like investors of their own capital. Organizations don't own capital but can rent it from the employees. Because of this human capital is highly delicate to handle and is in constant danger of being lost when an employee quits the organization. Following are the main areas to be focussed under HCM:

- Focusing on knowledge and insight rather than on standards.
- Acknowledging complexity and not trying to understand everything through cause and effect.
- Using best fit, not just basic or best practices.
- Focusing on creating value through intangible capability.
- Integrating people and business strategy, driving and accelerating the business plan.
- Reporting to employees, managers and the board.
- Focusing on long term stretch objectives, and learning from their outcomes.
- Managing a large proportion of the people management agenda through strategic programmes.

### HCM is more suitable where

- The organization is a people oriented business
- The organization is relatively large
- The environment is not simple and stable
- Managers takes responsibility for people management
- The culture is relatively sophisticated
- The organization uses technology effectively.
- The organization is focused on growth through differentiation rather than cost leadership.
- Planning is bottom up as well as top down
- Organization is managed strategically, with a clear high level business strategy, ideally through the use of a strategy map and scoreboard and effective leadership.

### Human capital management process

Human capital management process includes a six-step procedure (Lyer, 2004) consisting of Planning, employee selection, embedding, providing service, maintaining, pension. Each of human capital management sub-processes has outcomes and impacts on the organization and individuals.

#### • Planning

Product of planning is strategic sourcing. This output, internal and external employees seeking of talented individuals is based on roles and responsibilities. So it is the part of the organizational strategy that has supporting to adequate budget allocation for internal and external employees seeking of talented people with him.

#### • Employees seeking

The output of employees seeking is talent Staff. This output is not focused upon just one job, but it focuses on the talents life cycle and the life value of an individual.

#### • The placements

With embedding the talents, the organization accesses the nature based on role. The role-based organization provides the roles that implemented for a strategic and integrated plan in the organization and it is conducted through the contextualized intelligence.

#### • Service delivery

The output of this stage is employee satisfaction. This output trains the staff that they live in customer orientation culture and they ensure that this culture penetrate in internal and external customers.

#### • Maintaining

Reward, recognition and appreciations are the result of this step. This output creates motivation and courage of ownership and entrepreneurship in people and creates accountability between them and the organization for strategic outcomes.

#### • Retirement

At the end of human capital management cycle, there is a sense of loyalty in employees and customers. Pensioners as the individuals who have grow in organization are the ambassadors of the trademark in organization and they feel a strong sense of loyalty to their organization and they consider themselves accountable and responsible to institutionalizing of the success inside and outside the organization.

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**LUXURY FASHION AND INDIAN ADAPTABILITY: ANALYSIS OF CULTURAL PERSPECTIVES**

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**ABSTRACT**

*Culture has been seen as an indifferent part of the Indian consumers' choice. However, the luxury brand is more consistent with their own traditional western designs, the role nonwestern and Indian traditional designs in making the choice for the fashion outfits cannot be denied for the long term sustenance of the luxury fashion brands. Intact with the cultural roots and limited choice in the luxury fashion designs made Indian consumers to opt or change their choice to other available options. However, India is going at the faster rate but still it is at the next place or behind its competitor, China. New trends seem to be emerging here with digital marketing and the democratizing of luxury. Hermes and Lladro set the strongest brand positioning strategy in this category and serves to set the benchmark for luxury fashion. Overall the paper defines the importance of culture in the luxury fashion as a support and sustenance system in Indian traditional market. This research paper is descriptive by nature and with the help of secondary data serves to draw insights into what drives cultural aspects of luxury fashion into new emerging trends.*

**KEYWORDS**

brands, culture, Indian consumers, luxury fashion, tradition.

