

# INTERNATIONAL JOURNAL OF RESEARCH IN COMMERCE, IT & MANAGEMENT

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## ISSUES AND SUGGESTIONS FOR THE IMPLEMENTATION OF THE INDIA'S RIGHT TO INFORMATION ACT 2005 IN LIGHT OF THE LATIN AMERICAN COUNTRIES' EXPERIENCE

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### ABSTRACT

*This paper examines the Positive and innovative Role of Various Agencies involved in Comprehensive Implementation of Freedom of Information Act in various Latin American countries and suggests various measures to be adopted in light of Latin American countries' experiences to make Implementation of the India's Right to Information Act, 2005 more viable, widespread and People friendly.*

### KEYWORDS

RTI, India.

### INTRODUCTION

The poet Milton, who wrote in 1644: "Give me the liberty to know, to utter, and to argue freely according to conscience, above all liberties." The above quote of the great poet Milton clearly reflects that Freedom Of Information, or the right to know is the most superior Liberty when comes to Freedom Of Expression. This is a manifestation of the importance of freedom of expression and the public's right to know.

The Commonwealth Expert Group on the Right to Know and the Promotion of Democracy and Development reported in 1999, "Freedom of information has many benefits. It facilitates public participation in public affairs by providing access to relevant information to the people who are then empowered to make informed choices and better exercise their democratic rights. It enhances the accountability of government, improves decision-making, provides better information to elected representatives, enhances government credibility with its citizens, and provides a powerful aid in the fight against corruption. It is also a key livelihood and development issue, especially in situations of poverty and powerlessness."<sup>1</sup>

Much has been written before and since on the importance of Access to Information (ATI)/Freedom Of Information laws/Right to Information but tellingly there is consensus that "[e]mpowering citizens with the legal right to access information on their Government's activities can strengthen democracy by making the Government directly accountable to its citizens on a day-to-day basis rather than just at election time."<sup>2</sup> It does this by opening channels of communication between citizen's (whether in organized groups or not) and the state. These open channels of communication and information sharing can enhance "national stability by establishing dialogues between different... groups as well as between citizens and the state, helping to promote popular trust in the political system."<sup>3</sup> This in turn can "combat feelings of alienation and reduce the risk of disillusioned sections of the public resorting to violence to promote their political ends."

It is also generally agreed that dialogue between citizens and their governments helps to ensure the effectiveness of development and poverty alleviation strategies and helps to avoid the inevitable failure of development strategies that are designed and implemented without the input of the people they are meant to benefit.

It follows therefore, that implementing an effective access to information law can enable people to be part of the decision-making process and reduce public perceptions of exclusion or unfair advantage of one group over another. This in turn would seem to be in 'the public interest,' an ill-defined term generally taken to mean the 'common well-being' or 'general welfare.' While there is little consensus on what exactly constitutes the public interest there is general agreement that aiding it is a positive force. It is also generally agreed that since a society is composed of individuals the public interest must be calculated with reference to the interests of these individual members.

### INDIA'S RIGHT TO INFORMATION ACT

The Indian Right to Information Act, 2005 ("RTI Act") repealed and replaced a 2002 statute, the Freedom of Information Act, which was highly criticized and never came into force<sup>4</sup>. The two main criticisms were that it contained no provision for penalty for willful nondisclosure of information or for willfully incorrect disclosure of information by a government authority, and that there was no provision for an appeal to an independent authority<sup>5</sup>. The Indian Government passed the RTI Act with amendments by the Lok Sabha on May 11, 2005 and the Rajya Sabha on May 12, 2005. The RTI Act has been in force since November 2005 but India adopted a very limited number of rules and some existing States' legislations were repealed.

For more than two decades, the Supreme Court of India has recognised the right to information as a constitutionally protected fundamental right, established under Article 19 (right to freedom of speech and expression) and Article 21 (right to life) of the Constitution. (Constitution of India, 1950): The Court has recognised the right to access information from government departments is fundamental to democracy. Activists at the grassroots have famously relied upon the right to demonstrate that access to information is also essential to ensuring effective participatory development<sup>6</sup>.

Proponents of the right to information in India have long made it clear that the legal right to information simply recognises the moral fact that information held by the government on behalf of the public, collected with public money and accumulated by public servants rightfully belongs to the people. Information is not a gift, graciously bestowed by India's leaders – it is no less than every person's human right<sup>7</sup>.

<sup>1</sup> Promoting Open Government Commonwealth Principles And Guidelines On The Right To Know (1999), Commonwealth Expert Group Meeting on the Right to Know and the Promotion of Democracy and Development, Retrieved Sept 21, 2007 from the Commonwealth Human Rights Initiative Website: [http://www.humanrightsinitiative.org/programs/ai/rti/international/cw\\_standards.htm](http://www.humanrightsinitiative.org/programs/ai/rti/international/cw_standards.htm)

<sup>2</sup> Mistry, Jeet (2006), "Will the tide of freedom of information in the Caribbean reach St Vincent's shores?" Commonwealth Human Rights Initiative, Retrieved Sept 21, 2007 from Commonwealth Human Rights Initiative Website: [http://www.humanrightsinitiative.org/programs/ai/rti/international/laws\\_&\\_papers.htm#42](http://www.humanrightsinitiative.org/programs/ai/rti/international/laws_&_papers.htm#42)

<sup>3</sup> Ibid

<sup>4</sup> Bhushan, P. (2002), "India Approves Freedom of Information Law: The Freedom of Information Bill 2002", Retrieved Sept 21, 2007

Available online at: [www.freedominfo.org/news/india/](http://www.freedominfo.org/news/india/)

<sup>5</sup> Central Information Commission (Appeal Procedure) Rules, 2005 (2005): to be published in the Gazette of India, Part II, section 3, subsection(i) Available online at: [www.righttoinformation.gov.in](http://www.righttoinformation.gov.in)

<sup>6</sup> Mishra, N. (2005), "People's right to Information Movement: Lessons from Rajasthan", Discussion Paper Series - 4, Human Development Resource Center, UNDP, India. Available at: <http://hdr.undp.org.in/resources/dis-srs/Rajasthan/Right%20to%20Info.pdf>

<sup>7</sup> Slough, P and C. Rodrigues (2005), "India's Right to Information Movement Makes A Breakthrough", Open Government: a journal on Freedom of Information, Volume 1, Issue 1, p. 3. Available at [www.opengovjournal.org](http://www.opengovjournal.org)

**FREEDOM OF INFORMATION/ACCESS TO INFORMATION (ATL) IN LATIN AMERICA AND THE CARIBBEAN**

*"[F]reedoms of the press, expression and information in Latin America and the Caribbean compare favorably to those in the other developing regions."*<sup>8</sup>

**MEXICO**

The Constitution was amended in 1977 to include a right of freedom of information. Article 6 says in part, "the right of information shall be guaranteed by the state." The Supreme Court made a number of decisions further enhancing that right.

The Federal Law of Transparency and Access to Public Government Information<sup>9</sup> was unanimously approved by Parliament in April 2002 and signed by President Fox in June 2002. It went into effect in June 2003

**FOI IMPLEMENTATION**

Since shortly before Mexico's nationwide FOI law went into effect in 2003, Libertad de Información - México (Limac) / Freedom of Information - Mexico A.C.<sup>10</sup> has a very instrumental role in preparing for and promoting the law's implementation. It assisted in training Mexican government officials in complying with the new legislation, by bringing international experts (from countries such as the United Kingdom, Hungary, Sweden and Slovakia) with experience in applying FOI legislation in other contexts. LIMAC has engaged for almost a decade in public education about FOI in the NGO sector, and has provided legal assistance to human rights NGOs and advised on litigation to challenge refusals to provide information.

**LITIGATION IN RELATION TO THE RIGHT TO ACCESS PUBLIC INFORMATION**

The LIMAC department for litigation of the right to access information was created within the association in February 2004 which pursues law reform activities grounded in the protection of human rights, and contributes to the development of legal capacity for open societies. The key objectives of this department are to offer free of charge legal consultancy services to citizens in the exercise their right to access public information, as well as to contribute to the expansion of this right through litigation involving cases of general interest in relation to this question. LIMAC has initiated as many as 3800 cases related to FOI Law and got 3245 hearings in its favour<sup>11</sup>.

Apart from that it has to its credit creating a media awareness through regular publications in newspapers nationwide articles related to FOI cases. It got as many as 4280 articles published in time of implementation of FOI Law in Mexico<sup>12</sup>.

**LEGAL CAPACITY DEVELOPMENT FOR FOI LAW****MEXICO LEGAL RIGHTS FELLOWSHIP PROGRAM**

In 2006, Libertad de Información - México (Limac) / Freedom of Information - Mexico A.C Initiative extended to Latin America its Legal Rights Fellowship Program, which brings young lawyers for one year to study Legal rights at the Central European University in Budapest, followed by a year working in a sponsoring NGO in their home country on a FOI Initiative project. In addition, as part of our Practicing Fellows Program, a young Mexican lawyer who has previous experience both on justice reform and at the Inter-American Commission for FOI, has been recruited to work on project promoting Legal Rights awareness for FOI in Mexico.

**MEXICO: CLINICAL LEGAL AWARENESS CELL**

While legal clinics are well-established in parts of Latin America, Mexico is unusual in that, despite its long border with the U.S., there has until recently been only one live-client university-based Clinical legal awareness cell —at the law faculty of the Instituto Tecnológico Autónomo de México (ITAM) in Mexico City. To encourage further development of Clinical legal awareness cell in Mexico, Libertad de Información - México (Limac) / Freedom of Information - Mexico A.C Initiative has convened two meetings in the past year for representatives of 20 law schools in Mexico, together with experts from Argentina, Chile and the United States. As Mexican universities develop Clinical legal awareness cell, Libertad de Información - México (Limac) / Freedom of Information - Mexico A.C will include Mexican teachers and students in annual worldwide Clinical legal awareness cell training and development workshops to spread wings of FOI Law nationwide.

**MEXICO: PROMOTING PRO BONO LEGAL SERVICES**

Experience in the U.S. and in several Latin American countries suggests that pro bono (volunteer) legal activities gain traction where an organizational infrastructure exists to match, and facilitate communication among, providers and consumers of legal services. In the U.S., the NGO Pro Bono Net uses a web portal and software for this purpose. In Argentina Instituto Pro Bono trains pro bono coordinators at local NGOs throughout the country. Libertad de Información - México (Limac) / Freedom of Information - Mexico A.C. has involved Mexican lawyers in regional activities devoted to promoting pro bono work, and is devoting modest time and resources exploring with Mexican partners the possibility of drawing upon these experiences to foster enhanced pro bono legal culture in Mexico.

**OTHER ASPECTS OF THE NEW FREEDOM OF INFORMATION LAW INCLUDE<sup>13</sup>:**

---MEXICO set up the Mexican Federal Institute for Access to Public Information (IFAI)<sup>14</sup> and after after 4 years in existence, finding IFAI to be a model institution for other countries.....it functions much like the Election Commission or TRAI of India.

It is a nodal agency to facilitate implementation of FOI Law in its full spirit.

-- Secrecy end-date: According to Article 15, the government must open its files 12 years after they were created (representing a compromise between the Fox draft's 20 and the Grupo Oaxaca's 10<sup>15</sup> - and compared to 25 years in the United States).

-- Deadlines: An agency must respond to a request within twenty working days and deliver documents ten working days later.

-- Documents: A citizen's request and the government's response must themselves be public, and agencies must make the resulting documents available to all in an accessible manner (another advantage over U.S. law).

-- Fees for access: Chapter V of the new law resolves the problem of fees by removing the cost of search. Only the cost of reproduction and delivery of documents is now charged.

<sup>8</sup> As it stands now all the Latin America and the Caribbean countries either guarantee freedom of information as part of their constitutional provisions on freedom of speech and freedom of expression, or have a specific law providing a regime for accessing information, or both.

<sup>9</sup> See: <http://www.freedominfo.org/documents/laweng.pdf>

<sup>10</sup> Libertad de Información - México (Limac) / Freedom of Information - Mexico A.C. is a Justice Initiative partner institution in the area of Freedom of Information is a non-partisan, secular and non-profit civil society organization that promotes the individual's right to information and especially to public information in the framework of a democratic state based on the rule of law.

<sup>11</sup> See: <http://www.limac.org.mx/ext.php?name=section/casos.php>

<sup>12</sup> See: <http://www.limac.org.mx/extras/download/v/MANUALFEDERAL.pdf>

<sup>13</sup> Doyle, Kate (2002), "In Mexico, a New Law Guarantees the Right to Know". Available online at: <http://freedominfo.org/features/20020709.htm>

<sup>14</sup> The Federal Institute for Access to Public Information in Mexico and a Culture of Transparency, A Report for the William and Flora Hewlett Foundation, February 2006

<sup>15</sup> FOI legislative proposal presented to the Congress during 2001. The first was the product of the civil society coalition, the Grupo Oaxaca, presented to Congress in October, 2001 and adopted and sponsored on December 6, 2001 by members of every party represented in the House of Deputies except those of President Vicente Fox's National Action Party.



-- "Positiva ficta": Article 53 resolves in the Grupo Oaxaca's favor the question of what an agency's failure to respond to a request means. According to the law, the lack of a response will be considered acceptance of the request, setting in motion the process and deadlines normally associated with an accepted request, with the added advantage of an expedited procedure.

-- Repeated request opportunities: Article 60 gives citizens renewed opportunities to challenge an agency's decision to withhold information, after one year has passed since the original decision.

#### SINALOA'S STATE LAW<sup>16</sup>

Sinaloa's freedom of information law contains several clauses that are significantly more progressive than the federal law. One of them is particularly interesting: the requirement to educate the state's citizens about their new right to information. The obligation is described in Chapter III, "Promoting Openness."

In Article 13, the law requires that state agencies train their officers on the right to information and Habeas Data through "courses, seminars, workshops and any other teaching and training methods considered appropriate." Article 14 targets the school system: "Plans and study programs for basic, elementary and upper education as well as training of elementary school teachers shall include training on the importance of the right to access public information and the right of Habeas Data in a democratic society." Sinaloa's State Commission for Access to Public Information (equivalent to the institute established in the federal law) is obliged to assist in preparing programs and didactic materials for the schools. Finally, Article 15 requires the state's public and private universities to include in their curricula study segments on the right to information and Habeas Data, with assistance from the Commission.

The Sinaloa law will serve as a fascinating test of the extent to which government can legislate cultural change. For beyond the new openness requirements mandated by the initiative, the law aims to change people's attitudes and expectations toward government by educating them about their rights and about the government's obligations to them.

## CONCLUSION

Mexican civil society has broken new ground with the passage of the country's federal and state freedom of information acts. The laws represent the crowning achievement of a long campaign for transparent and accountable government in Mexico, one that truly began in the mid-1970s with efforts to amend the Mexican Constitution in order to enshrine the public's right to information as a constitutional right. The amended language to Article 6 passed in 1977.

The government now has exactly one year to make the institutional changes required by the act and to prepare its civil servants before the law takes effect. By the same token, however, the reporters and editors, scholars, lawyers, openness advocates and public interest organizations behind the freedom of information campaign also have just one year - for the success or failure of the law's implementation will depend as much on the continued participation of Mexican civil society as it will on government action.

## CASE STUDY

FOI Law Discloses Tax rebates to 27 Multinational Corporations in Mexico<sup>17</sup>

MULTINATIONAL CORPORATIONS	AMOUNTS IN TAX REBATE ( \$ MILLION)
Wal-Mart Stores	7.89
Royal Dutch Shell	6.4
Crédit Agricole	5.3
Deutsche Bank	2.33
Gazprom	2.21
Morgan Stanley	2.09
Merrill Lynch	1.067
Goldman Sachs Group	1.03
Procter & Gamble	1.01
Prudential	1.0

### TOWARD IFI TRANSPARENCY: THE USE OF DOMESTIC REMEDIES

Mexico established a landmark precedent for the application of national freedom of information laws to the activities of international institutions when its Information Commission on Nov. 16, 2005 ordered the disclosure of documents related to a \$108 million World Bank loan to the state of Guanajuato, México.

The decision by the Federal Institute for Access to Public Information (IFAI) frees up new material about a major project to reform the water systems, the highways and the housing infrastructure in Guanajuato - the home state of Former Mexican President Vicente Fox, and neither the poorest Mexican state, nor one affected by emergencies and conflict. The materials were made available Jan. 16, 2006 and are currently being analyzed by Mexican NGOs.

A Mexican nongovernmental organization, Libertad de Información - México (Limac) / Freedom of Information - Mexico A.C, chose this project to test access to information from the World Bank. LIMAC argued that there was a very clear, overriding public interest to know why Guanajuato was chosen from among the other 31 states. The project is the first loan allocated under the Country Procurement System by the World Bank using what is known as a "country system" modality, which relies on assessment evaluations and environmental impact studies prepared by the government instead of by World Bank staff.

Access to information from the World Bank and other international financial institutions (IFIs) is a major international transparency issue. The Global Transparency Initiative, of which LIMAC is a member, is an international organization committed to expanding the transparency of IFI transparency through various activities. The GTI has used new and creative strategies, such as using domestic Freedom of Information (FOI) laws to obtain information from the IFIs and member governments.

Through a public awareness campaign in Mexico for launched by Libertad de Información - México (Limac) / Freedom of Information - Mexico A.C to know details of missing military men a FOI application was moved forward by El Universal newspaper (Mexico)

MEXICO Military was forced to Break Silence and reply to the application.

The exposure came up with grave information to utter shock of the people that most of the missing military men faced courts-martial or convictions.

The Mexican Defense Department reported that since Former President Vicente Fox took office in 2000, there have been 299 courts-martial, including 210 convictions.

Of those proceedings, 33 were on charges of murder, 31 for insubordination, 26 for fraud, 24 for desertion, 22 for robbery and 21 for drug-related offenses.

<sup>18</sup>

<sup>19</sup>

<sup>16</sup> See: <http://www.freedominfo.org/documents/sinaloaeng.pdf>

<sup>17</sup> Tax rebates to 27 Multinational Corporations in Mexico Figures Revealed for First Time After FOI Request from the Multinational Monitor, Excel Spreadsheets Now Searchable on <http://www.multinationalmonitor.org/>

<sup>18</sup> Pla, Issa Luna (2006), "New Steps Toward IFI Transparency: The Use of Domestic Remedies" Available online at: <http://www.freedominfo.org/ifti/20060120.htm>

**PERU**

The Law of Transparency and Access to Public Information was adopted in August 2002 and went into effect in January 2003<sup>20</sup>.

The campaign for the law was led by the Peruvian Press Council<sup>21</sup>.

The Permanent Commission of the Peruvian Congress approved revisions to the Law of Transparency and Access to Public Information, which had been originally promulgated by President Alejandro Toledo in August 2002. This revised version of the law incorporates some recommendations made by organizations like the Peruvian Press Council and the Human Rights Ombudsman. Kela León, of the Peruvian Press Council, has characterized the changes as, "an important step in favor of transparency and the principle of public accounting," and notes that the revised law accepts many of the Press Council's suggestions on the criteria for national security exemptions, found in their "Principles of Lima" declaration<sup>22</sup>.

The Parliament amended the law in January 2003 and made numerous amendments to the Act following criticism of the excessive exemptions, especially relating to national security and a law suit filed by the Ombudsman in the Constitutional Tribunal on the constitutionality of the Act<sup>23</sup>.

The Press Council of Peru played an incredible role in the drive towards an access to information law in Peru and their work has influenced developments across Latin America in this area. The Lima Principles of the Press Council of Peru, approved on the 16th of November 2000, set out a comprehensive framework for access to information and the rights and responsibilities of media practitioners. Not satisfied to stop there the Council held meetings with leaders at all levels of society building a momentum for the passage of a law. They worked closely to overcome the objections of interest groups (such as the powerful military) to the principle of greater freedom of information and worked with these groups to agree acceptable language to protect sensitive information and ensure limited exemptions in any draft bills. They sponsored conferences and workshops in Peru and throughout Latin America to build interest and acceptance among different constituents. Their efforts bore fruit in August 2002 when Peruvian President Alejandro Toledo formally promulgated the Law of Transparency and Access to Public Information. While this law represented a major advance for the right to information, the Peruvian Press Council were disappointed with some aspects of the law that they felt had defects that may pose problems in the future. In all advocacy involving governments you win some and you lose some.

Many lessons can be learnt from the efforts of the Peruvian Press Council as to what media can do and these lessons are worthy of study. Pertinent key efforts include:

1. Build a constituency of believers
2. Develop partnerships
3. Draw on the experiences of partners
4. Talk, Talk, Talk, Write, Write, Write to EVERYONE
5. Expect resistance
6. Anticipate roadblocks and avoid them by drawing potential opponents into partnership
7. Build coalitions with all interest groups to pressure for the law
8. Don't be easily discouraged – keep the flame alive
9. Don't believe the work ends with the passage of the law

& remember to devote some resources to the process. Coalition building around the issue reduces the need for individual resource input but doesn't replace it. Media when advocating for Access to Information laws can undertake any and all of these activities.

**JAMAICA**

The Access to Information Act was adopted in July 2002<sup>24</sup>. Initially, the Act was to be implemented across the whole of government, but in December 2004 the Act was amended to permit the Act to be phased into effect in four phases, starting in January 2004<sup>25</sup>. All Ministries had implemented the Act by May 2005, and all departments and agencies were prepared for implementation by July 2005<sup>26</sup>.

The act had been stalled in the legislature for 11 years. It was passed following extensive consultations with civil society groups and deliberations by Parliament's Joint Select Committee<sup>27</sup>.

Before the act was passed in Jamaica the Gleaner Company was involved in organizing and promoting seminars on Access to Information. After its passage the Gleaner (to my knowledge) is the only newspaper to assign a team to making access to information requests, tracking these requests and reporting on information it gleaned using the Act. The resources devoted have been considerable but the benefits to the Gleaner have been a number of exclusive stories exposing several important issues and resulting in a significant societal discussion and search for solutions. The Gleaner also sponsored and supported a competition run in conjunction with the ATI Stakeholders Committee for school children exposing them to ATI and judging them on their use of the Act to get information.

Jamaica's remarkable efforts to establish an access to information regime have made the country a leader in the region and the world. The Jamaican government and its people have met the challenges of passing, implementing, enforcing, and exercising the right to information and have succeeded in demonstrating the law's value and its potential. In the past decade, fifty nations have passed access to information laws, bringing the total number of countries whose citizens now count on an enforceable right to information to almost seventy. With the many competing priorities facing governments and civil society organizations, it is truly significant that access to public information remains at the forefront of the global agenda.

**MEDIA'S USE OF ACCESS TO INFORMATION (ATI)/FREEDOM OF INFORMATION /RIGHT TO INFORMATION LAWS**

The first question to be answered is why the media should be interested in these laws any at all? Believers in Access to Information (ATI)/Freedom Of Information laws/Right to Information have spoken of the critical role of the media in informing the citizenry, in exposing, investigating and protesting against threats to democracy, including corruption and malfeasance, in being the eyes and ears of the citizens, providing accurate information on the happenings in and state of the nation and the world. It would seem perfectly obvious that critical to those roles is information, particularly information held by the State, and that a change from a situation where State information is locked off, to one in which everyone has access to it must be beneficial to carrying out these responsibilities.

Media around the world have used access to information regimes extensively. Examples abound in which credible information has been wrested from the grasp of reluctant governments often to debunk preferred government myths, or sometimes to describe embarrassing and indefensible depredations on the public purse by public officials, and even to expose corrupt linkages between governments and the underworld. Access to information laws supported by strong information commissioners and/or appeal tribunals have contributed significantly to the strengthening of democratic processes and practices both within and outside of government.

<sup>19</sup> \_\_\_\_\_ (2003), "Mexico: Military Breaks Silence", El Universal newspaper (Mexico) Available online at: <http://www.eluniversal.com.mx/noticias.html>

<sup>20</sup> Ley 27.808 de transparencia y acceso a la información pública. Available online at: [http://www.justiceinitiative.org/db/resource2/fs/?file\\_id=15210](http://www.justiceinitiative.org/db/resource2/fs/?file_id=15210)

<sup>21</sup> See: <http://www.freedominfo.org/news/peru2/>

<sup>22</sup> See: <http://www.freedominfo.org/news/peru>

<sup>23</sup> see: <http://www.freedominfo.org/news/peru1/>

<sup>24</sup> Access to Information Act 2002. Available online at: [http://www.jis.gov.jm/special\\_sections/ATI/ATIACT.pdf](http://www.jis.gov.jm/special_sections/ATI/ATIACT.pdf)

<sup>25</sup> See update from the Cabinet Office of Jamaica at Available online at: <http://www.cabinet.gov.jm/accessInfo.asp>

<sup>26</sup> See: <http://www.ziplaw.com/news/archives/000355.html> and <http://www.jamaicansforjustice.org/ATI/about.htm>

<sup>27</sup> Numerous organizations participated in the crafting of the Law, including Jamaicans for Justice, Transparency International (Jamaica), the Jamaican Civil Service Association, the Jamaican Bar Association, the Media Association of Jamaica and the Press Association of Jamaica.

There are other strategies that media houses can use to enlarge the accuracy and credibility and depth of their news and stories by the use of access to information regimes.

It is critically important that the media uses access regimes in whichever way it can. The media has a significant advantage (and responsibility) because of the reach it has into the public domain. It must use this reach to highlight successful usage of the laws and expose denials that fall outside the exemptions provided by these laws. This exposure serves a number of purposes: it helps to educate the public; it helps to overcome the public cynicism and distrust that says Media's use of Access to Information (ATI)/Freedom Of Information /Right to Information Laws are just another unworkable face card for governments; it helps to ensure accountability in the operations of the law thus changing the culture of secrecy; it helps to strengthen and entrench Media's use of Access to Information (ATI)/Freedom Of Information /Right to Information Laws champions in the public service and the wider public. By doing all these things well the media will be contributing to the strengthening and protection of democracy and the public interest and fulfilling one of its most important roles of empowering the people, individually and collectively.

## SUMMARY AND CONCLUSIONS

It is inarguable that the Freedom of Information Law promoted freedom of information in number of Latin American Countries. The public is presently able to obtain information which was not available to it in the past.

From Latin American Countries' a number of conclusions may be drawn with respect to the legislation and implementation of freedom of information laws:

1. The process of legislating the Freedom of Information Law should include as many mechanisms as possible that encourage assimilation, and should avoid mechanisms that inhibit assimilation.

It would be proper for the Freedom of Information Law to include the following assimilation encouraging mechanisms: broad definitions of those who are entitled to the information and the entities who are duty-bound to provide it; the appointment of an effective Freedom of Information Commission to supervise implementation of the law; the establishment of a user-friendly procedure for submitting applications; the obligation of public authorities to actively assist applicants in the process of submitting applications; the arrangement of a simple and inexpensive method of appealing against refusals to provide information; the obligation of the authorities to initiate the publication of information; emphasis on the duty to consider the public interest in the publication of information, even when it falls under the exemptions specified in the Law; the allocation of budgets to the Commission or other entities to execute advertising campaigns that will encourage the public to make use of the Law; the imposition of sanctions on government officials who do not comply with the provisions of the Law; furthermore, the Freedom of Information Law should not contain the following assimilation inhibiting mechanisms: complex procedures for submitting applications for information; inordinately long periods for providing a response to a request for information; limited timetables for filing appeals; fees imposed on the actual submission of the application (other than fees for the production of information); administrative exemptions enabling the authority to refrain from allocating sufficient resources to implement the aims of the Law; definitions of material exemptions that are too broad; broad protections of the interests of third parties which entered into contracts with the public authority.

2. The initial years of implementing the Freedom of Information Law are critical for the creation of the public's faith in its ability to obtain information from the authorities.

As soon as this faith is undermined, a high level of the public's use of the Law cannot be anticipated. Therefore, it is vital to maintain explanatory activity to educate the public and encourage it to utilize the rights granted to it under the Law. Such explanatory activities require government budgeting, and they must be conducted on a regular basis or, at least, over a period of time that will make it possible to monitor the change in the quantity of applications for information.

3. Public activity for freedom of information must continue after the legislation of the Law.

In many countries, the legislation of the Freedom of Information Law was achieved due to the activity of non-governmental organizations, such as India, where the public campaign for the FOI law legislation was commenced by popular organizations in Rajasthan; (Slough & Rodrigues, 2005) the German Freedom of Information Law, with the Bertelsman Fund playing a central role in the struggle for its promotion; and the English Freedom of Information Act, which was legislated after a public crusade by the Freedom of Information Campaign in Britain. Without activating and challenging the authorities, the right to freedom of information would be at the mercy of the bureaucrats. Therefore, ongoing public activity is mandatory even after legislation of the Law. This activity must encourage the public to make use of the Law, to arouse public debate concerning freedom of information, to spur the media to make use of it and to provide the tools that will enable application to the courts in order to create legal precedents on the interpretation of the Law.

4. No change in the practices of governmental authorities can be expected, unless pressure is brought to bear by supervisory administrative entities or by means of court judgments

Without an authoritative administrative, and yet independent, external entity to supervise those responsible for implementing the law in the ministries, the prevailing culture of secrecy will not change.

The road to a governmental culture that recognizes the fact that the public is the owner of the information and that it is entitled to inspect it at any time it deems appropriate, as well as the way to educate the public to awareness of its status as the owner of the information, is a long and winding one. Single individuals of the public do not usually have the know-how and resources to progress along this road, and the governmental authorities have no desire to do so. Only organized and continuing public action, characteristic of public organizations and media organizations, met by courts willing to compel the authorities to alter their overall perception, with all the inconvenience entailed thereby, can bring this campaign to completion.

5. Freedom Of Information laws are critical to strengthening democracy and ensuring accountability and transparency. The media has a vital role to play in ensuring the transition from cultures of governmental secrecy to nations with open, accountable governments in partnership with citizens for development and poverty alleviation. The media can play a significant role in developing and strengthening advocacy for the passage of FOI laws in countries that do not yet have them. In countries which have laws the media should be continuously informing the public about the new dispensation, encouraging people to use the act and using the act themselves to do their job of empowering citizens with credible, in depth information (the oxygen of democracy). Clearly evident from role played by The Press Council of Peru, the Gleaner Company of Jamaica, El Universal newspaper (Mexico)

"Laws that only threaten, and are not kept, become like the log that was given to the frogs to be their king, which they feared at first, but soon scorned and trampled on."

—Miguel de Cervantes, *Don Quixote*, 1605-15

"The execution of laws is more important than the making of them."

—Thomas Jefferson, letter to Abbé Arnold, May 27, 1789

Many countries around the world have signed onto international treaties and declarations committing themselves to access to information, they have a right to information included in their constitution, or have passed legislation to give the right effect. However, without the full implementation and effective enforcement these rights, and the legislation that embodies them, may quickly become meaningless.<sup>28</sup>

Monitoring of implementation by the various entities is important to assure consistency and sustainability of the RTI. International experience demonstrates that without a dedicated and specialized oversight body, the compliance rate is lower, the number of requests more limited, and the right to information eroded.<sup>29</sup>

In Queensland State Australia, a study recently found that an independent enforcement body was not enough and that they also needed a "new monitoring/promotion function."<sup>30</sup>

<sup>28</sup> Neuman, L (2006), "Mechanisms for Monitoring and Enforcing the Right to Information around the World," In *Access to Information: Building a Culture of Transparency*, The Carter Center, Atlanta, pp.49-56.

<sup>29</sup> Excerpts from "Observations of the Access to Information Act 2002 in Jamaica," Laura Neuman and Carole Excell, Carter Center, 2006.

<sup>30</sup> Report of the Queensland Legal, Constitutional and Administrative Review Committee, December 2001. See also Hodgson D., and Snell, R. Freedom of Information in Queensland—A Preliminary analysis of the Report of the Queensland Legal, Constitutional and Review Committee.

Without appropriately designed and sufficiently funded oversight and enforcement mechanisms, the effectiveness of an access to information regime will be compromised. As more countries and states pass legislation embodying the right to information, experience is dictating the necessity for entities vested with the power to monitor the administration and compliance of the law, and to take action when necessary.

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## WEBSITES

13. <http://www.gwu.edu/~nsarchiv/> (An independent non-governmental research institute and library located at The George Washington University, the Archive collects and publishes declassified documents obtained through the Freedom of Information Act. The Archive also serves as a repository of government records on a wide range of topics pertaining to the national security, foreign, intelligence, and economic policies of the United States)
14. <http://www.jamaicansforjustice.org/> (Jamaicans for Justice is a non-profit, non-partisan non-violent, volunteer citizens' rights action group, founded in 1999. It advocates for fundamental change in all spheres of Jamaican life - judicial, economic, social and political - in order to improve the lives of Jamaican citizens. JFJ believes that justice is the bedrock of any civilized and progressive society, and all Jamaicans must have equal access to fair, correct and impartial treatment.)
15. <http://www.limac.org.mx/> (Libertad de Información - México (Limac) / Freedom of Information - Mexico A.C is a non-partisan, secular and non-profit civil society organization that promotes the individual's right to information and especially to public information in the framework of a democratic state based on the rule of law.)
16. [www.bbc.co.uk/foi/news/](http://www.bbc.co.uk/foi/news/) (For the Latest news on Freedom of Information Law worldwide)



**AN EMPIRICAL STUDY ON JOB STRESS IN PRIVATE SECTOR BANKS OF UTTARAKHAND REGION**

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**ABSTRACT**

*Technological changes in banking sector and the innovations in telecommunication and information technology have brought continual revolution in the operational patterns of banks. As a result, work in banks has become more challenging ensuing into high job stress among employees working in banks. It is found that the employees working with private sector banks are more dwelled with job stress than those working with public sector. This study examines the theoretical understanding of job stress in private sector banks followed by empirical investigation. Reviews are done to discover the causes of job stress in private sector banks and its association with different demographic variables. An attempt has also been made to find out all possible ways to reduce job stress. The data was collected by a questionnaire survey method from executives of private sector in Dehradun. Descriptive Statistics was used to analyze the data. Results indicate the occurrence of job stress among employees of private sector banks and its association with the various demographic variables.*

**KEYWORDS**

Job Stress, Employee Performance, Work Place Stressors, Stress Management Strategies.

**INTRODUCTION**

Researcher believes that unstressed staff can help to create a safe, productive, professional and humane correlation institution (Eric G, Lambert, 2007). One key reason of job stress in banking sector is the growing technological change in banks. Employees are now found with lot of expectations in terms of financial security, opportunities for advancement, demands to perform, relations and events, and physical environment etc. Indian banking industry introduced modern technology in the early 1980s (Dr. Swati Anand, 2011). There has been a remarkable progress seen in banking sector since independence (Sanjiv, 2011). Researcher found workplace stress in banks due to increasing number of private and foreign banks and the diversified bank facilities such as providing innovative banking, ATM, Internet Banking, Fixed deposits, Insurance facilities, mutual funds, bill acceptances, money transfers, loans and many more value added services etc. Recent research conducted identified the latest global technological trends available in banks such as remote banking services, electronic transfer of funds, Electronic Credit clearing, Electronic debit clearing, Tele banking, Electronic cheque, Cheque truncation etc. (Dr. Swati Anand, 2011). With this technology driven period of working, employees are mostly dependent working with electronic gadgets and crude deadlines for completion of task that arouse problem in working system. Such new technological modification has also brought problems among the employees working in banks. These changes have also impacted the health profile of employees. The survival and growth of banks largely depends on its capacity to retain its excellent workforce for longer time. In the fastest growing technological trend, it has become more imperative for banks to retain its employees to become capable to adapt changes quickly. This dynamic work culture brings in lot of impetus those results in high job stress among bank employees. Today, banks understand the need of training to its employees taking into account organizational goals and objectives, departmental requirements, job specifications, employee specification, customer survey / satisfaction data and management requests (Anjali Ganesh, 2010). In case of credit deployment, private sector banks hold a better stand than public sector banks. The operating efficiency and cost efficiency of the public sector banks dispels the immediate threat that might come from the private sector banks since the competition emerged only at the fringe putting the entry of the private sector banks at the lower end. Many researchers found that private sector banks always remain a bit ahead in credit deployment, interest income and return on net worth but the public sector banks with better branch coverage, customer base and greater knowledge of the market than the newcomers will surely outstrip the private sector banks in near future. (Dr. Debdas Rakshit, 2009). Recession is also one of the main causes of high job stress in banking sector responsible of downsizing and layout that result in high work pressure. A paradigm shift is then seen in the working culture of banks. A paradigm shift is there in the working culture of banks. That demands bank employees to be more efficient and effective with a all time ready to action force. This demand from employees results in job stress in bank. It is found that personal factors and psychological strain due to job stress has a major impact on job dissatisfaction and job insecurity in private sector banks and work environment had a low effect on stress and its impact on job satisfaction. (Vishal Samarth, 2011). Researcher found that moderate amount of tension, anxiety, or stress can boost performance, it progressively interferes with performance as tension gets higher than this moderate level. (Paul McGhee).

**LITERATURE SURVEY**

**K. R. Sowmya (2011):** The need to study the existence of politics in working environment and its association with Job Stress & Job burnout was realized by this group of researchers. They analyzed the political behavior in banks of India and tried to analyze its association with Job Stress. Researcher divulged extensive literature on burnout and defined it as "Burnout is a state of emotional, mental & physical exhaustion caused by excessive & prolonged stress. This group of researcher believed that burnout is the outcome of our inability to meet the constant demands. Various symptoms were also highlighted such as frustration, anger, depression, dissatisfaction & anxiety. Several workplace outcomes are low performance, withdrawals & poor interpersonal relations etc.

**Dr. Doriana Matraku (2011):** The author noticed that banking sector is facing lot of crises due to various factors as highlighted in this study. Various stress indexes were showed in this paper assessing work situations in banks. Researcher stated that many factors such as NPLR, The Private Sector loans, Interest of deposits, ROA (Return on Assets), Treasury bill rate; Provisions etc have a great role in stress in banks. It was aimed to get a stress model of banks.

**Janguue Park (2007):** This paper discussed in detail about the work stress defined as the harmful physical and emotional responses that occur when job requirements do not match the worker's capabilities, resources and needs. The author has thrown light on various sources of stress and its relation with various demographic variables. Sample drawn was 37000 people above 15 years of age. Social behavior age difference, job related variables were also analyzed in the study.

**Jiunn-Woei Lian (2011):** This survey mainly focused on working pattern of people working in Information Technology System. Job Stress and Job satisfaction of the employees were the main focus of this study. It was aimed to highlight the Life Satisfaction among the employees. Extensive literature was divulged by this group of researcher and about the Job Stress, Job Satisfaction, and Job Classification. Job satisfaction was defined as one of the key determinant that affects employer's turnover. Researcher confined a stronger relationship between work autonomy & job satisfaction as surveyed from three different countries through possible forms of relationships. Study concluded that Job Stress has negative relation & Job autonomy has positive relation in forms of Job Satisfaction.



**Paul McGhee (March 2011):** Researcher stated that in a report in 1995, it was found that 70% of the patients visiting family doctor were due to stress. Various causes of stress as identified by this group of researcher were (i) Keeping up with change, (ii) Doing more with less (iii) Demands to do things faster and (iv) Information Overload. The entire focus of this study is to highlight the role of humors in reducing the stress and thereby increasing Job Performance.

**Vishal Samartha (2011):** The author believed the rapidly increasing challenges in the Indian banking sector is due to various factors like narrowing speeds, new banking products, players, mergers and acquisitions driven by never ending change in the market. A great emphasis was made on Job satisfaction and Job stress. A negative relation between the job satisfaction and job stress was realized by the researcher. Extensive literature as done by this group of researcher helps in understanding the Occupational Stress defined as "the experience of negative emotional state such as frustration, worry, anxiety and depression attributed to work related factors". They also studied Job satisfaction in detailed and distinguished that job satisfaction is employee reaction towards their experience, emotional state or reaction towards the job. A need to study relationship between job stress and job satisfaction was realized and the study was thus conducted to understand factors causing job stress and their association with job satisfaction. Personal factors, work environment factors, administrative bottlenecks, work pressure, job insecurity and psychological strains were found to be most common stressors.

**Jamshed Khan Khattak (2010):** He worked on job stress in organization and its association with hierarchal levels. The researcher conducted this study with a main aim to find whether there is any association between hierarchal levels and job stress. All possible interventions made by the people to reduce job stress was also highlighted. The study worked on the stress management and stress management strategies. Finding showed that there is no association of Job Stress with hierarchal level within the organization. Various stress management strategies that were preferred by the respondents were stress management training, health and fitness programme, group discussion with employees, gym facilities, individual focused programme, short holidays etc.

**Rashmi Shahu and S. V. Gole (Sept. 2008):** This study was conducted to understand the impact of stress on the performance of employees. Relationship between job stress, job satisfaction & performance was examined. Impact of stress on productivity was the main concern of this research. Study identified various strategies for improving the performance of the employees. As according to Vroom (1964), it is the performance that leads to higher satisfaction. Hypothesis that job performance is related to job stress & job satisfaction was proved true in this research. This study recommends awareness, improvement and maintenance programs for organizations intending to improve their employee's performance.

**Neha Agarwal and Seema Verma, (March 2010):** This study reveals that concepts of stress, its consequences, symptoms, sources of stress and discussed various strategies to cope up with the stress along with diversity. Theory explains how an individual gets affected by stress, with clear understanding of the symptoms. In this study various psychological consequences such as an individual experiencing tension, headache, high blood pressure, psychological and behavior consequences of stress. Researcher clearly explains different causes of stress such as environmental and organizational, group and individual in understanding the sources of stress.

## OBJECTIVES

- To examine the Job Stress of employees in private sector banks in association with different demographic factors.
- To find the association between the various factors affecting job satisfaction.
- To suggest some measure to alleviate Job Stress in private sector banks.

## HYPOTHESES

- H<sub>1</sub>: There is no significant difference between the age and level of job stress in private sector banks.  
 H<sub>2</sub>: There is no significant difference between the gender and the level of job stress in private sector banks.  
 H<sub>3</sub>: There is no significant difference between the educational qualification and the level of job stress in private sector banks.  
 H<sub>4</sub>: There is no significant difference between the work experience and the level of job stress in public sector banks.  
 H<sub>5</sub>: There is no significant difference between the family type and the level of job stress in private sector banks.  
 H<sub>6</sub>: There is no significant difference between the salary and the level of job stress in private sector banks.  
 H<sub>7</sub>: There is no significant difference between the employment status and level of the job stress in public sector banks

## RESEARCH METHODOLOGY

The present study is a descriptive and measurable study. After consulting experts, questionnaire was designed consisting of two parts. Questions were connected to different assumptions. A number of 60 questionnaires were personally distributed and the respondents were explained about the aim of the research. Total 51 questionnaires were received. The response rate received is 95%.

**Data Collection:** Primary and secondary sources for data collection were engaged in this study. Primary data was collected through questionnaire designed for the gathering relevant information from the employees of various banks. The questionnaire has been planned and designed to seek information pertaining to causes of their Job stress and factors that help in reducing such stress and impact of stress on performance. Secondary data has been used to review prior studies, published articles and papers in journals, magazines and review of websites etc.

The distribution and collection of data is as follows:

A) HDFC	:	35 Questionnaires
B) KMB	:	07 Questionnaires
C) SC	:	09 Questionnaires
Total	:	51 Questionnaires

## QUESTIONNAIRE DESIGN

It contains two parts as following:

1. **Section One:** Measure the level and causes of Job stress of bank employees.
2. **Section Two:** Measure the individual level strategies preferred by bank employees to reduce job stress.

Initially certain factors were determined resulting into the Job stress of bank employees. The respondents were made to rate on a scale of 1 to 5 (with 5 being the highest rating).

**SAMPLE SIZE: 60**

**SAMPLE AREA:** Dehradun (Uttarakhand)

**VALIDITY AND RELIABILITY:** Cronbach's Alpha coefficient for examining the uniformity and reliability of the questions is as given in table 1.

TABLE 1

Reliability Statistics		
	Cronbach's Alpha	N of Items
Part I	.807	34
Part II	.853	17

This shows that the scale is reliable in all aspects.

**OBSERVATIONS AND RESULTS**

An attempt was made to assess the degree of association of the role of job stress with the age, gender, educational qualification, income level etc of respondents. For this purpose the data was processed with crosstabulation and the information received is presented in the tables below:

**TABLE 2.1: AGE \* VARIABLEA17 CROSSTABULATION**

Count		I am under High Job Stress					Total
		Strongly Disagree	Disagree	Neutral	Agree	Strongly Disagree	
age	Below 25 yrs	1	1	1	2	0	5
	25-50 yrs	2	7	5	10	7	31
	Above 50 yrs	1	5	2	6	1	15
Total		4	13	8	18	8	51

In table 2.1, the analysis indicates that the sample is dominated by the respondents of category of age group between 25-50 working in Banks.

**TABLE 2.2: GENDER \* VARIABLEA17 CROSSTABULATION**

Count							
		VariableA17					Total
		1.00	2.00	3.00	4.00	5.00	
gender	a	4	7	5	14	8	38
	b	0	6	3	4	0	13
Total		4	13	8	18	8	51

As shown in the table 2.2 above, gender results showed that 38 out of the total respondents are male and 13 are female.

**TABLE 2.3: QUALIFICATION \* VARIABLEA17 CROSSTABULATION**

Count							
		I am under High Job Stress					Total
		Strongly Disagree	Disagree	Neutral	Agree	Strongly Disagree	
Qualification	Graduate	0	6	4	12	5	27
	Post Graduate	3	5	4	5	3	20
	Others	1	2	0	1	0	4
Total		4	13	8	18	8	51

An attempt was also made to know the educational background and its relevance with the Job stress. The analysis made in table 2.3 indicates that as many as 27 respondents in the sample were graduate and 20 were post graduate.

**TABLE 2.4: FAMILYTYPE \* VARIABLEA17 CROSSTABULATION**

Count							
		I am under High Job Stress					Total
		Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	
Familytype	Joint	2	5	6	10	2	25
	Nuclear	2	8	2	8	6	26
Total		4	13	8	18	8	51

Table 2.4 indicates the family background of the respondent which shows that out of 51, 25 responded belong to Joint family whereas 26 were from Nuclear family.

**TABLE 2.5: SELFINCOME \* VARIABLEA17 CROSSTABULATION**

Count							
		I am under High Job Stress					Total
		Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	
Selfincome	1-3 lacs	1	2	3	3	0	9
	3-5 lacs	1	6	1	9	6	23
	5-8 lacs	1	5	4	6	2	18
	Above 8 lacs	1	0	0	0	0	1
Total		4	13	8	18	8	51

An attempt was also made to know the total work experience of the employees and its relevance with the Job stress. The analysis made in table 2.6 indicates that as many 21 respondents in the sample were having experience between 1-5 years, whereas the sample is dominant by the respondents with their experience level of above 10 years.

TABLE 2.6: TOTALWORKEXPRIENCE \* VARIABLEA17 CROSSTABULATION

Count		I am under High Job Stress					Total
		Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	
Totalworkexperience	1-5 yrs	2	5	4	7	3	21
	5-10 yrs	1	0	0	0	1	2
	Above 10 yrs	1	8	4	11	4	28
Total		4	13	8	18	8	51

It was aimed to know the employment condition of the respondents and its relevance with the Job stress. The analysis made in table 2.7 indicates that as many as 48 respondents in the sample were on permanent basis.

TABLE 2.7: EMPLOYMENTSTATUS \* VARIABLEA17 CROSSTABULATION

Count		I am under High Job Stress					Total
		Strongly Disagree	Disagree	Neutral	Agree	Strongly Disagree	
Employmentstatus	Permanent	4	11	8	17	8	48
	Contractual	0	2	0	1	0	3
Total		4	13	8	18	8	51

In table 2.8, the analysis indicates that the sample is dominated by the 26 respondents who were the sole earners in the family.

TABLE 2.8: EARNINGMEMBERSINFAMILY \* VARIABLEA17 CROSSTABULATION

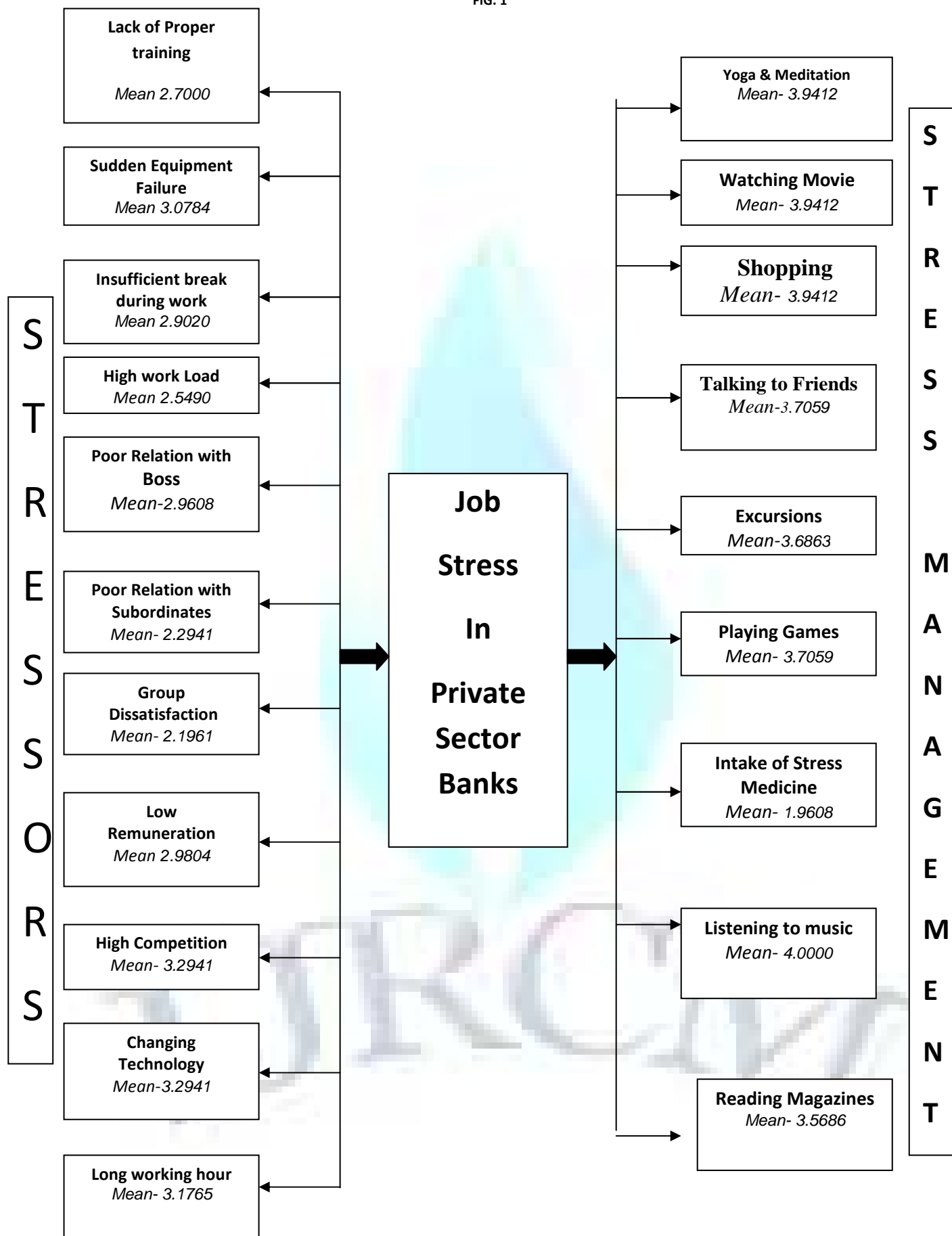
Count		I am under High Job Stress					Total
		Strongly Disagree	Disagree	Neutral	Agree	Strongly Disagree	
Earningmembers infamily	Sole Earner	1	5	4	10	6	26
	Not a Sole Earner	3	8	4	8	2	25
Total		4	13	8	18	8	51

TABLE 3

H	Null Hypothesis	Chi Square Value	Degree Of freedom	Critical Value	Remarks
H <sub>1</sub>	There is no significant difference (association) between the age and level of job stress in private sector banks.	4.393 <sup>a</sup>	8	15.507	Not rejected
H <sub>2</sub>	There is no significant difference(association) between the gender and the level of job stress in private sector banks	7.737 <sup>a</sup>	4	9.488	Not Rejected
H <sub>3</sub>	There is no significant difference (association) between the educational qualification and the level of job stress in private sector banks.	8.993 <sup>a</sup>	8	15.507	Not Rejected
H <sub>4</sub>	There is no significant difference (association) between the work experience and the level of job stress in public sector banks.	8.814 <sup>a</sup>	8	15.507	Not Rejected
H <sub>5</sub>	There is no significant difference (association) between the family type and the job stress in private sector banks.	7.166 <sup>a</sup>	8	15.507	Not Rejected
H <sub>6</sub>	There is no significant difference (association) between the salary and the level of job stress in private sector banks.	19.954 <sup>a</sup>	12	21.026	Not Rejected
H <sub>7</sub>	There is no significant difference (association) between the employment status and the job stress in public sector banks	3.374 <sup>a</sup>	4	9.488	Not rejected

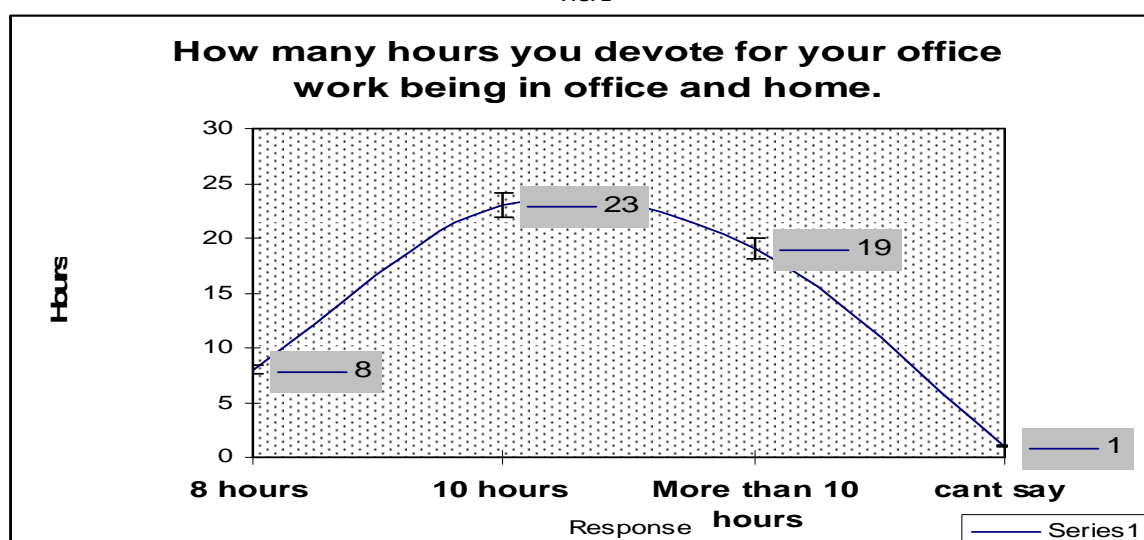
**Interpretation:** Data analysis shows that all seven hypotheses are not rejected. And thus no significant difference (association) is found between the various demographic variables like age, gender, educational qualification, family type, income, and status of employment. The results show that different level of Job stress is similarly experienced at different demographic levels. Researchers have studied individual differences in the belief that they influence reactions to objectively stressful events or appraisals of events as being stressful, or they simply add to the variance explained in the stress outcomes (Nina Pološki Vokić Ana Bogdanić 2007). This problem of job stress in banks becomes more severe where employees are suffering with great problems on social, emotional and economic accounts. The social status of employees when they have little scope for achieving recognition and professional advancement makes them highly stressful. Thus it was aimed to highlight various demographic factors responsible of different level of Job Stress. The differences found are so great that stress height are different not at the level of intrinsic factors only but differences can also be seen at the level of extrinsic factors as well.

FIG. 1



Source: Author's Calculation and data source- Private Banks of Dehradun (UK) - India

FIG. 2



Source: Author's Calculation and data source- Private Banks of Dehradun (UK) - India

**Interpretation:** Analysis was also made to find out the work life imbalance of employees working in banks. It was mainly observed that employees get less time to spend with their family and friends. Being in office or out of office, the office-work demands compel them to keep continuing their work to reach the tough targets ever after office hours. In view of this, respondents were made answer about their hours of working. It is evident from Fig. 2 that 23 out of 51 respondents believe that they spend their 10 hours daily for completing their office work whereas 19 respondents were found devoting more than 10 hours a day for their office work. And nearly 8 out of 51 respondents were found spending 8 hours a day for their office hours. Hence it is clearly seen that the bank employees are so much driven in the work pressure that they keep on working for the office even at home and work for more than 8 hours a day which may be the cause of their ill health such as resulting into cardiovascular and musculoskeletal diseases.

Thus it has become imperative for the system to investigate the reasons that hamper work-life balance and elevate workplace stress among bank employees. Table 4 helps in finding out the negative outcome of job stress in terms of ill health. Manifestation of stress in terms of emotional, fatigued, cardio and behavioral stress manifestations (Dr. Rubina Hanif, 2011) is given in table 4 as per the data received by the respondents through questionnaire.

TABLE 4

Health problems (STRESS MANIFESTATIONS)	% of Respondents who agree that they suffer from Stress Manifestation
High Blood Pressure	31%
Stomach problems	29%
Gastritis	29%
Back ache	29%
Arthritis ( Joint Pain)	15%
Depression	14%
Diabetes	11%
Chronic Headache	7%
Alcoholism	7%
Thyroid Trouble	6%
Heart Diseases	5%
Asthma	3%

## CONCLUSION

The objective of the study was to identify the job stress of private sector bank employees. This paper succinctly explored the fact that employees working in private sector banks are embedded with critical working conditions. Job stress is high in private sector banks due to the fact that benefits given to its employees are much lower than given to public sector bank employees. It is palpable that the facilities in private banks are limited and the demand from employees is unlimited which shove them to work tough in multidimensional work culture driven by sky-scraping market competitions. Private Banks chuck erratic length of service hours, low rewards and low support to its employees. In this unorganized sector, no provision has yet been made to provide pension facilities, medical benefits and other fringe benefits to banks employees.

The study analyzed that Private Sector Banks are predominantly raising their working standards and moving towards complete automation of the work. The system seems to be protected against exchange rate risk and problems of liquidity but due to increasing number of private banks, it is difficult for banks to afford the complacent working styles of employees and therefore demand them to be more dynamic and energetic with all time ready to action force and for this, the maximum work force in private sector is the young. There is a high need to plan an organized banking system which can work out well to get maximum job satisfaction of employees and draw perfect working standards improving their work conditions, open communication, division of work, selection policies, high morale and job security for its employees.

In private sector banks, the salary pattern should to be re-structured with updated patterns of monetary gains which in turn can reduce the employees stress by disposing of the difference of salaries in private and public sector bank. It is evident that Job Stress in private sector banks is also due to problem of Role Conflict and Role overload with no support from management and less appreciation of good work. The study disclosed that proper performance appraisal methods are required in order to reward the best performers and keep them retained for longer period of time. Setting understandable objectives, stress assessment, counseling for employees can also create stress free environment for employees making them feel Job satisfied. Many researchers have highlighted the association of Job Stress with Personality Type and locus of Control. Thus various physical and behavioral self control training should be provided to them. In summary, the results of this study show It has now become imperative for private sector banks to take effective measures to reduce job stress of its employees to minimize its effects. Employees should be given proper training program and workshops providing complete knowledge of individual level stress management strategies like yoga and meditation, rearranging one's job schedule, eating less fat, exercise, walking, swimming, deep breathing, yoga, relaxation techniques and meditation which is also demanded by respondents in open ended answers to be periodically conducted at workplace.



This paper thus focused on the current situation of the Job stress in private banking sector and the brought into light various causes of job stress, its effect and subsequently tried all effort to highlight ways to overcome such stress.

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## FOREIGN DIRECT INVESTMENT IN INDIA: AN OVERVIEW

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## ABSTRACT

India as a diversified economy has shown rapid growth and remarkable resilience since 1991, when economic reforms were introduced with the progressive opening of the economy to international trade and investment. Foreign direct investment (FDI) has proved helpful to enhance productivity and efficiency of the economy through technology transfer (in the form of knowledge, technical and marketing skills organization and management systems, new materials, products and market) and effective promotion of comparative advantage through Exports. This paper attempts to study the conceptual and historical background, various modes of FDI and recent sectoral trends of FDI in India.

## KEYWORDS

Developing Economies, Export, FDI, Growth, Productivity.

## INTRODUCTION

One of the most striking developments during the last two decades is the spectacular growth of FDI in the global economic scenario. FDI is an important non-debt financial resource for the economic development of the country like India. Besides, it is a means of achieving technical know-how and employment generation. The unprecedented growth of global FDI in the 1990s around the world made FDI an important component of the development strategy in both developed and developing countries and the policies are designed to stimulate inward FDI inflows. In fact, both the developed and developing countries are directly interested in inviting FDI, because they benefit a lot from such type of investment. The 'home' countries want to take advantage of vast markets opened by industrial growth. On the other hand, the 'host' countries want to acquire technological and managerial skills and supplement domestic savings and foreign exchange.

Besides, the developing countries accepted FDI as a sole visible panacea for scarcity of resources such as financial, capital, entrepreneurship, technical know-how, managerial skill, access to market abroad, in their economic development. Moreover, the emerging market economies consider FDI as one of the easiest means to fulfill their financial, technical knowhow, employment generation and competitive efficiency requirements. This created opportunities for locational advantages and thus facilitated strategic alliances, joint ventures and collaborations over R&D. The world economy has observed a remarkable change in volume and pattern of FDI flow from developed countries to emerging market economies (EMEs). FDI has been fostered by liberalization and market based reforms in EMEs. The financial sector deregulation and reforms in the industrial policy further paved the way for global investments<sup>1</sup>.

In addition, the developing countries had substantially eased restrictions on FDI inflows and operations of MNCs in the early 1980s. This trend became even more wide spread in the 1990s which brought a substantial inflow of FDI into the developing countries. Since 1992, China has been the largest recipient of FDI among the developing countries and India has emerged as the second most attractive destination for FDI after China and received nearly 57 percent global FDI inflows in 2011-12 compared to 25 percent in 1980-81<sup>2</sup>.

In fact, India opened up its economy and allowed MNCs in the core sectors as a part of reforms process in the beginning of the 1990s. Since then it has attracted a big share of FDI inflows among the developing countries and has become profitable investment locations for the foreign investors. The net FDI inflow increased from 408 crores in 1991-92 to Rs 1,22,307 crores in 2011-12 resulting in the annual average growth rate as high as 14 percent.

Emphasizing the role of FDI the developing countries, Moran (1998) observes that FDI is a method of transmission of the package of managerial resources from one country to another country. The package of managerial resources may include specialized and technological knowledge in the areas of patents, knowhow, sales techniques, managerial expertise and ability to obtain funds and credit. Since the productivity of such transferred managerial resources is very high in the recipient country, they make a big contribution to the development of industry to which they are made available in host country<sup>3</sup>.

Foreign Direct investment is the investment activity undertaken by the companies in the host country. It means investing the money in various projects or a particular project in foreign country with the prior approval of host country government.

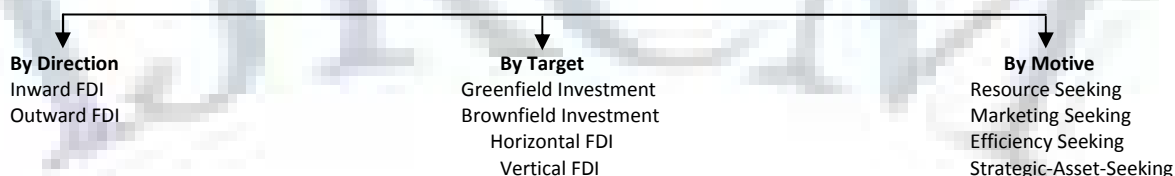
## OBJECTIVES OF THE STUDY

1. To provide a conceptual understanding of FDI.
2. To provide details of Sectoral limits of FDI.
3. To study the impact of FDI in India.
4. To study the contribution of FDI in various Sectors.

## TYPES OF FOREIGN DIRECT INVESTMENT

To easily understand the concept of FDI we have to classify it broadly into three categories; namely (a) By Direction (b) By Target (c) By Motive.

## FOREIGN DIRECT INVESTMENT



**INWARD FDI:** Different economic factors encourage inward FDIs. These include interest loans, tax breaks, grants, subsidies, and the removal of restrictions and limitations. Factors detrimental to the growth of FDIs include necessities of differential performance and limitations related with ownership patterns.

**OUTWARD FDI:** An outward-bound FDI is backed by the government against all types of associated risks. This form of FDI is subject to tax incentives as well as disincentives of various forms. Risk coverage provided to the domestic industries and subsidies granted to the local firms stand in the way of outward FDIs, which are also known as 'direct investments abroad.'

**GREENFIELD INVESTMENT:** Greenfield investments are the primary target of a host nation's promotional efforts because they create new production capacity and jobs, transfer technology and know-how and can lead to the linkage to the global marketplace.

Criticisms of Greenfield investments include the loss of market share for competing domestic firms. Another criticism is that profits are perceived to bypass local economies and instead flow back entirely to the multinational's home economy.

**BROWNFIELD INVESTMENT:** Brownfield investment occurs when the assets and operations of firms from different countries are combined to establish a new legal entity (Cross-border mergers). It can also occur when the control of assets and operations is transferred from a local company to a foreign company where local company becomes an affiliate of the foreign company.

**HORIZONTAL FDI:** Horizontal FDI occurs when the multinational company undertakes the same production activities in multiple countries.

**VERTICAL FDI:** There are two types of vertical FDI, Backward and forward. Backward FDI occurs where an industry abroad provides inputs for a firm's domestic production process and forward FDI occurs where an industry abroad sells the output of a firm's domestic production.

**RESOURCE SEEKING INVESTMENT:** Investment which seeks to acquire factors of production those are more efficient than those obtainable in the home economy of the firm. In some cases, these resources may not be available in the home economy at all e.g. cheap labor and natural resources.

**MARKET SEEKING INVESTMENT:** Investment which aims at either penetrating new markets or maintaining existing one. FDI of this kind may also be employed as defensive strategy; it is argued that businesses are more likely to be pushed towards this type of investment out of fear of losing a market rather than discovering a new one.

**EFFICIENCY SEEKING INVESTMENT:** Investment which, firms hope, will increase their efficiency by exploiting the benefits of economies of scale and scope and also their common ownership. This type of FDI comes either through the resource seeking or market seeking investment that have been realized with the expectation that it will further increase the profitability of the firm.

**STRATEGIC-ASSET-SEEKING INVESTMENT:** It is a tactical investment to prevent the loss of resource to a competitor. Easily compared to that of the oil producers, who may not need the oil at present, but look to prevent their competitor from having it.

## FOREIGN DIRECT INVESTMENT IN INDIA

The historical background of FDI in India can be traced back with the establishment of East India Company of Britain. British capital came to India during the colonial era of Britain in India. However, researchers could not portray the complete history of FDI pouring in India due to lack of abundant and authentic data. Before independence major amount of FDI came from the British companies. British companies setup their units in mining sector for their economic and business interests. After Second World War, Japanese companies entered Indian market and enhanced their trade with India, yet U.K. remained the most dominant investor in India.

Further, after independence issues relating to foreign capital, operations of MNCs attracted attention of the policy makers. Keeping in mind the national interests the policy makers designed the FDI policy which aimed FDI as a medium for acquiring advanced technology and to mobilize foreign exchange resources. The first Prime Minister of India Pandit Jawaharlal Nehru considered foreign investment as necessary not only to supplement domestic capital but also to secure scientific, technical, and industrial knowledge and capital equipments. With the passage of time and as per economic and political regimes, there have been changes in the FDI policy too. The industrial policy of 1965 allowed MNCs to venture through technical collaboration in India. However, the country faced two severe crises in the form of foreign exchange and financial resource mobilization during the Second Five Year Plan (1956 -61).

Therefore, the government adopted a liberal attitude by allowing more frequent equity participation to foreign enterprises, and to accept equity capital in technical collaborations. The government also provided many incentives such as tax concessions, simplification of licensing procedures and dereserving some industries such as drugs, aluminum, heavy electrical equipments, fertilizers, etc in order to further boost the FDI inflows in the country. This liberal attitude of government towards foreign capital lured investors from other advanced countries like USA, Japan, and Germany, etc. But due to significant outflow of foreign reserves in the form of remittances of dividends, profits, royalties etc, the government had to adopt stringent foreign policy in 1970s. During this period the government adopted a selective and highly restrictive foreign policy as far as foreign capital, FDI and ownerships of foreign companies were concerned.

Government setup Foreign Investment Board and enacted Foreign Exchange Regulation Act, 1973 in order to regulate flow of foreign capital and FDI flow to India. The soaring oil prices continued low exports and deterioration in Balance of Payment position during the 1980s forced the government to make necessary changes in the foreign policy. During this period the government encouraged FDI, allowed MNCs to operate in India. This resulted in the partial liberalization of Indian economy and the government introduced reforms in the industrial sector that aimed at increasing competency, efficiency and growth in industry through a stable, pragmatic and non-discriminatory policy for FDI flow.

In fact, in the early Nineties again, Indian economy faced severe balance of payment crisis. Exports began to experience serious difficulties. There was a marked increase in petroleum prices because of the gulf war. The crippling external debts were debilitating the economy. India was left with that much amount of foreign exchange reserves which could finance its three weeks of imports. The outflow of foreign currency which was deposited by the NRI's gave a further jolt to Indian economy. The overall Balance of Payment reached at Rs. (-) 4471 crore. Inflation reached at its highest level of 13 per cent<sup>4</sup>.

Foreign reserves of the country stood at Rs.11416 crore. The continued political uncertainty in the country during this period added further to worsen the situation. As a result, India's credit rating fell in the international market for both short- term and long-term borrowing. All these developments put the economy at that time on the verge of default in respect of external payments liability. In this critical face of Indian economy the then finance Minister of India Dr. Manmohan Singh, with the help of World Bank and the IMF introduced the macro – economic stabilization and structural adjustment programme. As a result of these reforms India opened its door to FDI inflows and adopted a more liberal foreign policy in order to restore the confidence of foreign investors<sup>5</sup>.

Further, under the new foreign investment policy, Government of India constituted FIPB (Foreign Investment Promotion Board) whose main function was to invite and facilitate foreign investment through single window system from the Prime Minister's Office. The foreign equity cap was raised to 51 percent for the existing companies. Government had allowed the use of foreign brand names for domestically produced products which was restricted earlier. India also became the member of MIGA (Multilateral Investment Guarantee Agency) for protection of foreign investments. Government lifted restrictions on the operations of MNCs by revising the FERA Act 1973. New sectors such as mining, banking, telecommunications, highway construction and management were open to foreign investors as well as to private sector.

## FOREIGN DIRECT INVESTMENT IN INDIA IS APPROVED THROUGH TWO ROUTES

FDI can be divided into two broad categories; investment under automatic route and investment through prior approval of government and foreign Investment Promotion Board route. The Reserve Bank of India accords automatic approval within a period of two weeks to all proposals involving: Foreign equity up to 50% in 3 categories relating to mining activities. Foreign equity up to 51% in 48 specified industries. Foreign equity upto 74% in 9 categories. Investments in high-priority industries or for trading companies primarily engaged in exporting are given almost automatic approval by the RBI<sup>6</sup>.

FDI up to 100% is now permitted on the automatic route in all sectors/activities except; activities requiring industrial license under the industries (Development and Regulation Act), proposals where the foreign investor had an existing joint venture/technical collaboration /trademark agreement in the same field of activity, proposals for acquisition of shares in Indian company in the financial services sector and where SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 is attracted and all proposals falling outside notified sectoral political/caps or under sectors in which FDI is not permitted.

FIPB Route: Foreign Investment Promotion Board (FIPB) is a competent body to consider and recommend foreign direct investment, which do not come under the automatic route. Normal processing time of an FDI proposal in FIPB is 4 to 6 weeks. FIPB is located in the Department of Economic Affairs, Ministry of Finance, and Government of India<sup>7</sup>.

Some of the important ways in which FDI can enter a host country are:

- (i) Incorporation of new companies for setting up new projects;
- (ii) Incorporation of new companies for taking over operations of existing companies which could be locally owned or in turn FDI companies themselves;
- (iii) Acquiring stakes in existing host country companies;
- (iv) Infusing fresh capital from abroad in existing FDI companies by the same foreign investor either for maintaining his percentage share or to increase it;
- (v) The new ones can also be having a project on hand or of a holding company nature which would further promote subsidiaries and joint ventures, and engage in local acquisitions, franchise arrangements;



- (vi) Capitalization of reserves; and  
 (vii) Setting up of branches<sup>8</sup>.

There are some main bodies and boards that have been set up for the purpose of foreign Direct Investment, such as: Project Approval Board(PAB), licensing Committee(LC), District Industries Centers, Investment Promotion and Infrastructure Development Cell, Foreign Investment Promotion Board(1991), Foreign Investment Promotion Council(1996), Foreign Investment Implementation Authority(1999), Investment Commission(2004).

### IMPACT OF FOREIGN DIRECT INVESTMENT ON THE ECONOMIC GROWTH

Several studies have been conducted to determine whether FDI impacts positively on the economic growth. Some authors found some evidences of crowding-in effect, i.e., that FDI is complementary to domestic investment. A related set of literature attempts to draw a distinction between positive, "crowding-in" effects of FDI, and negative "crowding-out" effects. Among the former are the positive technology and trade effects alluded to above country reputation. The latter draws attention to a range of possible outcomes: anticompetitive impacts(e.g., displacement of domestic firms or investment), bidding scarce resources (e.g. skilled labor, credit) away from domestic firms, or squeezing out domestic supply networks as new foreign entrants bring with them integrated upstream and downstream supply chains<sup>9</sup>.

More recent studies, however, assert that the results of such macro studies are flawed. Nair-Reichert and Weindhold (2001) argue that traditional panel and time series estimators often impose homogeneity assumptions across countries in studies of the relationship between FDI and growth. Meanwhile their findings, show strong evidence of considerable heterogeneity across countries. This indicates that incorrectly imposing the homogeneity assumption on the data estimation to test for causality between FDI and economic growth in developing countries.

### THE IMPACT OF FDI ON THE HOST COUNTRY EMPLOYMENT

Firms attempt to capitalize on abundant and inexpensive labor.

Host countries seek to have firms develop labor skills and sophistication.

Host countries often feel like least desirable jobs are transplanted from home countries.

Home countries often face the loss of employment as jobs move

### FDI IMPACT ON DOMESTIC ENTERPRISES

Foreign investment companies are likely to be more productive than local competitors. The result is uneven competition in the short run, and competency building efforts in the longer term. It is likely that FDI developed enterprises will gradually develop local supporting industries and supplier relationships in the host country.

#### BENEFITS OF FOREIGN DIRECT INVESTMENT

Attracting foreign direct investment has become an integral part of the economic development strategies for India. FDI ensures a huge amount of domestic capital, production level, and employment opportunities in the developing countries, which is a major step towards the economic growth of the country. FDI has been booming factor that has bolstered economic life of India, but on the other hand it is also being blamed for ousting domestic inflows.<sup>10</sup> FDI is also claimed to have lowered few regulatory standards in terms of investment patterns. Some of the main advantages of FDI enjoyed by India have been listed as under:

**ECONOMIC GROWTH-** This is one of the major sectors, which has enormously benefited from foreign direct investment. A remarkable inflow of FDI in various industrial units in India has boosted the economic life of the country.

**TRADE-**Foreign Direct Investments have opened a wide spectrum of opportunities in the trading of goods and services in India both in terms of import and export production. Products of superior quality are manufactured by various industries in India due to greater amount of FDI inflows in the country. The superior quality Indian goods are much in demand in foreign countries, including the developed nations and through exports a lot of scarce foreign exchange is earned which, in turn, is used for further development of the country.

**EMPLOYMENT AND SKILL LEVELS-** FDI has also ensured enormous employment opportunities by aiding the setting up of industrial units in various corners of India.

**TECHNOLOGY DIFFUSION AND KNOWLEDGE TRANSFER-**FDI apparently helps in the outsourcing of knowledge from India especially in the Information Technology sector. It helps in developing the know-how process in India in terms of enhancing the technological advancement of India.

**LINKAGES AND SPILLOVER TO DOMESTIC FIRMS-** Various foreign firms are now occupying a position in the Indian market through Joint Ventures and collaboration concerns. The maximum amount of the profits gained by the foreign firms through these joint ventures is spent on the Indian market<sup>11</sup>.

TABLE-1: SECTORS ATTRACTING HIGHEST FDI EQUITY INFLOWS

Amount in Rs. crores (US\$ in millions) Ranks	Sector	2009-10 (April-March)	2010-11 (April-March)	2011-12 (for April 2011)	Cumulative Inflows (April '00 - April '11)	% age to total Inflows (In terms of US\$)
1.	<b>SERVICES SECTOR</b> (financial & non-financial)	20,776 (4,353)	15,539 (3,403)	2,922 (658)	123,706 (27,668)	21 %
2.	<b>COMPUTER SOFTWARE &amp; HARDWARE</b>	4,351 (919)	3,571 (784)	425 (96)	48,135 (10,821)	8 %
3.	<b>TELECOMMUNICATIONS</b> (radio paging, cellular mobile, basic telephone services)	12,338 (2,554)	7,546 (1,665)	205 (46)	48,313 (10,611)	8 %
4.	<b>HOUSING &amp; REAL ESTATE</b>	13,586 (2,844)	5,149 (1,127)	167 (38)	43,288 (9,655)	7 %
5.	<b>CONSTRUCTION ACTIVITIES</b> (including roads & highways)	13,516 (2,862)	5,077 (1,125)	1,381 (311)	42,160 (9,491)	7 %
6.	<b>AUTOMOBILE INDUSTRY</b>	5,754 (1,208)	6,008 (1,331)	1,182 (266)	28,037 (6,199)	5 %
7.	<b>POWER</b>	6,908 (1,437)	5,709 (1,252)	1,136 (256)	27,848 (6,156)	5 %
8.	<b>METALLURGICAL INDUSTRIES</b>	1,935 (407)	5,055 (1,105)	229 (52)	18,724 (4,286)	3 %
9.	<b>PETROLEUM &amp; NATURAL GAS</b>	1,328 (272)	2,621 (574)	28 (6)	13,763 (3,159)	2 %
10.	<b>CHEMICALS</b> (other than fertilizers)	1,707 (362)	1,810 (398)	152 (34)	13,234 (2,927)	2 %

Source: SIA newsletter of Department of Industrial Policy and Promotion (DIPP), from April 2000 to April 2011 - Annex-4B

It is evident that FDI flows in various sectors have been witnessing ups and downs. The reason may be the technological advancement or may be infrastructural backwardness in some sectors. The data cited in table 1 reveal that service sector has been attracting highest FDI inflow as the percentage of total inflow; it is 21%, the service sector of India accounts for nearly 60% of the GDP of the country.

There after FDI comes in computer software and hardware secured second position by capturing 8% of total FDI inflow. Telecommunication sector also accounted for 8% of FDI inflow. These two sectors stood second and third because of Telecommunication development taking place in India.

**TABLE-2: STATEMENT ON RBI'S REGIONAL OFFICES (WITH STATE COVERED) RECEIVED FDI EQUITY INFLOWS<sup>1</sup> (from April 2000 to April 2011)**

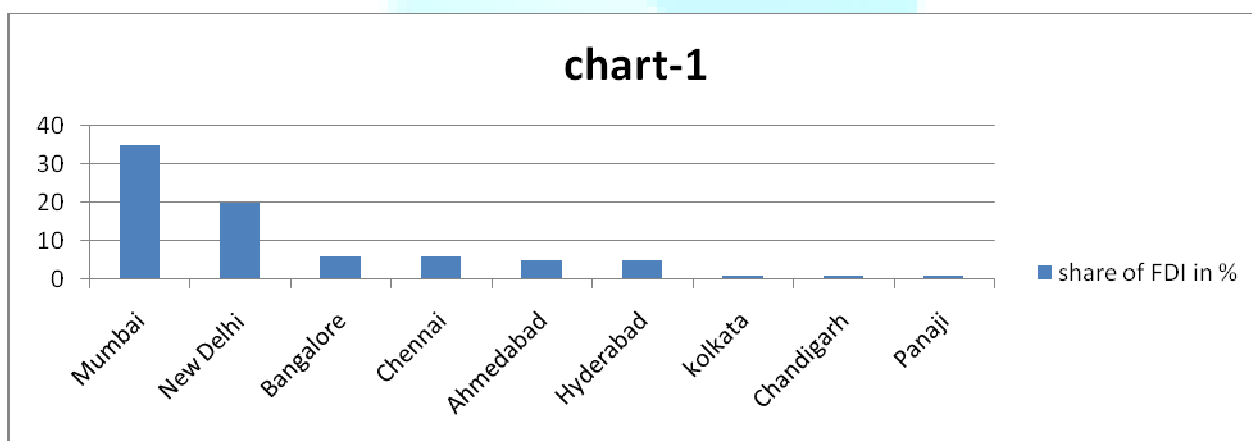
Amount Rupees in crores (US\$ in millions) S. No.	RBI's - Regional Office <sup>2</sup>	State covered	2009-10 (Apr.- Mar.)	2010-11 (Apr.- March)	2011-12 (for April- 2011)	Cumulative Inflows (April '00 – April '11)	%age to total Inflows (in terms of US\$)
1	MUMBAI	MAHARASHTRA, DADRA & NAGAR HAVELI, DAMAN & DIU	39,409 (8,249)	27,669 (6,097)	3,381 (762)	204,852 (45,830)	35
2	NEW DELHI	DELHI, PART OF UP AND HARYANA	46,197 (9,695)	12,184 (2,677)	4,495 (1,013)	118,184 (26,101)	20
3	BANGALORE	KARNATAKA	4,852 (1,029)	6,133 (1,332)	576 (130)	37,233 (8,358)	6
4.	CHENNAI	TAMIL NADU, PONDICHERRY	3,653 (774)	6,115 (1,352)	2,177 (491)	33,024 (7,341)	6
5	AHMEDABAD	GUJARAT	3,876 (807)	3,294 (724)	559 (130)	32,252 (7,282)	5
6	HYDERABAD	ANDHRA PRADESH	5,710 (1,203)	5,753 (1,262)	575 (130)	27,137 (6,090)	5
7	KOLKATA	WEST BENGAL, SIKKIM, ANDAMAN & NICOBAR ISLANDS	531 (115)	426 (95)	550 (124)	6,918 (1,611)	1
8	CHANDIGARH <sup>3</sup>	CHANDIGARH, PUNJAB, HARYANA, HIMACHAL PRADESH	1,038 (224)	1,892 (416)	24 (5)	4,709 (1,030)	1
9	PANAJI	GOA	808 (169)	1,376 (302)	0.08 (0.02)	3,326 (725)	1
10	BHOPAL	MADHYA PRADESH, CHATTISGARH	255 (54)	2,093 (451)	1 (0.32)	3,011 (654)	0.5

**SOURCE:** Data compiled from various SIA newsletter of DIPP. (Department of industrial policy and promotion)

India has large no of metropolitan cities and hence an examination with regard to concentration of FDI flows to different regions would be significant. The latest data with regard to equity inflow indicate that Mumbai has largest concentration and it accounted 35% of total FDI inflow in country.

Next comes Delhi with a share of 20%. Then comes Bangalore and Chennai both constituted nearly 6%. Some revealing facts can be drawn from table 2 that there have been high degrees of concentration of FDI inflows to those regions, which are highly developed and located near ports. The first two regions namely Mumbai and Delhi accounted 55% of the total FDI inflow in the country.

#### REGION-WISE BREAK- UP OF CUMULATIVE FDI INFLOW



**Source:** Constructed on the basis of table 2

#### SUGGESTIONS

In order to attract more FDI flows, the Government of India should seriously think over the following suggestions.

1. The policy makers should design policies where foreign investment can be utilized as means of enhancing domestic production, saving and exports as medium of technological learning and technological diffusion and also providing access to the external market.
2. The government should be concentrate on the type and volume of FDI that will significantly boost domestic competitiveness, enhance skills and technological learning leading to both social and economic gains.
3. In order to reap optimum benefits from FDI inflows, India needs to establish a transparent, broad and effective policy environment for investment and to implement it appropriately.
4. Government must target to attract specific types of FDI that are able to generate spill-over effects in the overall economy. This could be achieved by investing in human capital, R&D activities, environmental issues, dynamic products, productive capacity, infrastructure and sectors with high income elasticity of demand.
5. FDI must go into infrastructure sector instead of stock market and hence FDI flows must get preference over foreign institutional investment.
6. FDI in agriculture sector should be encouraged. But for the sake of mobilization of foreign funds for development, the issue of food security and interest of small and marginal farmers should not be ignored.
7. There should be Special Tax treatment for FDI and Special Economic Zones (SEZs).



**CONCLUSION**

Foreign direct investment contributes to a country's economic growth and development. It adds to fixed capital formation and has a positive impact on balance of payments without the risk of debt creation or the volatility associated with short term portfolio capital flows. By investing in the other country companies get required resources, cheap labor, and better technology and customized products. Companies also expand their business and generate handsome profit as well as generate employment opportunities for the people of the host country. FDI can enter in various ways in the host country like International franchising, branch contractual alliances, Equity joint ventures, wholly foreign-owned subsidiaries, investment approaches: Greenfield investment (building a new facility), cross-border mergers, cross-border acquisitions, sharing existing facilities. Mauritius, Singapore and USA are the top investors of FDI in India and the service sector is attracting highest FDI inflow and region-wise, Mumbai secures that place.

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## REFLECTIONS ON VILLAGE PEOPLE'S SOCIO - ECONOMIC CONDITIONS BEFORE AND AFTER NREGS: A DETAILED STUDY OF ARIYALUR DISTRICT, TAMIL NADU

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### ABSTRACT

**Background:** "India lives in its villages" - Mahatma Gandhi. Researchers have discussed that the choices village people make are based on their beliefs. The decisions of government can influence their village peoples and have a significant effect on their employment experiences. **Aim:** The aim of the research is to study the impact of National Rural Employment Guarantee Scheme (NREGS) on the social and economic conditions of the rural people. **Methods:** Descriptive Research Design has been used for the present study. An attempt has been made, initially, to describe the background socio-demographic characteristics of the respondents. Ariyalur district from the total number of 6 unions, one union was selected by lottery method. There were 20 such panchayats that came under the study. This had 107 families that completed 100 days of employment. **Results:** The results indicate Majority of the respondents 33.6 per cent were in the age group between 41 and 50 years. Majority of 78 respondents had 12,000-14,000 per year as their annual income before NREGS and majority of 71 respondents had 14,000 – 16,000 per year as their income after the implementation of the scheme. **Conclusions:** The present study is a humble attempt to describe the important variables such employment opportunities created by the scheme differences between the NREGS works and its relation to the agricultural works, the benefits as against the drawbacks and some valuable suggestions.

### KEYWORDS

Employment, income.

### INTRODUCTION

India lives in its villages.

Literally and from the social, economic and political perspectives the statement is valid even today. Around 65% of the State's population is living in rural areas. People in rural areas should have the same quality of life as is enjoyed by people living in sub urban and urban areas. The present strategy of rural development mainly focuses on poverty alleviation, better livelihood opportunities, provision of basic amenities and infrastructure facilities through innovative programmes of wage and self-employment. The Village Panchayat will issue job cards to every registered individual. Payment of the statutory minimum wage and equal wages for men and women are the notable features of the scheme. From 01.04.2008 onwards, the Scheme has been extended to all the remaining 20 districts (Phase III) of Tamil Nadu one of Ariyalur district.

*Mahatma Gandhi*

### A HISTORY OF PROGRAMMES UNDER NREGA

India has three decades of experience in implementing employment generation programmes. The first set of programmes, the National Rural Employment Programme and the Rural Landless Employment Programme, began in the 1970s as clones of the Maharashtra EGS In 1989, the Rajiv Gandhi government. In 1990, when prime minister V P Singh ambushed the Rajiv Gandhi government in 1993, the Employment Assurance Scheme (EAS) was launched. The final change came in December 2004, when the National Rural Employment Guarantee Bill was tabled in Parliament. The Parliament enacted an Act No. 42 of 2005 called the National Rural Employment Guarantee Act. The Act provides a guarantee for rural employment to households whose adult members volunteer to do un-skilled manual work not less than 100 days of such work in a financial year in accordance with the scheme made under the Act.

### NATIONAL RURAL EMPLOYMENT GUARANTEE SCHEME (NREGS)

#### I) CENTRAL GOVERNMENT

- ✓ Rural development ministry nodal ministry
- ✓ Ensure fund flow
- ✓ Set up employment guarantee council for advisory
- ✓ Independent monitoring and evaluation

#### II) STATE GOVERNMENT

- ✓ Evolve regulations
- ✓ Set up Employment Guarantee Council
- ✓ Facilitating resource flow

#### III) DISTRICT PANCHAYAT

- ✓ Prepare district annual plan
- ✓ Prepare five-year perspective plan based on village plans
- ✓ Implement works (not mandatory)
- ✓ District level coordination of activities

#### IV) BLOCK PANCHAYAT

- ✓ Coordinate block level plans
- ✓ Identify possible works based on village plan
- ✓ Design and implement works (not mandatory)
- ✓ Monitoring

**V) VILLAGE PANCHAYAT**

- ✓ Prepare village plan
- ✓ Identify, design and implement 50% works
- ✓ Set up local institutions to facilitate implementation
- ✓ Evaluate and monitor implementation

**REVIEW OF LITERATURE**

According to **Sharma (2006)**, the people were happy about getting the job opportunities in their own villages which the findings prove to be true. The author further states that the participation of women has not been found encouraging. The findings of our survey show that a majority of 51.5 per cent women participate in the NREGS works.

**Tamil Nadu – A Report (2008)**, published in YOJANA and **Sudha Narayan (2008)** who carried out a survey in Villupuram district conclude that provision of effective childcare facilities like the creches at worksites should be provided. The findings in the Ariyalur district shows that 100 per cent of the respondents have agreed that water facilities, shed and crèches were provided at the worksite. A few 6 among 107 of them have stated that first aid was not given properly.

**Mamidipally Rajanna (2009)**, who studied the impact of NREGS in Andhra Pradesh States that social audits and accurate records are to be concentrated while the findings from the panchayat presidents and beneficiaries more than half 55 per cent have expressed that social audits were done regularly every half year and 100 per cent of them have stated that records were maintained properly.

**Singh (2008)** conducted a study in Uttar Pradesh. He came to a conclusion that there is a need for spreading awareness among the people. **Rao (2007)** who made a study of Karnataka and Andhra Pradesh has also stated the same. The findings in Ariyalur district, Tamil Nadu (2009) shows that the awareness on the scheme is better when compared to other states and previous years. 100 per cent of the respondents are aware of the scheme and the benefits they would get from it.

**Rao (2008)** and the findings of this survey conclude that the scheme has reduced migration of rural area to the urban locations.

**IMPORTANCE OF THE STUDY**

This research becomes significant since it studies the effects of the NREGS on the individual, society and economic status of the rural people, both directly and indirectly. The study also helps in identifying the defects of the scheme and suggests ways to rectify them. Hence this research becomes important. This research also reflects the social status of the people, effects of the scheme on agriculture and the present situation of the rural people therefore it can be called as the mirror of the society.