**INTRODUCTION**

Changing scenario and emergence of new products in the market has led a drastic change to consumption choice of Indian consumers than ever before and this has led the luxury market to transform its traditional approach to a new experiential luxury responsiveness defined by the way of consumers categorize. The market growth for luxury has been estimated to grow by USD14 billion in 2016 (ASSOCHAM, 2014). In this, Indian standards are seen on the path of their understanding and adaptation of luxury standards. The major cities especially metros of India have popped out with Luxury stores, in all major shopping centers like Emporio (Delhi), Palladium (Mumbai) and UB City mall (Bengaluru). Kotak Wealth Report has analyzed that 55 percent of the total luxury market revenue is generated from metro cities of Delhi, Kolkata Mumbai and Chennai. However, the consumers in India are still at the first two stages of trying luxury fashion brands and adapting such brands according to the preferences and tastes. However, India is short of such luxury retail sovereignty, surroundings and services (Punjabi, 2007). Thus it is important for luxury marketers to understand the adaptability patterns and concerns for purchasing the luxury product especially when the cultural aspects are attached with the purchase decisions. However the overall level of value for the brand of may be assumed similarly across borders, a differentiated measurement may reveal that the overall luxury characteristics for targeted consumers may differ. As the luxury industry, in particular, involves a high degree of sensitivity for culture, brand satisfaction and consumption pattern; it serves many opportunities for brand failures to occur. In other words, fashion plays a significant role in the production of the contemporary Indian luxury aesthetics. Thus, this research paper is descriptive in nature. The analysis has been conducted with the help of secondary data through newspapers, previous literature, online sources, and reports which serves to draw insights into what drives cultural aspects of luxury fashion into new emerging trends.

**OBJECTIVES OF THE STUDY**

Indian buyer is still traditional in his/her preferences commonly viewed in jewellery as well as in clothing; is still conscious of pricing and is generally characterized by lack of brand awareness while there is no dearth of options now as they were in the past (Bothra, 2013). Love for the luxury aesthetic has become a significant factor for fashion industry to define contemporary Indian society. This study aims to analyze the impact of culture on luxury fashion industry in India. Since the social and traditional concepts of Indian society is establishing a growing percentage of the luxury market that has been bought by Indian consumers, thus becoming the crucial concept required for luxury brands to define a cost-effective business.

**LUXURY BRANDS AND CULTURAL REFORMS: A REVIEW**

Luxury is any expenditure that goes beyond the necessary (Sombart, 1992). The modern take on luxury as an indicator of one's elevated social status, have been looked as an argument to set a relation between the economical growths experienced in developing economies and their increasing consumption of luxury fashion (Scott, 2012). Cultural perspectives has been defined as a social arrangement in which relations between lived culture and social resources, and between meaningful ways of life and the symbolic and material resources on which they depend, are mediated through markets (Arnould & Thompson, 2005). Additionally, cultural norms and beliefs are defined as powerful forces that shape people's perceptions, disposition and behavior (Markus and Kitayama, 1991). Regardless of whether consumption of luxury brands differs by culture, underlying motivations to purchase the same luxury brand may differ by culture (Bian & Forsythe, 2012). Relevance of cultural research is in its ability to provide different institutions, such as firms, marketers and policy-makers, new conceptual tools for gaining a better understanding of the cultural complexity of the marketplace and to reflect their roles in it (Moisander & Valtonen 2006). Brands serve a social purpose by reflecting social ties such as one's family, community and cultural groups (Lahtinen, 2014), whereas culture exerts a significant impact on consumers' evaluation for wealth and luxury (Rose and DeJesus, 2007)

While it is true that Indians are moving towards Western clothing, they continue to wear ethnic outfits proudly (Eng & Bogaert, 2010). In this, cultural aspect has been observed as an environmental factor that influence consumer behavior in using luxury brands (Laroche, Kalamas, & Cleveland, 2005; Malai, 2007; Mourali, Laroche, & Pons, 2005). Overby, et al. (2005) has further categorized the culture into the concept of objective (or explicit) and subjective (or implicit) culture. In this vision, objective culture represents society's tangible aspects, acts and products whereas subjective culture is consisted of mental processes inclusive of beliefs, values and norms shared by a group of people (Overby, et al., 2005). According to Singh (2006), culture not only affects the specific products people buy but also the structure of consumption, individual decision and communication about the product. There is also a level at which the cultural factors lead consumers to interpret luxury brands differently (Oswald, 2012). Thus, global luxury brands contribute to express collective recognition and transfer across cultures (Eng & Bogaert, 2010).