**STATEMENT OF THE PROBLEM**

India is the largest democratic country with rich and varied culture and life styles. There are industrious cities and fertile villages. The villagers depend on agriculture for their living. More than 80% of the Indians live in villages. When agriculture fails them, they hurl in poverty. They central and state governments have implemented various schemes to eradicate the poverty of the rural people. National Rural Employment Guarantee Scheme (NREGS) is one such a scheme which has gained popularity in recent times. It is one of the schemes that has reached the people directly and is popularly known as 100 days employment scheme.

The scheme has gained popularity among the poor and has many salient features. Has this scheme reached the people? This is a key point to be researched upon. More over the study on this scheme becomes essential as it has affected the rural people and agricultural works both directly and indirectly and in a positive and negative way. These should be studied closely to identify the negative aspects and the central reason behind them. So that they can be rectified in order to make the scheme more successful.

The implementation of the scheme nation-wide has many practical difficulties. Only a direct research with those who help in implementing the scheme and the beneficiaries will help to remove these difficulties.

**OBJECTIVES**

1. To study the socio-economic background of the beneficiaries under the National Rural Employment Guarantee Scheme (NREGS) in Ariyalur District.
2. To study the awareness regarding the NREGS among the respondents.
3. To evaluate the usefulness of NREGS in study area.
4. To find out the difference in the standard of living of the village people before and after implementation of NREGS.

**HYPOTHESIS**

1. People under the NREGS scheme have higher wages than the people involved in the agricultural work.
2. The Agricultural works had more labourers before the implementation of NREGS than after the implementation of the scheme.
3. People with higher level of education are likely to have a higher level of awareness on the scheme when compared to people with lower level of education.
4. People of the rural area get higher employment opportunity through NREGS than before its implementation.

**RESEARCH METHODOLOGY**

Descriptive Research Design has been used for the present study. An attempt has been made, initially, to describe the background socio-demographic characteristics of the respondents, and then the key variables namely awareness of the people on the scheme, employment opportunity. The universe of the present study includes all the people living within 6 unions that falls under Ariyalur district. From the total number of 6 unions, one union was selected by lottery method. Thirumanur union, which was selected, has 36 panchayats. Among them only those panchayats with families that completed the full 100 days under the NREGS were selected by the researcher for the study. There were 20 such panchayats that came under the study. This had 107 families that completed 100 days of employment. Census method was used to select the panchayat presidents and beneficiaries (107 families) as respondents. The researcher used a self – prepared structured Interview-Schedule which included the respondent's personal details such as age, gender, education, occupation, income etc., and awareness of the people on regarding NREGS the scheme, registering for the scheme, getting employment and wage and socio-economic conditions of the respondents were included in the schedule. The structured interview schedule was prepared in Tamil so that it could be understood by the respondents. The collection of data was done from 19<sup>th</sup> June to 31<sup>st</sup> August, 2009.

**RESULTS AND DISCUSSION****TABLE – 01: DISTRIBUTION OF RESPONDENTS BY AGE VS GENDER**

S. No.	Age	Male	Female	No. of Respondents	Percentage
1.	20 – 30 years	3	9	12	11.2
2.	31 – 40 years	8	17	25	23.4
3.	41 – 50 years	19	17	36	33.6
4.	51 – 60 years	15	11	26	24.3
5.	61 – 70 years	6	1	7	6.5
6.	Above 70 years	1	-	1	1.0
	<b>Total</b>	<b>52</b>	<b>55</b>	<b>107</b>	<b>100.0</b>

Source: Field Survey

The tables above show the age and gender of the respondents. It is clear from the table that the maximum number of respondents i.e. 33.6 per cent of them belongs to the age group of 41-50 years and the male and female beneficiaries in the age group are comparatively equal. About 92.5 per cent of the respondents belong to the working age group between 20-60 years. It shows that NREGS has been successful in employing the right age group for the works and Table No.2 shows that it is equally beneficial to the male as well as the female.

**TABLE – 02: DISTRIBUTION OF RESPONDENTS BY THEIR RELIGION**

S. No.	Religion	No. of Respondents	Percentage
1.	Hindu	97	90.6
2.	Christian	10	9.4
	<b>Total</b>	<b>107</b>	<b>100.0</b>

Source: Field Survey

The above table shows that the majority of the beneficiaries 90.6 per cent belong to the Hindu religion. It also shows that even the people from the minority community benefit from the scheme.

**TABLE – 03: DISTRIBUTION OF RESPONDENTS BY THEIR COMMUNITY**

S. No.	Community	No. of Respondents	Percentage
1.	SC	27	25.2
2.	BC	72	67.3
3.	MBC	8	7.5
	<b>Total</b>	<b>107</b>	<b>100.0</b>

Source: Field Survey

Distribution table above shows the community wise difference among the respondents. Among the respondents 67.3 per cent of them belong to the Backward Community. The Scheduled Community 25.2 per cent and the Most Backward Community 7.5 per cent have also benefited from the scheme. Though there is a vast difference between each community, still when compared with the population in the target area, the scheme has provided equal opportunity to every community.

**TABLE – 04 DISTRIBUTIONS OF RESPONDENTS BY THEIR EDUCATIONAL QUALIFICATION**

S. No.	Educational Qualification	No. of Respondents	Percentage
1.	Primary	30	28.0
2.	Secondary	38	35.5
3.	Higher Secondary	2	2.0
4.	Technical	1	1.0
5.	Illiterate	36	33.5
	<b>Total</b>	<b>107</b>	<b>100.0</b>

Source: Field Survey

The table above states that 28 per cent of the beneficiaries have only completed primary education and 35.5 per cent have done secondary education while 33.5 per cent of them are illiterate.

**TABLE – 05: DISTRIBUTION OF RESPONDENTS BY THEIR OCCUPATION**

S. No.	Type of Occupation	Before NREGS	Percentage	After NREGS	Percentage
1.	Agricultural Labourers	70	65.4	25	23.4
2.	Own agricultural	20	18.7	8	7.5
3.	Others works	17	15.9	-	-
4.	NREGS works	-	-	74	69.1
	<b>Total</b>	<b>107</b>	<b>100.0</b>	<b>107</b>	<b>100.0</b>

Source: Field Survey

Occupation wise distribution table shows a very salient point about the scheme. The table clearly shows that people who were agricultural labourers (70) and even those who had their own agricultural land (20) have opted to work under the scheme. About (74) of the respondents have left agricultural work and have joined the NREGS scheme. This study shows that agricultural labour has been affected by the scheme. Even the (17) who have done others works before the scheme have left them and joined the scheme after its implementation.

**TABLE – 06: EMPLOYMENT OPPORTUNITY OF THE RESPONDENTS**

S. No.	Employment Opportunity per month (In Days)	Before NREGS	Percentage	After NREGS	Percentage
1.	5 – 10	5	4.7	-	-
2.	10 – 15	89	83.2	10	9.3
3.	15 – 20	13	12.1	80	74.8
4.	20 – 25	-	-	17	15.9
	<b>Total</b>	<b>107</b>	<b>100.0</b>	<b>107</b>	<b>100.0</b>

Source: Field Survey

The above table studies the employment opportunity of the respondents before and after the implementation of the scheme. Maximum number of respondents have expressed that NREGS has given them more number of days of employment per month. (89) of them have said that they had 10-15 days of employment per month before the scheme and (80) of them have agreed that the days of employment has increased to 15-20 days per month after the implementation of the scheme.

**TABLE – 07: INCOME VARIATION BEFORE AND AFTER NREGS**

S. No.	Annual Income of the Individual	Before NREGS	Percentage	After NREGS	Percentage
1.	10,000 – 12,000	7	6.6	-	-
2.	12,000 – 14,000	78	72.9	13	12.2
3.	14,000 – 16,000	18	16.8	71	66.4
4.	16,000 – 18,000	4	3.7	14	13.0
5.	Above – 18,000	-	-	9	8.4
	<b>Total</b>	<b>107</b>	<b>100.0</b>	<b>107</b>	<b>100.0</b>

Source: Field Survey

The above table shows clearly that the annual income of the beneficiaries has increased after the implementation of the scheme. The maximum number of respondents (78) have stated that their annual income was 12,000 – 14,000 before the scheme and (71) among (107) accepted that their annual income has increased to 14,000-16,000 after the implementation of the scheme.

TABLE – 08: WAGE AND WORKING HOURS

S. No.	Type of Work	Working Hours		Wage	
		Male	Female	Male	Female
1.	Agricultural Works	5 Hours	5 Hours	100	50
2.	NREGS works	7 Hours	7 Hours	80	80

Source: Field Survey

The above table explains the working hours and wage of the respondents in agricultural works and in NREGS works. The working hours have increased from 5 to 7 hours in the NREGS works. The wages for the men have reduced by 20 rupees whereas for the women it has increased by 30 rupees. There is equal wage for men and women in the NREGS works. The differences in the wages and working hours have not affected the involvement of people in NREGS works as they have regular work. From the above table we also come to the conclusion that the male workers get fewer wage in the NREGS works comparing to agricultural works. Whereas the female workers get more wages through NREGS comparing to agricultural works. The female workers benefit more from this scheme.

TABLE – 09: AWARENESS ON SALIENT FEATURES OF THE SCHEME

S. No.	Salient Features of the Scheme	No. of Respondents (107)	Percentage
		Know	
1.	Free medical Treatment for those injured during the work	105	98.1
2.	50 per cent of the wage will to be given during the period of treatment	105	98.1
3.	There should be an open administration	100	93.4
4.	In case of any accident or death during work 25,000/- to be given as compensation	104	97.1
5.	The work should be in accordance with Right Information Act.	75	70.0
6.	Aged people and Physically Challenged to be allotted suitable work.	100	93.4
7.	Social audit reports to be displayed for the public to see	60	56.0

Source: Field Survey

The salient features table shows that the people are aware of the benefits of the scheme. We can come to the conclusion that most of the beneficiaries are aware about the salient features of the programme. Their awareness about openness of administration right to information act, work to be allotted for physically challenged and aged people and audit reports are very little since it does not personally concern them.

TABLE – 10: FULFILMENT OF 100 DAYS OF EMPLOYMENT

S. No.	No of Person in a Family Jointly Fulfilled the 100 Days	No. of the Family	Percentage
1.	Single person	20	18.7
2.	Two person	61	57.0
3.	Three person	21	19.6
4.	Four person	5	4.7
	<b>Total</b>	<b>107</b>	<b>100.0</b>

Source: Field Survey

The table above shows that the scheme provides an opportunity for the beneficiaries to arrange a substitute from their family when they are unable to attend the work. The family members can compensate and complete the 100 days' work. The real beneficiary in the scheme is the family. From the table we come to know that (61) respondents have expressed that two persons of the same family completed the 100 days. This provides opportunity for substituting during times of sickness and other personal reasons so that the family gets 100 full days of work and wages to manage the family expenses.

## FINDINGS

### I. SOCIO – DEMOGRAPHIC CHARACTERISTICS

Majority of the respondents 33.6 per cent were in the age group between 41 and 50 years. A little more than half of the respondents 51.5 per cent are females. A vast majority of the beneficiaries 90.6 per cent were Hindu. More than half of the respondents 67.3 per cent belong to the Backward Community. Majority of the respondents 35.5 per cent had completed secondary education.

### II) ECONOMIC CHARACTERISTICS

Majority of the beneficiaries 70 were involved in agricultural work before the implementation of NREGS while 74 of them joined NREGS after the implementation. A vast majority of 89 among 107 respondents had employment opportunities for 10-15 days per month before the implementation and a majority of 80 among 107 respondents had employment opportunities for 15 – 20 days per month after the implementation. Majority of 78 respondents had 12,000-14,000 per year as their annual income before NREGS and majority of 71 respondents had 14,000 – 16,000 per year as their income after the implementation of the scheme.

### III) AWARENESS OF NREGS

All the respondents 100 per cent were aware of the NREGS and its implementation in their villages. Majority of the respondents 45 per cent had stated that announcements and bit notices were the methods used to create awareness among the public. Other methods used by and large were advertisement board, newspapers, Radio, and Gram Sabha Meetings. A vast majority of 86.5 per cent at average respondents were aware of the salient features of the scheme relating to free medical treatment, open administration, compensation, Right to Information Act and Social Audits.

### IV) EMPLOYMENT AND WAGES

All the respondents 100 per cent agreed that wages were given in cash once in a week. 100 per cent of the respondents stated that men and women get equal wage under the scheme. All the respondents 107 agree that the wage particulars were announced in public and wages were given in a stipulated place.

### V) FINDINGS RELATED TO ASSUMPTIONS

The findings of the survey shown that women in the NREGS have higher wages than in the agricultural work whereas men, who were getting Rs.100 in agricultural work, are only getting Rs.80 in NREGS. The findings shows that 70 among 107 respondents were involved in agricultural work before the NREGS while only 25 among 107 were involved in agricultural work after the implementation of the scheme. The findings show that the annual income of the people has increased from 12,000 – 14,000 per month to 14,000 – 16,000 per month which indicates that the Assumptions is true.

## SUGGESTIONS

### SUGGESTIONS TO THE GOVERNMENT

Men are paid less (Rs. 80/day) in NREGS when compared to other works where they get more (Rs.100 / day) this could be taken into consideration. The scheme has been designed to give equal salary to men and women. The minimum limit can be raised to Rs.100 / day for both men and women however providing more wages for men would result in better quantity of work. The survey points out that there are people in the group of workers (20 people) who do not involve whole heartedly in the work but get equal wages as those who do majority of the work. In order that every individual gives equal share of work monitoring based on norms could be strengthened which also leads to completion of work and better quality of work. Self Help Groups could also be used to better monitoring. NREGS provides work for aged people and physically challenged people which is very much welcomed by the public.



**SUGGESTIONS TO FUTURE RESEARCHERS**

The future researchers could make a study on the feasibility of bring out standardized norms for the NREGS works on topics related to monitoring, work allotment, registering people and age limit. The salient features of the scheme have not fully reached the beneficiaries which could separately be taken for study by the future researchers. The study has excluded those beneficiaries who did not complete 100 days. The future researchers can take up for their study those people so that their problems could be analysed and reasons for non-completion could be evaluated.

**SUGGESTION TO SOCIAL WORKERS**

The social workers who play a vital role in strengthening the government schemes on various levels could help in monitoring and implementation of the scheme so that the aims and objectives of the government are achieved. The social workers could also take up volunteering work of educating the beneficiaries, implementers and farmers on health and hygiene, saving habits and so on. This could further add value to the scheme.

**CONCLUSION**

The present study is a humble attempt to describe the important variables such as implementation of NREGS, Awareness on the scheme, salient features of the programme and employment opportunities created by the scheme while considering their socio-demographic characteristics and analysing the associations among the different key variables. The study has brought out important findings which indicate significant differences between the NREGS works and its relation to the agricultural works, the benefits as against the drawbacks and some valuable suggestions. This study will form a basis for more methodologically sound and rigorous research studies in the broad area of norms related to NREGS works and awareness and reach of the salient features of the scheme.

**ACKNOWLEDGMENT**

It is a matter of great honour to record the relentless and unstinting support rendered towards me to complete this research work. I am immensely grateful to the Lord Almighty the Unseen guess who fired me with his wisdom with a profound sense of gratitude, I record my sincere appreciation to **Dr.P.ILANGO**, Head, Department of Social work, Bharathidasan University, Tiruchirappalli, my respected Research supervisor for his dynamic guidance, valuable suggestions and constant encouragement. He created a conducive environment wherein I could accomplish whatever little I wanted to do. He, with all his patience and endurance, has moulded me for which I would remain indebted in my lifetime. My sincere and profound thanks to **Dr. V. Sethuramalingam**, Lecturer (S.S.) Department of Social Work Bharathidasan University for giving me an opportunity to complete my research work. I am also grateful to **Dr. R. Mangaleswaran**, Lecturer (S.S.) Department of Social Work Bharathidasan University for helping me to carry out the research work successfully. It is pleasure to record my sincere thanks to the Honourable District Collector **Thiru.Anil Meshram IAS.**, Ariyalur District who gave me valuable permission, valuable suggestions, encouragement and support during my research periods. I am also grateful to **Mr.K.Palaniyandi** Asst. District Collector Office, Ariyalur, for his sincere support and helping. I own my sincere thanks to **Mr. M. Balsamy** Block Development Officer, Thirumanur Union, Ariyalur District, for his sincere support. My sincere thanks to **Mr. R.Kalaiyaran** NREGS (Comp.Asst) Thirumanur Union, Ariyalur District for his sincere support. I also render my sincere thanks to all **staff members** of Thirumanur Union for their sincere support. I am also grateful to **Mr. V. Poyyamozi**, B.T. Asst, Government Higher Secondary School, Keelakuzhathur, Ariyalur District, Who gave valuable suggestions, constant encouragement, support during the period of research and for helping me to complete my research work. I am also grateful to **Mr. F. Victor Daniel**, Teacher Educator, BRC, Thirumanur, who gave me valuable suggestions, and support during my research period. I own my sincere thank to all **Panchayat presidents**, all **Beneficiaries**, and all **Farmers** for his sincere cooperation and support during my research periods. Above all last but not the least I am deeply grateful to the creator the lord almighty for having gifted me with lovely parents **Mr.R.Govindharaj**, **Mrs. G. Amsavalli** for their support and encouragement which has made this possible.

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**TABLES****TABLE – 01: FUNDS RELEASED & EXPENDITURE UNDER NREGS (RS. IN CRORES)**

S. No	Year	Central Government	State Government	Total	Expenditure
1	2005-06	65.72	7.31	73.03	3.00
2	2006-07	170.89	18.08	188.97	151.65
3	2006-07	516.29	57.29	573.58	477.36
4	2008-09	969.34	103.12	1,072.46	779.99
	<b>Total</b>	<b>1,722.24</b>	<b>185.80</b>	<b>1,908.04</b>	<b>1,412.00</b>

Source: Rural Development & Panchayat Raj Department Tamil Nadu

TABLE: 02 - FOLLOWING TABLE THROWS LIGHT ON STATE-WISE PERFORMANCE OF NREGS

S. No.	Name of the State	No. of persons provided Employment	Daily Wages (In R s.)
1	Andhra Pradesh	705,822	80
2	Arunachal Pradesh	N.A.	57
3	Assam	6,990	62
4	Bihar	505,281	68
5	Chattisgarh	162,480	58.83
6	Gujarat	73,791	50
7	Haryana	15,573	95.13
8	Himachal Pradesh	24,848	70
9	Jammu & Kashmir	20,261	70
10	Jharkhand	501,388	50.06
11	Karnataka	66,530	62.5
12	Kerala	N.A.	125
13	Madhya Pradesh	1,804,953	61.37
14	Maharashtra	183,075	@ 47
15	Manipur	45,172	72.4
16	Meghalaya	N.A.	70
17	Mizoram	N.A.	91
18	Nagaland	N.A.	66
19	Orissa	563,681	55
20	Punjab	21,284	89
21	Rajasthan	846,263	73
22	Sikkim	N.A.	85
23	<b>Tamil Nadu</b>	<b>82,009</b>	<b>80</b>
24	Tripura	16,218	60
25	Uttar Pradesh	779,611	58
26	Uttaranchal	11,178	73
27	West Bengal	495,493	67.42

Source: Data presented in Rajya Sabha on Aug.2, 2006

# THE CAUSAL EFFECTS OF EDUCATION ON TECHNOLOGY IMPLEMENTATION – EVIDENCE FROM INDIAN IT INDUSTRY

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## ABSTRACT

In the last few decades, scholars and practitioners have increasingly tried to understand the factors that influence IT project success. In response to this concern, several theoretical models have been proposed to explain user attitude towards IT projects. This study mainly focuses on the relationship between user attitude and IT project success. As the changing demographics of the workplace may affect IT project outcomes, there is growing recognition that demographic variables are needed to understand an individual's attitude towards IT project and its influence on the project outcome. This study provides an empirical examination of the significance of level of education may have on the user attitude and which in turn may impact the IT project outcome. Based on the analysis of 478 responses from employees of 40 large and SME Indian IT organizations, the findings suggest that there is a positive relationship between the user attitude and IT project success. The study suggests that favorable user attitude will positively contribute to the IT project success. This study mainly identified that there is significant influence of the level of education on the user attitude. The results of this study are consistent with previous studies with significance of level of education on the IT project success. With increased level of education, the perception of the project success and business success is more favorable. This is attributed to the factor that highly educated workers tend to adopt new technologies faster than those with less education. The IT project success partly depends on the human capital and their knowledge of the new technology and therefore increased levels of education raise the probability of early adoption and utilization of technology and therefore success of IT projects.

## KEYWORDS

Cognitive, Affective, Conative, IT project success, User attitude, IT implementation climate.

## INTRODUCTION

Many factors drive the organizational change. Technology is one of the main enablers of change within organizations. Businesses are forced to constantly review the existing technology and strategize the need to implement newer technologies. Organizations routinely make massive investments in information technology (IT) in order to improve performance, reduce costs, increase productivity, or improve product quality. According to the results of sixth annual business technology survey by McKinsey global survey, aspirations and current expectations for IT is very high and also a greater willingness to spend more on IT.

Equally massive is the cost of failed IT projects, with a combined estimated cost of over \$290 billion for Western Europe and the U.S.A. A Standish group cross-industry survey of 280,000 IT projects found that 23% were cancelled before implementation, and 49% of the completed projects exceeded budget allocations and provided less functionality than originally required. Research consistently shows the majority of the problems and issues experienced by technical programmes are people related as shown in the table 1 below.

**TABLE 1**

People	62%	Change management (the most important factor identified), internal staff adequacy, training, project team, consultants, prioritization/resource allocation, Top management support, Consultants, Ownership, Discipline
Process	16%	Program management, process reengineering, benefit realization, stage/transition
Technology	9%	Software functionalities, application portfolio management, enhancements/upgrades
Knowledge Assets	3%	Reporting, data

Source: Deloitte Consulting and Benchmarking Partners

Not surprisingly, researchers and practitioners are concerned with the issue of understanding and managing employee reactions to such IT projects. In response to this concern, several theoretical models have been proposed to better understand and explain individual attitudes and behaviours toward IT projects. This study mainly focuses on the relationship between user attitude and IT project success. The extended model incorporates the demographic variable education in predicting the user attitude towards IT project success.

## RESEARCH PROBLEM

Organizations spend money on technology transformations to make money and improve operational efficiencies. More spending doesn't necessarily guarantee high success rates. Common pitfalls associated with IT project are:

- The Return on Investment (ROI) and/or stated benefits are never realized
- The new system were only adopted by a small portion of the organization
- When the project went live, critical business systems halted, causing loss of revenue, increased costs, dissatisfied customers and frustrated employees
- The project has been attempted more than once, ran over budget and was late, or was never completed
- Employees are not happy with the end result of the project

Enterprises increasingly recognize that preparing for an IT project can make the difference between the success and failure of a project. Therefore studying the significance of user attitude and level of education towards the IT project success is very important.

## RESEARCH OBJECTIVES

The objective of this study is to examine the modified applicability of innovation implementation model by M.J. Kemp and G.C. Low as described in their study "ERP innovation implementation model incorporating change management" to describe the relationship between user attitude and IT project success and to understand the significance of level of education on user attitude in the Indian IT organizations. Specifically, the research objectives are:

- To explore the various dimensions of user attitude and IT project success criteria
- To identify the relationship between user attitude and IT project success
- To explore the differences evoked between segments of respondents towards IT project outcome on the basis of the level of education.

## LITERATURE SURVEY

This chapter presents a literature review of various aspects of user attitude and Project success criteria.

### USER ATTITUDE

Advocating the school of thought of Krech, Crutchfield, and Ballackey as discussed in their book *"Individual in Society"*, suggested that attitude consist of cognitive, affective and behavioural components. The cognitive part of attitude includes statements of beliefs. The affective component of attitude is the emotional or "feeling" about certain things. The behaviour part of attitude is what the individual actually does or intends to do.

According to Aladwani A M as explained in his study *"Change management strategies for successful ERP implementation"*, the implementation climate makes the three-level adoption process think-feel-do that provides a good framework for describing this phase. The "thinking" process refers to changing the cognitive components of user attitude. This thinking process is mainly influenced by the perceived benefits and project awareness. The "feeling" process is about influencing the affective components of user attitude. The "do" process (intention to adopt) is conative stage. According to Krech, Crutchfield, and Ballackey, adoption intention (behavioral attitude) is what the individual actually does or intends to do. M.J. Kemp and G.C. Low in their study *"ERP innovation implementation model incorporating change management"* indicate that favorable user attitude influence the ERP implementation effectiveness." However, in their study, the implementation effectiveness was considered from the perspective of the users of the ERP system who may not be in a position to provide the business and project outcome of this implementation.

### IT PROJECT SUCCESS

Cooke-Davies T in his study *"The real success factors on projects"* distinguishes between project management success being measured by time, cost and quality, and project success, which is measured against the overall objectives of the project. Espinosa J, DeLone W, Lee G, in the study *"Global boundaries, task processes and IS project success: a field study"* suggest that success for IT projects can be viewed as a combination of project implementation success and systems success. According to Ballantine J, Bonner M, Levy M, Martin A, Munro I, Powell P, in their study, *"The 3-D model of information systems success: the search for the dependent variable continues"* suggests system success can be separated into three levels: technical development, deployment to the user and delivery of business benefits. DeLone W & McLean E in their study *"Information systems success: the quest for the dependent variable"* proposes six major dimensions of systems success, which they refine to include: system quality, information quality, service quality, use, user satisfaction and net benefits. The criteria used by companies to define success were coded and grouped into three categories by Graeme Thomas & Walter Fernandez after studying the previous literatures as explained above in their study, *"Success in IT projects: A matter of definition?"* as project management success, technical success and business success. Based on the discussions with academicians and practitioners, the success of the IT project has been retained as is in the study by Graeme Thomas & Walter Fernandez but by grouping the items into two major categories as they appeared statistically significant: Project Success and Business Success.

Graeme Thomas and Walter Fernandez in their study have only defined the project success criteria but the study did not relate the user attitude and IT project success.

### DEMOGRAPHIC VARIABLE – LEVEL OF EDUCATION

It is commonly believed that education increases the probability of using technology in the job. Craig Riddell in the study *"The Causal Effects of Education on Technology Adoption: Evidence from the Canadian Workplace and Employee Survey"* indicates that employees with more education possess longer work experiences in using computer, and are more likely to experience upgrade in computer-controlled or computer-assisted technology and experience upgrade in technological device than those with less education.

Sona Mardikyan, Betul Beşiroglu and Gozde Uzmaya, in their study *"Behavioral Intention towards the Use of 3G Technology"* suggests that with the increase of education level, people have more tendencies to use the technology, to adopt it and to add it into their daily life.

## RESEARCH GAP

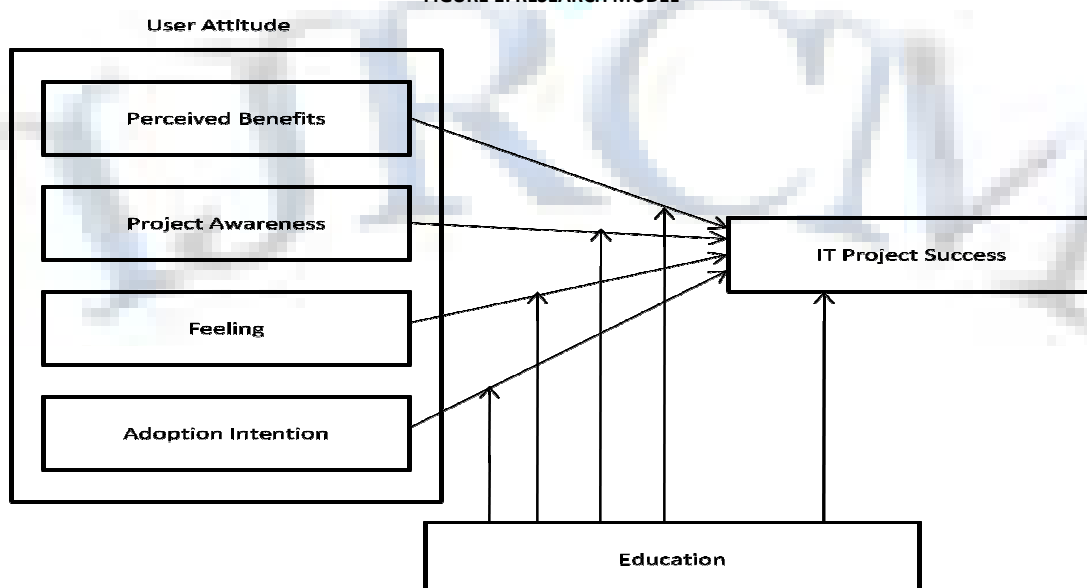
Based on the literature survey, the following gaps have been observed:

- The previous research did not study the significance of level of education on the IT project success.
- The previous studies mostly have been in the area of technology acceptance and technology adoption and did not involve the IT implementation projects.
- The studies so far have not integrated the concepts of user attitude, level of education and IT project success in one study.

## RESEARCH MODEL

Adopting the Aladwani model, the user attitude for an innovation can be described as the sum of employees' observations and experiences regarding the innovation. Developing over Aladwani's model, the MJ Kemp ERP implementation innovation model describes the situation where user's awareness, feelings and intention to adopt an ERP system as providing a greater level of detail implementation climate. The current research model is the modified innovation implementation model of MJ Kemp as shown in Figure 1.

FIGURE 1: RESEARCH MODEL



**RESEARCH METHODOLOGY**

A survey questionnaire was designed to measure the research model variable constructs. There were 41 survey items that are primarily adapted from the relevant previous research as shown in table 2 & 3. All items were measured on a 5-point Likert scale from strongly disagree-1 to strongly agree-5. The survey instrument also captured values for the level of education as shown in table 4. Random sampling procedure was used to identify the respondents from a list of all Indian IT organizations (Large and SME) as listed in the Bangalore Stock Exchange.

**TABLE 2 : REVIEW OF LITERATURE : USER ATTITUDE VARIABLES**

USER ATTITUDE		
Dimensions	Author	Journal
Project Awareness	Hong Seng Woo	Journal of Manufacturing Technology Management
	Olivier Francoise	Business Process Management Journal
	Delloite	Deloitte Consulting & Benchmarking Report 2008
	Carla Marnewick	Information Management & Computer Security
Perceived Benefits	Carla Marnewick	European Journal of Information Systems, Information Management & Computer Security
	Fiona Fui-Hoon	Business Process Management Journal
	Frank Lin and C.E. Tapie Rohm 2009	Business Process Management Journal
	Davis Fred 1989	MIS Quarterly
Feeling	Ronald L. Thompson	MIS Quarterly
	Gholamreza Torkzadeh 2006	Information & Management Systems
	M J Kemp	Business Process Management Journal
	M J Kemp	Business Process Management Journal

**TABLE 3 : REVIEW OF LITERATURE : IT PROJECT SUCCESS VARIABLES**

IT PROJECT SUCCESS		
Dimensions	Author	Journal
Project Success	Graeme Thomas, Walter Fernandez, 2008	International Journal of Project Management
	Ambler, Scott W, 2007	Dr. Dobb's Journal
	Carla D. Kendrick	Research Thesis
	DeLone and McLean,1992,2012	Journal of Management Information Systems
Business Success	Princely Ifinedo,2008	Business Process Management
	Atkinson R, 1999	International Journal of Project Management
	White D & Fortune J, 2002	International Journal of Project Management
	Cooke-Davies,2002	International Journal of Project Management

**DATA ANALYSIS AND RESULTS**

The data analysis for this study was conducted using SPSS statistical tool. A total of 478 responses from 40 Indian IT companies were received. The demographic profiles of the respondents are as shown in the table 4. All respondents were part of the IT implementation project in their career and contributed to the outcome of the IT project.

The reliability of each of the measures was investigated with Cronbach's alpha. Cronbach's alpha, as a rule of thumb, a reliability of .70 or higher is required before an instrument will be used as suggested by George and Mallery in their SPSS guide "SPSS for Windows Step by Step: A Simple Guide and Reference 14.0 Update". Reliability results of the measurement model are reported as shown in Table 5. The reliability scores of different measures in the model exceed the recommended threshold value of 0.70. The data indicates that the measures are robust in terms of their internal consistency as indicated by the cronbach alpha values. Factor analysis was carried out to identify underlying items that explain the pattern of correlations within a set of observed variables. Each item's factor loading on its respective construct is highly significant with results as shown in the tables 6 and 7 below:

A correlation analysis was run based on each of these constructs and the results are reported in Table 8. A regression analysis was also run to analyze the relationship between user attitude and IT project success as shown in table 9. Further, the research model as in Figure 1 was analyzed using T test for the significance of education to understand the difference in perceptions between the groups towards user attitude and IT project success. The results are as shown in table 10.

**TABLE 4: RESPONDENT PROFILE**

DEMOGRAPHIC VARIABLES		N	%
Type of Company	Mid	243	51%
	Large	235	49%
	Total	478	100%
Age Group	Below 30 years	225	47%
	31-40 years	209	44%
	> 40 Years	44	9%
	Total	478	100%
Level of Education	Graduate	245	51%
	Post Graduate	229	48%
	PhD	4	1%
	Total	478	100%
IT Experience	< 5 years	68	14%
	5 to 10 years	222	46%
	11 to 15 years	125	26%
	>15 years	63	13%
	Total	478	100%



TABLE 5: RELIABILITY SCORE

Constructs	Cronbach alpha	No of items
Perceived Benefits	0.971	20
Project Awareness	0.938	5
Feeling	0.731	4
Adoption Intention	0.948	5
IT Project Success	0.894	7

TABLE 6: FACTOR ANALYSIS – IT PROJECT SUCCESS

ROTATED FACTOR MATRIX – IT PROJECT SUCCESS		
	Factor	
	1	2
PS1	.808	
PS2	.780	
PS3	.743	
PS4	.695	
PS5	.651	
BS1		.944
BS2		.856
Eigen value	4.399	1.016
TVE	41.763	29.023

TABLE 7: FACTOR ANALYSIS – USER ATTITUDE

ROTATED FACTOR MATRIX – USER ATTITUDE					
	Factor				
	1	2	3	4	5
PB1	.855				
PB2	.836				
PB3	.803				
PB4	.800				
PB5	.791				
PB6	.766				
PB7	.760				
PB8	.727				
PB9	.717				
PB10	.710				
PB11	.709				
PB12	.705				
PB13	.660				
PB14	.647				
PB15	.613				
PB16	.603				
PB17	.587				
PB18	.576				
PB19	.575				
PB20	.537				
AW1		.803			
AW2		.791			
AW3		.779			
AW4		.662			
AW5		.648			
AD1			.856		
AD2			.822		
AD3			.802		
AD4			.780		
AD5			.766		
FL1				.754	
FL2				.647	
FL3					.632
FL4					.557
Eigen value	18.530	3.837	2.291	1.511	1.196
TVE	32.469	16.280	15.142	6.618	6.097

TABLE 8 : CORRELATION BETWEEN USER ATTITUDE VARIABLES VS IT PROJECT SUCCESS VARIABLES

TABLE 6-7. CORRELATION BETWEEN USER ATTITUDE VARIABLES WITH PROJECT SUCCESS VARIABLES				
Correlations		Dependant Variable		
Independent Variable		Project Success	Business Success	IT Project Success
Perceived Benefit	Pearson Correlation	.598**	.393**	.533**
	Sig. (1-tailed)	.000	.000	.000
	N	478	478	478
Project Awareness	Pearson Correlation	.658**	.502**	.633**
	Sig. (1-tailed)	.000	.000	.000
	N	478	478	478
Feeling	Pearson Correlation	.485**	.226**	.372**
	Sig. (1-tailed)	.000	.000	.000
	N	478	478	478
Adoption Intention	Pearson Correlation	.535**	.275**	.427**
	Sig. (1-tailed)	.000	.000	.000
	N	478	478	478

TABLE 9: REGRESSION ANALYSIS : RELATIONSHIP BETWEEN IT PROJECT SUCCESS AND USER ATTITUDE

Dependent Variable	Independent Variable	R	R Square	Adjusted R Square	Std. Error of the Estimate	F value	Unstandardized Beta	Sig. Value
IT Project Success	User attitude	0.633	0.401	0.399	0.406	318.122	0.845	0

## DISCUSSION

The results showed a strong Pearson correlation among the variables perceived benefits (0.533) and project awareness (0.633) both correlating strongly with IT project success. This data in addition to the R-square and adjusted R-squared values of 0.633 and 0.401 indicate that there is a positive relationship between user's cognitive component and IT project success. Both variables perceived benefits and project awareness will influence the user's thinking process favourably towards the IT project.

## EDUCATION

The data collection was based on three categories for level of education as shown in table 4. However, there were only 4 responses received from the group "Phd". For data analysis purpose, this group was combined as "Post Graduate & PhD". Considering that the basic education level sought within IT industry is graduation, the current study is anchored as less educated for "Graduate" and highly educated for "Post Graduate & PhD". A higher proportion of the sample assessed themselves as Graduates (n=245) and Post Graduate & PhD (n=233). According to the T test results there is significant difference between the perception amongst the less educated group Vs highly educated groups about the IT project success (p=0.000 and with T value being 3.547). The highly educated group is more positive about the IT project success than the less educated group. All means of responses from education group "Post Graduate & PhD" are higher than responses from group "Graduate". This is attributed to the factor that highly educated workers tend to adopt new technologies faster than those with less education. The IT project success partly depends on the human capital and their knowledge of the new technology and therefore increased levels of education raise the probability of early adoption and utilization of technology and therefore success of IT projects.

To summarise the findings, the results show similar findings compared to the previous studies related to relationship between user attitude and IT project success. The results also indicate that the findings are consistent with previous studies on significance of level of education with IT project success. The findings are consistent with the previous studies in suggesting that increased level of education significantly affects the IT project success.

TABLE 10: T-TEST: EDUCATION \*5% LEVEL SIGN

	Education	N	Mean	Std. Dev	t-value	Sig.
Perceived Benefit	Graduate	245	3.988	0.384	0.199	0.842
	Post Graduate & PhD	233	3.979	0.51		
Project Awareness	Graduate	245	3.93	0.535	-1.254	0.211
	Post Graduate & PhD	233	3.993	0.57		
Feeling	Graduate	245	3.799	0.555	-0.341	0.733
	Post Graduate & PhD	233	3.815	0.497		
Adoption Intention	Graduate	245	4.154	0.482	0.213	0.831
	Post Graduate & PhD	233	4.145	0.463		
Project Success	Graduate	245	4.045	0.456	-2.168	0.031*
	Post Graduate & PhD	233	4.14	0.502		
Business Success	Graduate	245	3.851	0.735	-3.869	0.000*
	Post Graduate & PhD	233	4.092	0.62		
IT Implementation Climate	Graduate	245	3.934	0.371	-0.439	0.661
	Post Graduate & PhD	233	3.95	0.415		
IT Project Success	Graduate	245	3.948	0.517	-3.547	0.000*
	Post Graduate & PhD	233	4.116	0.519		

## LIMITATIONS OF THE STUDY

- The scope of this research limits the inclusion of wider dimensions for cognitive and affective part of the user attitude.
- This study includes employees of Indian origin in Indian organisations only. This can be extended to all IT organisations where the Indian counterparts participate in the IT implementation projects.
- The study does not consider the different types of implementation projects.

## KEY CONTRIBUTIONS OF THE STUDY

Important contributions of this study include:

- Understanding the perceptions of employees with different levels of education about the IT projects can help the organisations to prepare the project plan accordingly to cater to different groups and ensure that all impacted employees favour the IT implementation and thereby contribute to the success of the project.
- Change management activities such as training and communication plans can be built accordingly to increase the awareness amongst the less educated employees and increase their perception of the benefits, thereby enabling them to have favourable feeling and intention towards the IT project.

**CONCLUSION**

The results of this study show that the user attitude is indeed highly correlated with positive relationship with IT project success. In addition, level of education has a significant effect on the perception of IT project outcome. The study also found significant difference in the perception towards IT project outcome between employees who are only Graduates and employees with higher education level. Based on these findings, it appears that with increased education levels, there is higher probability of early adoption and utilization of technology and therefore favoring the success of IT projects

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**A STUDY ON ONLINE SHOPPING BEHAVIOUR OF TEACHERS WORKING IN SELF-FINANCING COLLEGES IN  
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**ABSTRACT**

*In Recent years, the gigantic increase of internet usage and information technology have transformed the way of goods are bought and sold, resulting to the exponential growth in the online shoppers and for better marketing performance. The success or failure of a business is determined by the consumers' perception. The ability to attract and retain consumers is important to the success of online businesses. This study examines how consumers perceive online shopping and what factors are perceived by the consumers to prefer online shopping. The population selected for this research is teachers working in self-financing colleges in Namakkal district. K.S.R College of arts and science was chosen as the sampling unit. The sample size is 120 (out of 220 teachers only 120 teachers have online shopping history). Factor analysis was employed and seven factors namely Information, Company and product perception, Safety, Purchase intension, Easiness, Value and Assurance were extracted from the study.*

**KEYWORDS**

Buying behavior, Consumer perception, e-commerce, Teachers' online shopping.

**INTRODUCTION**

The study involves what consumers buy, why they buy it, where they buy it, how frequently they buy the product while they buy product through internet. According to American Marketing Association, consumer behaviour is the dynamic interaction of affect and cognition, behaviour, and the environment by which human beings conduct the exchange aspect of their lives. Consumer behaviour is an area of study that focuses on how consumers make decisions to spend their available resources such as money, time and effort on consumption and use-related items. It should be noted that the final purchase activity is the end result of a long process of consumer decision making. Online shopping or online retailing is a form of Electronic commerce (e-commerce) which allows the consumers to directly buy goods or services from a seller over the internet without intermediary service. (Kenneth and Carol, 2002) defines e-commerce as the use of Internet and the Web to transact business, i.e. digitally enables commercial transactions between and among organisations and individuals. The e-commerce can be classified by many authors in different ways. The current study focuses on consumer's perception on online shopping, therefore, this study deals with Business-to-Consumer (B2C) e-commerce category.

The internet technology provides the advances like gathering information, purchasing a product or rendering a service and it allows for the expansion of shopping options beyond the traditional methods. However, more and more people are gaining confidence about purchasing products online. Online shopping has become an easy and comfortable way of shopping for a large range of products in different categories. It also gives a chance to compare the features, benefits, price and other product related information of one brand with other brands so as to find out the best deals. There is no transportation and related hassle like car parking, travel under hot sun or heavy rain etc. The customers have been wooed by online retailers through special offers and Cyber Monday needs a special mention. According to Wikipedia, the term Cyber Monday was created by Shop.org in 2005 to persuade people to shop online. Since 2005 Cyber Monday has become synonymous with biggest discounts and offers. Cyber Monday denotes the Monday after Black Friday following Thanksgiving Day in the United States. Many companies have started using the Internet with the aim of cutting marketing costs, thereby reducing the price of their products and services in order to stay ahead in highly competitive markets.

Companies also use the Internet to convey, communicate and disseminate information, to sell the product, to take feedback and also to conduct satisfaction surveys with customers. Generally, internet users avert online shopping because of credit-card fraud, lack of privacy, non-delivery risk, lack of guarantee on quality of goods and services. Concerned authorities devise policies to minimize the risk involved in e-business. On the other hand, E-commerce has been growing very fast because of many advantages associated with buying on internet which has lower transaction and search cost as compared to other types of shopping. Through online shopping consumers can buy faster, can compare more alternatives and can order product and services with comparatively lowest price (Cuneyt and Gautam 2004). Therefore, marketers have to carefully analyse the consumers' perception towards the online shopping and to facilitate all the demographics of online shoppers.

The number of internet users worldwide is expected to touch 2.2 billion by 2013. India is projected to have the third largest online population during the same period. In the year 2012 online shopping has more than doubled to \$14 billion as compared to the previous year that yielded \$6.3 billion. According to Internet and Mobile Association of India (IAMAI), the current number of internet users in India stands at 150 million. Currently online shopping is just under 1% of the organized retail volume in India. The Indian retail market forecasts the value of online shopping will grow to \$9 billion in the year 2016. In the year 2020 it will be grow to \$70 billion. Today, from a hairpin to air ticket to real estate can be purchased from the e-commerce portals. In India there are more than 100 e-



commerce portals are waiting to serve the needs of buyers in the country. As on 2012 Amazon.com is the number one portal in terms of visitors, followed by flipkart.com, jabong.com, myntra.com, indiatimes.com and snapdeal.com. In 2012 the fastest growing industry is apparel industry. Major numbers of buyers prefer shopping through websites to buy apparels followed by consumer goods, sports/outdoor, home furnishings, retail food, retail movies etc. This is because of the increasing variety and better convenience of shopping online that encourage buyers to visit sites often compared to the regular traditional shopping.

## METHOD OF ONLINE SHOPPING

Most of the online shopping websites have the same pattern. First, you choose the category under which the items are listed and then customer can select the item that he/she is looking for and add it to his shopping cart. If the customer wants to buy other items, he/she can add to the existing cart. When the customer is finished he can check out the list. After that the customer can see a list with everything that he/she has ordered, the total amount to be paid etc. Payment is usually done through credit card, debit card, net banking or cash on delivery, a facility to pay the amount while taking the delivery of goods, is offered by the online stores.

## REVIEW OF LITERATURE

The various authors have focused their study on customers' online shopping behaviour and the factors influencing online shopping behaviour. The present study is warranted, since the researcher would like to address the research gap that is found in the past researches. The researcher would like to study the online shopping behaviour of teachers working in self-financing colleges (government approved self-supportive higher educational Institutions) in Namakkal district of Tamilnadu, India. Accordingly, the researcher has taken K.S.R College of Arts and Science (Autonomous), Tiruchengode as the sampling unit.