**STATUS OF INDIAN LUXURY MARKET**

According to the Euromonitor International, the Indian Luxury goods market ranked 17 among 26 countries. The current Luxury Apparel brands that exist in India comprise Hermes, Louis Vuitton, Gucci, Chanel, Jimmy Choo, Burberry, Dior, Bvlgari, Christian Louboutin, Fendi, Giorgio Armani, Versace, DKNY, Diesel, TOD's, Tom Ford, Roberto Cavalli etc. A BCG report depicted that BRIC countries, inclusive of Brazil, Russia, India and China accounting for 30% of the market share of sales of these brands in 2014 (Abtan, 2014). While India has always had a traditional luxury clientele, who shopped on their trips abroad, the inflow of money in the rising Indian economy in last two decades has also seen rise in the premium segments. Top end brands like Cavalli, Armani and Versace, struggled for their existence in India. Being consistent in its growth pattern pegged at around one per cent of the global luxury market, India still is very small as compared to the

luxury products market in China that is around \$12-13 billion and in Europe the market is around 40 per cent of the global market (Hundekari, 2012). However, Indian luxury market accounts for a negligible percent of the global luxury market as compared to China which has much larger share. This indicates that India's non uniformity in the retail scenario of luxury, especially with respects of preference for fulfillment of consumer needs. While companies realize that Indian market will not be that simple to cater to, it is still in the bright eyes of most of the luxury players as a long-term growth market opportunity (Bothra, 2013). The two key factors we see that have not helped luxury brands realize the potential of the market are the lack of investments contributed by luxury brands whether in terms of creating the environment or in terms of the inputs to development of awareness, and the other factor is in getting the appropriate products that address the market with the right price points (CII-AT Kearney India luxury review, 2011). With this scenario, the luxury brand marketers are preparing to create connections with local backgrounds along with making efforts to attain grandeur. The Indian consumer, while attempting to imitate and adapt the West, also views cues of luxury in the Indian culture/royalty hence indulging more and more into luxury products (Ranjan, 2011).

### DEFINING SPACE FOR CULTURE IN LUXURY FASHION

India, a relatively new Asian region for luxury fashion, has been experiencing rapid economic growth, said to be due to the spending powers of the country's growing middle class (Scott, 2012). Since Western fashion, as changing trends or style of dress, deems societies with static or traditional forms of dress as outside the realm of fashion (Jones and Leshkovich, 2003). Whereas, the Indian buyer is still traditional in her preferences (as seen in jewellery and clothing), price conscious and less brand aware (Hundekari, 2012). Designers around the world have been taking inspiration from India's rich fashion history with bright Bollywood colors, exotic saris, elegant embroidery and stunning jewellery (Bothra, 2013). In recent years, contemporary Indian designs have discharged the impact of the Western outfits and has focused on the luxurious heritage luxury of the royals, Gulf monarchies and the Mughal kingdom. In between the competitive scenario, luxury fashion brands maintained to utilize Indian ethnicity as a source of inspiration, with cultural trends emerging on the major fashion ramp in about every other season. With this experimental concept, the Hermès introduced limited saris edition and collection in October 2011, designed entirely for the Indian marketplace. This represented the Indian market with its traditional sari collection that further linked with what is authentic and right to their tradition, in resistance to the cultural colonization. That same year Indian shoppers spent \$434 million on luxury fashion with the Times of India estimating that by the end of 2012 the Indian retail industry could be worth \$1.5 billion (Scott, 2012). For several luxury brands, customizing their collections also works as a cultural strategy to target affluent consumers who shy away from buying things that are too western for their sensibilities. Such initiatives has been conducted by Jimmy choo and Tod's who launched some specialized products for the festive marketplace by taking inspirations from Indian culture and couture (Forbes India, 2013). Similarly, Lladro makes Indian cultural figurines (Gonsalves, 2016). As a result, this helped brands to attain a larger customer attention, particularly in the profitable ethnic and festive luxury market. Moreover, it has been estimated that in 2020, luxury market will be defined by "poly-cultural luxury" as one of the main factors to provide greater local identity to consumers within emerging markets making them feel closer to their preferred brands which seek to redress the balance that luxury brands needs to re-establish for its recent market slow down (Future of Luxury, 2016). Luxury brands have thoroughly considered the significance of understanding India's spending power, patterns and rituals as there are definite times when luxury spending is not seen very high upon whereas on other occasions like weddings and festivals become prime times for offering high-end, luxury items (Bothra, 2013). In fact, the royal Indian heritage itself provides an ideal platform for high-end luxury.

### BENEFITS OVER CHALLENGES

Unfortunately, the Indian scenario becomes difficult for the newer brands to enter. Limited available space and high-end infrastructure are few and far between which proves to be a major problem. Such concept of designing the luxury outfits with Indian ethnicity may provide large space for the luxury fashion brads with already available infrastructure and space. Otherwise such brands incur extremely high rentals, particularly in metropolis which add to high operating costs and at times forcing the move towards cheaper high street locations.

"The World Bank's Doing Business 2014" has ranked India 179<sup>th</sup> most difficult nation to operate in, demanding professional support in Indian investments and startups. Apart from this, it requires the FDI investment of 100 million US dollar and a necessity of using 30% of such investment into back-end infrastructure, which is no doubt a tall task for newer brands for starting and sustaining their business in India. Introduction of elegant Indian cultural trends which are exclusively made in India inclined with the Indian setup may support the required bureaucracy, lessen procedural delays and that goes with setting up a business in India.

Also the import duties on Luxury Brands are high in India. Many luxury brands are forced to sponsor their Indian prices, which ultimately affect their prosperity. Armando Branchini, vice-chairman of Altgamma was mentioned that India had one of the highest tax barriers just next to Brazil. There is a around 40% custom duty that is usually levied on leather products in India while in China it is less than half pegged at around 17% and Japan even lesser at 11% whereas no such custom duty in Singapore and Hong Kong has been there (Ramanathan, 2014). He supports for cultural outfits in contrast to luxury fashion may prove a high support system to overcome such aspect of policy difficulties faced by the luxury brand in India.

### CONCLUSION AND SUGGESTION

In increased luxury fashion, consumer interest has been emerged with a conflict since increased sales of western outfits is encouraging the nonwestern nations to adopt and limit their choice to such fashion luxury brands such as India, even if they have strong cultural narratives and traditional dress forms This paper attempted to define and justify the culture as a unique factor to as a unique factor will for the sustenance of luxury fashion market in India. Indians are much more considered intact with the basic roots of tradition and culture no matter how much they are aware and can afford the luxury. Culture in its some or other form found its space in the choice and need of the Indian consumer be it a marriage ceremony or any other religious function. Considering the ethnicity and culture in Indian market place may be useful for marketers, advertisers and policy makers for considering in their plans, business plans, and advertising mission and achieve more consumer attention and choice place in the future.

While consumers' value and purchase international luxury brands, none can deny the extensive admiration of Indian tradition and culture cannot be denied. From north to south to, huge variety of cultural and traditional outfits are available to inspire the luxury world. Each royal community had their own style so as to own a unique status. Whereas, Luxury fashion industry has the capacity to become autonomous for cultural market.

People purchase luxury fashion goods inspired with social or personal reasons; an understanding of the consumers' preference stands very much important. Companies that are working in the luxury brands are faced with a strategic tight spot: they can either regulate their general marketing behavior or they can experiment them in contrast to the changes recognized on the marketplace on which they are working. Although these companies can identify a transversal segment encompassing consumers who display similar behavior regardless of the market, in many cases they have to adapt, partially or completely, their marketing activities: integrated marketing communication, advertising campaigns, creative strategies, distribution, purchase and consumption.

Cultural ethics exclusive to each tradition represent a variable that determines the purchasing and consumption behavior of the consumers. Adding to this Hundekari (2012) reported that 'many of the [fashion] brands think that India is a market that will evolve to western norms but it will not. It will evolve in its own way'. With luxury fashions brands' reluctance to relinquish to change their scenario of luxury brand production, luxury brands have until lately only been prepared to introduce their fashions to fit better into culturally hooked markets. Such practice was adopted by the Hermès who introduce sari collection in prime Indian market and which was largely acknowledged and catered Indian culture and tradition in newer and luxurious form. In fact the strategy remained successful. This provided the luxury fashion industry with the point to acknowledge the shift in its consumers and adapt their cultural designer to suit into new universal shopper through renounce its continuous practices position, in order to courteously sustain with non-Western consumers on even terms.