Hee-Woong Kim, Yunjie Xu and Sumeet Gupta (2012) examined that price and trust are considered to be two important factors that influence customer purchasing decision in internet shopping decisions for both potential and repeat customers. Perceived price exerted a stronger influence on purchase decisions of repeat customers as compared to that of potential customers. Perceived trust exerted a stronger influence on purchase decisions of potential customers as compared to that of repeat customers.

Zuroni Md Jusoh Goh Hai Ling (2012) investigated that e-commerce experience, product perception, customer service are the factors influencing consumers' attitude towards online shopping.

Kanwal Gurleen and Pawan Singh Rathour (2012) explained that most of the consumers prefer to buy some selected products online because they will get heavy discounts in comparison to store purchases. Also, the consumers feel that there are good websites available which can be trusted for the purchases. The consumers perceive that shopping online is very convenient and it saves time.

Guo jun, nor ismawati jaafar (2011) Examined that the perceived marketing mix and perceived reputation could impact on the consumers' attitude of adopting online shopping. Online retailers could better realize online consumers' expectations and the determinants of consumers' behavior. By understanding the key drivers that could impact on online consumers' attitude towards online shopping. Online retailers would be able to formulate and implement their e-business strategy efficiently and effectively and build stronger competitive advantage.

Ankur Kumar Rastogi (2011) Analysed that online shopping has become a significant part in life as a result of the growing internet. This adds up to faster, easier, safer and less costly shopping. Online shopping has a great advantage for customers as it is time saving and also a wide range of products can be selected with the best offer.

Gurvinder S Shergill, Zhaobin Chen (2005) indicated that, the four website factors (i.e) website reliability/fulfilment, consumer service, website design, security and privacy has a crucial influence on all the online buyers perception of online purchasing.

Know and Lee (2003) explored consumers' concerns about payment security and its relationship to online shopping attitude and actual purchases. They observed a negative relationship between attitude towards online shopping and concerns about online payment security. Consumers with a positive attitude seem to be less concerned about payment security.

Na Li and Ping Zhang, (2002) Analysed that consumer attitudes, intentions and purchasing behaviour has significant dependency on personal characteristics, seller/product characteristics and website quality. These factors are giving important contributions to understand the dynamics of online shopping behaviour.

Thompson S. H. Teo (2002) indicates that to induce sales, internet access speeds have to be improved to a level fast enough to meet or exceed consumers' expectations. The cost of the internet access is the main concern among the respondents. The main deterrents to purchasing online have been customers' preference to examine products, the need to possess a credit card and security concerns. So, the business should work on improving internet brand equity as one way of reassuring their shoppers.

Ernst and Young (2000) identified the factors that influence or hinder online shopping. Ernst and Young reported that Internet users purchased online because of good product selection, competitive prices, and ease of use, but were concerned about shipping costs, lack of opportunity to prior examining the products, as well as, the confidentiality of credit card and personal information.

Bellman et al (1999) investigated various predictors for whether an individual will purchase online. These authors concluded that demographic variables, such as income, education and age, have a modest impact on the decision of whether to buy online, whereas, the most important determinant of online shopping was previous behaviour, such as earlier online purchases.

Jarvenpaa, S.L. and Todd, P.A., (1997) Proposed a model of attitudes and shopping intention towards internet shopping in general. The model included several indicators, belonging to four major categories; the value of the product, the shopping experience, the quality of service offered by the website and the risk perceptions of internet retail shopping, these factors are affecting the actual buying behaviour on shopping on the internet.

## OBJECTIVES OF THE STUDY

The present study has the following objectives,

1. To find out the factors that influence online shopping behaviour of teachers working in self-financing colleges in Namakkal district with special reference to K.S.R College of Arts and Science, Tiruchengode.
2. To find out the product purchase preferences of teachers working in self-financing colleges in Namakkal district with special reference to K.S.R College of Arts and Science, Tiruchengode.
3. To find out the internet usage pattern of teachers working in self-financing colleges in Namakkal district with special reference to K.S.R College of Arts and Science, Tiruchengode.

## RESEARCH METHODOLOGY

As the study undertaken aims to describe the characteristics of online shopping behavior of teachers working in self-financing colleges, it can be called as descriptive research. According to Naresh K. Malhotra (2005) descriptive research is a type of conclusive research that has as its major objective the description of something- usually market characteristics of functions. After carefully reviewing the various relevant literatures, the researcher has prepared a detailed questionnaire for data collection. All questions are arranged logically and the language is simple to understand. Keeping in view the objectives of the study, the questionnaire (as given Annexure) was constructed. The pilot study was conducted by the researcher to validate the questionnaire. The inputs from the pilot study are used to fine tune the questionnaire. The primary data was collected from teachers working in K.S.R College of Arts and Science, Tiruchengode. There are 220 teachers (lecturers/ assistant professors/ professors) working in the institution out of which only 120 teachers have purchased products through online. Hence, the questionnaires were given only to those 120 teachers. Survey method was adopted for this study. After all the questionnaires were collected back, the responses were tabulated. Each answer of the respondent was tabulated to its respective category. Primarily, Factor analysis was used to interpret the data. Secondary data were also used, which were sourced from research papers, journals, magazines and websites.

## DATA ANALYSIS AND DISCUSSION

TABLE 1: RESPONDENTS' PROFILE

Demographic Variables		No. of respondents	Percent
Gender	Male	68	56.7%
	Female	52	43.3%
Age (years)	20-35	86	71.7%
	35-50	33	27.5%
	Above 50	1	0.8%
Education	PG	48	40%
	M.phil	47	39.2%
	Ph.D	25	20.8%
Income(Rs.)	Below 15000	49	40.8%
	15001-25000	49	40.8%
	25001-35000	20	16.7%
	Above 35000	2	1.7%

TABLE 2: RESPONDENTS' ONLINE SHOPPING BEHAVIOUR

Variables		No. of respondents	Percent
Usage of internet per day	Less than 1 hour	53	44.2%
	1-2 hour	42	35%
	2-3 hour	16	13.3%
	More than 3 hours	9	7.5%
Using internet for information prior to purchase	Never	2	1.7%
	Rarely	5	4.17%
	Sometimes	60	50%
	often	44	36.7%
Using web	Very often	9	7.5%
	Less than 1 year	0	0%
	1-2 year	13	10.8%
	2-3 year	32	26.7%
Internet connection	More than 3 years	75	62.5%
	Broad band	73	60.8%
	Dial up	6	5%
	Other	25	20.8%
Online shopping-product preference	No connection	16	13%
	Books	34	3%
	Home furnishings	3	2.5%
	Electronics and appliances	19	15.8%
	Apparels and accessories	17	14.2%
	Beauty products	7	5.8%
	Games and toys	13	10.8%
	Movie, events or travel tickets	17	14.2%
Preferred site	Other	10	8.3%
	Flipkart.com	45	37.5%
	E.bay.in	27	22.5%
	Jabong	9	7.5%
Mode of payment	Other	39	32.5%
	Credit card	12	10%
	Debit card	28	23.3%
	Cash on delivery	46	38.3%
	Net banking	34	28.3%

The table 2 shows majority (44.2%) of the teachers use internet for less than one hour in a day and 62.5% of teachers were using for more than 3 years. Majority (60.8%) of the teachers have access to broad band connection. The table () also indicates that electronic and appliances were the preferred product for online shopping followed by apparels and travel/movie ticket purchases. The survey highlights flipkart (37.5% of teachers) as the preferred site and cash on delivery (38.3% of teachers) as the preferred mode of payment.

TABLE 3: RESPONDENTS' SEARCH FREQUENCY

Search item	frequently	occasionally	Infrequently	Rarely	Never
Electronic newspaper/magazine	40.8%	49.2%	1.7%	2.5%	5.8%
Chatting	26.7%	33.3%	20%	4.2%	15.8%
Research/education	86.7%	12.5%	0%	0.8%	0%
Product/service information	41.7%	45%	5%	0%	8.3%
Gaming	15%	21.7%	15%	10.8%	37.5%
Shopping	17.5%	71.7%	8.3%	2.5%	0%
Communication via email	61.7%	30.8%	5%	0%	2.5%
Work/business	22.5%	24.2%	14.2%	3.3%	35.8%

The table 3 highlights that majority (86.7%) of the teachers used frequently for research and education followed by E-mail communication.

## FACTOR ANALYSIS

Factor analysis has been employed to explore the underlying factors associated was applied to the constructs validity. Then again the Kaiser-Mayer-Olkin measure of sampling adequacy employed to analyze the strength of association among variables. The Kaiser-Mayer-Olkin measures of sampling adequacy (KMO) was first computed to determine the suitability of using factor analysis to predict whether data are suitable to perform factor analysis of not. The value of

KMO varies from 0 to 1, and KMO overall should be .60 or higher to perform factor analysis. If not then it is necessary to drop the variables with lowest anti image value until KMO overall rise above .60. Result for the Bartlett's Test of Sphericity and the KMO reveal that both were highly significant and concluded that this variable was suitable for the factor analysis (table 2)

**TABLE 4: DESCRIPTIVE STATISTICS**

	Mean	Std. Deviation	Analysis N
Wider choice of products	1.70	.729	120
Quality of the product is good	2.18	.767	120
Guarantees and warranties	1.52	.622	120
Purchasing procedure is simple	1.95	.672	120
Internet reduces monetary cost	2.02	.745	120
Saves time	1.53	.579	120
Convenience	1.57	.604	120
Anytime access	1.58	.616	120
Easy to buy other country product	1.83	.837	120
Description of the product	1.95	.633	120
Reputation of the company	1.58	.545	120
Accuracy and usefulness	1.42	.630	120
Presenter and brand ambassador	2.35	.904	120
Web site design	2.31	.807	120
Advertisement	2.17	.813	120
Friends recommendation	2.36	.858	120
Security and privacy of information	1.31	.515	120

**TABLE 5: KMO AND BARTLETT'S TEST**

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.562
Bartlett's Test of Sphericity	Approx. Chi-Square	698.154
	Df	136
	Sig.	.000

From the table no. 5 Bartlett's Test of Sphericity was also conducted to check the overall significance of the correlation matrices. The value of Kaiser-Meyer-Olkin Measure of sampling adequacy is 0.562. The test value of Bartlett's Test of Sphericity was significant and it is indicating that correlation matrix is not an identify matrix.

**TABLE 6: COMMUNALITIES**

	Initial	Extraction
Wider choice of products	1.000	.650
Quality of the product is good	1.000	.790
Guarantees and warranties	1.000	.881
Purchasing procedure is simple	1.000	.782
Internet reduces monetary cost	1.000	.817
Saves time	1.000	.811
Convenience	1.000	.798
Anytime access	1.000	.664
Easy to buy other country product	1.000	.628
Description of the product	1.000	.835
Reputation of the company	1.000	.757
Accuracy and usefulness	1.000	.692
Presenter and brand ambassador	1.000	.617
Web site design	1.000	.794
Advertisement	1.000	.752
Friends recommendation	1.000	.747
Security and privacy of information	1.000	.700

Extraction Method: Principal Component Analysis.

Principal component analysis works on the initial assumption that all variance is common. Communalities indicate the amount of variance in each variable that is accounted for. Initial communalities are estimates of the variance in each variable accounted for by all variables accounted for by all components of factors. Therefore, before extraction the communalities are all 1. Extraction communalities are estimates of the variance in each variable accounted for by the factors in the factor solution. Small values indicate variables that are not fit well with the factor solution and should possibly be dropped from the analysis.

TABLE 7: TOTAL VARIANCE EXPLAINED

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	3.265	19.208	19.208	3.265	19.208	19.208	2.471	14.535	14.535
2	2.569	15.112	34.319	2.569	15.112	34.319	2.042	12.012	26.547
3	2.012	11.833	46.153	2.012	11.833	46.153	1.892	11.129	37.676
4	1.412	8.306	54.459	1.412	8.306	54.459	1.693	9.961	47.637
5	1.377	8.100	62.559	1.377	8.100	62.559	1.657	9.749	57.386
6	1.079	6.344	68.903	1.079	6.344	68.903	1.527	8.981	66.368
7	1.002	5.893	74.796	1.002	5.893	74.796	1.433	8.429	74.796
8	.835	4.913	79.709						
9	.686	4.035	83.744						
10	.569	3.348	87.093						
11	.505	2.969	90.062						
12	.432	2.539	92.601						
13	.349	2.054	94.655						
14	.297	1.748	96.403						
15	.275	1.617	98.020						
16	.184	1.082	99.102						
17	.153	.898	100.000						

Extraction Method: Principal Component Analysis

Table 7 lists the eigenvalues associated with each linear factor before extraction, after extraction and after rotation. Before extraction SPSS has identified 17 linear components within the data set. The eigenvalues associated with each factor represent the variance explained by that particular linear factor and SPSS also displays the eigenvalue in terms of the percentage of variance explained (so, factor 1 explains 19.208% of total variance). It should be clear that the first few factors explain relatively large amounts of variance (especially factor 1) whereas subsequent factors explain only small amounts of variance. SPSS then extracts all factors with eigenvalues greater than 1, which leaves us with 7 factors. The eigenvalues associated with these factors are again displayed in the columns labeled Extraction Sums of squared Loadings.

Scree Plot

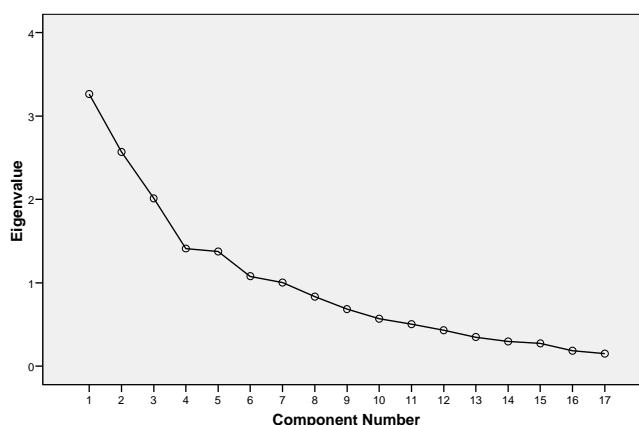


TABLE 8: COMPONENT MATRIX(A)

	Component						
	1	2	3	4	5	6	7
Wider choice of products	.733	-.075	.238	-.019	-.180	-.125	-.044
Quality of the product is good	.377	-.145	-.362	.063	-.384	.550	.206
Guarantees and warranties	.104	-.246	.365	.396	.557	.431	.156
Purchasing procedure is simple	.599	-.069	-.195	.222	-.417	-.356	.174
Internet reduces monetary cost	.478	-.152	-.564	.084	.126	.302	-.365
Saves time	.536	-.108	-.072	-.624	.285	.070	.178
Convenience	.409	-.375	.290	-.336	.179	-.042	.509
Anytime access	.613	-.241	.293	-.221	.015	-.178	-.253
Easy to buy other country product	.680	.123	-.198	-.211	.069	.049	-.243
Description of the product	.424	-.367	-.257	.590	-.068	-.064	.312
Reputation of the company	.411	-.304	.300	.356	.271	-.084	-.446
Accuracy and usefulness	.209	.269	.629	.128	-.383	.126	.037
Presenter and brand ambassador	.255	.688	-.049	.023	.237	-.126	.063
Web site design	.349	.801	.017	.115	-.114	-.063	-.009
Advertisement	.212	.741	-.191	-.065	.073	.328	.059
Friends recommendation	.197	.406	-.198	.288	.521	-.315	.225
Security and privacy of information	.180	.315	.701	.081	-.084	.251	-.003

Extraction Method: Principal Component Analysis.

a 7 components extracted.

This table shows the factor loadings of each variable on the unrotated components or factors. Each number represents the correlation between the item and the unrotated factor. It can be helpful to examine a rotated solution.



TABLE 9: ROTATED COMPONENT MATRIX (A)

	Component						
	1	2	3	4	5	6	7
wider choice of products	.072	.557	.325	.353	.296	.100	-.083
quality of the product is good	-.071	-.072	.053	.295	.106	.824	-.017
guarantees and warranties	-.056	.036	.128	-.008	.109	.025	.921
purchasing procedure is simple	.101	.257	.062	.764	.091	.125	-.305
internet reduces monetary cost	.113	.465	-.433	.079	-.085	.614	.106
saves time	.142	.280	-.161	-.129	.793	.196	-.052
Convenience	-.162	.069	.112	.191	.827	-.071	.170
anytime access	-.094	.701	.166	.084	.350	-.045	-.058
easy to buy other country product	.335	.565	-.082	.032	.238	.339	-.129
description of the product	-.068	.071	-.144	.822	-.006	.205	.295
reputation of the company	-.113	.709	.062	.144	-.132	-.135	.425
accuracy and usefulness	.067	.080	.821	.069	-.034	-.007	-.019
presenter and brand ambassador	.775	.041	.063	-.023	.028	-.090	-.034
web site design	.776	.083	.338	.084	-.130	.063	-.207
Advertisement	.742	-.113	.129	-.197	-.012	.362	-.049
friends recommendation	.683	-.019	-.275	.246	.035	-.282	.252
security and privacy of information	.160	.107	.771	-.148	.031	-.042	.209

Extraction Method: Principal Component Analysis.

Rotation Method: Varimax with Kaiser Normalization.

a Rotation converged in 12 iterations.

This table reports the factor loadings for each variable on the components or factors after rotation. It helps to formulate an interpretation of the factors. In this table the eigenvalues of the factors after rotation are displayed. Rotation has the effect of optimizing the factor structure and one consequence for these data is that the relative importance of the 7 factors is equalized. Before rotation factor 1 accounted for considerably more variance than the remaining six (19.208% compared to 15.112, 11.833, 8.306, 8.100, 6.344, 5.893%), however after extraction it accounts for only 14.535 % of variance (compared to 12.012%, 11.129%, 9.961%, 9.749%, 8.981%, 8.429%) respectively (table 4). This is done by looking for a common thread among the variables that have large loadings for a particular factor.

TABLE 10: COMPONENT TRANSFORMATION MATRIX

Component	1	2	3	4	5	6	7
1	.319	.650	.150	.421	.407	.330	.033
2	.861	-.182	.280	-.224	-.213	-.033	-.223
3	-.187	.148	.791	-.186	.146	-.440	.262
4	.083	-.036	.089	.568	-.637	-.037	.505
5	.312	.124	-.455	-.306	.238	-.307	.660
6	-.074	-.179	.224	-.372	-.014	.775	.416
7	.105	-.688	.093	.429	.553	-.030	.130

Extraction Method: Principal Component Analysis.

Rotation Method: Varimax with Kaiser Normalization.

TABLE 11: THE FACTOR TRANSFORMATION MATRIX DESCRIBES THE SPECIFIC ROTATION APPLIED TO THE FACTOR SOLUTION

Factors	Evaluating criteria	Factor loading
Information	Presenter and brand ambassador	.775
	Website design	.776
	Advertisement	.742
	Friends recommendation	.683
Company and product perception	Wider choice of products	.557
	Anytime access	.701
	Easy can buy other country products	.565
	Reputation of the company	.709
Safety	Accuracy and usefulness	.821
	Security and privacy of the information	.771
Purchase intension	Purchasing procedure is simple	.764
	Description of the product	.822
Easiness	Saves time	.793
	Convenience	.827
Value	Quality of the product is good	.824
	Internet reduces monetary cost	.614
Assurance	Guarantee and warranties	.921

#### FACTOR 1- INFORMATION

This factor consists of four items namely presenter and brand ambassador, website design, advertisement and friends' recommendation. All these items are the resources for an online customer therefore, these items can be called as information.

#### FACTOR 2- COMPANY AND PRODUCT PERCEPTION

The items like wider choice of products, anytime to buy, easy to buy other country products and reputation of the company can be clubbed together and may be called as company and product perception.

#### FACTOR 3- SAFETY

This factor consist of two items namely accuracy and security and privacy of information.

#### FACTOR 4- PURCHASE INTENSION

The evaluating criteria like purchase procedure and description of the product make the fourth factor which may be named as purchase intension

#### FACTOR 5- EASINESS

The convenience and saves time make the fifth factor which the researcher would like to name it as easiness

**FACTOR 6- VALUE**

The quality of the product and reduction in monetary cost are the two items that makeup the sixth factor, value

**FACTOR 7-ASSURANCE**

The seventh factor consists of only one variable or item that is guarantees and warranties offered by online service providers.

**LIMITATIONS, FUTURE DIRECTIONS AND CONCLUSION**

The study has been conducted in K.S.R College of Arts and Science, Tiruchengode. The researcher has assumed that the sampling unit would have homogeneity with other self-financing colleges in Namakkal district. Even though, the sampling unit is one among the self-financing colleges in Namakkal district, there may be differences between the chosen sampling unit and the other self-financing colleges in Namakkal. The differences could be in terms of number of students studying, work load (teaching and other administrative works), qualification of teachers, motivation of teachers, the technology prevalent in the campus, the working environment (the policy, rules and regulation the shapes the conduct of the employees), salary and other amenities. Therefore, the future studies can be extended to cover various self-financing colleges in Namakkal district of Tamil Nadu. The researcher can also be conducted among the teachers working in government Arts and Science colleges and Government aided colleges (private management controlled but financial support received from government) in Namakkal district. Further, future studies may also include the teachers working in Engineering colleges, Polytechnic colleges, Schools etc, so that the entire gamut of teachers' online shopping behaviour can be studied. The above mentioned factors best explain the online shopping behaviour of teachers' working in self-financing colleges in Namakkal district. There are chances, that if the study is conducted in various other geographical areas, new factors could also be extracted.

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**AN OVERVIEW OF RESEARCH IN COMMERCE AND MANAGEMENT IN SHIVAJI UNIVERSITY**

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**ABSTRACT**

*The paper attempts to present an overview of Ph. D. level researches in the Shivaji University in the discipline of Commerce and Management in order to understand the pace, pattern and gaps in academic research. The study is based on secondary data. Research topic, specialisation, year of degree are the parameters of data collection. The period of investigation is of 50 years from 1962-1963 to 2011-2012 (up to Dec.2011). Initially, there was scarcity of research supervisors in commerce and management in the university. As a result, pace of the research in the first three decades was very slow while, it has accelerated during the last two decades. In the recent past, the number of aspiring researchers in commerce and management is increasing steadily. The pattern of researches shows that more researches are of repetitive nature. HRM, marketing, banking and finance are favourite subjects among the researchers. However, very few researchers have studied the contemporary issues relating to business world. The subjects like Accountancy, Costing, Taxation, Computer application and insurance are neglected.*

**KEYWORDS**

academic research, aspiring researchers, Co-operatives, knowledge, research supervisor.

**1. INTRODUCTION**

**A** search for new knowledge, information and /or facts in any branch of knowledge or discipline that expands the boundaries of human thoughts and knowledge is the research. It is a systematic enquiry initiated with an intention to sharpen the way of thinking for the betterment of humankind. The research devise superior alternative and leads to follow it. The research is the tool to meet ever-changing educational demands (Sekar-2008). This process improves skills as well as performance, which provide new path for development. Hon. A. P. J. Abdul Kalam (2010) the Ex-President of India, said 'in order to see India as a super power by 2020, the academicians are to involve and concentrate more on research and the Government need to allocate more budget for research'.

Again, the research is considered as an essential component of dynamic teaching. (Namrata Gupta et. al.-2011). Recognising this link between the research and development, The University Grants Commission (UGC) and The Governments have laid down more emphasis on academic research. The plans and policies framed, time to time, by the UGC have depicted the facts invariably.

There are two types of researches- academic and professional. Academic research deals with theoretical and conceptual framework that brings improvement in the ways, means, methods, policies, and practice of acquisition and assimilation of knowledge. The professional researches relate to practical problems in the real life. Both of these ultimately lead to increase the living standard.

The academic research now days are receiving more weightage in the academic field; on the contrary, they are also criticized more on the part of its quality. Therefore, it is of worth importance to know the quantity and quality of academic researches undertaken in the universities. A close overview on these researches will give an idea about the areas of great concern and the areas that have attracted very less attention of the academic researchers. This will enable the aspiring academic researchers to know the areas in which research can be undertaken in future.

**2. REVIEW OF LITERATURE**

**DNANAM A. (2011)** has explained the status of university research and has suggested multi-disciplinary approach in order to increase practical implication of research in the real life. He has also of the opinion that the ICT will provide additional inputs. The reforms in the field of research at all levels will produce quality teachers for colleges and universities. These reforms must be made and implemented with the spirit that was put in immediately after independence in order to spread literacy and education among the masses in India.

**NAIK, K. S. (2011)** has made comparative analysis of the ethics in research in US and that in India. He revealed some serious issues relating to unethical behavior of the researchers that hamper the quality of research. Researchers have to recognize their responsibility to ensure that they evenly balance their drive for innovation with sound ethical practices. The guides/supervisors should monitor the progress of the research of the scholars under their guidance. Educate them on ethical practices and act as an effective mentor.

**SASTREE, NALIN K. (2008)** observed that there is inadequate financial support and inadequate research management that poses serious problems in many Indian Universities. On the contrary, some developed countries are attracting brilliant scholars from other countries towards their research activities. Further, he has pointed out an alarming threat. If this trend remains continue, India may face a shortage of R and D personnel very soon.

**MISHRA AND PANI (2008)** pointed out that there is no perfect methodology, as is used in perfect science, which may be used in social science research. Social science research has not kept pace with the changing contours of social realities. They have reiterated the paucity of funds for social science research. The State Governments have almost neglected funding for social science research. Despite of the potential in research, the university departments find it difficult to mobilize resources for researches.

**BALRAM GUPTA ED. (MARCH-2012)** has thrown light on prevailing practices in the field of research. He has highlighted upon the ethical part of research, which hampers the quality of research.

**SEKAR, G. (2008)** says the quality of research is the main concern. He is of the opinion that we have ample knowledge, better skills, efficient human resources, well infrastructure and experience to do sustainable research and produce the best, but what is lacking is commitment and inquisitiveness on the part of some researchers. This hampers the quality of research.

**MATHESARAN V. P. (2008)** studied in detail the problems confronting the research scholars in higher education. Among all, the researchers have ranked administrative problem as the topmost one followed by that of lack of infrastructure facilities, material collection, unusual environment, financial and placement. In addition to this, lack of cordial relationship between scholars and supervisors, attraction of youth towards IT related courses, departmental problems that delay the research work. These are the causes for reduction in the number of researchers. He suggested some remedies for improvement in the research environment. Offering opportunity to non-stipendiary scholars as a guest faculty, provision of ICT, short-term courses on statistical application and encouragement to scholars to attend and present research in conferences, seminars and workshops.

**DHIMAN ANILKUMAR & SHARMA HEMANT (2008)** have unveiled different resources available for researchers in various areas of higher education and research. **IMRAN ALI, IQBAL HUSSAIN AND AFZAL HUSSAIN (2008)** have tried to put before the aspirant researchers and scholars the resources available for researchers in various areas of higher education.

**MAHESHWARI L. K. (2008)** has presented the way of Ph. D. research carried out at BITS and salient features of the scheme and analysis of completed research work over past few years.

**SETHURAM, R. (2008)** has elaborated ongoing research activities at SASTRA University, resources available, research outcome (patents got), in the discipline of medicine and health.

**DOSHI, HETAL M. (2008)** tried to find out such reasons, which hamper the growth of educational research.

**SHARMA, JITENDRA (2008)** has focused on regulations relating to teachers' qualifications to be appointed in the colleges of education. He is of the opinion that there is no (clear and fixed) proper co-ordination among the statutory and regulatory bodies in order to maintain standard of and in higher education in India.

**GUPTA, NAMRATA ET AL. (2008)** have studied research culture prevailing in the departments in the academic institutions in India, through empirical research. They found that presence of few favorable factors and lack of critical ones adversely affects research activity, which lowers the possibility of research publications. The nature of power exercised and the support of others in the department to those in the power is more important than centralization or decentralization of power per se.

Review of literature emphasize the need of university research to improve teachers quality, simultaneously give note of caution about the quality of academic research and its applicability for practical solutions to the problems of the society.

### 3. RESEARCH IN COMMERCE AND MANAGEMENT

The history of research in commerce and management might have begun with barter system to evolve modern multi-national companies in the present liberalisation, privatisation and globalisation (LPG) scenario. Initiation of academic research took place from the establishment of the universities. The format of current Ph. D. course was designed in European Universities during the middle age (Gnanam-2011). The endeavour began in the area of western Maharashtra in the year 1962 with establishment of Shivaji University, Kolhapur. However, academic research in the university in commerce and management initiated, actually, from establishment of an independent Department of Commerce in June, 1990 and the Management Department in the year 2004 under the faculty of commerce and management. The faculty covers large area of studies with diverse specialisations. The Commerce and Management are the two basic streams under which more specialisations have introduced. Accountancy, Costing, Taxation, Insurance and Risk Management, Banking and Finance, Co-operation, Marketing and Supply Chain Management, Transportation, Administration, Human Resource Development and Management, Corporate Governance, Tourism and Hotel Management are the few. It is an attempt through this study to explore the areas of great concern among researchers vis-à-vis the research areas which needs to focus more in the future.

### 4. PROFILE OF THE UNIVERSITY

Shivaji University is one of the leading universities in the Maharashtra State, which is established in 1962 to cater the need of higher education in western Maharashtra with few undergraduate and post-graduate affiliated colleges. Presently, there are 251 affiliated colleges (see Table- 1). Out of which 35 colleges are running postgraduate courses. In addition to the department of commerce and management in the University, more than 50 percent colleges (127 including one postgraduate institute) affiliated to the university are imparting commerce and management education. About 50 percent colleges are imparting professional education such as engineering, education, pharmacy and law which include 41 (16.33 percent) education colleges, 25 (9.96 percent) engineering colleges as on 31<sup>st</sup> October, 2010.

#### THE DEPARTMENT OF COMMERCE AND MANAGEMENT

The department started in the university in June 1990. It has accompanied with the management course since 2004. Before the establishment of the department, two prominent institutes viz. D. R. K. College of Commerce and Chh. Shahu Institute of Business Education and Research (SIBER) were imparting the Commerce and business education. The research work began in the university (1990 onwards) from the inception of the department of Commerce. The department initiated with one full time faculty and a classroom offering a degree of M. Com. Presently the department has five full time permanent, four temporary and twenty-eight visiting faculties. The department has two chairs. 1) IDBI bank's Late. Shri R. N. Godbole Chair in Financial Management and Banking Research 2) Bank of India Chair in Rural Banking. The department at present is running eight postgraduate courses - M. Com., M. Phil., Ph. D., M. B. A., M. C. A., Two P. G. Diplomas and MCM to MCA upgradation course.

It will be of great interest to see the impact of the establishment of an independent department of Commerce and Management in the university on the performance of the university in academic research in commerce and management education.

### 5. STATEMENT OF THE PROBLEM

The Ministry of Human Resource Development (MHRD) and the University Grants Commission (UGC) have been emphasizing more on research activities in the university education system and supported with allocation of special grants. The amount of grants and the boundaries of specialisations are widening day by day to cover all areas. As a result, very wide areas of interdisciplinary researches are opening for upcoming researchers. Consequently, some researchers in this direction have taken initiatives. This implies that more and more academicians are expected to involve and engage in the research activities.

From this point of view, it is important to know how far the academicians are attracting towards the research activities and to know how much the universities are succeeding in this endeavour. In the light of this, present study is an attempt to take an overview of the Shivaji University, Kolhapur in academic research in its golden jubilee year. Title of the study is "An Overview of Research in Commerce and Management in Shivaji University"

### 6. OBJECTIVES OF THE STUDY

The core objective of this research is to take an overview of research in commerce and management in Shivaji University. The specific objectives of the study are set as under.

1. To study the pace, pattern and gaps in academic researches in commerce and management education in Shivaji University.
2. To explore new research areas in commerce and management education.

### 7. METHODOLOGY

The present study is an attempt to relook in to the researches undertaken in the Shivaji University under the faculty of commerce and management in order to understand the areas of great concern among the researchers.

**7.1 DATA BASE-** The study is carried on the basis of secondary data. The records of the University Library, the Board of University Teaching and Research (BUTR), University website and the Department of Commerce and Management of the university are the main sources of the data. Name of the awardees, name of the supervisors (guides), title of the topic studied and the year of award are the parameters of data collection. For this purpose, only the data on Ph. D. theses (awarded) are considered.

**7.2 SAMPLE-** As stated earlier, the researchers have chosen the department of Commerce and Management of Shivaji University, Kolhapur as a sample of the study for convenience purpose.

**7.3 TIME SPAN OF THE ENQUIRY-** The time span of the study ranges from the establishment of the university (1962-63 to 2010-12 Dec.2011) to cover all the researches undertaken. Thus, the time span of fifty years is taken for the present study.



**7.4 STUDY AREA-** All the researches undertaken in commerce and management and submitted to Shivaji University for the degree of Ph. D. have considered, irrespective of the place of enquiry.

## 8. FINDINGS

**8.1 PERIODIC PERFORMANCE-** The data in table -2 reveals the pace of academic research in commerce and management undertaken in Shivaji University. It is found that there was no one Ph. D. declared in the university during first decade (1962-63 to 1971-72) from the establishment of the University. There was scarcity of research supervisors during this period. In addition to this, the available supervisors did not take efforts to encourage aspiring researchers. Consequently, the pace of research during the second decade (1972-73 to 1981-82) was very slow. Only five Ph. D.s were awarded during this period, accounting to 2.18 percent of the total researches in the study period. However, the number of researches during third decade (1982-83 to 1991-92) was six times more than that in the earlier decade, estimating to 12.60 percent. The performance during fourth decade (1992-93 to 2001-02) was quite satisfactory. More than 38 percent researches have carried out in the university during this period. Further, it is found that the research work during the last decade (2002-03 to 2011-12) has taken leap performance. About 47 percent researches out of total have carried out during this period. There found increasing number of researchers in the university in the department of Commerce and Management during 2010 and 2011. The numbers was almost ten times of the seats available in the department.

**8.2 SPECIALISATIONS OF RESEARCH TOPICS -** At the time of classification of researches as per the subject specialisations, it was observed that, all the theses are submitted, under the faculty of 'Commerce and Management', without specifying specialisation. It is a regular practice in the university. For the present study, researchers have classified all researches (Table-3) on the basis of titles of the study topics. For the sake of convenience, the researches are classified into eight subject specialisations including a broad category of commerce and management. It is found that about 32 percent researches come under the specialisation of 'Commerce and Management'. The subject 'Human Resource' and 'Marketing' have attracted 21.40 and 20.96 percent researchers respectively. 'Banking and Finance' is studied by 16.59 percent researchers. Chart-1 exhibits the fact quite clearly.

Other subjects such as 'Co-operation', 'Accountancy', 'Costing and Taxation' and 'Computer Management', though have greater importance in the real life, have been studied by very few researchers.

**8.3 THE INDUSTRY WISE RESEARCH-** Table-4 shows classification of researches as per the type of industry on which the researches are undertaken. It is found that 16.59 percent studies are undertaken on Banking and Finance industry, followed by SSIs (13.10 percent). Government Organisations, Agriculture and Food Processing industries and Sugar Industry each have studied by 9.61 percent researchers. Socio-economic aspects were duly considered by 9.30 percent researchers. Co-operative Societies-other than Sugar Co-operatives have formed the areas of interest of the 8.30 percent researchers. It was observed that more studies have been undertaken on different co-operatives. It is so, because the Western Maharashtra is regarded as the belt of co-operatives.

**8.4 RESEARCHES ON CO-OPERATIVES-** Table-5 shows, under the co-operatives, Banks and Credit Co-operatives are the areas of interest among 52 Percent researchers. Sugar Co-operatives are also studied by 22.73 percent researchers. It is clear that all types of co-operatives such as Woman Co-operatives, Marketing Co-operatives, Consumer Co-operatives and Dairy Co-operatives have been covered in the university researches. Chart -2 shows the picture clearly.

**8.5 LEVEL OF ENQUIRY OF RESEARCHES-** As per the level of enquiry of the studies undertaken (Table-6), majority researches are related with the local district areas to which the researchers belong. About 18 percent researchers have studied the topics pertaining to a particular city or town. Only 14 percent researchers have made state level enquiry. Chart -3 shows the picture clearly.

## 9. CONCLUSION AND SUGGESTIONS

Present study primarily aimed to take an overview of Shivaji University during the golden jubilee years -1962-63 to 2011-12 in terms of pace, pattern and gaps in academic research in commerce and management. The periodic performance of the university in academic research in commerce and management is commendable. However, the number of researchers, as compared to that of teachers working in affiliated colleges, is not satisfactory.

Another trend in the recent past is observed that the number of aspiring researchers in commerce and management is increasing steadily. However, limited number of supervisors is the major constraint. Again, there is lack of interdisciplinary approach in research in academic community and its approval on the part of the university. Therefore, the university should take necessary steps to inculcate interdisciplinary approach, as well as independent research by the researchers so that no aspiring researcher may be deprived of admission for want of supervisors.

The phenomenon of increasing aspirants for research may be because of monetary benefits offered to awardees of Ph. D. degree. Measurement of impact of financial incentive attached to academic research will be one more research work. At the same time, measurement of impact of researches on the field of commerce and management will be another research.

Quality of higher education is of major concern to funding agencies, policy makers in the field and to the government as well. Therefore, Ph. D. is made mandatory for teachers to enter into any authoritative and academic bodies of the University. In future Ph. D. will be the degree for survival and also golden gate to enter into new avenues of progress. Therefore, there is a threat of mad rush and deterioration of quality of research in consequence. The supervisors have to search for new avenues of research for the aspirants.

It is found that the researches under the general specialisation of Commerce and Management, Human Resource, Marketing, and Banking and Finance are more in number. Other subjects, like Co-operation, Accountancy, Costing and Taxation and Computer Application and Management are neglected by researchers. About 10 percent (22) studies are undertaken on performance evaluation by changing the organizations and the study area. This kind of repetitions must bring out the minute observations of the units studied and provide practical implications for further improvement. However, it is found rarely. The university has been awarding Ph. D. degree under the faculty of 'Commerce and Management', without specifying subject specialisation, however, it is quit necessary to specify specific subject specialisation of the degree.

Banking and Finance industries, Small Scale Industries, Government Organizations, Agriculture and Food Processing industries, Sugar and Co-operative Industries are of greater interest of the researchers. On the contrary, emerging industries like Service Industry, Retail industry, Automobile and Engineering, Education, Non-Government Organizations, Hotel and Tourism and their linkages with local resources are to be studied intensively.

It is observed that maximum numbers of researches are related with co-operatives and that too with local level of enquiry for research. This depicts unevenness in the research in the university under the faculty of commerce and management. The university should compile the data on past researches (present researchers have collected and compiled the data on research in the faculty of commerce and management since 1962 to 2011) and should prepare a databank of the new avenues available for future research (**annexure -I** provides few areas for future research in the field). The supervisors and researchers should be kept updated with the above information. The academic bodies and authorities should have scrutiny and control of the area and level of enquiry of research.

It seems that, the matter of convenience of researchers has outweighed the level of enquiry of research. The enquiry into the national and global trends in the field will give a broader outlook to the research and will have a better practicability.

Despite of valuable suggestions through the researches, the industrial and business sector could not felt the findings of the studies useful, mainly because of non-acceptance of the study results. This implied that these studies are considered useful to the academicians only. This underlines the need of persistent interaction between industry and institutions. The academicians are to take initiative in this direction.

## 10. LIMITATIONS OF THE STUDY SCOPE FOR FUTURE RESEARCH

Present work is restricted to take an overview of research in commerce and Management in Shivaji University. It is quite desirable to cover researches of all the departments and streams of education in the university. The researchers insist up on further major research to cover all academic research activities being carried out in all departments in the University.cover. The researches for M. Phil. degree as well as that are taken for minor and major projects in commerce and management have not been considered for the present study.

Present work is restricted to take an overview of research in commerce and Management in Shivaji University. It is quite desirable to cover researches of all the departments and streams of education in the university. The researchers insist up on further major research to cover all academic research activities being carried out in all departments in the University. The researches for M. Phil. degree as well as that are taken for minor and major projects in commerce and management have not been considered for the present study.

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## WEBSITE

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## 12. ANNEXURES

### ANNEXURE I : AREAS FOR FURTHER RESEARCH

#### ACCOUNTANCY AND AUDITING

1. Accounting Policies and Practices in different types of Organisations
2. An Enquiry into increasing Frauds
3. Application and Utility of Accounting Standards
4. Adoption and impact of IFRS
5. Application of Accounting in agriculture sector
6. Auditing- the Assurance of Fairness of Accounts
7. Auditing the Way to Authentication of Accounts
8. Financial Reporting – The Summary of Financial Performance
9. Environment Accounting
10. Independence of Auditors in Different types of Organisations
11. Innovations in Accounting Practices
12. Innovations in Auditing Practices
13. Role of Auditors in the Management and Success of an Organisation

#### BANKING AND FINANCE

1. Assets and liability management in banks
2. Capital Adequacy
3. Capital Formation in Agriculture sector
4. Capitalisation and Capital Structure
5. Co-ordination of credit and development agencies for improving rural credit
6. Credit needs of drought prone areas
7. Evaluation of consumer durable finance by banks in rural areas
8. Evaluation of finance to weaker sections by banks
9. Financing Oral Lessees/tenant Farmers
10. Impact and evaluation of MNREGP schemes
11. Impact of dairy on finance, employment generation, standard of living etc.
12. Impact of farm mechanization
13. Impact of Introduction of Kisan Credit Card
14. Impact of LPG on Government run Business Organisation
15. Impact of new private sector bank on rural development
16. Impact of publicity, extension services, social activities undertaken by banks
17. Impact of retail banking and housing finance in rural areas
18. Innovations in kisan credit card and diversified needs of farmers
19. Innovative deposits schemes and growth of deposits
20. Interest rates on priority sector advances
21. Kisan Credit Cards and insurance benefits
22. Microfinance – Its impact

23. Microfinance-Viable business proposition for rural and semi urban branches
24. NPA in priority sector-causes and remedial measures
25. NPA- The Performance indicator of bank and Financial Institutes
26. Pattern of Capital Formation and development in rural Area
27. Portfolio Management and Investment Strategy
28. Poultry Farming – An Ideal Emerging Business in Hilly area
29. Pricing of Agriculture Produce
30. Problems and Prospects of Marketing of Agriculture Produce
31. Productivity of rural and semi urban bank branches
32. Profitability of rural branches in relation to cost of deposits yield on advances and the operational cost
33. Reforms in Local Taxes and Its Impact
34. Role of Stock Markets and Mutual Funds in Mobilisation of Funds
35. Role of subsidy to self help groups under SGSY scheme
36. Scale of finance of selected crops
37. Swapping of RRB branches with commercial bank branches
38. Tax Reforms In India and Its Impacts on Economy
39. Tax Reforms In India and Its Impacts on Tax Payers' Perception

**COMMERCE**

1. Agro Economic Zones (AEZ)
2. Business potentials in folk Literature- Collection and Marketing
3. Commercialisation of Education
4. Economics of tractor for sugarcane transport
5. Efforts for Balanced Growth
6. Entrepreneurship Development through Microfinance
7. Evaluation of area based development schemes in selected districts
8. Evolution of Agri-Clinics scheme
9. Increasing employment in rural areas through non-farm activities
10. Pattern of Entrepreneurship in Rural and Urban Area and the Pattern of rural Development
11. Potentials of Transportation, Tourism and Hospitality in Kolhapur District

**CO-OPERATION**

1. Application of principles of Co-operation and the Need of Amendments
2. Co-operative System -A Successive History, Failure Presence and Dark Future
3. History of Co-operation and the Changing Leadership Style.

**HUMAN RESOURCE**

1. Communication Technology and Human Mobility
2. Development of Skills through Education
3. Emotional Intelligence and Employee Performance
4. HRD issues in RRBs
5. Human Resource Accounting
6. Human Resource Development in Rural area
7. Human Resource Development Through Microfinance
8. Human Resource Utilisation in Educational Organisations
9. Impact of VRS on working of rural branches
10. Labour Turnover –Causes, Impacts and Solutions
11. Leadership Development through Co-operatives
12. Policy and Practice of Talent Management in different Organisations
13. Role and status of specialized officers in bank
14. Study of socio-economic condition of harvest contract labour
15. Training needs of bank staff working in rural and semi urban areas
16. Work life Balance

**INSURANCE**

1. Accident insurance scheme for SGSY beneficiaries
2. Evaluation of crop insurance scheme

**MANAGEMENT**

1. Acquisitions and Mergers in Corporate World
2. Assessment and Accreditation A wakeup Alarm for Quality in Higher Education
3. Awareness and motivation needs of bank staff to increase rural credit
4. Comparative Analysis of Grantable and Non-grant Educational Organisations
5. Comparative Analysis of Entrepreneurship Development in Rural and Urban Area
6. Corporate Governance
7. Customer Relationship Management in rural and Urban areas in different Organisations
8. Customer service in Rural and Urban area in different Organisations
9. E-governance and its implications on performance of an Organisation
10. Hi-tech agriculture-problems and prospects
11. Impact of Assessment and Accreditation on Higher Education Institutions
12. Impact of Electronic Media on Service and Manufacturing Organisations
13. Increasing efficiency of irrigation through appropriate system
14. Lessons from Recession – The Indian Path of Stability and Sustainability
15. Livestock - A tool of Poverty alleviation
16. Managerial Style of Second generation Leaders
17. Opportunities in Contract Farming
18. Role of controlling offices in development of rural credit
19. Search for increase in productivity
20. Strengthening Co-operative Movement for Balanced Economic Development.
21. Study of infrastructure needs in rural area.