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## A STUDY ON QUALITY OF LIFE OF MIGRANT WORKERS EMPLOYED IN GARMENT INDUSTRIES WITH SPECIAL REFERENCE TO TIRUPUR DISTRICT

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### ABSTRACT

*The current study has found that the main reason of migration is for the development of the family which is very much necessary for the development of the economy. And the migration is mainly taking place for improving their family status and getting good employment opportunity. And even though the migrants are having better living condition while compare to that at their place of origin their quality of life index is not satisfactory. So it is alarming situation for the policy makers to see for the improvement in the quality index of migrant workers.*

### KEYWORDS

Tirupur District, migrant workers, garment industry.

### INTRODUCTION

Human migration entails movement of people from one locality or location to another, sometimes over long distances and in large groups. Migration of people occurs for various reasons: exodus during ethnic conflict, natural disaster, political instability, economic hardship as well as search for economic and social improvement, betterment of livelihood and so on. Migration is not a recent phenomenon. For centuries, even during pre-historic times, there are evidences of people moving from one region to other. People moved across length and breadth of a country, at times across borders for social economic and political reasons. The developed/ developing areas have created a demand for labourers and the rural and backward areas have become the supplier of labour-force. Majority of migration is labour dependent on agriculture for work and income. The non-seasonal migration flows from the areas of limited economic opportunities and retarded social development to fast developing areas providing higher wages to improve people's socio-economic status. (Economic and Statistical Organization, 2009). Migrants are those who move away for short or long periods from their usual place of residence. The main motive behind migration is to improve the quality of life of migrant.

### REVIEW OF LITERATURE

The term 'Quality of Life' that is QOL is been framed by the UAS during the period of their post-war. This term was used for mentioning the effect of the material which affluence the people's life and also effect the education, health and welfare, economic and industrial growth and also the defense of the 'free world'. And in the socio medical literature quality of life is a term which is been associated with that of the terms such as life satisfaction, self-esteem, wellbeing, happiness, health, value and meaning of life etc. (Carr.A.J.2001).

In a study by (John Grieve & Ulrike Weinspach 2010) they mentioned that QOL is a function of people's life and their circumstances which has a dimension in their economic condition and also which affects the social networks on which they are been depending. It is been considered to be the environment where factors of well-being are been augmented.

In a study by WHOQOL-BREF (2004), they mentioned that Quality of Life is a measure of an individual's ability to function physically, emotionally and socially with their environment at a level of consistent.

### STATEMENT OF THE PROBLEM

As we know our economy is now a day's moving very fast in order to become developed county. In this fast movement of growth industrialization is been developed everywhere. Agriculture is given very less preference. And due to various reasons workers are forced to migrate both voluntarily and involuntarily from their place of origin to other places. Workers are forced to migrate from their native place because of lack of employment opportunities, lack of development, inadequate agricultural land, caste discrimination, low wages, mounting debts and poor economic development of their family. With migration the migrants face many problems in adapting to the environment, changes in language, difference in culture, food and tradition. These migrants find their shelters mostly in private unorganized sectors.

At present internal migration is increasing fastly. Mainly in Tirupur district a large number of migrants are finding their employment easily. So, a large people from Uttar Pradesh, Assam, Bihar, Orissa, Kerala, Andhra Pradesh are migrating to Tirupur. And even in the unorganized sector prefers these kinds of migrant workers because they prefer to work for low wages. Understanding the Quality of Life of those kind of migrant workers is necessary in order to know the needs and wants of them in having good standard of living.

### OBJECTIVES

The following are the objectives of the study A study on Quality of Life of Migrant Workers Employed in Garment Industries with Special Reference to Tirupur District

1. To identify the reason for migration.
2. To find out the living condition of migrant workers
3. Study the quality of life of migrant workers.

### DATE SOURCE AND METHODOLOGY

To achieve the above objectives, the researcher conducted a study through interview method covering 100 sample workers employed in Garment Sector of Tirupur District. The study was conducted in the month of April 2016 as part of research work. The collected data are used to find out the results of the study using SPSS software version 19.

### FINDINGS OF THE STUDY

Historically migration has been in existence from time immemorial and its incidence and cause have varied depending upon the various dimensions of situations that has been prevailing at a particular place at a given point of time. The factors influencing the decision to migrate are varied and complex, from one country to another or from one religion to another within a country depending upon socio, economic, demographic and cultural factors of the origin on one hand and upon the conceptualization of migration process and the scale of investigation on the other. Hence, in the current study, the migrants were asked to state the reasons which made them to migrate which are given in the following table 1.