22. Study of systems and procedures of RRBs
23. Study of water shed development programs
24. Total Quality Management

**MARKETING**

1. Consumer Perception about Quality of Products and Services
2. Determinants of Factors in Customer Retention in Retailing in Rural and Urban areas.
3. E-commerce the new way towards marketing
4. Evolution of Retailing and Supply Chains
5. Export Potential of Agriculture produce
6. Impact of Innovations in Communication Tools and Techniques
7. Supply Chain Management
8. Service Quality Awareness among the Customers / Stakeholders.
9. Service Quality in Higher Education Institutions

**ANNEXURE-II TABLES AND FIGURES****TABLE- 1: NUMBER OF COLLEGES IN SHIVAJI UNIVERSITY**

Sr. No.	Types of Colleges	No. Colleges	Percentage to Total
	Colleges having Commerce Faculty	126	50.20
	Colleges having no Commerce Faculty	35	13.94
1	Total Arts, Commerce and Science Colleges	161	64.14
2	Education Colleges	41	16.33
3	Engineering Colleges	25	9.96
4	Pharmacy Colleges	12	4.78
5	Law Colleges	7	2.79
6	B. P. Ed. Colleges	4	1.60
7	Recognised Institute	1	0.40
	<b>Grand Total</b>	<b>251</b>	<b>100.00</b>

Source- Compilation of data from University website (www.unishivaji.ac.in)

**TABLE- 2: DECADAL RESEARCH PERFORMANCE IN COMMERCE AND MANAGEMENT**

Sr. No.	Time Span	No. of Researches	Percentage to Total
1	1962-63 to 1971-72	0	0.00
2	1972-73 to 1981-82	5	2.18
3	1982-83 to 1991-92	29	12.66
4	1992-93 to 2001-02	88	38.43
5	2002-03 to 2011-12	107	46.72
	<b>Total</b>	<b>229</b>	<b>100.00</b>

Source – Compilation of data

Note- Total of percentage may not agree due to adjustment of fractions

**TABLE- 3: SPECIALISATION OF RESEARCHES IN COMMERCE AND MANAGEMENT**

Sr. No.	Subject Specialisation	No. of Researches	Percentage to Total
1	Commerce and Management	73	31.88
2	Human Resource	49	21.40
3	Marketing	48	20.96
4	Banking and Finance	38	16.59
5	Co-operation	10	4.37
6	Computer Management/ Application	6	2.62
7	Accountancy and Costing	3	1.31
8	Taxation	2	0.87
	<b>Grand Total</b>	<b>229</b>	<b>100.00</b>

Source – Compilation of data

Note- Total of percentage may not agree due to adjustment of fractions

TABLE- 4: CLASSIFICATION AS PER THE INDUSTRY/ORGANIZATION

Sr. No.	Type of Industry	No. of Researches	Percentage to Total
1	Banking and Finance	38	16.59
2	Small Scale Industries	30	13.10
3	Government Organisation	22	9.61
4	Agriculture and Food Processing	22	9.61
5	Sugar Industry	22	9.61
6	Socio economic aspects	20	8.73
7	Co-operatives (Excluding Sugar Co-op.)	19	8.30
8	Computer and Telecommunications	10	4.37
9	Automobile and Engineering	9	3.93
10	Education	8	3.49
11	Non-Government Organisations	7	3.06
12	Textile	6	2.62
13	Hotel and Tourism	6	2.62
14	Corporate Industry	3	1.31
15	Insurance	3	1.31
16	Cement	2	0.87
17	Pharmaceutical	1	0.44
18	Lather	1	0.44
	<b>Grand Total</b>	<b>229</b>	<b>100.00</b>

Source – Compilation of data

Note- Total of percentage may not agree due to adjustment of fractions

TABLE- 5: RESEARCHES UNDERTAKEN IN SHIVAJI UNIVERSITY ON CO-OPERATIVES

Sr. No.	Types of Co-operative Societies	No. of Researches	Percentage to Total
1	Banks and Credit Co-operatives	25	53.19
2	Sugar Co-operatives	11	23.40
3	Woman Co-operatives	2	4.26
4	Marketing Co-operatives	2	4.26
5	Consumer Co-operatives	2	4.26
6	Dairy Co-operatives	2	4.26
7	Spinning Co-operatives	2	4.26
8	Other- Village artisans Co-operatives	1	2.13
	<b>Total</b>	<b>47</b>	<b>100.00</b>

Source – Compilation of data

Note- Total of percentage may not agree due to adjustment of fractions

TABLE- 6: CLASSIFICATION OF RESEARCHES ON THE BASIS OF LEVEL OF ENQUIRY

Sr. No.	Level of Enquiry	No. of Researches	Percentage to Total
1	Global Level	2	0.87
2	National Level	17	7.42
3	State Level	29	12.66
4	Regional Level	32	13.97
5	District Level	86	37.55
6	Taluka Level	6	2.62
7	City Level	38	16.59
8	Firm/ Organisation Level	19	8.30
	<b>Grand Total</b>	<b>229</b>	<b>100.00</b>

Source – Compilation of data

Note- Total of percentage may not agree due to adjustment of fractions



CHART 1: CLASSIFICATION OF RESEARCHES PER SUBJECT SPECIALISATIONS

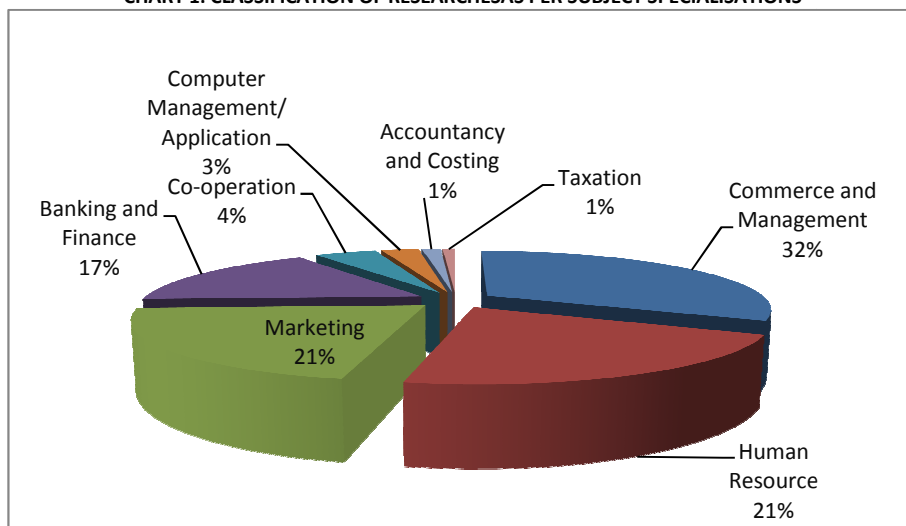


CHART-2: RESEARCHES UNDERTAKEN ON DIFFERENT TYPES OF CO-OPERATIVES

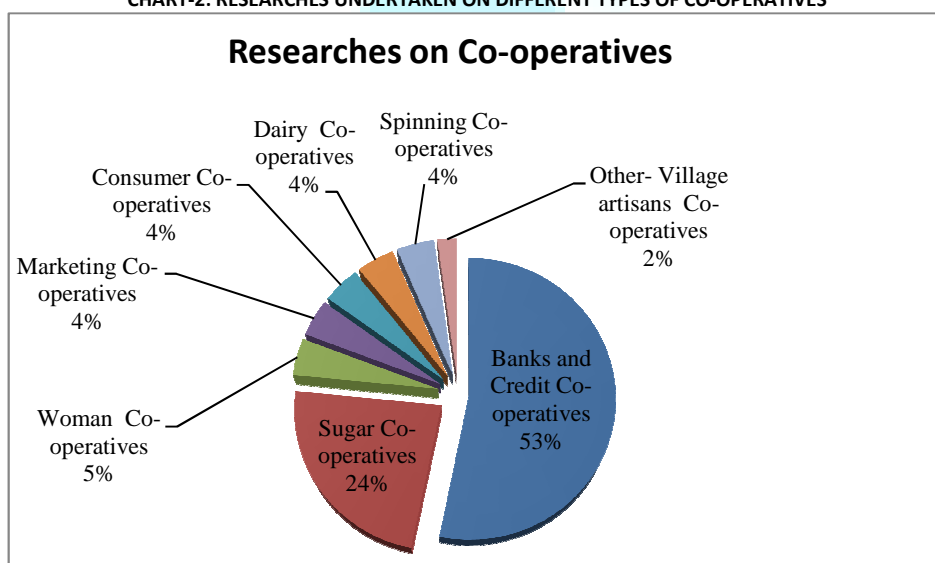
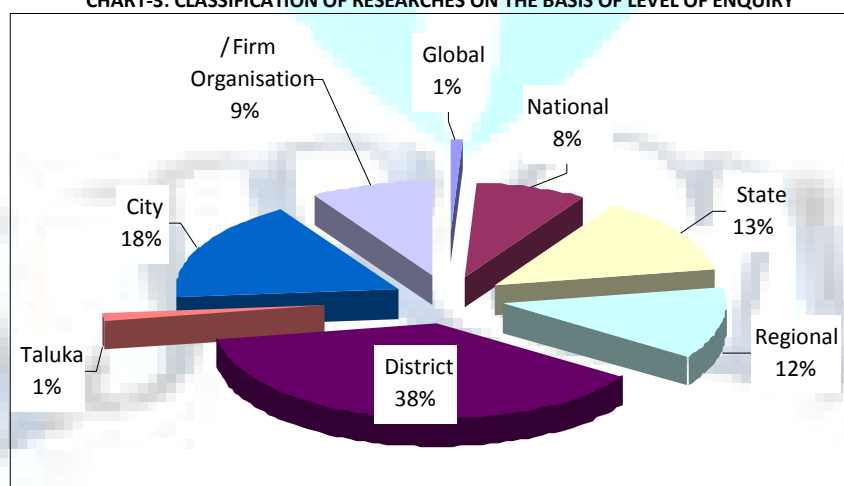


CHART-3: CLASSIFICATION OF RESEARCHES ON THE BASIS OF LEVEL OF ENQUIRY



## VARIABLE SELECTION IN REGRESSION MODELS

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**ABSTRACT**

Gaussian processes are a natural way of specifying prior distributions over functions of one or more input variables. When such a function defines the mean response in a regression model with Gaussian errors, inference can be done using matrix computations, which are feasible for datasets of up to about a thousand cases. The covariance function of the Gaussian process can be given a hierarchical prior, which allows the model to discover high-level properties of the data, such as which inputs are relevant to predicting the response. Inference for these covariance hyper parameters can be done using Markov chain sampling. Classification models can be defined using Gaussian processes for underlying latent values, which can also be sampled within the Markov chain. Gaussian processes are in my view the simplest and most obvious way of defining flexible Bayesian regression and classification models, but despite some past usage, they appear to have been rather neglected as a general-purpose technique. This may be partly due to a confusion between the properties of the function being modeled and the properties of the best predictor for this unknown function. Regression models form the core of the discipline of econometrics. Although econometricians routinely estimate a wide variety of statistical models, using many different types of data, the vast majority of these are either regression models or close relatives of them. In this chapter, we introduce the concept of a regression model, discuss several varieties of them, and introduce the estimation method that is most commonly used with regression models, namely, least squares. This estimation method is derived by using the method of moments, which is a very general principle of estimation that has many applications in econometrics.

**KEYWORDS**

Regression models, variable selection.

**HISTORY****DEFINITION: REGRESSION MODELS**

Regression models are used to predict one variable from one or more other variables. Regression models provide the scientist with a powerful tool, allowing predictions about past, present, or future events to be made with information about past or present events. The scientist employs these models either because it is less expensive in terms of time and/or money to collect the information to make the predictions than to collect the information about the event itself, or, more likely, because the event to be predicted will occur in some future time. Before describing the details of the modeling process, however, some examples of the use of regression models will be presented.

The method of investigating interactions in two-way tables by the regression analysis introduced by Yates and Cochran (1938) has been applied to data from competition diallel experiments with plant species reported by Williams (1962) and Norrington-Davies (1968). Arithmetic and logarithmic scales were used in both experiments and the relative advantages of these are briefly discussed.

Significantly high proportions of the interactions between species (row) and associates (column) effects were explained as differences between the linear regressions of individual performance on the associate values. Consequently the performance of the species in competition could largely be specified by three parameters. These were the species mean ( $\mu$ ), the regression coefficient ( $b$ ) and the mean effect of associates ( $a$ ), which respectively measured the general vigour of the species, its sensitivity to competition and its aggressiveness. These parameters jointly provided estimates of what we have termed the *general competitive abilities* of the species. *Specific competitive abilities* of particular mixtures are detected as significant deviations from the regression lines.

The parameters were used to derive formulae which provide descriptive and predictive measurements of the competitive advantage of species in particular combinations, and of the mixture performances relative to the performance of other mixtures or monocultures. The types of competition phenomena which could derive from a situation involving only general competitive abilities were shown to vary greatly and depended on the correlations between the three parameters in the experimental material.

The possible types of interactions between associated genotypes (competition, co-operation, antagonism, etc.) can be defined in terms of the general competitive ability parameters, or recognised as specific competitive abilities. It is thus suggested that the regression technique forms a useful approach to the discovery and classification of these effects among competing species.

The second experiment (Norrington-Davies, 1968) involved competition between grass species under four different treatments. Common regression lines constructed over all treatments indicated that response to competitive stress was to some extent similar to the response to other kinds of environmental stress. This raised the concept that some aspects of general competitive abilities could be determined from general response to limitation in environmental factors. The plant breeding implications of this are briefly discussed, particularly the possibility of predicting performance under competition from performance as spaced plants.

**EXAMPLES AND USES OF REGRESSION MODELS****SELECTING COLLEGES**

A high school student discusses plans to attend college with a guidance counselor. The student has a 2.04 grade point average out of 4.00 maximum and mediocre to poor scores on the ACT. He asks about attending Harvard. The counselor tells him he would probably not do well at that institution, predicting he would have a grade point average of 0.64 at the end of four years at Harvard. The student inquires about the necessary grade point average to graduate and when told that it is 2.25, the student decides that maybe another institution might be more appropriate in case he becomes involved in some "heavy duty partying."

When asked about the large state university, the counselor predicts that he might succeed, but chances for success are not great, with a predicted grade point average of 1.23. A regional institution is then proposed, with a predicted grade point average of 1.54. Deciding that is still not high enough to graduate, the student decides to attend a local community college, graduates with an associate's degree and makes a fortune selling real estate.

If the counselor was using a regression model to make the predictions, he or she would know that this particular student would **not** make a grade point of 0.64 at Harvard, 1.23 at the state university, and 1.54 at the regional university. These values are just "best guesses." It may be that this particular student was completely bored in high school, didn't take the standardized tests seriously, would become challenged in college and would succeed at Harvard. The selection committee at Harvard, however, when faced with a choice between a student with a predicted grade point of 3.24 and one with 0.64 would most likely make the rational decision of the most promising student.

**PREGNANCY**

A woman in the first trimester of pregnancy has a great deal of concern about the environmental factors surrounding her pregnancy and asks her doctor about what to expect they might have on her unborn child. The doctor makes a "point estimate" based on a regression model that the child will have an IQ of 75. It is highly unlikely that her child will have an IQ of exactly 75, as there is always error in the regression procedure. Error may be incorporated into the information given the woman in the form of an "interval estimate." For example, it would make a great deal of difference if the doctor were to say that the child had a ninety-five percent chance of having an IQ between 70 and 80 in contrast to a ninety-five percent chance of an IQ between 50 and 100. The concept of error in prediction will become an important part of the discussion of regression models.

It is also worth pointing out that regression models do not make decisions for people. Regression models are a source of information about the world. In order to use them wisely, it is important to understand how they work.

**SELECTION AND PLACEMENT DURING THE WORLD WARS**

Technology helped the United States and her allies to win the first and second world wars. One usually thinks of the atomic bomb, radar, bombsights, better designed aircraft, etc when this statement is made. Less well known were the contributions of psychologists and associated scientists to the development of test and prediction models used for selection and placement of men and women in the armed forces.

During these wars, the United States had thousands of men and women enlisting or being drafted into the military. These individuals differed in their ability to perform physical and intellectual tasks. The problem was one of both selection, who is drafted and who is rejected, and placement, of those selected, who will cook and who will fight. The army that takes its best and brightest men and women and places them in the front lines digging trenches is less likely to win the war than the army who places these men and women in the position of leadership.

It costs a great deal of money and time to train a person to fly an airplane. Every time one crashes, the air force has lost a plane, the time and effort to train the pilot, and not to mention, the loss of the life of a person. For this reason it was, and still is, vital that the best possible selection and prediction tools be used for personnel decisions.

**MANUFACTURING WIDGETS**

A new plant to manufacture widgets is being located in a nearby community. The plant personnel officer advertises the employment opportunity and the next morning has 10,000 people waiting to apply for the 1,000 available jobs. It is important to select the 1,000 people who will make the best employees because training takes time and money and firing is difficult and bad for community relations. In order to provide information to help make the correct decisions, the personnel officer employs a regression model. None of what follows will make much sense if the procedure for constructing a regression model is not understood, so the procedure will now be discussed.

**PROCEDURE FOR CONSTRUCTION OF A REGRESSION MODEL**

In order to construct a regression model, both the information which is going to be used to make the prediction and the information which is to be predicted must be obtained from a sample of objects or individuals. The relationship between the two pieces of information is then modeled with a linear transformation. Then in the future, only the first information is necessary, and the regression model is used to transform this information into the predicted. In other words, it is necessary to have information on both variables before the model can be constructed.

For example, the personnel officer of the widget manufacturing company might give all applicants a test and predict the number of widgets made per hour on the basis of the test score. In order to create a regression model, the personnel officer would first have to give the test to a sample of applicants and hire all of them. Later, when the number of widgets made per hour had stabilized, the personnel officer could create a prediction model to predict the widget production of future applicants. All future applicants would be given the test and hiring decisions would be based on test performance.

A notational scheme is now necessary to describe the procedure:

$X_i$  is the variable used to predict, and is sometimes called the independent variable. In the case of the widget manufacturing example, it would be the test score.

$Y_i$  is the observed value of the predicted variable, and is sometimes called the dependent variable. In the example, it would be the number of widgets produced per hour by that individual.

$Y'_i$  is the predicted value of the dependent variable. In the example it would be the predicted number of widgets per hour by that individual.

The goal in the regression procedure is to create a model where the predicted and observed values of the variable to be predicted are as similar as possible. For example, in the widget manufacturing situation, it is desired that the predicted number of widgets made per hour be as similar to observed values as possible. The more similar these two values, the better the model. The next section presents a method of measuring the similarity of the predicted and observed values of the predicted variable.

**REGRESSION MODELS AND VARIABLE SELECTION**

The primary concern of statistics is to infer on the unknown distribution of random variables from a random sample. While this seems to be quite hopeless without any a priori information we usually attempt to make a minimum of assumptions on the underlying distribution. This knowledge is used to build a statistical model. In a next step we combine a set of observations with the theoretical model in order to investigate what is called to 'fit the model'. There are several reasons for fitting statistical models. On one hand, we want to study the relationship between variables. On the other hand, we want to make predictions for situations that are different from the observed ones. Furthermore, we want to test scientific hypotheses in order to deduce the validity of the theory.

**SELECTING THE VARIABLES FOR A REGRESSION**

When it comes to building a regression model, for many companies there's good news and bad news. The good news: there's plenty of independent variables from which to choose. The bad news: there's plenty of independent variables from which to choose! While it may be possible to run a regression with all possible independent variables, each one included in your model reduces your degrees of freedom and causes the model to overfit the data on which the model is built, resulting in less reliable forecasts when new data is introduced.

So how do you come up with your short list of independent variables?

Some analysts have tried plotting the dependent variable ( $Y$ ) against individual independent variables ( $X_i$ ) and selecting it if there's some noticeable relationship. Another tried method is to produce a correlation matrix of all the independent variables and if a large correlation between two of them is discovered, drop one from consideration (so to avoid multicollinearity). Still another approach has been to perform a multiple linear regression on all possible explanatory variables

and then dropping those whose  $t$  values are insignificant. These approaches are often selected because they are quick and simple, but they are not reliable for coming up with a decent regression model.

#### STEPWISE REGRESSION

Other approaches are a bit more complex, but more reliable. Perhaps the most common of these approaches is stepwise regression. Stepwise regression works by first identifying the independent variable with the highest correlation with the dependent variable. Once that variable is identified, a one-variable regression model is run. The residuals of that model are then obtained. Recall from previous *Forecast Friday* posts that if an important variable is omitted from a regression model, its effect on the dependent variable gets factored into the residuals. Hence, the next step in a stepwise regression is to identify the one unselected independent variable with the highest correlation with the residuals. Now you have your second independent variable, and you run a two-variable regression model. You then look at the residuals to that model and select the independent variable with the highest correlation to them, and so forth. Repeat the process until no more variables can be added into the model.

Many statistical analysis packages do stepwise regression seamlessly. Stepwise regression is not guaranteed to produce the optimal set of variables for your model.

#### OTHER APPROACHES

Other approaches to variable selection include best subsets regression, which involves taking various subsets of the available independent variables and running models with them, choosing the subset with the best  $R^2$ . Many statistical software packages have the capability of helping determine the various subsets to choose from. Principal components analysis of all the variables is another approach, but it is beyond the scope of this discussion.

Despite systematic techniques like stepwise regression, variable selection in regression models is as much an art as a science. Whatever variables you select for your model should have a valid rationale for being there.

#### REGRESSION VARIABLE SELECTION

The model-building for regression is an interactive process. Roughly speaking, it consists of four phases

1. Data collection
2. Reduction of predictor variables
3. Model refinement and selection
4. Model validation

For different purposes of the study we often have different models. E.g. if the purpose is only prediction, generally we want to include a subset of the variables in the model. But if the purpose is explanation, e.g. trying to build a descriptive model (often used for causal inference in some fields), then probably the more variables we have the better. Due to the correlations among predictor variables these two purposes, prediction and variable selection, often can not be satisfied simultaneously. Generally the inclusion of multiple correlated variables in the model will make the individual regression coefficients to be estimated unstably, i.e. with big variance. If we only use a small subset of variables, then the models are likely to be biased. Often we would like to achieve a balance between the variance and the bias. We can certainly say that all models are wrong, but some are useful".

#### MODEL SELECTION CRITERIA

Suppose we have a total  $P-1$  predictors, and we want to select a subset of them ( $p-1$  variables) to be included in our model. And we assume the sample size  $n$  is big enough.

#### QUESTIONS

1. How many different models?
2. How many different linear models?
3. How to determine the best model?

#### CROSS VALIDATION (CV)

➤ PRES Sp is also called leave-one-out-cross-validation (LOOCV).

➤ Instead of LOOCV, we can consider general  $K$ -fold CV (KFCV),

where all samples are randomly divided into  $K$  groups. Each time one of the  $K$ -fold is left out (as a testing set), all the other  $K-1$  fold (training set) are used to build a linear regression model and used to predict the left-out fold. Final prediction error is the average over the  $K$ -fold.

➤ Randomized CV

#### SEQUENTIAL SEARCH PROCEDURE

Forward stepwise regression is developed to reduce the computational efforts as compared with the all-possible-regression procedure. It is a sequential procedure, at each step adding or deleting an  $X$  variable. The criterion for adding or deleting an  $X$  variable can be stated equivalently in terms of error sum of squares reduction, coefficient of partial correlation,  $t$  statistic,  $F$  statistic. It works in the following way.

#### FORWARD STEPWISE SELECTION PROCEDURE

1. Fit a simple linear regression model for each of the  $P-1$  potential  $X$  variables, and choose the one with the best value of previous criteria, say  $X_{k1}$  is added in the model.
2. With  $X_{k1}$  in the model, we add in another one by maximizing the criterion.  $X_{k2}$  is added when its value is the best and better than some (addition) threshold.
3. Drop  $X_{k1}$  from the model if its value is less than some (dropout) threshold.
4. Repeat previous addition and dropout steps until no variable can be added or dropped.

Forward selection search procedure simplified the forward stepwise regression, omitting the test whether a variable once entered into the model should be dropped. Backward elimination search procedure begins with the model containing all potential  $X$  variables and considers dropping variables sequentially. A stepwise modification can be adapted that enables variables eliminated earlier to be added later. This modified procedure is called backward stepwise regression procedure.

#### MODEL VALIDATION

- Collect new data
- Compare with known results
- Data splitting

#### CONCLUSION

Regression models are powerful tools for predicting a score based on some other score. They involve a linear transformation of the predictor variable into the predicted variable. The parameters of the linear transformation are selected such that the least squares criterion is met, resulting in an "optimal" model. The model can then be used in the future to predict either exact scores, called point estimates, or intervals of scores, called interval estimates.

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## CUSTOMER ATTITUDE TOWARDS SERVICES AND AMENITIES PROVIDED BY STAR HOTELS: A STUDY WITH REFERENCE TO MADURAI CITY

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### ABSTRACT

A hotel is an establishment which provides paid lodging on a short-term basis. Services and facilities/amenities provided by hotels are the basis for awarding the Star status to any hotel. The hotel industry plays an important role in the tourism of any country. Madurai city in the State of Tamilnadu, South India, is described as "Temple City" and it has large number of national and international tourists. Though the Star hotels provide many services and amenities, only if surveys are conducted and the opinion of customers are understood, it will be possible to pinpoint the areas of their dissatisfaction and this would be a step forward in improving the services and amenities. Hence this study has been undertaken to analyse the attitude of the customers towards the services and amenities offered by Star hotels of Madurai. Though Madurai has all categories of Star hotels, the study covers only Two Star and Three Star hotels since there are very few Four Star and Five Star hotels. The customers who stayed in these Star hotels for any reason during 2011-2012 have been chosen as respondents. Most of the customers are satisfied with the size of the hotel rooms. They are also highly satisfied about the location of the restaurant and the amenities in the room. They have given first rank to the quality of the 'Front Office service' second rank to the quality of 'Complimentary Breakfast' and third rank to the 'Quality and taste of food served in the restaurant'.

**JEL CODE**  
**L83**

### KEYWORDS

Amenity, Quality, Service, Star Hotel, Visit.

### INTRODUCTION

A hotel can be defined as a place where a prospective guest can be provided with accommodation, food and beverage, entertainment and services. The primary purpose of hotels is to offer on a commercial basis things that are customarily furnished within households but unavailable to people on a journey away from home. Hotels have also taken on many other functions and services as business exchanges, centers of sociability, places of public assembly and deliberation, decorative showcases, political headquarters, vacation spots, and permanent residences.

These are a few things that are taken into consideration while awarding star category to any hotel. The basic accommodation of hotels in number and types of rooms, elegant and comfortable surroundings, rooms efficiency, cleanness and sanitation, staff size and specialization, range and level of services, number of restaurants and bars and beverage services, concierge services, accessibility to entertainment and availability of transportation, spa and swimming pool facility, reservation and referral services are the criteria that are taken into account while awarding the star category.

There are five categories of star hotels.

**ONE STAR HOTELS:** They mostly have only one private bedroom and may or may not include a bathroom. Aside from the bed, they have very little other accommodations and decorations. Usually they are a family owned business, warm and home like.

**TWO STAR HOTELS:** They have private bathrooms, a cafeteria service or dining room/area. The accommodations are more or less the same like one star hotel but there are a few more services available.

**THREE STAR HOTELS:** They have more spacious entry hall and reception area, in-house cleaning services, offer breakfast and are usually located on or near to main avenues and streets of the cities in order to be easily found.

**FOUR STAR HOTELS:** They are more luxurious hotels. They have conference rooms for business meetings or private gatherings and large areas for recreation.

**FIVE STAR HOTELS:** They are the most luxurious and costly hotels. They are an attraction to customers as they offer everything and anything any one might need, without having to step outside their doors. Some of its services would be private Jacuzzi in the bathrooms, full-hour of the day or night entertainment such as in-house casinos and pools, spas, gyms and much more.

### STATEMENT OF THE PROBLEM

The hotel industry plays an important role in the tourism of any country. They provide various services to the customers. Hotel industry occupies the most significant place in the system of services in almost all country. Madurai is a city in the State of Tamilnadu, South India, and it is described as "Temple City" and it has large number of tourists both from abroad and from places within the country. Most of the tourists prefer to stay in Star hotels considering the services and amenities provided by them.



The basic services and amenities provided by the Star hotels are reception, boarding, lodging, customer amenities and customer services. Boarding includes restaurant and cafeteria. Lodging covers the stay rooms and function room like conference halls. The hotels provide various customer facilities/ amenities both at reception/ lobby and other areas. Also the hotels provide customer amenities and customer services in the rooms they stay.

Though the star hotels provide many services and amenities, how many of them are utilized by the customers is a question. If surveys are conducted and the opinion of customers are understood, it will be possible to pinpoint many of the areas of dissatisfaction of the customers and this would be a step forward in improving the services of the hotels. Hence this study has been undertaken to analyse and measure the attitude and satisfaction of the customers with regard to the services and amenities offered by Star hotels of Madurai.

### OBJECTIVES

1. To analyse the details of stay of travelers and tourists in Star hotels in Madurai city.
2. To analyse the customer attitude and satisfaction towards services and amenities offered by Star Hotels in Madurai City.
3. To summarise the findings and to offer suggestions on the basis of findings.

## SCOPE OF THE STUDY

Madurai is a busy city. It is a hub for all business activities. It is also a place for tourism since it is a Temple city. Madurai city has Two Star, Three Star, Four Star and Five Star hotels catering to the needs of travelers and tourists. The study covers only Two Star and Three Star hotels since there are very few Four Star hotels and only one Five Star hotel in Madurai. There are 6 Three Star hotels and 9 Two Star hotels in Madurai. The name of the hotels are Hotel Germanus, Hotel Royal court, Hotel Park plaza, Hotel Rathna residency, Hotel Chentoor, Hotel Sangam, Hotel J.C. residency, Hotel North Gate, Hotel GRT Regency, Hotel Western Park, Hotel Saratha Rajans, Hotel Madurai Residency, Hotel Supreme, Hotel Tamil Nadu and Hotel Temple Park.

## HYPOTHESES

- ✓ There is no significant relationship between the purpose of visit of the customers and the length of their stay, the mode of reservation and the method of payment of hotel tariff.
- ✓ There is no significant difference among customers of different age groups, nativity and income levels as far as their level of satisfaction towards facilities and amenities offered by Star hotels is concerned

## METHODOLOGY

### SAMPLING DESIGN

The customers who stayed in Two and Three Star hotels for any reason during 2011-2012 have been chosen as respondents. As the population is infinite the researcher has adopted "Stratified Convenient Sampling" method. 12 customers from each of the 15 hotels are selected to administer the interview schedule totaling 180 respondents. Care has been taken to include foreign tourists and Indian customers.

### COLLECTION OF DATA

This is an empirical study based upon the survey method. This study considers both primary and secondary data. Primary data is collected by interview schedules where as the secondary data is collected from various journals, magazine, websites and text books.

An interview schedule is given to the customers of Star hotels to get details about their attitude and satisfaction towards the services and amenities.

The Interview schedule designed for the study is an elaborate and comprehensive one. It consists of three parts. The first part deals with the socio-economic characteristics of the respondents. Second part consists of the information about their stay in Star hotels such as purpose of stay, nature of room engaged, length of stay, sources of tariff payment, payment method and the reason for choosing or selecting a Star hotel. Third part contains questions related to the attitude of the customers.

### FRAME WORK OF ANALYSIS

Percentage analysis is used to analyze and interpret the primary data. Weighted Average Mean method is used to rank the sources of information about star hotels.

Chi-square test is used to know the relationship between the purpose of visit and length of stay, purpose of visit and mode of reservation, purpose of visit and the payment method. Chi – Square test is a non – parametric test used for comparing a sample variance to a theoretical population variance.

Chi-Square =  $\sum [(O-E)^2 / E]$ , O = Observed frequency

E = (Expected frequency) = (Row total \* Column total) / Grand total

Degrees of freedom = (C-1) (R-1)

If the calculated value is less than table value then the Null hypothesis is accepted and vice versa.

One-way ANOVA is used to find the significance of the difference among the respondents with regard to their level of satisfaction on the basis of their age, nativity and income. ANOVA is a Statistical technique used to examine whether the sample have been drawn from the populations having same mean. This is used when more than two samples are used. Under One-way ANOVA only one factor is considered.

Likert's Scaling Technique method is used to score the level of satisfaction of customers towards hotel amenities and facilities.

### STAY IN STAR HOTELS

Customers who stay in star hotels have their own choice of hotel, choice of rooms, the period of stay, the payment method and the like. They come to know about the star hotels, their services and amenities through various sources and decide as to which will be the best choice to suit their requirement.

### SOURCE OF INFORMATION ABOUT THE HOTEL

There are various ways through which the customers can gather information about hotels. They are Net/website, Travel Agencies, Advertisement, and Friends & Relatives. The respondents were asked to rank the sources and the ranks are consolidated using Weighted Average method to find out the most influencing source of information and given in Table 1.

TABLE 1: RANKING OF THE SOURCE OF INFORMATION

Sources of Information	Number of Respondents Assigning Ranks				Score	Mean Score	Rank
	1	2	3	4			
Net/Website	140	105	116	52	413	2.29	III
Travel Agencies	100	183	136	26	445	2.47	II
Advertisement	76	177	68	68	389	2.16	IV
Friends & Relatives	404	75	40	34	553	3.07	I

Table 1 shows the ranking of the respondents for the various sources of information. As per Weighted Average method the first rank goes to "Friends & Relatives", the second rank goes to "Travel Agencies", the third rank goes to "Net/Website", and the Fourth rank goes to "Advertisement".

### PURPOSE OF VISIT

Different people visit different places for different purposes and stay in hotel during their visit. Here the researcher has selected some important purposes of visit such as tour, business, official and personal purposes. Table 2 denotes the purpose of the respondents' visit to Madurai.

TABLE 2: CLASSIFICATION ON THE BASIS OF PURPOSE OF VISIT

S. No	Purpose of Visit	Number of Respondents	Percentage
1	Tour	34	18.89
2	Business	53	29.44
3	Official	50	27.78
4	Personal	43	23.89
	Total	180	100

Source: Primary data

Table 2 indicates that most of the respondents (29.44%) visit Madurai for business purpose, 27.78% of the respondents make an official visit, 23.89% of the respondents make personal visits and few of the respondents (18.89%) visit Madurai for the purpose of tour. From this Table it is to be concluded that people opt to stay in hotels when they visit Madurai for various purposes.

### LENGTH OF STAY IN HOTEL

Customers' period of stay depend on the purpose of their visit. They may stay in the hotel till the purpose is accomplished. Table 3 shows the classification of sample respondents on the basis of their maximum length of stay in hotel during their visit.

**TABLE 3: CLASSIFICATION ON THE BASIS OF LENGTH OF STAY IN HOTEL**

S. No	Length of Stay	Number of Respondents	Percentage
1	One day	41	22.78
2	Two days	53	29.44
3	Three days	40	22.22
4	Four days	17	9.44
5	More than four days	29	16.11
	<b>Total</b>	<b>180</b>	<b>100</b>

Source: Primary data

Table 3 elucidates that 29.44% of the respondents stayed in the hotel for two days, 22.78% of the respondents stayed for one day, 22.22% of the respondents stayed for three days, 16.11% of the respondents stayed for more than four days and 9.44% of the respondents stayed in the hotel for four days.

**MODE OF RESERVATION**

Reservation is one among the useful services of hotels. There are various ways or modes through which the customers can reserve their room. In order to meet the requirements of people and their convenience Indian hotels authorize direct call to the hotel. They may also reserve through a travel agent or through internet. There is a chance that people stay for their employment or for an educational tour and in such cases their company or institution reserves their rooms. Table 4 shows the classification of respondents on the basis of mode of reservation

**TABLE 4: CLASSIFICATION ON THE BASIS OF RESERVATION**

S. No	Method of Reservation	Number of Respondents	Percentage
1	Direct call to this hotel	87	48.33
2	Through a Travel Agent	27	15
3	Through the Company or Business	41	22.78
4	Through Internet	25	13.89
	<b>Total</b>	<b>180</b>	<b>100</b>

Source: Primary data

It is understood from Table 4 that 48.33% of the respondents have reserved their room through a direct call to the hotel, 22.78% of the respondents' rooms are reserved through the company or business, 15% of the respondents have reserved their room through a travel agent and least of the respondents (13.89%) have reserved through internet.

**PAYMENT METHOD**

Customers can pay the hotel tariff by cash, cheque, through online and by credit/debit card at the reception counter. Table 5 shows the classification of respondents on the basis of the mode of payment of tariff.

**TABLE 5: CLASSIFICATION ON THE BASIS OF MODE OF PAYMENT OF TARIFF**

S. No	Payment Mode	Number of Respondents	Percentage
1	Cash	72	40
2	Cheque	23	12.78
3	Online payment	22	12.22
4	Payment through credit/debit card	63	35
	<b>Total</b>	<b>180</b>	<b>100</b>

Source: Primary data

It is clear from Table 5 that 40% of the respondents make the payment of hotel tariff by cash, 35% of the respondents make the payment through credit/debit card, 12.78% of the respondents make the payment through cheque, and 12.22% of the respondents make the payment through online payment at the time of reservation.

**RELATIONSHIP BETWEEN THE PURPOSE OF VISIT AND STAY IN HOTELS**

The respondents visit Madurai for various purposes and they follow different patterns of stay in hotels. An attempt is made to analyse the relationship between the purpose of visit and the various stay variables and the Chi-square test is employed for establishing the relationship. Suitable hypotheses are framed for the purpose.

1. H<sub>0</sub>: There is no significant relationship between the purpose of visit and length of stay;
2. H<sub>0</sub>: There is no significant relationship between the purpose of visit and mode of reservation;
3. H<sub>0</sub>: There is no significant relationship between the purpose of visit and the payment method;

**TABLE 6: RELATIONSHIP BETWEEN THE PURPOSE OF VISIT AND THE STAY VARIABLES**

S.No	Stay Variables	Calculated value	D.O.F	Table Value	Result at 5% level of significance
1	Length of Stay	19.604	12	21.0	Not Significant
2	Mode of Reservation	24.484	9	16.9	Significant
3	Payment Method	30.936	9	16.9	Significant

The statistical analysis as per Table 6 proves that there is no significant relationship between the purpose of visit and the length of stay. The visitors stay as long as their purpose of visit is served.

The Chi-square test proves that there is a significant relationship between the purpose of visit and the mode of reservation. It also proves that there is a significant relationship between the purpose of visit and the payment method.

**SERVICES AND AMENITIES OFFERED BY STAR HOTELS**

The services and amenities provided by hotels are collectively known as hotel products. The core product of any hotel is lodging. The Star hotels offer comfortable accommodation in well furnished rooms that are equipped with all modern amenities including cable television, telephone, cushioned chairs, cupboard and luggage rack. Each room has an attached washroom that receives a continuous supply of hot and cold water.

The next important hotel product is boarding. The Star hotels provide food to the customers at the Restaurant or Coffee shop or even in the rooms where they stay.

Services rendered are other major products of Star hotels, the main service being front office service. The services enable the customers to have a comfortable and care free stay in the hotels. The innovative amenities and additional facilities are the other hotel products provided by Star hotels.

**CUSTOMER ATTITUDES AND SATISFACTION TOWARDS FACILITIES AND AMENITIES**

Star Hotels in Madurai provide various facilities and amenities to its customers. They include spacious rooms, amenities in the room like geyser, TV and the like, restaurants in closer locations, good entertainment facilities, spacious lounge, 24 hour wi-fi connectivity, adequate parking space for the own vehicles and safety locker facility.

The researcher has sought to find the level of satisfaction of the customers towards the various services and amenities provided, on the basis of Likert scale. Scores are allotted as

Highly satisfied – 4, Satisfied – 3, Neutral – 2, Not satisfied – 1, Not utilised – 0

The scores are summarised to calculate the Intensity values and the facilities and amenities are ranked in order and presented in the Table 7.

TABLE 7: RANKING OF THE LEVEL OF SATISFACTION TOWARDS THE FACILITIES AND AMENITIES

Facilities and amenities	Number of respondents who have the opinion as					Intensity value	Rank
	Highly satisfied	Satisfied	Neutral	Not satisfied	Not utilised		
Size of the room	65	108	7	-	-	598	I
Amenities in the room	39	112	27	2	-	548	III
Location of restaurant	52	104	21	3	-	565	II
Entertainment system	26	65	28	15	46	370	VII
Lounge facilities	22	55	37	9	57	336	VIII
Wi-Fi connectivity	56	71	20	6	27	483	IV
Parking space	56	74	14	6	30	480	V
Safety locker	38	66	28	3	45	413	VI

Source: Primary data

It is clear from the Table 7 that the satisfaction scores imply that most of the customers are satisfied with the size of the hotel rooms. They are also highly satisfied about the location of the restaurant and the amenities in the room. Wi-Fi connectivity, Parking space, Safety locker, Entertainment system and Lounge are other facilities and amenities that are satisfactory to the customers in that order.

#### RELATIONSHIP BETWEEN PERSONAL VARIABLES AND LEVEL OF SATISFACTION OF THE CUSTOMERS TOWARDS FACILITIES AND AMENITIES

An attempt is made to find out if there is a significant difference in the level of satisfaction of the respondents on the basis of their age, nativity and income. Hypotheses are framed and One way ANOVA tool is employed.

**H0: There is no significant difference among customers of different age groups as far as their level of satisfaction towards facilities and amenities is concerned.**

TABLE 8: LEVEL OF SATISFACTION AND AGE

Age	Number of Respondents	Mean Scores
Below 30 years	59	29.17
31 to 40 years	49	27.22
41 to 50 years	41	32.93
Above 50 years	31	38.61
Total	180	31.12

#### ANOVA

	Sum of Squares	D O F	Mean sum of Squares	F	Significance
Between Groups	2842.340	3	947.447	6.197	.001
Within Groups	26908.971	176	152.892		
Total	29751.311	179			

The value of F is 6.197 which is significant at 5% level of significance (.001 < 0.05). Hence it is concluded that there is a significant difference among customers of different age groups as far as their level of satisfaction towards facilities and amenities of hotels is concerned.

**H0: There is no significant difference among customers of different nativity as far as their level of satisfaction towards facilities and amenities is concerned.**

TABLE 9: LEVEL OF SATISFACTION AND NATIVITY OF THE RESPONDENTS

Nativity	Number of Respondents	Mean
Other Districts	78	28.79
Other States	52	30.33
Other Countries	50	35.58
Total	180	31.12

#### ANOVA

	Sum of Squares	D O F	Mean sum of Squares	F	Significance
Between Groups	1448.971	2	724.485	4.531	.012
Within Groups	28302.340	177	159.900		
Total	29751.311	179			

The value of F is 4.531 which is significant at 5% level of significance (.012 < 0.05). Hence is concluded that there is a significant difference among customers of different nativity as far as their level of satisfaction towards facilities and amenities is concerned.

**H0: There is no significant difference among customers of different income levels as far as their level of satisfaction towards facilities and amenities is concerned.**

TABLE 10: LEVEL OF SATISFACTION AND INCOME OF THE RESPONDENTS

Income	Number of Respondents	Mean Scores
Less than Rs.30000 (600\$)	55	25.29
Rs.30001 to Rs.50000 (600\$ to 1000\$)	41	30.07
Rs.50001 to Rs.100000 (1000\$ to 2000\$)	40	32.20
Above Rs.100000 (Above 2000\$)	44	38.41
Total	180	31.12

#### ANOVA

	Sum of Squares	D O F	Mean sum of Squares	F	Significant
Between Groups	4298.149	3	1432.716	9.907	.000
Within Groups	25453.162	176	144.620		
Total	29751.311	179			

The value of F is 9.907 which is significant at 5% level of significance (.000 < 0.05). Hence it is concluded that there is a significant difference among customers of different income levels as far as their level of satisfaction towards facilities and amenities is concerned.

The study reveals that the satisfaction of customers varies on the basis of their age, nativity and income.



**QUALITY OF THE SERVICES**

Customer service is the backbone of any industry-especially the service industry. Services in hotel industry are provided by the employees to the inmates. The quality of the various services rendered is judged on the basis of the expectations of the customers. The dimensions and indicators of service quality are reliability, empathy, courtesy, communication and competence.

Some of the prominent services offered by hotels are front office service, housekeeping service, room service, technical service, health service, security service, laundry service, transportation service, communication and telephone service and luggage service. The hotels also provide variety of menu in the restaurant, quality and tasty food in the restaurant and complementary breakfast.

The researcher has sought to rate the quality of the services on the basis of the opinions of the customers on a Likert scale. Scores are allotted as -: - Excellent- 5, Good – 4, Average – 3, Poor – 2, Not utilised – 1

The scores are summarised to calculate the Intensity values and the quality of services are ranked and presented in Table 11

**TABLE 11: RANKING ON THE BASIS OF QUALITY OF SERVICES**

Services Rendered	Number of Respondents who Rate the Service as					Intensity value	Rank
	Excellent	Good	Average	Poor	Not utilised		
Front office service	72	93	12	3	0	774	I
Housekeeping service	39	102	29	6	4	706	V
Room service	25	101	43	7	4	676	VIII
Room service menu variety	38	75	47	16	4	667	IX
Technical service	24	71	37	16	32	579	XII
Health service	25	63	39	12	41	559	XIII
Security service	37	84	46	13	0	685	VII
Laundry service	32	89	28	9	22	640	XI
Transportation service	40	77	34	5	24	644	X
Luggage service	43	100	26	7	4	711	IV
Communication service	44	81	48	5	2	700	VI
Quality and taste of food in the restaurant	52	87	29	10	2	717	III
Complimentary Breakfast	60	90	22	5	3	739	II

Source: Primary data

It is clear from the Table 11 that the customers have utilised almost all the services rendered and have rated them on the basis of their experiences. They give first rank to the quality of the 'Front Office service' second rank to the quality of 'Complimentary Breakfast' and third rank to the 'Quality and taste of food served in the restaurant'. The other services which are rated high are Luggage service, Housekeeping service, Communication service and Security service. Health service, Technical service, Laundry service and Transportation service are not utilised by many customers.