TABLE 1: REASONS FOR MIGRATION

S. No	Reasons	Number	Percentage
1	For family development	25	25
2	To earn additional income	19	19
3	For environmental reasons	18	18
4	To raise standard of living	16	16
5	For social security	15	15
6	To remove poverty	7	7
	Total	100	100

Source: Primary data, 2016

It is clear from the table that larger portion (25 percent) of the respondents migrated for 'family development', 19 percent of them reported that they migrated in order to earn additional income, and 18 percent for environmental reasons. It is also to be considered that 16 percent had migrated to improve their standard of living, 15 percent for social security and only 7 percent to remove poverty. The above facts are depicted in the following diagram. The reason for migration was associated with economic 'pull factors', reported by 67 percent of the selected sample migrants.

#### LIVING CONDITION OF MIGRANT WORKERS IN THE PLACE OF DESTINATION

##### TYPE OF ACCOMMODATION

The type of accommodation in which the migrants live were analyzed and the collected data are given in the following table.

TABLE 2: ACCOMMODATION DETAIL OF MIGRANT WORKERS

S.No	Accommodation	Number	S.No	Accommodation	Number
1	<b>House</b>		6	<b>Bathroom</b>	
	Rented	100		Within the house	32
	Owned	0		Outside the house	45
	Total	100		Away from the house	23
			Total	100	
2	<b>No. of rooms</b>		7	<b>Details of latrine</b>	
	1	80		Within the house	32
	2-3	6		Outside the house	45
	>3	14		Away from the house	23
	Total	100		Total	100
3	<b>Type of floor</b>		8	<b>Type of latrine</b>	
	Mosaic	65		Pit latrine	13
	Cement	23		Independent	12
	Tiles	12		Shared	75
	Total	100		Total	100
4	<b>Type of roof</b>		9	<b>Drainage facility</b>	
	Asbestos	43		Open	65
	Terrace	37		Closed	35
	Tiles	20		Total	100
	Total	100			
5	<b>Type of lighting</b>		10	<b>Drinking water</b>	
	Electrified	100		Within the premise	32
	Non-electrified	0		Near the premise	22
	Total	100		Away from the premise	46
			Total	100	

Source: Primary data, 2016

From the above table it is found that all the sample respondents (100 percent) live in rented houses. The table also shows that a majority of 80 percent of the sample units live in single room house while the remaining 20 percent live in 2-3 rooms and in rented houses with more than 3 rooms. When analyzed on the flooring of the houses of the respondents most of them (65 percent) reported that they have mosaic flooring, followed by 23 percent living in cement flooring and only 12 percent of the migrants live in tiles flooring houses

When an analysis was made on the availability of basic amenities, such as bathroom a majority of 45 percent reported that they have bathroom outside the house, 32 percent stated they have bathroom within the house and 23 percent stated that they have bathroom away from their home.

The study also finds the details of latrine available to the respondents in their place of destination. It reveals that a majority of 75 respondents are sharing their latrine. It is followed by pit latrine by 13 percentage and 12 percent of respondents have independent latrine facility.

The next analysis was on the drainage system, in which a majority of 65 percent of the respondents stated that they have open drainage system in their accommodation and only 35 had closed drainage system.

There was also question related to the availability of drinking water, where a majority of 46 percent stated that they have to go away from their premises for getting pure drinking water, 32 percent had drinking water facility within the premise and 22 percent stated that they had water facility near their premise.

##### QUALITY OF LIFE INDEX

The term quality of life is often discussed in broad terms as satisfaction of needs, feelings of well-being, good or bad working conditions, and other indicators such as their educational level, occupation, income levels, nutritional status, and living conditions and so on. The current study made an attempt to measure QLI of the selected migrant garment industry workers using five indicators. The five indicators are grouped under three headings as shown below.

1. Social status: Literacy level of the head of the household
2. Income status: Occupation of the female members in the household.
3. Annual per capita income of the household.
4. Housing: Type of house and
5. Number of rooms per person.

To construct the quality of life index table; the actual values of five indicators are converted into a seven-point scale of 0 to 6. The minimum score that an indicator could get is 'zero', and the maximum is 'six'. Range and points for each subdivision are fixed arbitrary. The chief criterion is to include the full range of data in the survey. In some case the points represents the data proportionality. In others the interval between the adjacent two points may not be proportionate to any other two points in that division.