**RELATIONSHIP BETWEEN PERSONAL VARIABLES OF THE CUSTOMERS AND THEIR QUALITY RATING OF THE SERVICES**

An attempt is made to find out if there is a significant difference in the quality rating of the services by the respondents on the basis of their age, nativity and income. Hypotheses are framed and One-way ANOVA is employed.

**HO: There is no significant difference among customers of different age groups as far as their quality rating of the hotel services is concerned.**

**TABLE 12: QUALITY OF SERVICE AND AGE OF RESPONDENTS**

	Number of Respondents	Mean
Below 30 years	59	46.83
31 to 40 years	49	49.90
41 to 50 years	41	48.88
Above 50 years	31	51.13
Total	180	48.87

**ANOVA**

	Sum of Squares	D O F	Mean sum of Squares	F	Significant
Between Groups	455.392	3	151.797	2.545	.058
Within Groups	10496.669	176	59.640		
Total	10952.061	179			

The value of F is 2.545 which is not significant at 5% level of significance (0.058 > 0.05). It is concluded that there is no significant difference among customers of different age groups as far as their quality rating of the hotel services is concerned.

**HO: There is no significant difference among customers of different nativity as far as their quality rating of the hotel services is concerned**

**TABLE 13: QUALITY OF SERVICE AND NATIVITY OF RESPONDENTS**

	Number of Respondents	Mean
Other Districts	78	48.26
Other States	52	50.19
Other Countries	50	48.46
Total	180	48.87

**ANOVA**

	Sum of Squares	Difference	Mean Square	F	Significant
Between Groups	128.692	2	64.346	1.052	.351
Within Groups	10823.369	177	61.149		
Total	10952.061	179			

The value of F is 1.052 which is not significant at 5% level of significance (.351 > 0.05) It is concluded that there is no significant difference among customers of different nativity as far as quality rating of the hotel services is concerned.

**HO: There is no significant difference among customers of different income levels as far as their quality rating of the hotel service is concerned.**



TABLE 14: QUALITY OF SERVICE AND INCOME OF RESPONDENTS

	Number of Respondents	Mean
Less than Rs.30000(600\$)	55	47.98
Rs.30001 to Rs.50000 (600\$ to 1000\$)	41	49.73
Rs.50001 to Rs.100000 (1000\$to2000\$)	40	48.38
Above Rs.100000 (Above 2000\$)	44	49.64
Total	180	48.87

ANOVA

	Sum of Squares	Difference	Mean Square	F	Significant
Between Groups	109.474	3	36.491	.592	.621
Within Groups	10842.587	176	61.606		
Total	10952.061	179			

The value of F is 0.592 which is not significant at 5% level of significance (.621 > 0.05). It is concluded that there is no significant difference among customers of different income levels as far as their quality rating of the hotel service is concerned

## FINDINGS

- The ranking as per the Weighted Average method shows that the first source of information about Star hotels in Madurai is "Friends & Relatives", the second source is "Travel Agencies", the third is "Net/Website", and the fourth is "Advertisement".
- It is found that most of the respondents (29.44%) visited Madurai for business purpose, 27.78% of the respondents made official visit, 23.89% of the respondents made personal visits and few of the respondents (18.89%) visited Madurai for tour purposes. During such visits they stayed in Star hotels.
- It is found that 29.44% of the respondents stayed in the Star hotels for two days, 22.78% of the respondents stayed for one day, 22.22% of the respondents stayed for three days, and the rest for more than three days during their visit for various purposes.
- It is found that 48.33% of the respondents reserved their room in the Star hotels through a direct call to the hotel, 22.78% of the respondents' rooms were reserved through their company or business, 15% reserved their room through a travel agent and least of the respondents (13.89%) reserved through internet.
- It is found that 40% of the respondents made the payment of the hotel tariff by cash, 35% of the respondents paid through credit/debit card, 12.78% paid through cheque, and 12.22% made the payment through online at the time of reservation.
- The Chi-square test proves that there is a significant relationship between the purpose of visit of the respondents and their mode of reservation. It also proves that there is a significant relationship between the purpose of visit of the respondents and the method of payment of the hotel tariff.
- The satisfaction scores imply that most of the respondents are satisfied with the size of the hotel rooms. They are also highly satisfied about the location of the restaurant and the amenities in the room.
- The one way ANOVA test reveals that there is a significant difference among the respondents of different age groups, of different nativity and of different income levels as far as their level of satisfaction towards facilities and amenities of Star hotels is concerned.
- It is found that the customers have utilised almost all the services rendered and have rated them on the basis of their experiences. They give first rank to the quality of the 'Front Office service' second rank to the quality of 'Complimentary Breakfast' and third rank to the 'Quality and taste of food served in the restaurant'.
- The one way ANOVA test reveals that there is no significant difference among the respondents of different age groups, of different nativity and of different income levels as far as their rating of the quality of the services rendered by of Star hotels is concerned.

## SUGGESTIONS

- Some Star hotels in Madurai do not provide the services of multilingual staff. They are suggested to provide this service to attract more tourists from other States and other Countries.
- Safety lockers are not provided in all the Star hotels. As customers are worried about the safety of their belongings, it is suggested that this amenity is provided.
- The travelers and tourists who stay in Star hotels may be motivated to reserve through online and to pay through online at the time of reservation. Such a procedure will be convenient to both the customers and the Star hotels.

## CONCLUSION

Hotel is a home away from home where all the modern amenities and facilities are available on a payment basis. Hotels have grown to be a service industry catering to a variety of customers of different age groups, different nativity and different income groups. Their development depends on the quality of the various products provided by them. The Star hotels provide various services and amenities to sustain their Star status. Unless the customers are satisfied by these services and amenities, they become uneconomical. The Star hotels in Madurai should strive to grab the opportunity of serving the large number of tourists who visit this Temple City.

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## QUALITY AND SUSTAINABILITY OF JOINT LIABILITY GROUPS AND MICROFINANCE INSTITUTIONS: A CASE STUDY OF CASHPOR MICROCREDIT SERVICES

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### ABSTRACT

The informal institutions that undertake microfinance services as their activity are generally referred as microfinance institutions (MFIs). The uniqueness of MFIs are social engineering and financial intermediation especially in the areas where banking network are not able to reach the poorest and financially excluded people. CASHPOR devotes its attention exclusively to provide micro-credit to the poorest of the poor, through its unique "targeting approach" which filters the poorest clients and lends to them. Presently it operates in 16 districts of Uttar Pradesh and Bihar, with 269 mini branches, 25768 centers, 417039 clients and loan portfolio of Rs.267.40 crore. Total cumulative disbursement of loan was Rs.1397.20 crore. The disbursement of loan during 2009-10 was Rs.471.87 crore. Total staff strength as on 31<sup>st</sup> March 2010 was 1458. The objective of the study to analyse the sustainability of microfinance institutions as well as joint liability groups. The study revealed that Net income of CMC had marginally declined during 2008-09 as compared to year 2007-08. However, it had shown quantum jump of 833.82% during 2009-10 over 2007-08 due to steep increase in income. The CASHPOR Micro Credit had wiped out all accumulated loss of Rs.4.32 crore during 2009-10 and achieved sustainability. But CMC required increasing their capital base further for leveraging more fund from Banks for expansion. The return on performing assets and yield on portfolio ratio had increased during 2009-10. 3.31% return on assets and 33.32% yield on portfolio during 2009-2010 could be treated as impressive. This showed that the operation of CASHPOR Micro Credit was profitable. Operating self sufficiency ratio and financial self sufficiency ratio of CMC had shown good improvement during 2009-10. These ratios reflected the growing managerial and financial acumen of the CMC. It was suggested that CMC should develop the strategy to check high staff attrition rate, gradually computerize branches to improve MIS and for sustainability of JLGs, interest rate should be reduced by reducing cost of delivery, increasing business volume and use of technology. It needs to further increase the loan amount per borrower. More capital support and revolving fund to CASHPOR Micro Credit from apex institution like NABARD and SIDBI would help CASHPOR Micro Credit to improve its capital adequacy and thus leveraging the fund from various Banks for deepening the outreach. Capacity building of JLGs members, transfer of technical knowhow and marketing support to JLG were the areas where CASHPOR Micro Credit should also concentrate. Sustainability of JLGs should be given due weightage in planning and expanding business. Capacity building of staff in the field of assets quality, risk management, internal control system and MIS should be strengthened.

### KEYWORDS

joint liability groups, microfinance institutions.

### INTRODUCTION

The informal institutions that undertake microfinance services as their activity are generally referred as microfinance institutions (MFIs), which mainly belong into private sector in India. The uniqueness of MFIs are social engineering and financial intermediation especially in the areas where banking network are not able to reach the poorest and financially excluded people. The rapid progress achieved in SHG movement among women across the country enhanced foundation process for emergence of MFI in India.

Generally banks finance to MFIs in proportion of their capital. While State Bank of India finance to MFIs upto 5 times of their capital, Indian Bank finance upto 7 times of capital. Thus capacity of not-profit-MFIs to expand client outreach and portfolios is constrained by low net owned funds. Even higher leverage does not offset this constraint. Furthermore, higher leverage would be perceived as increased risk, and hence draw increased rates for funding. Therefore, many MFIs are looking for options of "transformation" towards for-profit-legal forms, usually in the form of Non-Banking Finance Companies (NBFCs). However, many of them are not able to transform in the near future due to various constraints like legal, financial, information technology (IT), human resource (HR) etc. Alternatively, capital should be infused into these MFIs particularly to not for profit MFIs. The option are (i) long term finance/quasi equity, which would have to come in innovative lending/investing approaches; and (ii) additional (equity) support from apex institutions like NABARD/SIDBI etc. to scale up their operations.

MFIs are charging comparatively high rate of interest (12% to 28% per annum). It is argued that too high rate of interest could adversely affect the social and economic impact on poor clients, and lower business volume. Again lower business volume and high transaction cost forces MFIs to charge high rate of interest.

NABARD as apex development financial institutions have started the experiment of providing capital/equity support and revolving fund assistance to MFIs for increasing the outreach by MFIs. It is envisaged that the provision of capital/equity support will enable MFIs to leverage the access of commercial loans from banks.

CASHPOR Financial and Technical Services (CFTS) was started in September 1996 as a financial Company. The purpose of this Company was to give access to financial services in the form of small amounts of credit, to poor rural women, as an alternative to the existing money lenders which were known for charging usurious rates of interest, as well as perpetuating a never ending cycle of debt. As the Company began to expand, it became necessary to move to a different legal form, and so CASHPOR Micro Credit (CMC) was started in Dec. 2002 as a subsidiary Section 25 company of CFTS. CASHPOR India has subsequently become known in the microfinance sector as a microfinance provider that devotes its attention exclusively to the provision of micro-credit to the poorest of the poor, through its unique "targeting approach" which filters the poorest clients and lends to them. In 2008, CASHPOR ranked 4<sup>th</sup> in world and 2<sup>nd</sup> in India by MIX global. As on 31<sup>st</sup> March, 2010 it has outreach of 417039 clients and loan portfolio of Rs. 267.40 crore.

CASHPOR Financial and Technical Services (CFTS) were started in September 1996 as a financial Company. The purpose of this Company was to give access to financial services in the form of small amounts of credit to poor rural women as an alternative to the existing money lenders which were known for charging usurious rates of interest, as well as perpetuating a never ending cycle of debt. CASHPOR India started its operations in mid 1997 by disbursing its first loan on 15<sup>th</sup> September in Mirzapur District of Uttar Pradesh. Its first six branches were set up in July 1997 to cover the southern part which was poorer part of Mirzapur District. Its next six branches were opened in October 1998 to cover rest of the District. Its original branches were finding it difficult to become financially viable because of little demand of loan, low population density and frequent casualties in the client's family leading to high portfolio at risk. The lack of market infrastructure limited the avenues of profitable enterprise for the poor.

As the Company began to expand, it became necessary to move to a different legal form, and so CASHPOR Micro Credit (CMC) was started in Dec. 2002 as a subsidiary Section 25 company of CFTS. CASHPOR Micro Credit has subsequently become known in the microfinance sector, as a microfinance provider that devotes its attention exclusively to provide micro-credit to the poorest of the poor, through its unique "targeting approach" which filters the poorest clients and lends to them. Presently it operates in 16 districts of Uttar Pradesh and Bihar, with 269 mini branches, 25768 centers, 417039 clients and loan portfolio of Rs.267.40 crore. Total cumulative disbursement of loan was Rs.1397.20 crore. The disbursement of loan during 2009-10 was Rs.471.87 crore. Total staff strength as on 31<sup>st</sup> March 2010 was 1458.

CASHPOR Micro Credit uses TR account for its management information system. It had computerization up to district level. Branch and center's level work are done manually. It has tied up with ATOM technology (service provider) to provide mobile services to its customers. This project was in pilot stage.

There was a robust client targeting system in place which is effectively monitored in the field, tracked as part of strategic planning and linked with staff incentives. An estimated seventy percent of CASHPOR Micro Credit clients were living below the international 'dollar a day' poverty line. Nearly all of them had no previous access to low-cost credit. By implementing a standardized model CASHPOR Micro Credit had reached large numbers of rural poor in one of the most backward northern areas of India where there are very few organizations offering microfinance services. It had managed to do this by using commercial loan funds and charging its clients an interest which is lower than the many for other MFIs in the country.

The objective of the study to analyse the sustainability of microfinance institutions as well as joint liability groups.

## METHODOLOGY

Secondary data were collected from Cashpor Microcredit on various parameters. the data was analysed and various sustainability parameters were calculated.

## RESULTS AND DISCUSSIONS

### OUTREACH & BUSINESS DEVELOPMENT

Outreach measures the coverage of area, JLGs and clients under microfinance programme. The geographical outreach of the CASHPOR Micro Credit was in 11 Districts of Uttar Pradesh and 5 districts of Bihar. These districts were Mirzapur, Ballia, Deoria, Ghazipur, Jaunpur, Gorakhpur, Chandauli, Kushinagar, Varanasi, Sonbhadra, Azamgarh in Uttar Pradesh and Chapra, Siwan, Bhabua, Rohtas, Buxer in Bihar. CASHPOR Micro Credit was of the opinion that vertical outreach for inclusive growth could be better instead of horizontal growth by spreading the areas. The coverage of CASHPOR Micro Credit during the last 3 year is presented in table 1:

**TABLE 1: COVERAGE OF CASHPOR MICRO CREDIT DURING LAST 3 YEARS**

Particulars	2007-08	2008-09	2009-10	% Growth during 2009-10
No. of Branches	-	255	269	5.49%
No. of centers	23102	24840	25768	3.74%
No. of district covered	15	15	16	0.00%
No. of NGO finance	Nil	Nil	Nil	-
No. of federation formed	Nil	Nil	Nil	-
No. of JLG credit linked	Nil	Nil	Nil	-
Active loan clients	303245	314203	417038	32.72%

Source: Primary survey "Study of mFI (CASHPOR micro credit) supported by NABARD with capital assistance and revolving fund assistance".

It was evident from the above table that CASHPOR Micro Credit opened 14 new branches during 2009-10. Similarly 1738 new centres were added during 2008-09 and 928 new centres in 2009-10. There was increase of 102835 active loan clients during 2009-10. The growth rate was 32.72% which was a proof of increase in outreach during 2009-10.

### FINANCING BY CASHPOR MICRO CREDIT DURING LAST THREE YEARS

As on 31<sup>st</sup> March 2010, outreach of CASHPOR Micro Credit was 417038 borrowers. The various parameters of outreach of CASHPOR Micro Credit is given below in table 2:

**TABLE 2: FINANCING BY CASHPOR MICRO CREDIT DURING LAST THREE YEARS**

Particulars	2007-08	2008-09	2009-10	% Change from 2008-09	Cumulative growth over 2007-08
No. of JLG financed (No.)	23102	24840	25768	3.74%	11.54%
No of clients cumulative (No.)	303245	314203	417038	32.73%	37.53%
No of new clients (No.)	101542	10958	102835	838.45%	1.27%
Total amount disbursed cumulative (Rs. Crore)	589.6	925.34	1397.2	50.99%	136.97%
Amount disbursed during the year(Rs. Crore)	258.61	335.8	471.87	40.52%	82.46%
Loan outstanding (in crore)	147.34	181.07	267.40	47.68%	81.49%
Average disbursement per loanee (in Rs.)	8528	10687	11315	5.88%	32.68%
Average disbursement per JLG (in Rs.)	111943	135185	183122	35.46%	63.59%
Average disbursement per branch (in core)	0.96	1.25	1.75	40.00%	82.29%
Average outstanding per clients (in Rs.)	4859	5763	6412	11.26%	31.96%
Average outstanding per JLG (In Rs.)	63778	72895	103772	42.36%	62.71%
Average outstanding per branch (in crore)	0.58	0.71	0.99	39.44%	70.69%
Average no of clients per center (No.)	13	16	12	-25.00%	-7.69%
Average no of clients per branch (No.)	1189	1550	1247	25.81%	30.36%

Source: Primary survey "Study of mFI (CASHPOR micro credit) supported by NABARD with capital assistance and revolving fund assistance".

The cumulative growth in total numbers of loanees after capital assistance was 37.53% as on 31<sup>st</sup> March 2010. Even the addition of new loanees was to the tune of 10958, during 2008-09, while in 2009-10 the addition was 102835 new loanees. Similarly disbursement of loan had increased from Rs.258.61 crore in 2007-08 to Rs.335.8 crore during 2008-09. The disbursement of loan during 2009-10 was Rs.471.87 crore. It meant that disbursement of loan had increased significantly in 2008-09 and 2009-10, registering a growth of 40.52% and 82.46% respectively.

Under outreach, both width of outreach (the scale or number) and the depth of outreach (the degree of reach of the poorest of the poor) were areas of importance. The loan size per JLG and per borrower was one of the proxy measures generally followed to estimate depth of outreach. The loan amount per JLG and per borrower had increased during 2008-09 and 2009-10. The average loan disbursement per JLG had increased from Rs.135185 in year 2008-09 to Rs.183122 registering a growth of 35.46%.

The average loan amount per borrower had also increased significantly from Rs.10687 in 2008-09 to Rs.11315 during the same period. The loan disbursement per borrower was higher than the national average of MFIs per capita loan of Rs.6519 during 2008-09. Average disbursement per branch also increased from Rs.1.25 crore to Rs.1.75 crore during 2009-10. Average outstanding per client was Rs. 4859 during 2007-08, which had increased to Rs.5763 and Rs.6412 during 2008-09 and 2009-10 respectively. It had registered the growth of 11.26 % during 2009-10 over 2008-09 and 31.96 % during 2009-10 over 2007-08.

Similarly average outstanding per JLG had registered a growth of 42.36% and 62.71% during 2009-10 with respect to 2008-09 and 2009-10 respectively. Average outstanding per branch had also increased which was about 99 lakh as on 31<sup>st</sup> March 2010. Average number of clients per JLG had reduced from 16 during 2008-09 to 12 during 2009-10. This was due to clients dropout.

**DISTRICT WISE OUTREACH**

District wise borrowers and loan outstanding of CASHPOR Microcredit as on 31<sup>st</sup> March, 2010 is given below in table 3:

**TABLE 3: DISTRICT WISE ACTIVE LOAN CLIENT AND OUTSTANDING DURING 2009-10**

Districts	Active Loan Client			Amount Outstanding		
	Business Plan Target	Achievement	% Achievement	Business Plan Target	Achievement	% Achievement
Mirzapur	47605	53703	112.81%	297475951	344890300	115.94%
Chandauli	25641	29147	113.67%	164029462	188660870	115.02%
Ghazipur	28410	32633	114.86%	184801882	216760650	117.29%
Balia	29956	35975	120.09%	189103375	226754183	119.91%
Buxar	20384	23713	116.33%	130764980	153142129	117.11%
Azamgarh	25647	29795	116.17%	149196417	184795911	123.86%
BhabhuaRohtas	25035	29352	117.24%	159336445	188169751	118.10%
Deoria	16282	19294	118.50%	97480872	122308104	125.47%
Saran	23794	29129	122.42%	150058236	185767095	123.80%
Jaunpur	26468	31028	117.23%	169189594	198204943	117.15%
Varanasi	29551	35963	121.70%	189254686	251706953	133.00%
Gorakhpur	19363	22792	117.71%	115906241	139578298	120.42%
Siwan	13041	17366	133.16%	79008989	109182312	138.19%
Sonebhadra	9847	13133	133.37%	55357582	77537208	140.07%
Kushinagar	10252	14015	136.71%	59279543	86523119	145.96%
<b>Total</b>	<b>351276</b>	<b>417038</b>	<b>118.72%</b>	<b>2190244255</b>	<b>2673981826</b>	<b>122.09%</b>

Source: Primary survey "Study of mFI (CASHPOR micro credit) supported by NABARD with capital assistance and revolving fund assistance".

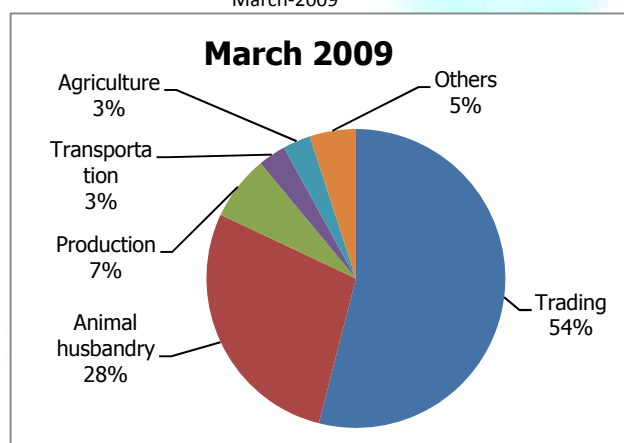
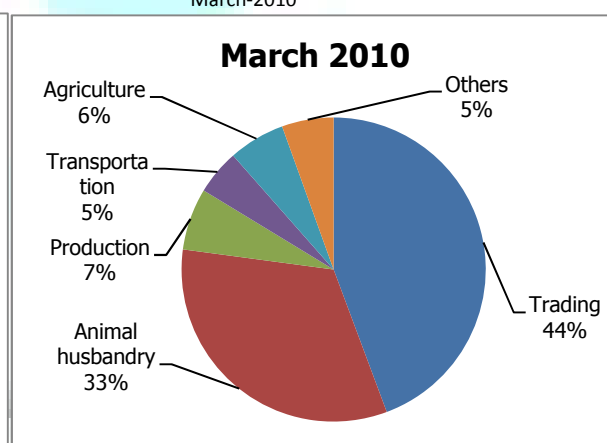
All districts grew their outreach in terms of number of borrowers as well as loan outstanding during 2009-10. The highest outreach in term of borrowers was observed in Mirzapur followed by Ballia and Varanasi. The outreach of 3 district namely Siwan, Sonebhadra, Deoria and Kushinagar were less than 20000 borrowers, which needed more attention. The highest outreach in terms of loan outstanding was observed in Mirzapur followed by Varanasi, Ballia and Ghazipur district. Siwan, Sonebhadra and Kushinagar districts were lagging behind all districts and needed more attention.

The sector wise disbursement of loan of CASHPOR Micro Credit during last two years is depicted in the table 4:

**TABLE 4: SECTOR WISE DISBURSEMENT OF LOAN DURING LAST TWO YEAR**

Name of the sector	March- 2009	March- 2010
Trading	54%	44.30%
Animal husbandry	28%	32.80%
Production	7.0%	6.60%
Transportation	3%	4.80%
Agriculture	3%	6.00 %
Others	5%	5.50%
<b>Total</b>	<b>100%</b>	<b>100%</b>

Source: Primary survey "Study of mFI (CASHPOR micro credit) supported by NABARD with capital assistance and revolving fund assistance".

**SECTOR WISE DISBURSEMENT OF LOAN DURING LAST TWO YEAR****FIGURE:3.3.1.4.A: SECTOR WISE DISBURSEMENT**  
March-2009**FIGURE:3.3.1.4.B: SECTOR WISE DISBURSEMENT**  
March-2010

It could be seen from above table that CASHPOR Micro Credit provided loan mostly for Trading, Animal Husbandry, Production, Transportation and Agriculture purposes. About half of loan of CASHPOR Micro Credit was given for petty trading. The second most common activity financed was animal husbandry. Production loan was extended mostly for weaving of saree and carpet. Agriculture loan was given for cultivation of leased land. Loan for Rikshaw, Thela and Auto were considered under transportation.

**EXPANSION PLAN**

During the current fiscal year 2009-10, CMC had over achieved its Business Plan Target of 351000 Active Loan Clients with a loan outstanding of Rs.267.4 Crore. Now in the next five years, CMC was planning to expand its outreach more than 1 million Active Loan Clients by 2014-15 with increase in the no of operational districts from 15 to 27. A revised detailed Business plan was under preparation in this connection. On-lending demand for portfolio expansion will be met out primarily by Bank Loan and by Off Balance Sheet support through portfolio buy out. For getting more Bank loan CMC would require capital infusion which should be supported by apex institution like NABARD and SIDBI. Apart of capital infusion would also be possible by ploughing back the profit in reserves.

**LEVERAGING OF FUND**

The capital support and revolving fund assistance from MEDEF of NABARD had helped CASHPOR Micro Credit to increase their capital base/net owned fund and thus attracted many financial institutions for providing loan to it. The loan sanctioned to CMC by various financial institutions during the last three years was as under:



TABLE 6: LOAN SANCTIONED TO CASHPOR MICRO CREDIT DURING LAST THREE YEARS

SECURED LOAN						
Financial institutions	Facilities	31 <sup>st</sup> March-08	31 <sup>st</sup> March-09	31 <sup>st</sup> March-10	% change during March 2010, over March 2009	% change during 2010 over March 2008
Union Bank of India	Term Loan	0	11.5	29.50	157%	
Corporation Bank	Term Loan	5.0	5.0	10.0	100%	100%
Dena Bank	Term Loan	5.0	10.0	10.0	0%	100%
Indian Overseas Bank	Term Loan	5.0	10.0	30.0	200%	500%
Allahabad Bank	Term Loan	0	0	7.0	-	-
SIDBI	Term Loan	15.00	15.00	7.50	-50%	-50%
NABARD	Term Loan	0	3.0	3.0	0%	-
Central Bank of India	Term Loan	0	0	10.0	-	-
ABN AMRO	Term Loan	37.00	39.00	51.10	31%	38%
ING Vysya Bank	Term Loan	0	0	3.00	-	-
HDFC	Term Loan	38.0	51.1	20.00	-61%	-47%
Axis Bank	Term Loan	4.0	4.0	20.00	400%	400%
ICICI Bank Ltd.	Term Loan	45.0	45.0	10.00	-78%	-78%
Kotak Mahindra	STL	0	0	10.00	-	-
IFMR Trust	STL	0	0	5.00	-	-
Total secured loan	-	-	-	-	-	-
CC/DD	-	-	-	-	-	-
Axis bank	-	5.5	5.5	5.4	-	-
Overdraft from commercial banks	-	0.72	-	20.0	-	-
Unsecured loan	-	-	-	-	-	-
ICICI bank	-	4.7	4.7	0.98	-	-
Subordinated debt	-	-	-	-	-	-
Grameen Foundation, USA	Term Loan	1.04	1.04	0.90	-13%	-13%
Vinod Khosala	Term Loan	1.01	1.01	1.02	1%	1%
Cordaid	Term Loan	1.54	1.54	6.40	316%	316%
Dia Vikas Capital Pvt. Ltd	Term Loan	8.0	8.0	10.00	25%	25%
NABARD	Term Loan	0	1.0	1.00	-	-
<b>Total</b>		<b>176.51</b>	<b>210.89</b>	<b>246.4</b>	<b>17%</b>	<b>40%</b>

Source: Primary survey "Study of mFI (CASHPOR micro credit) supported by NABARD with capital assistance and revolving fund assistance".

It appeared from above table that CMC had attracted new banks namely Union Bank of India in 2008-09 and Allahabad Bank, Central Bank of India, ING Vysya, Kotak Mahindra and IFMR Trust during 2009-10. This was due to increase in the confidence level of banks on CMC on account of NABARD support to CMC. The capital infusion had also helped CMC to attract more fund. It is also evident from the above table that the existing banks also extended additional facilities to CMC during 2009-10. It was also clear that CMC had utilized diversified source of fund for its expansion.

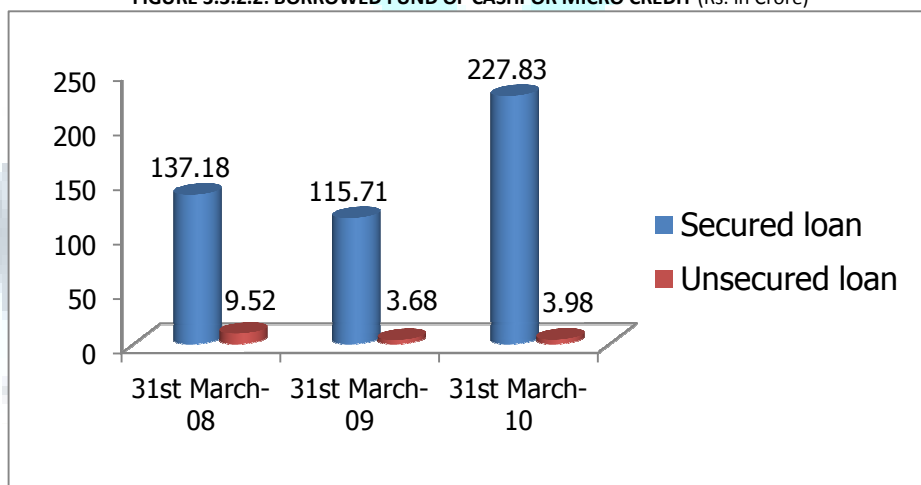
The outstanding of the of the borrowed fund from various banks and other financial institutions during last three years is given below in table 3.3.2.2

TABLE 7: BORROWED FUND OF CASHPOR MICRO CREDIT (Rs. in Crore)

Item	31 <sup>st</sup> March, 08	31 <sup>st</sup> March, 09	31 <sup>st</sup> March, 10
Secured loan	137.18	115.71	227.83
Unsecured loan	9.52	3.68	3.98
<b>Total</b>	<b>146.70</b>	<b>119.39</b>	<b>231.81</b>

Source: Primary survey "Study of mFI (CASHPOR micro credit) supported by NABARD with capital assistance and revolving fund assistance".

FIGURE 3.3.2.2: BORROWED FUND OF CASHPOR MICRO CREDIT (Rs. in Crore)



It was evident from the above table that outstanding of the borrowed fund although decreased during 08-09, but had increased substantially during 09-10. The increase in 09-10 over 31<sup>st</sup> March 09, was 94%. It was clear that the outstanding of borrowed fund almost doubled during 09-10, which helped in increasing depth and width of outreach substantially. The increase in borrowed fund was due to increase in capital through capital assistance and revolving fund received from NABARD and ploughing back of profit in reserves during 2009-10. CASHPOR Micro Credit pointed out that confidence of banks and financiers had increased due to NABARD support and helped in leveraging fund from banks and other financial institutions.



**PORTFOLIO BUYOUT**

After the increase in confidence level of the bankers on CMC, the banks and financial institutions also started portfolio buyout from the CMC during 2009-10. The portfolio buyout by the various organizations is given below in table 8:

**TABLE 8: PORTFOLIO BUYOUT (Rs. in crore)**

Name of Organizations	2007-08	2008-09	2009-10
ICICI	-	-	40.62
Fullerton	-	-	50.00
HDFC	-	-	4.92
DCB	-	-	15.50
Mass Financial Services Ltd.	-	-	5.33
<b>Total Portfolio buyout</b>	-	-	<b>116.37</b>

Source: Primary survey "Study of mFI (CASHPOR micro credit) supported by NABARD with capital assistance and revolving fund assistance".

It could be seen from the above table that CMC had arranged Rs.116.37 crore from various organizations by selling the portfolio resulting into leverage of fund. It could be concluded that CMC could leverage its fund in a sustainable manner from financial institutions. One of the contributing factors was NABARD capital support and revolving fund assistance.

**SUSTAINABILITY RATIO**

Under Sustainability Ratio we had calculated "operating self sufficiency ratio" and "financial self sufficiency ratio" and the same is presented in table 9

**TABLE 9: SUSTAINABILITY RATIO**

Sr. No.	Ratios	Formula	2007-08	2008-09	2009-10
i.	Operating Self Sufficiency Ratio	(Fin. Income / Fin. Cost + Operating Cost + Loan loss provision) X 100	104.82%	101.18%	115.16%
ii.	Financial Self Sufficiency Ratio	(Financial Income / Fin. Cost + Operating Cost) X 100	106.59%	101.31%	115.16%

Source: Primary survey "Study of mFI (CASHPOR micro credit) supported by NABARD with capital assistance and revolving fund assistance".

From the above table it may be observed that both operating self sufficiency ratio and financial self sufficiency ratio had shown good improvement during 2009-10. These ratios reflected the growing managerial and financial acumen of the CMC.

The impact on quality and sustainability of JLGs supported were judged through the asset quality, streamlining JLGs operation, per capita loan, number of members on different cycle of loan, and incremental income of members etc. The asset quality of the CMC is presented in table 10:

**TABLE 10: PORTFOLIO QUALITY OF CMC (Rs. in lakh)**

Particulars	31st March-08	31st March-09	31st March-10
Outstanding	14734	18107	26740
On time repayment	14358.73 (97.45%)	17959.97 (99.19%)	26637.33 (99.62%)
Over dues upto 4 weeks	236.6 (1.61%)	33.79 (0.19%)	44 (0.16%)
Sub standard portfolio (Over due of 4 weeks to 50 weeks)	57.11 (0.39%)	43.7 (0.24%)	10.9 (0.04%)
Doubtful portfolio (Over due of more than 50 weeks)	81.56 (0.55%)	-	1.6 (0.01%)
Lost Portfolio	-	70.17 (0.39%)	46.17 (0.17%)

Source: Primary survey "Study of mFI (CASHPOR micro credit) supported by NABARD with capital assistance and revolving fund assistance".

It was observed from the above table that on time payment had increased from 97.45% as on 31<sup>st</sup> March, 2008 to 99.62% as on 31<sup>st</sup> March 2010. This showed that portfolio quality had improved over the years. Late payment had also reduced over the years as well. Overdue up to 4 weeks had reduced from 236.6 lakhs on 31<sup>st</sup> march 2008 to 44 lakhs on 31<sup>st</sup> march, 2010. Substandard portfolio had reduced from Rs. 57.11 lakhs as on 31<sup>st</sup> march, 2008 to Rs.10.9 lakh as on March, 2010. Similarly, there was substantial reduction in doubtful assets and lost assets. This clearly indicated improvement in assets quality of CMC.

**CYCLE OF LOAN**

The number of JLGs members obtained loan of 4<sup>th</sup> cycle and above were increasing. The number of clients on 4<sup>th</sup> cycle of loan and above during last 3 years were as under:

**TABLE 11**

Date	Number of clients in 4 <sup>th</sup> cycle and above
31 <sup>st</sup> march 08	35932 clients
31 <sup>st</sup> march, 2009	59931 clients
31 <sup>st</sup> march 2010	101952 clients

Source: Primary survey "Study of mFI (CASHPOR micro credit) supported by NABARD with capital assistance and revolving fund assistance".

This also indicated that JLGs member were marching towards sustainability.

**INCREASE IN INCOME LEVEL OF BORROWERS**

94% of the sampled beneficiaries had started income generating activities and were getting good income. 71% of the sampled beneficiaries had income more than Rs. 3000 per month.

Royal Bank of Scotland had conducted impact as study in December 2008 and had observed that 67% of the matured clients had crossed poverty line. CASHPOR had also conducted a study and observed that 81.6% of the matured clients had crossed the poverty line. ABN Amro Bank had observed in impact study during 2009, that 60% of matured clients (loan cycle of 4 times and above) had gone above the poverty line. These all were clean proof of sustainability of JLGs.

**DROPOUT RATE OF JLGs MEMBERS**

Credit crunch faced by the CMC during first three quarter of 2008-09 had led to a high clients dropout of 27.6% during 2008-09. An increase in waiting time for the next disbursement had increased uncertainty amongst members. The competition from other mFIs had also contributed lead to high clients dropout rate. Closure of some centre which were not following guidelines was also one of the reason for high dropout rate in 2008-09. Some dropouts were due to pregnancy of women, illness and disappointing return on investment. However, the dropout rate improved during 2009-10. Credit cycle wise percentage of dropout of members during 2009-10 was as under:

**TABLE 12: PERCENTAGE OF THE DROPOUT OF JLGs**

Credit Cycle	% of dropout members
1 <sup>st</sup> cycle	9 %
2 <sup>nd</sup> cycle	6 %
3 <sup>rd</sup> cycle	3 %
4 <sup>th</sup> cycle	3 %

Source: Primary survey "Study of mFI (CASHPOR micro credit) supported by NABARD with capital assistance and revolving fund assistance".

Dropout members were replaced in JLGs by inducting new members by the JLGs. Reduction of dropout also was a testimony of the sustainability of the JLGs. This all shows the sustainability of the JLGs.

#### STRENGTH OF JLGs OF CASHPOR MICROCREDIT

- Selection process of poor through CASHPOR Hosing Index.
- Initial 5 days Continuous Group Training (CGT) for awareness creation and motivation.
- Weekly meeting through group recognition test (GRT)
- Utilization of loan for the intended purpose for income generating activities.
- 100% insurance from September 2009, thereby mitigating the risk of clients and CASHPOR Micro Credit both.
- Providing saving product as banking correspondence of Union bank of India, ICICI, SBI and HDFC.
- Group responsibility- group sometimes pay the loan amount of defaulter by collecting money from members.
- Sincerity of CMC employee.
- Weekly monitoring at center's meeting.
- Strong internal control and monitoring system.

#### HELP REQUIRED FOR IMPROVING JLGs SUSTAINABILITY

issues of sustainability of JLGs with various stakeholders and sought their suggestions for improving JLGs sustainability.

Suggestions given by stake holders were given below:

- Capacity building of JLG members:** Capacity building of JLGs members with respect to technology and managing the enterprise were felt need in the area. CMC was not able to spend much fund for the purpose Help from apex institutions like NABARD and SIDBI was required to take up capacity building. NABARD should help selected accredited MFIs in capacity building in the line of MEDP for SHG members.
- Lowering the rate of interest:** Need to reduce rate of interest was few by the stake holders. Presently CMC was not in a position to reduce the rate of interest due to their cost of fund and transaction cost. An alternative should be to provide fund at cheaper rate to MFI. This could be possible if the apex institutions like NABARD/SIDBI start refinancing to accredited MFI. Simultaneously MFIs should reduce the interest rate by reducing transaction cost. Since MFI was financing to poorest among poor, interest subvention scheme may also be thought off.
- Fund for deepening outreach:** CASHPOR Micro Credit was facing fund crunch in widening and deepening the outreach due to poor tier I capital. Solution for the same would be capital infusion in MFI by NABARD/SIDBI to increase the net owned fund so that MFI could leverage the fund from banks. Secondly, refinancing MFIs by apex bank, and portfolio buy-out may ease the problem of fund.
- Credit plus activity:** Some credit plus activity like health, education, solar light, and drinking water may also be started by MFI in collaboration of government associated organization to help the poor members.

#### FINDINGS AND RECOMMENDATIONS

Major finding and recommendation of the present study are given ahead:

##### MAJOR FINDINGS

- CMC had adopted the JLG concept for financing. The CASHPOR Micro Credit provided microfinance services at door steps of clients exclusively to women from Below Poverty Line (BPL) families.
- CMC had outreach in 16 districts, 25768 JLGs, 417038 active loan clients with loan outstanding of Rs.267.4 crore. CMC had 1458 staff as on 31<sup>st</sup> March, 2010. Its disbursement during 2009-10 was Rs.471.87 crore. CMC had wiped out all the accumulated loss and had achieved sustainable viability.
- CMC was structured with well experienced Board of Directors that included socially minded representatives.
- CMC was facing challenges of high staff attrition rate. Staff attrition rate during 2008-09 was 22%.
- CASHPOR Micro Credit was identifying clients by using HOUSING INDEX method. Centre Managers of CASHPOR Micro Credit provided Continuous Group Training (CGT) to identified clients regarding terms and conditions and methods of lending followed by group recognition test (GRT) by Branch manager.
- CMC was using TRAccount, software for management information system and accounting. 60% of the staff of CASHPOR Microcredit was computer literate. Branch offices were not computerised.
- CMC offered three types of loan products-Micro loans, Bada loan and emergency loan. Micro loans for income generation were the primary product of CASHPOR Micro Credit.
- Typical activities included livestock for milk production (28%), trading (54%), transportation (3%) and agriculture (3%), etc.
- Loan size ranged from Rs. 2,000 to about Rs.14000, depending upon the cycle of credit. At each cycle loan amount were gradually increased subject to repayment in full on time. Loan was repayable in 46 weekly instalments with a grace period of 6 weeks.
- Bada loan was for matured clients for availing loan amount of Rs.15000 to Rs.25000. CMC also offered an Emergency Loan product for unforeseen expenses (i.e. illness, food deficit etc.). The maximum loan amount for emergency loan was Rs.1000 and repayable in 25 weekly instalment with five-week of grace period.
- Rate of interest charged from clients was 27% at reducing balance. CMC had not reduced rate of interest after getting NABARD support but planning to reduce the same during 2010-11.
- After providing capital assistance and revolving fund, loan disbursement and active loan clients had shown a quantum jump. Disbursement during 2009-10 had increased to 82.46% if compared from 2007-08.
- Average loan disbursement per clients had increased to Rs.11315 during 2009-10 from Rs.8528 during 2007-08. The increase indicated the deepening of outreach after NABARD assistance.
- Average number of clients per branch had also increased to 1550 during 2009-10 from 1189 during 2007-08.
- The highest outreach in terms of loan outstanding was observed in Mirzapur district followed by Varanasi, Ballia and Ghazipur district. Siwan, Sonbhadra and Kushinagar districts were lagging behind and needed more attention.
- Portfolio at risk had come down from 0.69% to 0.28% which was a positive sign for CASHPOR Microcredit indicating improvement in monitoring and supervision. Portfolio at risk for ">30 days" had sharply gone down during 2009-10, which was 0.28% as on 31<sup>st</sup> March 2010 against 0.69% as on 31<sup>st</sup> March 2009. On time repayment % had increased from 97.45% during 2007-08 to 99.62% during 2009-10. It had been made possible because of better control measures and regular monitoring of loan portfolio by the CASHPOR Micro Credit. Similarly loan loss ratio had gone down to a considerable extent and stood at 0.31% during 2009-10.
- Equity of the CASHPOR Micro Credit was stagnant during the last three years.
- Net worth of CMC had shown an increasing trend. Although the net worth during 2008-09 had shown declining trend the same had increased substantially during 2009-10, registered a growth of 74%.
- Net income had marginally declined during 2008-09 as compared to year 2007-08. However, it had shown quantum jump of 833.82% during 2009-10 over 2007-08 due to steep increase in income. The CASHPOR Micro Credit had wiped out all accumulated loss of Rs.4.32 crore during 2009-10 and achieved sustainability. But CMC required to increase their capital base further for leveraging more fund from Banks for expansion.
- CMC had attracted new banks namely Union Bank of India in 2008-09 and Allahabad bank, Central Bank of India, ING Vysya, Kotak Mahindra and IFMR Trust during 2009-10. Existing banks had also increased their exposure during 2009-10. Total borrowed fund as on 31<sup>st</sup> March, 2010 was Rs.231.81 crore as compared to Rs.146.70 crore as on 31<sup>st</sup> March, 2009. This was due to increase in the confidence level of banks on CMC on account of NABARD support to

CMC. CMC had also arranged Rs.116.37 crore during 2009-10 from portfolio buyout to ICICI, Fullerton, HDFC, DCB, and Mass Financial Services limited. This had helped CMC in expanding the outreach.

- The liquidity Ratio of the CASHPOR Micro Credit was more than 100% during 2009-10, indicating thereby that the liability was fully covered by current assets.
- Capital adequacy ratio of the CASHPOR Micro Credit (without taking into account external support) during 2009-10 had shown declining trend in spite of good increase in net worth. This was due to doubling of risk weightage assets during 2009-10. After considering NABARD capital support, revolving fund and other sub-ordinate debt under Tier II capital (totaling Rs.16.39 crore as on 31<sup>st</sup> March 2010), the capital adequacy as on 31<sup>st</sup> March 2010 would be 10.28%.
- CASHPOR Micro Credit had made good endeavour in managing its operations efficiently resulting into de-escalation of all sorts of cost which had improved its profitability during 2009-10.
- The return on performing assets and yield on portfolio ratio had increased during 2009-10. 3.31% return on assets and 33.32% yield on portfolio during 2009-2010 could be treated as impressive. This showed that the operation of CASHPOR Micro Credit was profitable.
- Operating self sufficiency ratio and financial self sufficiency ratio of CMC had shown good improvement during 2009-10. These ratios reflected the growing managerial and financial acumen of the CMC.
- The CASHPOR Micro Credit had strong and effective internal control measures. It had its own independent internal audit department reporting directly to the Managing Director. Internal audit department had 32 staff. They checked every branch twice a year.
- CMC had brought improvement in risk management system by insuring all the loans and beneficiaries from 15<sup>th</sup> September 2009. For this CASHPOR Micro Credit had tied up with Bajaj Allianz Insurance and ICICI prudential.
- Unique system of identification of poor, continuous group training (CGT), group recognition test (GRT), regular weekly meeting, regular repayment, loan mostly for income generating purposes, strong and effective monitoring and internal control system, linking the loan amount with cycle of credit were strength of JLGs.
- Dropout rate of clients were high.

#### RECOMMENDATIONS

- CMC should develop the strategy to check high staff attrition rate.
- CMC should gradually computerize branches to improve MIS.
- Interest rate of CASHPOR Microcredit was 27% over the year. For sustainability of JLGs, interest rate should be reduced by reducing cost of delivery, increasing business volume and use of technology.
- There was a suggestion to further increase the loan amount per borrower. This would be possible only when CASHPOR Micro Credit would have sufficient fund. More capital support and revolving fund to CASHPOR Micro Credit from apex institution like NABARD and SIDBI would help CASHPOR Micro Credit to improve its capital adequacy and thus leveraging the fund from various Banks for deepening the outreach.
- Internal credit control system, audit, monitoring and supervision should be further strengthening to improve asset quality and sustainability of JLGs.
- Capacity building of JLGs members, transfer of technical knowhow and marketing support to JLG were the areas where CASHPOR Micro Credit should also concentrate.
- Sustainability of JLGs should be given due weightage in planning and expanding business.
- Capacity building of staff in the field of assets quality, risk management, internal control system and MIS should be strengthen.
- High clients dropout was a matter of concern. CMC should develop suitable strategy to check high clients dropout rate.
- NABARD should recognize MFIs also as Joint Liability Group Promoting Institution (JLGPI) in the line of SHPI and devise the system of reimbursement of the cost of JLGs formation and nurturing. NABARD should also help MFIs in capacity building of JLG in the line of SHG -Bank linkage programme. This could be started as a pilot project at least for 50 accredited MFIs in the country.
- NABARD/SIDBI may develop strategy to refinance accredited MFIs to help them in reducing cost and thereby reducing rate of interest. This would also help in getting fund for deepening and widening outreach. Fifty accredited MFIs may be identified to launch this scheme as pilot project.

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**INDIAN MUTUAL FUND MARKET: AN OVERVIEW****JITENDRA KUMAR****ASST. PROFESSOR****DEPARTMENT OF MANAGEMENT STUDIES****SIKKIM MANIPAL INSTITUTE OF TECHNOLOGY****MAJITAR****DR. ANINDITA ADHIKARY****ASSOCIATE PROFESSOR****DEPARTMENT OF MANAGEMENT STUDIES****SIKKIM MANIPAL INSTITUTE OF TECHNOLOGY****MAJITAR****ABSTRACT**

India is considered for years as one of the attractive investment destinations worldwide. There are many opportunities for investments where Mutual fund is one of them. Indian mutual funds industry has witnessed a rapid growth in the past few years driven by several favourable economic and demographic factors. With the growing volatility in the stock market, retail investors are looking forward to mutual funds as their investment avenues. Hence, it is of utmost significance to understand mutual fund industry, which is an alternative for direct investment in stock market. As such, this paper makes an attempt to review the various literatures available in the mutual fund industry to understand the performance of funds and investment decision of small active retail investors. The study shows that high competitions among the private and public players in the industry have affected the performance of the mutual funds. It is also found that retail investors are still confused about the mutual funds as an investment avenue. In order to attain sustained profitable growth, the industry should focus on developing distribution networks, increasing retail participation and expanding the reach of mutual funds by conducting awareness programs and extending financial literacy.

**KEYWORDS**

Fund Performance, Investment Behaviours, Mutual Fund and Retail Investors.

**1. INTRODUCTION**

A mutual fund is a financial intermediary that pools the saving of investors for collective investment in a diversified portfolio of securities. A fund is 'mutual' as all of its returns minus its expenses are shared by the fund's investors (Pathak, 2008). The Securities and Exchange Board of India (Mutual Funds) Regulation Act, 1993 defines a mutual fund as "a fund established in the form of a trust by a sponsor, to raise money by the trustees through the sales of units to the public, under one or more schemes, for investing in securities in accordance with these regulations" (Gurusamy, 2007). Mutual fund is considered to be a better opportunity where savings are collected from investors and diverted to the capital market to generate better returns for them with lower risk and volatility.

A tremendous growth has been witnessed in India since 1991. With liberalization in India economy, there has been a sea change in the financial market. Consistent with this evolution, Indian mutual funds industry has also witnessed a rapid growth. The reason behind such a considerable attraction towards mutual funds was essentially due to assured returns along with security to investors' investment (Sanyasi, 2013). Large market potential, rising income, high saving rate, growing risk appetite, comprehensive regulatory framework by SEBI, favourable tax policies, introduction of new products, increasing awareness etc have made mutual funds a preferred investment option (Rekha, 2012). Small investors face many hardships in stock market investment decision making. They cannot afford to have vast knowledge of market behaviour and lack knowledge about maximising gains by proper selection and timing of investment. As such, mutual funds are the secured way for small investors to enter the capital market (Viramgami, 2009).

The revolution in last decade was the outcome of policy proposal taken by the Government of India where by public sector banks and insurance sectors were permitted to enter the fund market (Gupta, 2000). In a short span of less than one decade, India has observed a changed in the investment pattern of small and medium investors. India's market for mutual fund has witnessed a CAGR of about 29% in a five year period from 2004-2008 as against global average of 4% which accounts as the most rapidly growing market in the world (Gupta, 2011). India has secured the best position among the top ten globally reputed mutual funds as far as growths of the funds are concerned. It has even moved from 27<sup>th</sup> place to 26<sup>th</sup> place in the recent past. Mutual funds transactions on the stock exchanges have also witnessed an inspiring growth over the years. They indeed have been playing a stabilising role in the ever volatile stock markets (Chary and Masood, 2010-2011). The regulating authorities namely Securities and Exchange Board of India (SEBI) and Association of Mutual Funds in India (AMFI) supervising and regulating mutual fund industry are trying to guard and protect the investors in India (Santhi and Gurunathan, 2011). Mutual funds have been penetrating into rural areas with diversified products and better corporate governance. Retail investors are steadily banishing of the stock market and diverting savings into mutual funds sector. They acquire stocks or bonds through mutual funds at lower trading costs and get the benefit of diversification and risk minimization (Khare, 2007). Penetration of mutual fund market has been only 13.7% unit holders from rural area and 38% from urban area. It portrays a very sluggish growth in the industry. However, with a booming economy and 32.4% saving rate in India, there are lots of scope for favourable growth of mutual fund industry in India (Pandey, Rathore and Khare, 2007).

**1.1 PLAN OF THE PAPER**

The structure of the paper has been divided into four parts. Section 1 deals with introduction, section 2 presents the theoretical background of mutual fund and section 3 focuses on the findings of some of the earlier studies and conclusions of the study appears in section 4.

**2. THEORETICAL BACKGROUND OF MUTUAL FUND**

A small investor saves a part of his income to meet future expenses such as education, marriage, medical purposes and purchase of products. There may be some expenses that are unforeseen. These diverse needs are expressed in terms of investment objectives as safety, liquidity and high return. In order to meet the diverse needs of a multitude of investors, mutual funds have designed and offered a wide variety of mutual fund schemes. Investors have the option of choosing from the wide variety of schemes depending upon their requirements. Schemes may be categorised in many ways. At the most primary stage, mutual funds may be close-ended or open-ended, which are the types of mutual funds categorised by their structure. The subsequently categorization of mutual fund is based on their characteristics with respect to the risk level of the asset invested, nature of asset invested, the fund's objectives, industry to which the invested assets belong, trading and investment strategies adopted, structure, frequency of dividend payment and so forth. Schemes based on an asset category of investment may be equity funds, debt funds, money market funds, gilt funds, real estate funds and so forth. Growth funds, balanced funds and income funds portray the extent of the combination of different asset categories in the investments. Industry specific or sectoral funds focus upon specific industries or sector.



In recent years, some innovative mutual funds have been launched in India to provide investors with greater access to markets like the gold market and art market. They are innovative in the sense that they are new to Indian investors. Thus, mutual funds adopt different strategies to achieve investors' objectives and accordingly offer different schemes of investments. Mutual funds are supervised by a group of professional managers. Funds' investment portfolios are persistently evaluated and revised to closely match the fund's stated investment objective.

An Asset Management Company (AMC) is required to calculate the Net Asset Value (NAV) of all open-ended schemes on a daily basis and at the least on a weekly basis for close-ended ones and publish these in a minimum of two national newspapers. The NAV of a fund at any point in time is the sum total of the market value of the assets that comprise its portfolio minus the liabilities at that time. In other words, the NAV of a fund is the amount that all the unit holders will receive if the fund is dissolved or liquidated after paying all its liabilities.

A mutual is a set up in the form of trust, which has sponsor, trustee, AMC and custodian. Sponsor is the person who acts alone or in combination with another body corporate and establishes a mutual fund. Sponsor must contribute at least 40% of the net worth of the investment managed and meet the eligibility criteria prescribed under the Securities and Exchange Board of India (Mutual Funds) regulations, 1996. The sponsor is not responsible or liable for any loss or shortfall resulting from the operation of the schemes beyond the initial contribution made by it towards setting up of mutual fund. The mutual fund is constituted as a trust in accordance with the provisions of the Indian Trusts Act, 1882 by the Sponsor. Trustee is usually a company (corporate body) or a board of trustees (body of individuals). The main responsibility of the trustee is to safeguard the interest of the unit holders and also ensure that AMC functions in the interest of investors' and in accordance with the SEBI regulations, the provisions of the trust deed and the offer document of the respective schemes. The AMC is appointed by the Trustees as the investment manager of the mutual fund. The AMC is required to be approved by SEBI to act as an AMC of the mutual fund. The AMC if so authorized by the Trust Deed appoints the Registrar and Transfer Agent to manage the mutual fund. The registrar processes the application form, redemption requests and dispatches account statements to the unit holders. The Registrar and Transfer agent also handles communications with investors' and updates investor records.

### 3. DISCUSSIONS

Mutual funds have attracted the attention of global practitioners and academicians in India and abroad to evaluate the performance of various schemes from time to time by considering return and risk of the investment. As there is a vast universe of companies in the field of mutual funds providing unlimited number of schemes, it becomes really hard to evaluate the performance of all companies in a single study. A few of the studies conducted in this field were pioneered by Treynor (1965), Sharpe (1966), and Jensen (1968). It was followed by numerous other studies that have evaluated the performance of portfolios and analyzed the investment behaviours of mutual fund investors.

#### 3.1. FUND PERFORMANCE

A few studies were carried out from time to time to evaluate the mutual fund performance in India. Jayadev (1996) attempted to evaluate the performance of two growth oriented mutual funds namely Mastergain and Magnum Express on the basis of monthly returns and compared to benchmark returns. The study concluded that the two funds had disappointed in earning better returns. Mastergain performance was superior as per Jensen and Treynor measures and on the basis of Sharpe ratio, its performance was unsatisfactory when compared with benchmark. The performance of Magnum Express was unsatisfactory on the basis of all these three measures. Gupta and Sehgal (1998) evaluated performance of 80 mutual fund schemes over four years (1992-96). The study has tested the proposition relating to fund diversification, consistency of performance, parameter of performance and risk-return relationship. The study has noticed the existence of inadequate portfolio diversification and consistency in performance among the sample schemes. Gupta (2001) assessed the outcome of 73 selected schemes with different investment objectives, both from the public and private sector using Market Index and Fundex. NAV of both close-ended and open-ended schemes from April 1994 to March 1999 were also tested. The result depicted that the selected schemes had not been properly diversified and risk and return of schemes had not fulfilled their scheme's objectives. Elango (2004) empirical work depicted that private sector schemes has outperformed public sector in terms of NAV, innovative products and in deployment of funds. Moreover, public sector funds showed low volatility as against greater inconsistency for private sector. Sondhi and Jain (2005) observed 19 private and 17 public sector mutual fund equity schemes during the period 1993-2002. There existed a lack of consistency in the performance of the funds. The returns were higher than the BSE 100 index. However, it was lower than the returns on 364 days treasury bills. Private equity schemes had outperformed due to its reputation, professional management, well-researched stock selection and timing skills. More than three-fourth of public sector schemes couldn't attain better returns in spite of higher investor confidence and high safety. Muthappan and Damodharan (2006) examined 40 schemes during April 1995 to March 2000. The study concluded that majority of the schemes has achieved superior returns compared to the market but has not performed better than 91 days Treasury bill. They further observed that 23 schemes has outperformed both in terms of total risk and systematic risk. 19 schemes performance were superior while growth schemes earned average monthly return. The average unique risk of 7.45% with an average diversification of 35.01% concluded that the sample schemes were not adequately diversified. Guha (2008) determined the return-based style analysis of equity mutual funds in India using quadratic optimization of an asset class factor model proposed by William Sharpe. The study identified the "Style Benchmarks" of each of its sample of equity funds as optimum exposure to 11 passive asset class indexes. The study evaluated the performance of the funds with respect to their style benchmarks and had observed that the performance of the funds were inferior to their style benchmarks on the average. Bhatt and Patel (2008) examined the performance of 10 mutual fund scheme using Sharpe index method. The study identified that fund having high index value had performed better than fund having low index value. Mehta (2010) evaluated the performance of 10 funds of the both UTI and SBI mutual fund schemes during 2006-07 and 2007-08 on the basis of portfolio evaluation techniques using Sharpe, Treynor and Jensen Index and FAMA. The study depicted that SBI mutual fund schemes had outperformed UTI schemes in the both the years and UTI and SBI mutual funds had superior returns in 2007-08 as compared to 2006-07. Dharmraja and Santhosh (2010) examined 5 Balance mutual fund and 5 Income mutual funds for a period of two years - Bull Run period from January 2007 to December 2007 and Bear Run period from January 2008 to February 2009. The findings showed that return during Bull Run period was maximum accompanied by high rate of risk. The performance of the Balance mutual fund was inferior to the market during the Bull Run period. During the Bear Run period, Income mutual fund has lesser risk compared to stock market. On comparing balance mutual funds and income fund, it was concluded that income funds had performed better than the balance mutual fund during Bear Run period and mutual fund investment were relatively risk free than stock market as the investment being managed by the professionals. Devi and Kumar (2010) focused on the performance of Indian and foreign equity mutual funds and had concluded that among Indian equity funds, the returns are highest for Equity Tax Savings Funds (55.87%) followed by Diversified Funds (54.73%) whereas it is just the reverse in case of foreign mutual fund as Equity Diversified Funds are the toppers in return (57.57%) followed by Equity Tax Savings Funds (82%). They further identified that there is not much difference in the returns between Indian and foreign equity index funds and equity tax savings funds. Dhume and Ramesh (2011) evaluated the performance of the few sector specific mutual funds using different approaches of performance measures. The sectors considered for the study were banking, FMCG, infrastructure, pharma and technology. The study highlighted that all the sector funds had better performance than the market except infrastructure funds. Bawa and Brar (2011) identified a few selected growth mutual funds schemes of both public sector and private sector schemes during the period 1st April 2000 to 31st March 2010 to evaluate their performance. The study concluded that the returns of private sector growth schemes had been better than public sector growth schemes. Mannar (2012) conducted a study to evaluate the performance of the four equity funds during the period from 2002 - 03 to 2011-12. Two funds were selected each from the fund houses, HDFC and ICICI Prudential. The funds selected are HDFC Top 200 (G), HDFC Capital Builder (G), ICICI Prudential Top 200 (G) and ICICI Prudential Top 200 (G). The study identified that the average performance of the HDFC top 200 scheme had been far inferior by a large factor when compared to the other schemes under study. The Performance of all the funds was to an extent better than the market with only a few rare exceptions. Inder (2012), attempted to examine the performance of index funds in comparison to market index. The study showed that index funds had been replica of the market index as they always try to capture the market sentiment.

#### 3.2. INVESTMENT BEHAVIOURS OF MUTUAL FUND INVESTORS'

The researcher also tried to analyse a few of the studies that has been focused on the investment behaviour of mutual fund investors. Rehman, Shaikh and Kalkundrika (2011) in their study highlighted that investment decisions on mutual funds and behaviors of retail investors had based on various demographic



factors like age, gender, marital status, level of market knowledge, educational qualification of retail investors and the number of dependents. Devasenathipathi, Saleendran and Shanmugasundaram (2007) in their study disclosed that 30% of the respondents in the sample group of 200 had awareness of mutual funds through consultant's advisory services, 46% respondents in the age group of 25-35 years had a lot of interest and more investments in mutual funds and 31% of the respondents had maintained mutual fund investments to meet future expenses. The study also unfolded that dividend had been the most preferred investment option for the respondents and 49% of the respondents had preferred to invest in equity fund other than the debt and balanced fund. Shanmugasundaram and Balakrishnan (2011) analyzed the investor behaviour on result announcement. It was concluded that when the result announced by the company were better than expected, 38% of the respondents desired to invest more and 40% of the respondent desired to hold the securities and 22% of investor wished to book the profit. Research further concluded that maximum number of respondent fell in the age of 21-30 years category out of which 75% of the respondents fell in the income level of below Rs.3,50,000 and 50% of the respondent were below the income level of Rs.1,50,000. Singh, and Chander (2003), identified that estimation of risk and return, portfolio selection and NAV are important criteria for mutual fund appraisal. The ANOVA results concluded that occupational status and age had immaterial influence on the choice of scheme. The important factors in the selection of schemes for salaried and retired investors were attributed to the past track record, safety and future growth prospects. Investors also expected prompt service, reliable information and also repurchase facility from the companies. Majority of retail investors were still reluctant towards mutual fund investments (Parihar, Sharma and Parihar, 2009). Rekha (2012) observed that even though there are positive factors contributing in the growth of the industry, there are a few factors inhibiting its growth which has been endorsed to low levels of customer awareness and lack of knowledge about mutual funds, limited innovation in product offerings, unwillingness to undertake even minimum risk, inaccessibility in smaller towns and cities due to lack of efficient distribution network and abysmal financial literacy. Grubber (1996) studied the performance of mutual funds and concluded that there had been a negative performance when compared to the market. He put forward even evidence of persistence of underperformance. He further concluded that in spite of inferior performance of actively managed portfolios there had been a fast growth of mutual funds industry in India. Singh (2012) argued that most of the respondents had no knowledge about the various function of mutual funds. He further argued that demographic factors, gender, income and level of education had significantly influenced the investors' attitude towards mutual funds. However, two demographic factors namely age and occupation have not been found influencing the attitude of investors' towards mutual funds. As far as the benefits provided by mutual funds are concerned, return potential and liquidity have been perceived to be most attractive by the investors' followed by flexibility, transparency and affordability. Raju (2013) concluded that majority of dimensions had been influenced by 'stimulating factor' which indicated that the investor were under a strong influence in mutual fund investment. More specifically, it was revealed that financial advisor/ agents had been the major influencing forces over investors towards mutual funds. In fact they were the major inspiration as well as guiding factors in promotion of mutual fund business. Though the other agents like, advertisement through media, friends and relatives were also influencing the decisions of investors towards mutual fund investments, yet the financial advisor/agents influence were much more.

#### 4. CONCLUSIONS

Indian Mutual fund industry is gradually moving towards growing phase. It is found that stock market crash, liquidity crunch in the markets, high competitions among the private and public players in the industry etc have affected the performance of the mutual funds. Despite of the fact, there have been positive returns generated by mutual funds investments. Most of the funds in the market provided the returns equal to risk free rate. Moreover, over the last few years level of awareness and interest of investors on mutual funds has increased. But level of awareness has not yet reached to mass investors. The past studies have shown that retail investors are still confused about the mutual funds and have refrained themselves from considering mutual funds as an investment avenue. In order to attain sustained profitable growth, the industry should focus on developing distribution networks, increasing retail participation and expanding the reach of mutual funds into rural areas by conducting awareness programs and extending financial literacy (Rekha 2012). Investment decision of retail investors in mutual funds can be encouraged by introducing special investment schemes and providing many offers or attractive prices (Mathivannan and Selvakumar, 2011). Chary and Masood (2010-2011) suggested that SEBI has to inculcate the culture of mutual fund investment in the minds of the investors and even focused that asset managers should develop the forecasting skills in order to manage the portfolio of the fund effectively. There is an urgent need to streamline the regulation of mutual fund industry. Capital market itself is a complex activity regulated by SEBI. So, a separate regulatory body to regulate the operation and management of mutual funds should be set up (Pandey, Rathore and Khare, 2007). There is also a need of strong transparency and disclosure policies, customer involvement, wider approach to cover Tier 2 and Tier 3 cities, up gradation of technology, innovation in products, customer satisfaction and strategies to bring more confidence among investors (Gupta 2011).

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# SMART APPROACHES FOR PROVIDING THE SPD'S (SECURITY, PRIVACY & DATA INTEGRITY) SERVICE IN CLOUD COMPUTING

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## ABSTRACT

Cloud computing is the use of computing resources which are available in a remote location and accessible over a network (Internet). Data Storage is an emerging technology and facing an important issue that is (SPD's) Security, Privacy & Data Integrity services. Our paper discusses the model based on MAS (Multi Agent Systems) architecture of cloud and data encoding mechanism to enhance the integrity of Data Storage. Multi-agent systems can be used to solve problems that are difficult or impossible for an individual agent or a monolithic system to solve. Cloud computing with its acceptance also has some growing needs which affect the complete working of cloud, and one of those needs is the need for "security". Cloud at present is lacking in its security needs in terms of data integrity, authorization and confidentiality. In this paper describe both data storage and providing the (SPD's) Security, Privacy & Data Integrity services in cloud computing.

## KEYWORDS

Cloud Computing, Data Storage, Security, Privacy, Data Integrity.

## 1. INTRODUCTION

### 1.1 CLOUD DATA STORAGE

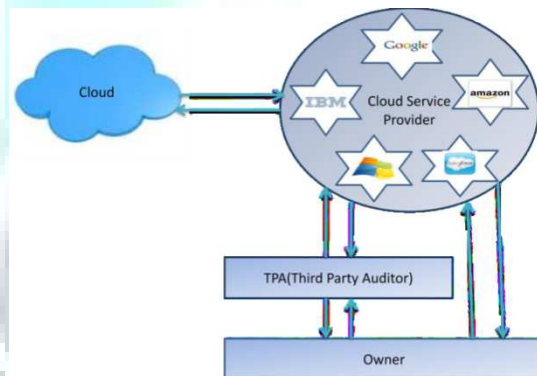
Data Storage as the name suggests are the "house for data" purpose for Data Storage, management, analysis and dissemination. Data Storage may exist in physical environment or virtually and can be organized as a public data center for large scale usage or a private data center specific to an organization. Data Storage today are one of the main needs for the increasing information technology services and have an important role in cloud computing. The end-users provide their data to cloud to access it whenever required on the rental basis, therefore, the data provided is stored at Data Storage of cloud known as cloud Data Storage.

Data Storage are present at different locations and store the complete data present on cloud. Data Storage is also one of the rising trends in IT field and suffers from the issue of security within it. Even though there are many security issues related to Data Storage but one of the most important issue is integrity of the data. The best examples of cloud storages are Amazon S3, Google Cloud Storage, iCloud by Apple, Google App Engine Blobstore, Windows Azure Storage, and Files Anywhere.

FIG 1. THE CHARACTERISTICS OF CLOUD COMPUTING



FIG 2. ARCHITECTURE OF CLOUD DATA STORAGE



Cloud Storage does not have any specific or exact definition but it can be said as the mechanism of storing the end-user or client data in the remotely located cloud servers. Though Databases, Data warehouses and other traditional storage mechanisms provide high quality Data Storage but still cloud Data Storage are preferred over them as:

1. The hosting providers or the companies don't need to install the storage devices physically in their datacenters.
2. Storage management is the complete responsibility of the service provider and the hosting provider's company's focuses completely in their core business. Companies only need to pay for the storages they use and not the complete setup is to be established avoiding the complexities of Data Storages.
3. The end-user doesn't need to keep back up but only store their data at service provider who looks after it completely.

Some of the important characteristics that a Cloud Data Storage must possess are:

- i) Manageability: Cloud Data Storage basically focuses on the maintenance of the large data which can't be stored on the end-user or clients system. This data stored in cloud storages are to be maintained and managed and for this reason cloud storages need to be self-managing to a large extent, so that reducing the maintenance trouble of data by the client.
- ii) Availability: Since the data being stored in cloud storage is very frequently accessed, therefore, there must be the proper availability of data always and no data corruption must occur as it is the back up of the complete information and data of client.

iii) Performance: Since Cloud storages are used for cloud which are being used with internet because internet uses TCP for controlling the flow of data packets but TCP works for small size of data and is not suitable if the data size becomes larger, in such conditions cloud storages are used which provide large Data Storage and flow of data easily.

### 1.2 DATA INTEGRITY AND INTEGRITY OF CLOUD DATA STORAGES

"Data Integrity" as the word in itself explains the completeness or wholeness of the data which is the basic requirement of the information technology. As Data Integrity is an essential in databases similarly integrity of Data Storage is an essential in the cloud, it is a major factor that affects on the performance of the cloud. The data integrity provides the validity of the data, assuring the consistency or regularity of the data. It is the complete mechanism of writing of the data in a reliable manner to the persistent Data Storage which can be retrieved in the same format without any changes later. As described above, in cloud, the complete storage of data provided by the end-user is done at the Data Storage and the security and integrity of the data lies on the vendor storing data in the Data Storage but not the cloud hosts. Cloud Storage is gaining popularity for the outsourcing of day-to-day management of data.

Therefore integrity monitoring of data in cloud storages is as essential for any data center, to avoid any data corruption or data crash. Data corruption or data failure can occur at any storage level. One of the most famous data failure occurred in Amazon in leading loss of complete client data stored in it. Therefore just storing data at cloud Data Storage does not ensure the integrity of data, but some mechanisms are to be implemented at each storage level to ensure the data integrity. Data Integrity is most important of all the security issues in cloud Data Storage because it not only ensures completeness of data but also ensures that the data is correct, accessible, consistent and of high quality.

## 2. PROPOSED METHODOLOGY (MAS ARCHITECTURE "CLOUD ZONE" AND ENCODED MAS ARCHIE)

As discussed above the integrity within cloud storage can be of two things, that is, integrity of data being transmitted from data storage and integrity of data storage.

FIG 3. MAS ARCHITECTURE "CLOUD ZONE"

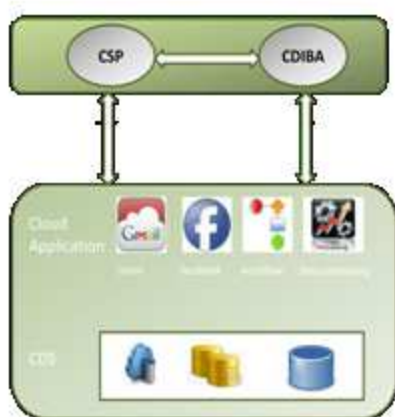
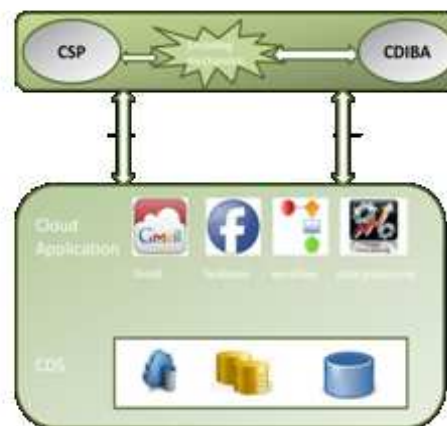


FIG 4. ENCODED MAS ARCHITECTURE



The mechanism for providing both type of integrity are present, and mechanism for providing integration together are also present but here we are discussing the most two commonly used methodology for integration assurance and then will introduce our model combining these two mechanisms to provide both kind of integrity together at the same time. Multi Agent System (MAS) Architecture for data storage Integrity: MAS architecture is a mechanism being developed from the concept of Multi Agent system (MAS) in artificial intelligence defined as "loosely-coupled network of entities that work together to find solutions for the problems which are beyond the knowledge of single entity".

It is implemented on basic cloud architecture and consists of two main layers as cloud resource layer (cloud server side) and MAS architecture layer (cloud client-side). At cloud resource layer as the name suggest consists of all the resources of cloud like storage servers and application servers which provide a platform or power to data storage. MAS Architecture layer known as cloud zone consists of 5 agents but most widely used agents for integrity are Cloud Service Provider Agent (CSPA) and Cloud Data Integrity Backup Agent. To provide integrity of data storage the MAS architecture implies some of the security policies using CSPA agent whose main responsibility is to backup data from the Cloud Zone and send regular security alerts or alarms whenever there is a human error when data for cloud is entered, a software bugs or viruses occur, some hardware fault like system crash, or error during the transmission of cloud data from one computer to another.

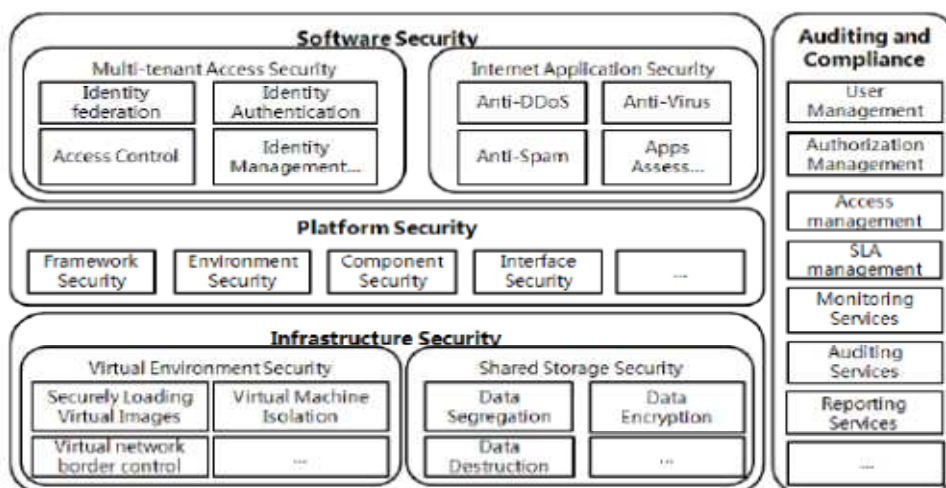
## 3. CLOUD COMPUTING SECURITY ISSUES

### A. CLOUD COMPUTING SECURITY

Cloud Computing Security as "Cloud computing security (sometimes referred to simply as "cloud security") is an evolving sub-domain of computer security, network security, and, more broadly, information security. It refers to a broad set of policies, technologies, and controls deployed to protect data, applications, and the associated infrastructure of cloud computing." Note that cloud computing security referred to here is not cloud-based security software products such as cloud-based anti-virus, anti-spam, anti-DDoS, and so on.



FIGURE 5. CLOUD COMPUTING SECURITY ARCHITECTURE



#### 4. DATA SECURITY AND PRIVACY PROTECTION ISSUES

The content of data security and privacy protection in cloud is similar to that of traditional data security and privacy protection. It is also involved in every stage of the data life cycle. But because of openness and multi-tenant characteristic of the cloud, the content of data security and privacy protection in cloud has its particularities. The concept of privacy is very different in different countries, cultures or jurisdictions. The definition adopted by Organization for Economic Cooperation and Development is "any information relating to an identified or identifiable individual."

Another popular definition provided by the American Institute of Certified Public Accountants and the Canadian Institute of Chartered Accountants in the Generally Accepted Privacy Principles standard is "The rights and obligations of individuals and organizations with respect to the collection, use, retention, and disclosure of personal information." Generally speaking, privacy is associated with the collection, use, disclosure, storage, and destruction of personal data. Identification of private information depends on the specific application scenario and the law, and is the primary task of privacy protection.

#### 5. CONCLUSION

In this paper we discussed about cloud computing and the role of cloud storages (Data Storage) in cloud computing, and describing the most important security threat of data storage which is data integrity and data privacy, the proposed mechanisms for integrity assurance and the problems being faced in these mechanism.

Later we discussed about MAS architecture and data encoding using hash values for the purpose of integrating data transmission as well data integrity of data storage by encrypting and hashing the data in data storage using data storage agent of Cloud Zone. Security is an issue which always has some work to do because with rising security, the breaking points in security also occur. The mechanism we proposed can be implemented using much better encoding mechanism so that the security rises more and data integrity enhances more and more.

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# A COMPARATIVE STUDY ON ETHICAL DECISION-MAKING OF PURCHASING PROFESSIONALS IN TAIWAN AND CHINA

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## ABSTRACT

*Purchasing professionals are recognized for their key role in keeping long-term relationships with suppliers. In the running of purchasing practices, ethics have been considered to be an essential requirement in maintaining a good buyer-supplier relationship. Considerable attention has been paid on ethical issues in purchasing management. Nevertheless, only a few studies analyzed ethical decision-making of purchasing professionals, and none of them provided a thorough analysis on purchasing professionals' ethical decision-making. Most of them merely focused on a specific component of the ethical decision-making process. This paper attempts to explore the ethical decision-making of purchasing professionals in Taiwan and China. The study used a questionnaire survey to explore the differences in ethical decision-making between purchasing professionals in Taiwan and China. The Multidimensional Ethics Scales with purchasing-specific scenarios were used to measure purchasing professionals' ethical decision-making. Research findings reveal significant differences in ethical decision-making between purchasing professionals in Taiwan and China.*

## JEL CODE

M00 - General

## KEYWORDS

Ethical Decision-making, Purchasing Professionals, Taiwan, China, Multidimensional Ethics Scales.

## INTRODUCTION

Studies about the nature of buyer-supplier relationships reveal that purchasing professionals in a company play a key role in keeping long-term relationships with suppliers and achieving the company's strategic objectives. Purchasing professionals usually span the boundary between the company's internal functions and its external suppliers by coordinating the flow of goods and services (Carter & Jennings, 2004; Landeros & Plank, 1996). They need to negotiate supply contracts with suppliers, and act as the interface between the company and its suppliers. In the running of purchasing practices, ethics have been recognized to be an essential requirement in maintaining a good buyer-supplier relationship. Suppliers usually view the ethics of their buyers as an important foundation to build relationships characterized by trust (Robertson & Rymon, 2001; Spekman & Carraway, 2006). Understanding purchasing professionals' ethical decision-making will be helpful for those who want to build a close buyer-supplier relationship.

Research on ethical issues in purchasing practices has a rich conceptual and empirical history. However, only a few researchers studied ethical decision-making of purchasing professionals. Conducting research on purchasing professionals' ethical decision-making may have an important bearing on the ethical predispositions that the suppliers bring with them to purchasing negotiation occasions (Ford, LaTour, Vitell & French, 1997). Previous studies on purchasing professionals' ethical decision-making analyzed only a specific part of the process. Some focused on purchasing professionals' ethical sensitivity (Razzaque & Hwee, 2002; Tadepalli, Moreno & Trevino, 1999), some on ethical judgment (Ford, LaTour & Henthorne, 2000; Lin & Ho, 2009), and some on ethical intention (Landeros & Plank, 1996; Robertson & Rymon, 2001). None of them analyzed two or more parts of ethical decision-making process simultaneously. Therefore, to fill the research gap, this paper attempts to analyze ethical sensitivity, ethical judgment and ethical intention of purchasing professionals.

This study takes purchasing professionals in Taiwan and China as research subjects. Because of the increasing importance of China and Taiwan to the global economic system, the necessity of understanding these purchasing professionals' ethical behaviors is self-evident. However, although both China and Taiwan are influenced by the Chinese culture, these two societies have been separated and developed independently since 1949. They consequently exhibit quite different paths of political and economic development. Taiwan's society is considered democratic and capitalistic; whereas China's society is considered centralist and socialistic. Different political and economic conditions are potential factors which lead to differences in the values and behaviors of people between China and Taiwan. However, there is no literature that compared ethical decision-making of purchasing professionals in Taiwan and China. To fill the research gap, it is worthwhile to examine the difference in ethical decision-making between purchasing professionals in Taiwan and China. Therefore, the purpose of this paper is to explore the ethical decision-making of purchasing professionals in Taiwan and China, and to verify whether there is a difference in ethical decision-making between purchasing professionals in Taiwan and China.

## LITERATURE REVIEW

### ETHICAL ISSUES IN PURCHASING

As the importance of the purchasing function in businesses increases, there has been a concurrent increase in the importance of purchasing ethics. The purchasing function is critical to effective business operations while high-quality raw materials and supplies available on a timely basis are required for global competitive success. Successful companies understand the importance of ethical behavior in the purchasing function in maintaining dependable supplier relationships and, consequently, satisfied customers (Motwani, Kumar & Mohamed, 1998). Purchasing professionals are expected to serve as a communication link with the external business community and to develop and maintain long-term relationships with the firm's vendors (Turner, Taylor & Harley, 1995). Of necessity, they are entrusted with spending millions of dollars of a company's resources. Emergence of purchasing as a strategic function has not only broadened the scope of purchasing, it has also changed the responsibilities of the purchasing managers by empowering them to spend large sums of money in procuring goods and services. All these empowerment, responsibilities and pressure to succeed in today's highly competitive business environment often leads to situations that require managers to take actions deemed questionable from ethical standpoint (Turner et al., 1995). However, this has also presented them with an array of ethical dilemmas involving questionable purchasing practices. Unethical purchasing practices retard fair business competitions since the kickback from a deal rather than concern for the company's benefits becomes the basis for purchasing. With the business environment in general becoming increasingly competitive and tumultuous in recent years, purchasing professionals continue to face a challenging ethical environment. Hence, their ethical behavior when faced with such dilemmas has become an issue of concern.

Purchasing ethics is based on the principles which people act out of habit in the business world, and may be viewed as an extension of trade practices and rules which businesspeople in a society regard as important to maintain good relationships. (Joyce, 2006). Unethical behavior in the purchasing process is sometimes considered as even more unethical, possibly because larger amounts of money and personal enrichment of the individual are often involved. Unethical behavior by purchasers may damage relations within the purchasing department, the relationship with other departments in the company, and with suppliers as well (Badenhorst, 1994). Purchasing professionals are likely to face ethical issues, particularly as multiple suppliers compete for the business and may thus offer gifts or favors in return for securing a sale (Badenhorst, 1994; Browning & Zabriskie, 1983; Trawick, Swan & Rink, 1989; Turner et al., 1995; Wood, 1995). As boundary

spanners of a company, purchasing professionals also face ethical issues more subtle than gift giving because tension may occur between the purchasing professional's responsibility to both the employer and the supplier. Acting as an agent for the company, the purchasing professional's responsibility is to achieve the best possible negotiation with the supplier with regard to quality, price, and delivery date. Purchasing professionals could interpret this responsibility to mean that deception and manipulation of the supplier is an accepted means of achieving the desired outcomes.

An amount of researchers have proposed several ethical issues encountered by purchasing professionals. Forker and Janson (1990) concluded eight ethical issues in purchasing: (1) exaggerating a buyer's or a supplier's problem to achieve a desired outcome, (2) giving preferential treatment to purchasers or suppliers that top management prefers, (3) allowing personalities to influence buying/selling transactions, (4) engaging in the practice of reciprocity, (5) offer/acceptance of free gifts, meals, and trips, (6) seeking/giving information on competitors' quotes, (7) gaining competitive information unfairly, and (8) showing bias against salespeople who circumvent the purchasing department. According to a survey conducted by Cooper, Frank and Kemp (1997) on the members of National Association of Purchasing Management, of the forty-four ethics-related issues in purchasing management, the top three ethical issues ranked by the purchasing professionals were (1) showing partiality toward suppliers preferred by upper management, (2) allowing personalities to improperly influence the buying decision, and (3) failure to provide prompt, honest responses to customer inquiries and requests. Carter (2000) suggested that ethical issues encountered by purchasing managers consist of two dimensions: deceitful practices and subtle practices. Deceitful practices include activities such as using obscure contract terms to gain advantage of suppliers; subtle practices encompasses somewhat more subtle activities such as showing favoritism when selecting suppliers. In general, gifts and bribes, accepting business meals, preferential treatment for certain suppliers or bidders, reciprocity, lying or exaggeration to suppliers, and allowing personal likes or dislikes to enter into negotiations have been identified as possible ethical issues in purchasing (Razzaque & Hwee, 2002).

Up to date, considerable attention has been paid to the ethics of purchasing professionals. However, only a few studies was made to study ethical decision-making of purchasing professionals (Ford et al., 2000; Landeros & Plank, 1996; Lin & Ho, 2009; Motwani et al., 1998; Plank et al., 1994; Razzaque & Hwee, 2002; Robertson & Rymon, 2001; Tadeipalli et al., 1999; Turner et al., 1994, 1995). Plank et al. (1994) designed five vignettes to assess U.S. purchasing professionals' ethical perceptions of questionable purchasing situations, and found that the respondents' ethical decision- makings were primarily based on values of professional responsibility, beneficence, justice, and truth. Turner et al. (1994) explored U.S. purchasing professionals' intention to accept gratuities, and concluded that formal written policies and upper level management have significant impacts on reducing the acceptance of gratuities. Turner et al. (1995) investigated U.S. business students' perceptions of gratuity acceptance, and also concluded that formal written ethics policies would decrease respondents' intention to accept gratuities.

Landeros and Plank (1996) used the Multidimensional Ethics Scale (MES) to assess U.S. purchasing professionals' ethical intention to conduct five questionable purchasing situations, and validated the applicability of the MES. Motwani et al. (1998) explored Indian purchasing managers' awareness of some questionable purchasing practices, and found that the respondents reacted less ethically to questionable situations than the U.S. managers. Tadeipalli et al. (1999) compared the difference in ethical perceptions regarding some questionable purchasing situations between the U.S. and Mexican purchasing professionals, and concluded that culture would affect purchasing professionals' ethical perceptions.

Ford et al. (2000) used the Defining Issues Test (DIT) to assess ethical judgment development of Japanese purchasing professionals, and found that the respondents would focus more on the conventional level than on the post-conventional level of ethical judgment while making ethical decisions. As the conventional level is characterized by the adherence to norms which have been established by external groups such as society and peer groups (Kohlberg, 1969), these conventional-level purchasing managers may be concerned with mutually satisfying outcomes and group harmonization while making ethical decisions. Robertson and Rymon (2001) studied the deceptive behavior of purchasing professionals, and found that purchasing professionals' intention to conduct deceptive behavior was influenced by the perceived pressure to perform and ethical ambiguity of ethics codes. Razzaque and Hwee (2002) used the MES to assess Singaporean purchasing professionals' ethical perceptions for some questionable purchasing practices, and argued that their ethical awareness would be associated with some individual and organizational factors. Lin and Ho (2009) used the DIT to compare ethical judgment development of purchasing professionals in Taiwan and China, and found that purchasing professionals in these two areas focused more on the conventional level than on the post-conventional level of ethical judgment. Chinese purchasing professionals focused more on the conventional level and less on the post-conventional level than Taiwanese respondents.

In summary, previous studies on purchasing professionals' ethical decision-making analyzed only one part of the ethical decision-making process. Some focused on ethical sensitivity and awareness (Motwani et al., 1998; Razzaque & Hwee, 2002; Tadeipalli et al., 1999); some on moral development (Ford et al., 2000; Lin & Ho, 2009; Plank et al., 1994); and some on ethical intention (Landeros & Plank, 1996; Robertson & Rymon, 2001; Turner et al., 1994, 1995). None of them analyzed two or more parts of ethical decision-making process simultaneously. According to Rest's (1986) ethical decision-making model, a widely accepted model about ethical action, the process of ethical decision making consists of ethical sensitivity, ethical judgment, ethical intention, and ethical behavior. Therefore, to fill the research gap, it is necessary to analyze simultaneously ethical sensitivity, ethical judgment and ethical intention of purchasing professionals.

## ETHICAL DECISION-MAKING

Ethics is a set of societal-based principles that specify the right and wrong ways to conduct oneself in intentional situations and that have the potential to affect others in positive or negative ways. Ward, Ward, and Deck (1993) define ethics as a process used to determine what is right for a given situation balancing of both inner and outer considerations tempered by each individual's unique combination of experiences and learning. Ethics shapes the principles that provide prevailing justifying reasons for pursuing any course of action (Duska & Duska, 2003). It refers to the field of inquiry that concerns the actions of people, in situations where these actions have effects on the welfare of both oneself and others. An individual will make an ethical decision when he/she faces an ethical dilemma that there is uncertainty about how to balance competing benefits and values.

Ethical decision-making is a complicated and sophisticated psychological process. Several ethical decision-making models have been proposed in the literature. However, when discussing theories related to an individual's ethical decision-making, it is hardly to neglect James Rest's (1986) four-component model of ethical action. This model describes the process of ethical decision making, and is perhaps the most widely accepted model about ethical decision-making in psychology (Jones, Massey & Thorne, 2002; Loe, Ferrell & Mansfield, 2000; Trevino, Weaver & Reynolds, 2006). While making ethical decision, an individual must be able to interpret a situation and understand the possible actions, who would be affected, and how affected parties might perceive the effects on their welfare; to engage in ethical judgment when a course of action is formulated; to decide which values are most important in a situation containing a moral dilemma; and to execute and implement a plan of action (Rest, 1986). The four components in Rest's (1986) model include ethical sensitivity (awareness), ethical judgment, ethical intention (motivation), and ethical behavior (character).

Ethical sensitivity is the ability of the decision maker to recognize an existing ethical problem, interpret the situation, and take various roles to understand how that proposed action would affect others. It refers to the identification of the ethical issue, and includes interpreting the situation, role taking about how various actions might affect the parties concerned, imagining the cause-effect chain of events, and being aware that there is a moral problem when one exists. Ethical judgment involves considering which actions are ethically correct as well as which particular action would be most justified, and it is directly associated with cognitive moral development (Jones et al., 2002; Kohlberg, 1969). It refers to the ethical judgment of the ideal solution to a particular dilemma, and includes judging which action and moral philosophy would be most justifiable in a moral sense. Ethical intention means the degree of commitment with which one will conduct ethical actions and behaviors, the extent to which one will put more emphasis on moral values than other values, or the extent to which taking charge to bring about ethical results. It refers to the ethical intention of whether to comply or not to comply with the ethical judgment, and includes the degree of commitment to taking the moral course of action, valuing moral values over other values, and taking personal responsibility for moral outcomes. Ethical behavior addresses the essential characteristics to attain needed ethical actions or behavior such as the ability of conquering weakness and temptation, having strength and courage, and persisting with a moral sense of duty. It refers to the action of carrying out the ethical intention, and includes persisting in a moral task, having courage, overcoming fatigue and temptation, and implementing subroutines that serve a moral goal (Rest, 1986).