The Government of India, in collaboration with the UNDP spelt out in the Urban Poverty Removal Strategy that poverty has a social dimension-viz-poor quality of housing and living environment viz lack of access to basic services like clean water, education etc. With all these issues, the Quality of Life Index (QOL) has been computed for the study based on the methodology followed by Gomathi (2012). Table gives the quality of life index table constructed with five indicators for the sample households.

FIG. 1

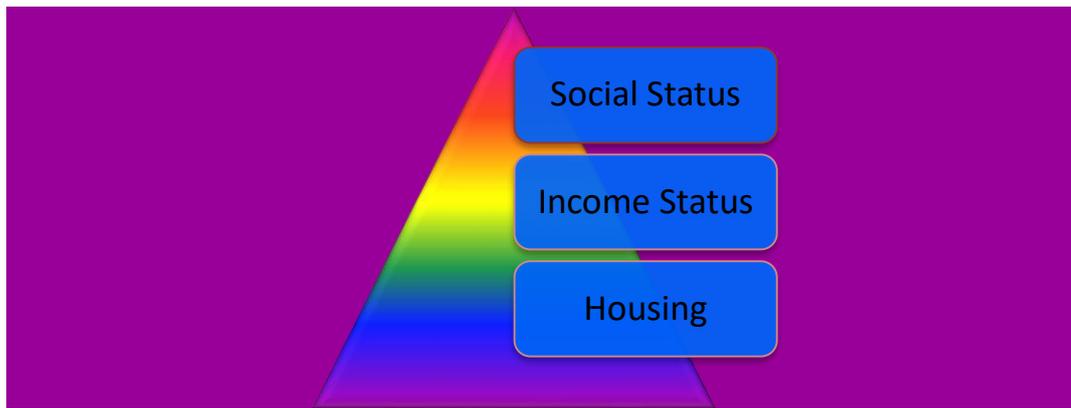


TABLE 3: QUALITY OF LIFE INDEX TABLE

Scale	0	1	2	3	4	5	6
Indicator							
Education	Illiterate	Primary (Class I-V)	Middle (Class VI-VIII)	High School (Class IX-X)	Higher Secondary (Class XI-XII)	Undergraduate, Diploma	Post Graduate And Others
Occupation of the female	House Wife	Casual Labourers	Servant	Agricultural/Non-Agricultural Labourers (Regular Workers In Unorganized Sector)	Self-Employed	Employed In organized sectors of public or private	Government service
Annual percapita income (₹)	4050	4051-5000	5001-5400	5401-6750	6751-10800	10801-21600	Above 21,600
Percentage expenditure on food	80 And Above	75-79	70-74	65-73	60-64	45-59	<45
Type of house Roof Wall Floor	Rubber Sheet Leaf Mud	Leaf Leaf Mud	Leaf Mud Mud	Asbestos Leaf Cement	Tiles Leaf Cement	Tiles Bricks Cement	Concrete Bricks Cement
No. of rooms per person	0	.25	.5	1	1.25	1.5	>1.5

Source: Constructed

The average quality of life index calculated for the migrant garment industry workers based on the above quality of life index table is given in the following table.

TABLE 4: AVERAGE QUALITY OF LIFE INDEX

QLI	0	1	2	3	4	5	6
Number	0	0	11	85	4	0	0

Source: Primary data, 2016.

About 85 percent of the migrant have their average quality of life index lying between 2.5 to 3.5. The average quality of life index was estimated to be 2.876. This implies the less privileged quality of life of the sample units even after migration.

**CONCLUSION**

The current study has found that the main reason of migration is for the development of the family which is very much necessary for the development of the economy. And the migration is mainly taking place for improving their family status and getting good employment opportunity. And even though the migrants are having better living condition while compare to that at their place of origin their quality of life index is not satisfactory. So it is alarming situation for the policy makers to see for the improvement in the quality index of migrant workers.

**SUGGESTIONS AND RECOMMENDATIONS**

- Ensuring hygienic living conditions with proper drinking water, toilets, drainage, sanitation both at workplace and living place must be improved.
- Provisions can be made for affordable medical facilities at work place.

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