According to Rest's (1986) model, the ethical decision-making process is initiated by ethical sensitivity, that is, the recognition that a particular situation will affect the welfare of others. Ethical sensitivity is the first step toward making an ethical decision. Specifically, it is a general ability to recognize the moral issues inherent in a situation and to interpret a situation as involving moral components (Rest, 1986). Jones (1991) states that ethical sensitivity involves the ability to recognize that one's action will affect others and that those actions are voluntarily chosen and not committed under duress. Furthermore, although professional codes of conduct can provide people guidelines in business activities, the incompleteness and vagueness of these rules sometimes require employees to make professional judgment for situations without unequivocal technical solutions. Professional judgment frequently involves the resolution of ethical dilemmas (Gaa, 1994; Lampe & Finn, 1992; Moizer, 1995; Thorne, 2000). Ethical dilemmas may be decisions for which there is no single, ethically correct answer. Ethical judgment is a necessary component of ethical decision-making because many difficult dilemmas are ethically ambiguous, meaning that they can be viewed from a strategic perspective (non-ethical perspective), an ethical perspective, or a perspective that involves a combination of both (Butterfield, Trevino, & Weaver, 2000). In addition to ethical sensitivity and ethical judgment, ethical intention is the third component of Rest's (1986) model of ethical action. It refers to making a decision to act on the basis of ethical judgment. Intention is the indication of how hard an individual is willing to try, and of how much of an effort he or she is willing to exert in order to perform a behavior (Ajzen & Fishbein, 1980). According to the theory of planned behavior (Ajzen, 1985), intention is the immediate antecedent of behavior, though there may be a number of factors that can influence the relationship between intention and behavior (Ajzen, 1985). Therefore, a person's ethical intention will be a direct predictor of his or her ethical behavior. For instance, accountants who possess higher ethical intention will be more likely to act ethically.

Although there are some arguments about whether or not all of these components are interrelated (Chan & Leung, 2006; Karande, Shankarmahesh, Rao & Rashid, 2000; Thorne, 2000; Trevino, 1986), Rest, Narváez, Bebeau and Thoma (1999) assume that the overall progress of moral development can be viewed in terms of how well the progress in all four components leads to externally recognizable moral behavior. Rest's (1986) model that describes how various cognitive structures and processes combine to produce an individual's response to an ethical dilemma has been successfully applied to provide insights into ethical decision-making in various research areas (e.g., Jones, 1991; Jones et al., 2002; O'Fallon & Butterfield, 2005; Thorne, 2000; Trevino et al., 2006).

In summary, ethical decision-making is a way of resolving conflicts where such ethical conflicts are present. Rest's (1986) model of ethical action is the most widely accepted model in ethical decision process. Researchers have found it to be a valid model of ethical decision-making in business on a global scale (Jones et al., 2002; Loe et al., 2000; Trevino et al., 2006). Therefore, this paper will explore ethical decision-making of purchasing professionals based on Rest's model. We will investigate purchasing professionals' ethical sensitivity, ethical judgment, and ethical intention in the study.

## RESEARCH HYPOTHESIS

Both Taiwan and China are influenced by the Chinese culture; however, these two societies have been separated and developing independently for about 60 years. Taiwan has developed to some extent following the Western free-market model while retaining traditional Chinese culture. On the other hand, China has long been socialist. The Cultural Revolution in the 1960s, an ideological movement, has left China scarred with great cultural and economic losses. Taiwan is regarded as a capitalistic and democratic society; whereas China is considered a socialistic and centralist society. Under different political and economic systems, people in Taiwan and China are likely to have some differences in behaviors and cultural values. Hofstede's survey (Hofstede & Hofstede, 2005) also showed that these two countries scored more or less differently on each cultural dimension.

Up to date, to the best of authors' knowledge, there is no literature comparing ethical decision-making of purchasing professionals in Taiwan and China. Only a few studies have revealed that businesspeople and business students in Taiwan behave to a certain extent differently from those in China. Using samples of purchasing professionals in Taiwan and China, Chang and Ding (1995) found that significant differences existed between Taiwanese and Chinese respondents in the integration and Confucian work dynamism dimensions measured by the Chinese Value Survey. Wu (2003) found that business students in these two societies showed more or less differences in ethical decision making for selected scenarios. Chinese business students displayed different levels of moral development from their Taiwanese counterparts. Lin and Ho (2009) used the DIT to compare the development of ethical judgment of purchasing professionals in Taiwan and China, and found that Chinese purchasing professionals focused more on the conventional level and less on the post-conventional level than Taiwanese respondents. Therefore, this study proposed a research hypothesis that *purchasing professionals in Taiwan and China will demonstrate differences in ethical decision-making process.*

## RESEARCH METHODOLOGY

### MEASUREMENT

The Multidimensional Ethics Scales (MES) was used to measure purchasing professionals' ethical decision making which includes ethical sensitivity, ethical judgment, and ethical intention. The MES, developed by Reidenbach and Robin (1988), uses well-constructed hypothetical business-specific scenarios to examine subjects' ethical responses. The MES comprises a multi-item scale on which respondents indicate the extent to which they believe that a particular action, described in a scenario at the start of the instrument, is ethical or otherwise, according to a given ethical criterion. The MES permits insights into the cognitive ethical decision making process. Reidenbach and Robin (1988, 1990) summarized five ethical philosophies and included them in the MES instrument. These five ethical philosophies are justice, relativism, egoism, utilitarianism and deontology. The measuring scale of MES consists of several items which are grounded in each of the five philosophies.

Since its initial development, the MES has been widely used in the area of business ethics research (e.g., Cohen, Pant & Sharp, 2001; Hudson & Miller, 2005; Kujala & Pietiläinen, 2007). While the MES is a useful instrument in business ethics research, only a limited number of studies apply the MES to purchasing ethical issues. Landeros and Plank (1996) used the MES to assess U.S. purchasing professionals' ethical intention to conduct five questionable purchasing situations, and validated the applicability of the MES. Razaque and Hwee (2002) used the MES to assess Singaporean purchasing professionals' ethical perceptions for some questionable purchasing practices, and argued that their ethical awareness would be associated with some individual and organizational factors. However, these studies only use one purchasing scenario in the MES instrument, and did not simultaneously analyze the ethical sensitivity, ethical judgment, and ethical intention of purchasing professionals. In the study, we attempted to use the MES to explore the differences between purchasing professionals from Taiwan and China in ethical sensitivity, ethical intention, and ethical judgment to well-known ethics philosophies.

### SAMPLE

To test research hypotheses, data were collected through a mail survey of purchasing professionals across a broad spectrum of industries in Taiwan and China. Because of difficulty in getting a list of all purchasing professionals in these areas, we employed the snowball sampling concept to build the sample frame. With the aid of purchasing associations, some professionals in Taiwan and China were invited to participate on the basis of their having purchasing responsibilities for their organizations. Starting with these participants, the snowball sampling method was used to identify other professionals who had purchasing responsibilities for their organizations. Respondents who agreed to participate were asked to suggest the names of other individuals that were then contacted, either by e-mail or telephone. Care was taken to ensure that the individuals were actually involved in purchasing functions. Because several Taiwanese companies have invested in China, some purchasing professionals in Mainland China came from Taiwan. These professionals were categorized into Taiwanese group. Thus, we built a list of purchasing professionals in Taiwan and China.

A sample of 1000 purchasing professionals was randomly selected from the lists of purchasing professionals; 500 in Taiwan and 500 in China. These purchasing professionals were contacted by researchers via e-mail or telephone to solicit their cooperation. A packet containing a cover letter with the promise of protecting the confidentiality of responses, a questionnaire, and a pre-addressed return envelope was mailed to each of the sampled purchasing professionals. Two weeks after the questionnaires were mailed, a follow-up to the 1000 purchasing professionals was conducted by e-mail or telephone to remind them of the importance of their responses and thank them for their assistance. A total of 227 respondents in Taiwan and 193 in China returned the questionnaires. Discarding incomplete response, accordingly, there is a sample size of 211 purchasing professionals in Taiwan and 182 in China in the subsequent analysis. The effective response rate is 42.2% in Taiwan and 36.4% in China.



To evaluate the non-response bias, it would be desirable to compare respondents with non-respondents along known characteristics. Unfortunately, we were unable to have access to information about non-respondents that could allow us to perform this analysis. Following the suggestion that late respondents tend to be more similar to non-respondents than early respondents in mail surveys (Armstrong and Overton, 1977), we were, however, able to use the wave analysis, which measures non-response bias by comparing respondents who respond readily to the survey with those who respond after the follow-up steps are taken. Comparisons of survey results that were received after the mailing and after the follow-up revealed no significant differences between the two groups in the level of variables. Therefore, the non-response bias is not significant in the study.

## RESEARCH FINDINGS AND DISCUSSIONS

A summary of the ethical decision makings of respondents is illustrated in Table 1. According to the *t* test, there are significant differences in ethical sensitivity, ethical intention and ethical judgment between purchasing professionals in Taiwan and China.

**TABLE 1: A SUMMARY OF ETHICAL DECISION MAKINGS OF RESPONDENTS**

	Taiwan	China
Ethical sensitivity	5.29	4.86
Ethical intention	5.31	4.95
Ethical judgment	Justice/Egoism/Deontology	Justices/Deontology

The Taiwanese purchasing professionals evaluate ethical dilemma significantly according to justices, egoism and deontology; but their Chinese counterparts evaluate dilemma by justices and deontology. Justice refers to the idea of fairness to all. It can be taken as a virtue ethics (Flory, Phillips, Reidenbach & Robin, 1992). An individual chooses to perform an action for reasons of justice because of his/her belief in moral equity, to create equitable treatment or to make all scales seem fair for everyone concerned with the given ethical dilemma. Egoism means the extent to which one chooses an action based on self-interest. Egoistic actions are presumed ethical if they promote an individual's long-term interests. Deontology means the extent to which an action is consistent with an individual's duties or unwritten obligations. Deontological actions focus on the principles of right and wrong but only to the duties defined by the actor, which may include unwritten or implied contracts or social obligations. However, relativism and utilitarianism are not significantly taken into account while both Taiwanese and Chinese purchasing professionals evaluate ethical dilemma. Relativism can also be taken as a virtue ethics. It is the extent to which an action is considered acceptable in a culture. Actions taken for relativistic reasons are those where certain rules may not seem universal, i.e., the professional-specific rules that may be acceptable in one culture may not be so in another. Utilitarianism is the extent to which an action leads to the greatest good for the greatest number of people. Utilitarian actions are those done for the greatest good, in contrast to egoistic actions (Flory et al., 1992).

## CONCLUSIONS

This study has explored the ethical decision-making of purchasing professionals in Taiwan and China. The research findings have revealed that there are significant differences in ethical sensitivity, ethical intention and ethical judgment between purchasing professionals in Taiwan and China. The study can contribute to a better understanding of ethical decision-making of purchasing professionals in Taiwan and China. While most previous studies focused on purchasing ethics in the Western society, the current study can make significant contributions towards the ethics literature by providing valuable empirical insight into ethical decision making in the context of purchasing in Taiwan and China – a non-Western environment.

The study also contributes to make up for the lack of research on analyzing simultaneously two or more components of ethical decision-making of purchasing professionals. This project provides a thorough analysis of ethical decision-making of purchasing professionals by analyzing purchasing professionals' ethical sensitivity, ethical judgment, and ethical intention, and the influences of individual and organizational factors on ethical decision making process. Furthermore, the research findings have profound implications for Taiwanese and Chinese businesses as it can provide a basis for understanding their purchasing professionals' ethical decisions towards questionable practices in purchasing situations. This study might help top management to establish guidelines to help purchasers to act ethically when facing dilemmas and to prevent them from resorting to unethical practices. Our study can give an insight into ethical decision making of Chinese and Taiwanese purchasing professionals, and helps Western marketers to uncover the basic values of these people with whom they negotiate.

Like any other ethics research, this study has the potential to suffer from responses that state what is socially desirable, not what is practiced. The fact that the survey was conducted voluntarily and anonymously may have minimized this problem to some extent. In addition, this study has limited external validity as the sample frame is restricted to Taiwan and China. This might limit the generalization of the results of the study to the other countries. Making generalizations about the ethical decision making of purchasing professionals in other countries based on the results of this study may not be appropriate without further research. With the increasing globalization in business environment, contemporary industrial marketers have increasing opportunities to communicate with purchasing professionals with different cultural backgrounds. The current study has provided the evidence that ethical decision makings of purchasing professionals are apparently influenced by the country factor as well as several demographic and institutional variables. Culture plays such a potentially important role in ethical decision making. Therefore, understanding the possible cross-cultural differences in ethical decision makings of purchasing professionals is a relevant work. Future research can put more attention on examining the ethical decision makings of purchasing professionals in multi-country settings.

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## THE INTERNAL AUDIT FUNCTION EFFECTIVENESS IN THE JORDANIAN INDUSTRIAL SECTOR

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### ABSTRACT

*This study aims to investigate the factors contributing to the internal audit function effectiveness in the Jordanian industrial sector. Data was collected from responses to a questionnaire distributed to head of internal auditors, internal auditors and other staff of internal audit departments in the industrial sector in Jordan. The study concluded that the internal audit function in the industrial sector in Jordan is curtailed by understaffing and hampered by inadequate support from top management while, the auditors seldom extend their full cooperation. However, internal audit quality and management support are two attributes that strongly influenced the internal audit effectiveness. The auditors themselves lack appropriate knowledge and training on effective auditing approaches.*

### JEL CODE

M420

### KEYWORDS

Audit function, effectiveness, internal, Jordan.

### INTRODUCTION

The globalization of economy, technological advancements, and complexity of business and allegations of fraudulent financial reporting have recently sharpened the ever-increasing attention to internal controls and internal auditing (Karagiorgos et al., 2009). This developing role of the internal auditing is also reflected in its current definition, i.e. "internal auditing is an independent, objective assurance and consulting activity designed to add value and improve a company's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes" (Savcuk, 2007). An effective internal audit function will add value and improve an organization's operations. Oxford Dictionary defines effective as having an effect or able to bring about the result intended. Dittenhofer (2001) and Omar, et al. (2007) defined effectiveness as the achievement of the objectives and goals. Beckmerhagen, et al. (2004) stated that in order to adequately measure audit effectiveness, evaluation must not be done only on results of the audit against the planned objectives, but also the audit process (planning, execution to reporting and follow-up) and resources (auditor independence and competence). Omar, et al. (2007) explained that the effectiveness concept in the public sector focuses on the outcome or impact of a program or activity rendered to the public. A program is said to be effective if its outcome met its objective(s). Sterck and Bouckaert (2006) mentioned that the implementation of internal audit function in the public sector is most effective when there is (1) legal requirement for the establishment of internal audit function, (2) strategy for the development of competency of internal audit function staff, (3) support from top management and existence of audit committee, and (4) central unit for the advancement of the internal audit function. Once, the implementation of internal audit function is successful, building it to be effective is another challenge that needs to be overcome. Six main themes have been identified by (Van-Gansberghe, 2005) as crucial in building an effective internal audit function and they are: perception and ownership, organization and governance framework, legislation, improved professionalism, a conceptual framework, and resources. Based upon a case study of a large public sector of a higher educational institution, Mihret and Yismaw (2007) identify factors within an organization that impact on audit effectiveness. The results show that organizational setting and the auditors' attributes do not have a strong impact on audit effectiveness. However, internal audit quality and management support are two attributes that strongly influenced the internal audit effectiveness. A major part of external auditors trust to the results of internal audit activity, and this confidence is going to grow quite fast in the next future (Ward, D.D. & Robinson, J.C., 1980). Schneider (1984) realized a descriptive model study through he examined three major factors of internal auditing that have big influences over the confidence of external audit in the internal auditing: (1) objectivity (2) competence and (3) work performed. The results obtained by Schneider showed that, from external auditors' point of view, the most important factor is the quality of the work performed by internal audit, next important factors being competence and objectivity. The competence is defined by Arens and Loebbecke (1991) as being that quality of a person that accepts a professional engagement and which also has the necessary technical knowledge in order to fulfill that engagement.

**TABLE 1: STUDIES AND FINDINGS IN THE INTERNAL AUDIT QUALITY**

Study	Findings
Brown, R.P. (1983)	Independence/objectivity /Work performed
Schneider, A.(1984)	Work performed ,Competence
Tiessen, P. & Colson, R.H. (1990)	Competence, Work performed
Maletta, M. (1993)	Competence, Objectivity
Haron H. et al., (2004)	Work performed, Competence

Source: Haron H. et al. (2004)

Finally, internal audit effectiveness as measured by management's acceptance and implementation of internal audit findings and recommendations may impact on external auditors' reliance on internal audit work. As the extent of internal audit effectiveness exhibits variation across organizations (Mihret and Woldeyohannis, 2008; Mihret and Yismaw, 2007; Roth, 2000), the level of external auditors' reliance on internal audit work may also vary accordingly. Consequently, higher levels of acceptance of internal audit recommendations by the management may lead to higher levels of external auditor reliance than a situation where internal audit is less effective.

The objective of this study is to investigate the factors contributing to the internal audit function effectiveness in the Jordanian industrial sector.

### LITERATURE REVIEW

The growing importance of internal auditing as an economic factor has led to systematic research into the factors that improve the performance of internal auditing. In line with this, Albercht et al. (1988) investigated a theoretical framework in regard with the effectiveness of internal audit. Basic output was the existence of four areas that the directors of internal audit departments could develop to enhance effectiveness: an appropriate corporate environment, top management support, high quality internal audit staff and high quality internal audit work. Hence, Asairy (1993) evaluated the effectiveness of internal audit in Saudi joint stock companies. The researcher used a questionnaire, which he sent to the directors of internal audit departments, senior company management and external auditors from 38 companies. The author argued that internal audit was affected by the support they received by the external auditors. Regarding

the effectiveness of internal audit, Asairy stated that education, training, experience and professional qualifications of internal auditors influenced the effectiveness of internal audit. Unlike the aforementioned researchers, Dittenhofer (2001) assessed the effectiveness of internal audit via a new technique, which is named "results examination". This method involves identifying the auditee's objectives, establishing the criteria that could signify their achievement and using the established criteria to determine whether and to what degree the auditee's actions have resulted in the achievement of objectives. Despite the fact that this approach is more results-oriented, its success depends on the measurability and subjectivity of the criteria chosen (Balzan and Baldacchino, 2007). Moreover, a four-step internal audit evaluation program developed by Cangemi and Singleton (2003). This evaluation method is based in compliance with the department, corporate and professional internal audit standards. For example, this evaluation program involves making a summarized review of all internal audit assignments, a detailed review of randomly selected assignments, an annual self assessment conducted by the quality assurance coordinator and a tri-annual external review. Some audit committees do informal evaluations while others conduct formal, written documented appraisals (Protiviti Inc., 2004). A survey of 118 audit committee members by DeZoort (1997) found that they generally acknowledge their responsibility to review the effectiveness of the internal audit function and that this responsibility is generally stated in their companies' proxy statements. An analysis of 100 audit committee charters by Bailey (2007) reveals that 98% require audit committee review of the performance of the internal audit function. Papastathis (2003) investigated the factors that led to internal audit success. In his comprehensive review, the author concluded that the effectiveness of internal control system is determined by the activities, their complexity, the specialization of personnel and the will of Administration. Similar to other studies, Van Gansberghe (2005) also examined the effectiveness of internal audit. According to his perspective, perceptions and ownership, organization and governance framework, legislation, improved professionalism, conceptual framework and resources are revealed as basic factors influencing internal audit effectiveness. In contrast to previous findings, Mihret and Yismaw (2007) and Halimah et al. (2009) the two studies introduced a new approach for the evaluation of the internal audit effectiveness by identifying factors within an organization that has an impact on audit effectiveness. As a result, the model considered four potential factors – internal audit quality, management support, organizational setting, and auditee attributes to describe audit effectiveness, and revealed the way the interaction of these factors improves audit effectiveness. More recently, BoGa-Avram and Palfi (2010) examined the efficiency and the effectiveness of internal audit. The main output from their research was the fact that there is a large amount of methods and instruments that could combine qualitative with quantitative elements. However, the researcher stated, "the choice of used method depends on the settlement of the main objective of trying to obtain the best reflection of internal audit's relevancy and efficiency, in order to obtain a good developing of internal audit department". In Jordan, there aren't any studies that examined the effectiveness of internal audit function in the industrial sector.

## RESEARCH DESIGN

### SAMPLE AND SURVEY DEVELOPMENT

To achieve the study objectives the research uses the exploratory research methods of research questionnaires. This method of data collection was considered appropriate because the information sought is not publicly available and internal auditors are in a good position to know the answers to the questions asked. To enhance the survey response rate preliminary contact was made with potential respondents ahead of sending the questionnaire. The questionnaires were sent to the remaining sample of 73 companies (industry sector), copies of the survey instrument were sent to: the director of internal audit (CAE). Cover letters and surveys, along with postage paid return envelopes, were mailed directly to each of the business executives at each of the 73 company. The research was conducted in the period from August to December 2012. A pilot test of the questionnaire was conducted prior to its administration, using academic staff with accounting experience. Constructive feedback was received and appropriate amendments are incorporated into the questionnaire. The first part of the amended questionnaire comprised of some demographic questions concerning gender, age, highest educational level, professional qualification and experience of the respondent. The second part of the questionnaire consists of questions related to the respondent's workplace. The third section of the questionnaire seeks information related the important factors that might contribute to the effectiveness of internal audit function. In this particular section, two open-ended questions were directed to the respondents to solicit their opinions on both issues and the questions are as follows: (1) "If you are an internal auditor in a industry sector organization, what are the main problems normally faced by the internal audit function?" and (2) "In your opinion, what are the important factors that will contribute to the effectiveness of an internal audit function?".

## RESULTS AND ANALYSIS

Table 2 reviews survey question asked for the respondents to identify their job title. The options provided were: chief audit executive (CAE) to complete the survey, of the 73 respondents, 38 or almost 52.1% of survey takers indicated that they are the Chief Audit Executive (CAE) of their organization. All "other" responses identified themselves as some audit position. The audit positions identified through the "other" category include internal auditors 9.6% or senior auditor 31.5% (Equivalent to the position of Director of Internal Audit or CAE in other companies), assistant internal auditor or staff auditor 6.8%.

**TABLE 2: RESPONDENT JOB TITLE**

position level		Chief executive auditor	38	52.1%
	Others	Internal audit supervisor or senior	23	31.5%
		Internal auditor	7	9.6%
		Assistant auditor or staff auditor	5	6.8%
Total			73	100.0%

**TABLE 3: RESPONDENT EDUCATION LEVEL**

Qualifications/ Education level	PhD	1	1.4%
	Master degree	3	4.1%
	Bachelor	69	94.5%
	Others	0	0.0%
Total		73	100.0%

Table 3 the majority of respondents have Bachelor Degree almost 94.5%, and the number of respondent holding PhD and Master Degree 4 of the sample that's almost 5.5% ; this indicates that the companies are discouraging the employees to have a high degree of qualification.

**TABLE 4: PROFESSIONAL CERTIFICATE**

Demographic object	The valid items	Frequency	Percentage
Professional certificate	CIA	4	5.5%
	CPA	6	8.2%
	CMA	3	4.1%
	Jordan CPA	8	11.0%
	Without certificate	52	71.2%
Total		73	100.0%

The majority of respondents haven't professional certifications; CIA holders with a percentage of 5.5 %, CPA holders 8.2 %, and Jordan's CPA holders 11 % with accumulated percentage 34.7%. This indicates that the companies don't care about the professional certifications as shown in table 4. In other words, corporate governance or audit committee should reconsider the method of appointment.

**TABLE 5: EXPERIENCE**

Experience	1-5 years	35	47.9%
	6-10 years	30	41.1%
	More than 10 years	8	11.0%
Total		73	100.0%

As shown in table 5, a large number of respondents have experience less than six years with a percentage 47.9%; this maybe indicates a cause weakness in the internal audit department.

**TABLE 6: EDUCATION AND TRAINING**

Education and training	Frequently	10	13.7%
	Occasionally	21	28.8%
	Planned	11	15.1%
	Not Done	24	34.2%
	Others	7	8.2%
Total		73	100.0%

As shown in table 6 a large percentage of respondents indicate that training not done with 34.2%.

**TABLE 7: ORGANIZATION SIZE**

Number of Employees	Responses	Percentage
Fewer than 100	3	4.1%
101 to 200	42	57.5%
201 to 300	15	20.5%
301 to 400	8	11.0%
more than 400	5	6.8%
Total	73	100.0%

Table 7 shows number of people employed by the entire organization, Which is the first main measures to describe the size of the participating organizations. Respondents were given five ranges of total employees to select from. Almost 89% of the respondents were from organizations employing between 101 to 400 employees, and all but two of the respondents were from organizations with more than 400 or fewer than 100 employees.

**TABLE 8: NUMBER OF AUDITORS**

Number of Auditors	Responses	Percent
1	11	15.1%
2 to 5	41	56.2%
6 to 10	16	21.9%
more than 11	5	6.8%
Total	73	100.0%

Table 8 shows the second measurement of organization size used by the survey is the number of auditors authorized within the organization, including the Chief Audit Executive (CAE) or equivalent position. As before, respondents selected their answer from a list of ranges provided on the survey. Seventy-eight percent of the respondents reported staffing levels in the 2-10 range. It is important to note, however, that there were five respondents from audit organizations with more than 11 auditors; these larger audit departments are likely to be more mature and have more developed performance measures.

**TABLE 9: CAE REPORTING RELATIONSHIPS**

	Functionally		Administratively	
	Responses	Response Percent	Responses	Response Percent
Audit Committee /board	53	72.6%	10	13.7%
CEO	11	15.1%	47	64.4%
CFO	9	12.3%	16	21.9%
Others	0	0.0%	0	0.0%
Total	73	100.0%	73	100.0%

The majority of respondents selecting board members or an audit committee as shown in table 9, with many also reporting to a Chief Executive Officer (CEO).

**TABLE 10: THE MAIN PROBLEMS FACED BY THE INTERNAL AUDIT FUNCTION IN THE**

Low grading of position of head of internal auditors	13	17.8%
Staff lack of competency/knowledge on auditing techniques	10	13.7%
Lack of experience staff in the IAF	10	13.7%
Lack of training	8	11.0%
Internal audit function does not have full support /commitment from top management	8	11.0%
Action on audit findings and recommendations not taken by audit committee/management	7	9.6%
Lack of audit staff	6	8.2%
Lack of independence	5	6.8%
lack of understanding of the role of internal audit function in an organization	3	4.1%
Negative perception from audit committee	2	2.7%
Limited/lack of resources	1	1.4%
Total	73	100.0%

TABLE 11: INTERNAL AUDIT QUALITY

Educational background Certification Training and development Knowledge Experience	<b>Competence</b>
Reporting relationship Mandate to investigate any area Freedom from conflicting duties	<b>Objectivity</b>
Audit planning Scope of audit	<b>Quality of work performed</b>

As shown in table 10, the internal audit quality is ranked as the most important factor in contributing to the effectiveness of internal audit function with accumulated percentage 56.2 % (17.8, 13.7%, 13.7%, and 11%), internal audit quality reviewed in table 11 and it includes Competence, Objectivity, and Quality of work performed. Support of top management is significant to ascertain adequate consideration and actions are taken up on internal audit findings and recommendations. The respondents also emphasize that without the support from the top management it is difficult for internal auditors to strengthen the internal audit function in an organization. Respondents expect that top management will facilitate the internal audit departments with supplying adequate audit staff, better resources and remuneration to attract skilled and experienced staff. Consistent with prior studies, the importance of support of top management is also highlighted by other researchers such as (HUNG & HAN, 1998; NAD, 2007; Van-Gansberghe, 2005). They pointed out that the functioning of the internal audit depends largely on the attention paid and support from the top management.

## CONCLUSIONS

The findings of the study reveal that a majority of the respondents (56.2 %) perceive internal audit quality is the most important factor that will contribute to the effectiveness of internal audit function. This is consistent with the results of a case study carried out by Mihret and Yismaw (2007), and Halimah et al. (2009). The study also showed that internal audit quality strongly influenced the internal audit effectiveness. For the purpose of this study, internal audit competence, objectivity and quality of work performed are classified as internal audit quality as these factors are the important criteria used by external auditors in evaluating the internal audit quality. These quality factors of the internal audit function are prescribed by the external auditing standards (SAS 65 AICPA, 1997) and they have been studied.

This study identifies the major problems faced by internal audit function in the industry sector organizations and hopes to provide useful insight on the factors contribute to the effectiveness of internal audit as perceived by the participants of the symposium. Overall, the findings of the study show that the lack of audit staff is ranked as the major problem faced by internal auditors in conducting an effective internal auditing. This needs utmost consideration and attention of related parties such as the top management and the audit committee in their effort for sound governance and accountability in their organizations. The findings of this study are consistent with the previous studies that highlight the importance of internal audit quality to enhance the effectiveness of internal audit function. As such, it is essential to highlight and emphasize on internal audit competence, objectivity and quality of work performed. Otherwise, internal audit function will face difficulties in achieving its' effectiveness. Overall, it can be concluded that the change and improvement of internal audit function in the industry sector will be a lengthy and slow process if existing problems are not overcome. Hence, effectiveness of internal audit function will be easy to say than done.

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## STUDY ON ROLE OF EFFECTIVE LEADERSHIP ON SELLING VARIOUS INSURANCE POLICIES OF ICICI PRUDENTIAL: A CASE STUDY OF SUBHASH MARG BRANCH, DARYAGANJ

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### ABSTRACT

*The success of every nation's effort in economic, social, political and technological development depends largely on its ability to make banking accessible to its citizens. This has inspired and posed challenges on the Indian government to provide complete banking solution for all citizens. The government is convinced that banking sector's reforms is the only viable option in achieving the objective of making banking available to all its citizens. Ihienyemolor and Obioma (2007) reported that, the efforts of the government in the development of banking dates to Ashby Report on Liberalized & Computerized in 1960, when it recommended the establishment of the bank insurance considering the concentration of people and the higher demand of Liberalized banking solution. In today's competitive and dynamic world, with every business providing the same kind of product or service, only that firm which comes up with an innovative idea can hope to survive in the long run, by attracting and luring customers. Insurance sure is an upcoming sector but with the privatization of the same, selling insurance products has become tough due to the competition angle attached to it. It is usually said that if you can sell insurance, you can sell anything in the world including garbage. The reason behind this concept is the hesitant and unaware population, who simply run away at the mere mention of its name.*

### KEYWORDS

Effective leadership, Insurance Policy, selling Skills, organizer, Motivation, inspiration, successful.

### INTRODUCTION

Providing insurance to a huge population such as ours encompassing different strata of society has indeed been a formidable task for the last few decades. WHO statistics put the insurance access in India at around 65 percent. The remaining 35 percent do not have any access at all.

Governments in most parts of the world developed or otherwise, realize the limitations when it comes to providing Insurance per se or it's financing aspects. In a globalized market-driven economy, it becomes imperative for each country to look on the managerial level for the solutions and structure them to suit the domestic needs. While there will be various factors both external and internal influencing this search, there is no doubt that public and private healthcare providers and financiers will have to keep the customer in focus when formulating a well defined and highly integrated approach to cover all sorts of requirements. In this paper we report our findings on the evaluation of effective leadership of ICICI based on the feedback of a sample population of 128 personnel of Daryaganj branch. The analysis of responses shows that the effective leadership has been very well committed, and accountable. However, manager perceive the workload to be heavier than that work-division. Fortunately, it has not affected their success rate, which is very high (>90%) and can be attributed to high motivation of manager for acquiring necessary eligibility for a regular job or their urge for vertical mobility. To improve the quality and utility of the assignment work further, it would be desirable to (i) carefully review the bilingual knowable ability, (ii) strengthen orientation programme, which fall woefully short of claim, and (iii) details of E-banking. Our analysis also shows that manager's show little aptitude for problem solving, asking probing questions and skill of logical explanation. It brings forth one of the major weakness of the branch and explains why rote memorization is so dominant in Private Insurance Sector.

ICICI was formed in 1955 at the initiative of the World Bank, the Government of India and representatives of the Indian Industry. The principal objective was to create a development financial institution for providing medium-term and long term project financing to Indian businesses. In the 1990s, ICICI transformed its business from a development financing institution offering only project finance to a diversified financial services group offering a wide variety of products and services, both directly and through a number of subsidiaries and affiliates like ICICI Bank. ICICI marked its first foray into retail banking by promoting ICICI Bank. The Bank was registered a banking company on January 5, 1994 and received its banking license from the Reserve Bank of India on May 17, 1994. The branches are fully computerized with state-of-the-art technology and systems. All of them are fully networked through V-SAT (Satellite) technology.

ICICI branch of Subhash Marg( Daryaganj) is one of the prestigious branch of NCR Delhi inters of performance regarding prudential plan of insurance facility. The connectivity of this branch is also a factor e.g. connected to the New Delhi & Old Delhi Railway station. It means this branch is the link branch of New Delhi & Old Delhi area for those residents that are engaged in their business & Commercial activity. These business activities are mainly concerned with printing & publications of the books, dealing of stationary & electronics goods. On the other hand the Daryaganj ids hub of multicultural talents, goods & services between the two world class architectural heritage like that the RedFort and the Jama Masjid. The working branch is fully computerized & air Conditional where well disciplined group of staff perform & achieves their monthly target of insurance policy dealings.

### RESEARCH OBJECTIVES

The objectives of this project are as follows:

- Encouraging to the Leader sell the various policies of ICICI Prudential.
- Convincing to the agents to know about the various policies of ICICI portfolio.
- To learn and understand the distribution aspect of insurance products.
- To identify the insurance needs of the residents and also the populated peripheri of Daryaganj on the manager's level with respect to their emotional, physical and financial conditions.
- To match the needs of the population of Daryaganj with the products in hand or else design a new product.

### RESEARCH DESIGN

The present research study has been designed on descriptive methodology, which helps to obtain precise information about the current status of a phenomenon by investigating it in its natural setting (Koul, 1993). Descriptive research is facilitated by survey of opinions and suggestions of the stakeholders to discover the relationship of dependent and independent variables. For this purpose, data was gathered from branch records as well as beneficiaries (customer-mangers), analysed and interpreted to obtain significance of results vis-a-vis the objectives formulated while designing the programme.

Research tool in the form of structured, semi-structured and unstructured questionnaire was administered on customer-managers through multiple channels of communication. The contents of the questionnaires were validated by the all India banking & insurance employers association involved in research in Programme Evaluation and Policy.

### RESEARCH METHODOLOGY

The research is carried on in a planned and systematic manner.

The research was particularly a telephonic research. For selling products to list of people which includes their names and contact numbers given by ICICI for insurance plan or policy by explaining the benefits of a particular product, but the minimum amount for selling a policy to a customer is equal to or more than Rs. 18000 only. Age limit for selling a product/policies was 1 month to 60 years. This means that a policy can be sold to person between the age of one month to 60 years and not anything exceeding or below it.

This research methodology also includes:

- Familiarization with the concept of insurance and its various terms.
- Thorough study of the information collected.

Conclusions based on findings

#### DATA SOURCES

There are two types of data. **Primary data:** The data that is collected first hand by someone specifically for the purpose of facilitating the study is known as primary data. So in this research the data is collected from respondents through questionnaire. **SECONDARY DATA:** For the company information I had used secondary data like brochures, web site of the company etc. The Method used by me is Survey Method as the research done is **Descriptive Research**.

#### INSTRUMENTS

Selected instrument for Data Collection for Survey is Questionnaire.

#### QUESTIONNAIRE DESIGN/FORMULATION

A questionnaire consists of a set of questions presented to respondent for their answers. It can be Closed Ended or Open Ended. **Open Ended:** - Allows respondents to answer in their own words & are difficult to Interpret and Tabulate. **Close Ended:** - Pre-specify all the possible answers & are easy to Interpret and Tabulate.

#### TYPES OF QUESTION INCLUDED

Dichotomous Questions Which has only two answers "Yes" or "No" to check the division state of the respondents.

#### MULTIPLE CHOICE QUESTION

Where respondent is offered more than two choices to check the status of insurance faculty offered by the Co.

#### RATING SCALE

A scale that rates some attribute from "highly satisfied" to "highly unsatisfied" and "very inefficient" to "very efficient" regarding checking the merits and limitations of the policy according to the Individual response.

#### SAMPLING UNIT

The sample Unit taken by me; General public including branch personnel of different age group, different gender and different profession

#### EXTENT

Where the survey should be carried out? I have covered entire residential area of Subhash marg (Daryaganj) for the survey

#### TIME FRAME

When the survey should be conducted? I conducted my survey for 8 weeks.

#### SAMPLING TECHNIQUE

How should the respondent be chosen?

In the Project sampling is done on basis of **Probability sampling**. Among the probability sampling design the sampling design chosen is stratified random sampling. Because in this survey I had stratified the sample in different age group, different gender and different profession

#### SAMPLE SIZE/ POPULATION SIZE

How many people should be surveyed?

My sample size is 128

#### ABOUT ICICI PRUDENTIAL/THE COMPANY

ICICI Prudential life Insurance Company is a joint venture between ICICI Bank, a premier financial powerhouse and prudential plc, a leading international financial services group headquartered in United Kingdom. ICICI Prudential was amongst the first private sector insurance companies to begin the operations in December 2004 after receiving approval from Insurance Regulatory Development Authority (IRDA).

ICICI Prudential equity base stands at Rs. 675 crore with ICICI Bank and Prudential plc holding 74% and 26% stake respectively. In the year ended March 31, 2004, the company had issued over 430,000 policies, for a total sum assured of over Rs. 8,000 crore and premium income in excess of Rs. 980 crore. Today the company is the #1 private life insurer in the country.

#### DISTRIBUTION

ICICI Prudential has one of the largest distribution networks amongst private life insurers in India, having commenced operations in 54 cities and towns in India. The company has seven bank assurance tie-ups, having agreements with ICICI Bank, Federal Bank, South Indian Bank, Bank of India, Lord Krishna Bank and some co-operative banks, as well as over 160 corporate agents and brokers. It has also tied up with organizations like Dhan for distribution of Salaam Zindagi, a policy for the socially and economically underprivileged sections of society.

ICICI Prudential has recruited and trained about 50,000 insurance advisors to interface with and advise customers. Further, it leverages its state-of-the-art IT infrastructure to provide superior quality of service to customers.

#### PRUDENTIAL PLC

Established in 1848, Prudential PLC is a leading international financial services company in the UK, with around US\$250 billion funds under management, and more than 16 million customers worldwide. Prudential has brought to market an integrated range of financial services products that now includes life assurance, pensions, mutual funds, banking, investment management and general insurance in Asia. Prudential is UK's largest life insurance company with a vast network of 22 life and mutual fund operations in twelve countries- China, Hong Kong, India, Indonesia, Japan, Korea, Malaysia, the Philippines, Singapore, Taiwan, Thailand and Vietnam. Since 1923, Prudential has championed customer-centric products and services, supported by over 60,000 staff and agents across the region.

#### WHY INSURANCE

- Premature Death, Living too long, Living Death
- Children future, Wealth Creation

#### VISION

To be the dominant life and pension's player built on trust by world-class people and service.

#### OTHER VALUES

- Integrity, Customers trust
- Boundryless, Ownership, Passion

#### AREAS OF SPECIALIZATION

- Premature Death
- 1 out of 4 people don't reach the age of 60.
- You are providing your family with a lifestyle.

This lifestyle is dependent on your continued income generating capability.

- If this income were to stop unfortunately, how would your family meet its financial requirements?

⇒ The responsibility is to help you protect your family financially in event something unfortunate happens...

⇒ Living too long

- ⇒ 7 out of 10 people endure retirement instead of enjoying it.
- Do you want financial independence post retirement?
- ⇒ Imagine living beyond your working years on a depleted income.
- ⇒ However, you would want to maintain your some living standards and be financially independent.
- ⇒ The responsibility is to help you secure a financially stable future post retirement.
- ⇒ Living Death
- ⇒ 6 out of 10 don't reach the age of 60 without a life threatening illness.
- ⇒ Can you imagine not having ability to provide for your family because of your illness or a disability?
- ⇒ Not only do you suffer but also you watch your family suffer.
- Who would bear the cost of additional medical expenses?
- ⇒ The responsibility is to help you protect your family against such eventualities.
- ⇒ Children future
- ⇒ To get a premier MBA degree in year 2010 will cost Rs. 14 lakh.
- ⇒ It is your responsibility to provide your children with best possible education they can have.
- Do you want to compromise on their future?
- ⇒ The responsibility is to help you build financial assets for your children's future.

#### PRODUCTS OF THE BRANCH

##### INSURANCE SOLUTIONS FOR INDIVIDUALS

The branch efforts ICICI Prudential Life Insurance a range of innovative, customer-centric products that meet the needs of customers at every life stage. Its 27 products can be enhanced with up to 6 riders, to create a customized solution for each policyholder.

##### SAVINGS SOLUTIONS OF THE BRANCH

**Secure Plus** is a transparent and feature-packed savings plan that offers 3 levels of protection.

**Cash Plus** is a transparent, feature-packed savings plan that offers 3 levels of protection as well as liquidity options. **Save n Protect** is a traditional endowment savings plan that offers life protection along with adequate returns. **CashBack** is an anticipated endowment policy ideal for meeting milestone expenses like a child's marriage, expenses for a child's higher education or purchase of an asset.

**LifeTime & LifeTime II** offer customers the flexibility and control to customize the policy to meet the changing needs at different life stages. Each offer 4 fund options ? Preserver, Protector, Balancer and Maximiser.

**LifeLink II** is a single premium Market Linked Insurance Plan which combines life insurance cover with the opportunity to stay invested in the stock market.

**Premier Life** is a limited premium paying plan that offers customers life insurance cover till the age of 75.

**InvestShield Life** is a Market Linked plan that provides capital guarantee on the invested premiums and declared bonus interest.

**InvestShield Cash** is a Market Linked plan that provides capital guarantee on the invested premiums and declared bonus interest along with flexible liquidity options.

**InvestShield Gold** is a Market Linked plan that provides capital guarantee on the invested premiums and declared bonus interest along with limited premium payment terms.

##### PROTECTION SOLUTIONS

**Life Guard** is a protection plan, which offers life cover at very low cost. It is available in 3 options ? level term assurance, level term assurance with return of premium and single premium.

##### CHILD PLANS

**Smart Kid education plans** provide guaranteed educational benefits to a child along with life insurance cover for the parent who purchases the policy. The policy is designed to provide money at important milestones in the child's life. SmartKid plans are also available in unit-linked form ? both single premium and regular premium.

##### RETIREMENT SOLUTIONS

**ForeverLife** is a retirement product targeted at individuals in their thirties.

**Secure plus Pension** is a flexible pension plan that allows one to select between 3 levels of cover.

##### MARKET-LINKED RETIREMENT PRODUCTS OF THE BRANCH

- Life Time Pension II is a regular premium market-linked pension plan
- Life Link Pension II is a single premium market-linked pension plan.
- Invest Shield Pension is a regular premium pension plan with a capital guarantee on the investible premium and declared bonuses.

##### FLEXIBLE RIDER OPTIONS PROVIDED BY THE BRANCH

ICICI Pru Life offers flexible riders, which can be added to the basic policy at a marginal cost, depending on the specific needs of the customer.

**Accident & disability benefit:** If death occurs as the result of an accident during the term of the policy, the beneficiary receives an additional amount equal to the sum assured under the policy. If the death occurs while traveling in an authorized mass transport vehicle, the beneficiary will be entitled to twice the sum assured as additional benefit.

**Accident Benefit:** This rider option pays the sum assured under the rider on death due to accident.

**Critical Illness Benefit:** protects the insured against financial loss in the event of 9 specified critical illnesses. Benefits are payable to the insured for medical expenses prior to death.

**Major Surgical Assistance Benefit:** provides financial support in the event of medical emergencies, ensuring benefits are payable to the life assured for medical expenses incurred for surgical procedures. Cover is offered against 43 surgical procedures.

**Income Benefit:** This rider pays the 10% of the sum assured to the nominee every year, till maturity, in the event of the death of the life assured. It is available on SmartKid, Secure Plus and Cash Plus

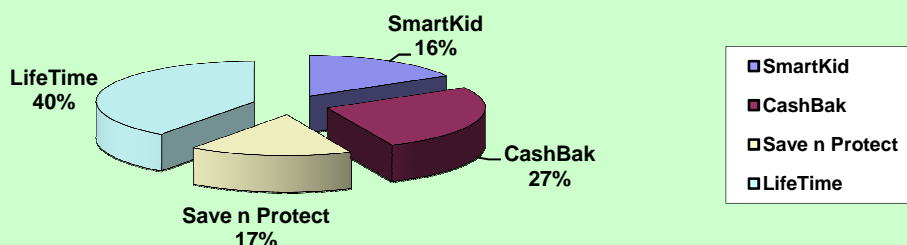


**SWOT ANALYSIS**

<b>STRENGTHS</b> <ul style="list-style-type: none"> <li>• Right service, quality and reliability.</li> <li>• Superior branch performance vs. competitors.</li> <li>• Branch Image</li> <li>• High degree of customer satisfaction.</li> </ul>	<b>WEAKNESSES</b> <ul style="list-style-type: none"> <li>• Not special status in the National Capital Territory</li> <li>• Customer service staff need training.</li> <li>• Processes and systems, etc</li> <li>• Management cover insufficient.</li> </ul>
<b>OPPORTUNITIES</b> <ul style="list-style-type: none"> <li>• Profit margins will be good.</li> <li>• Service Could extend to more customers.</li> <li>• An applied training centre to create opportunities for developing techniques to provide added-value services</li> </ul>	<b>THREATS</b> <ul style="list-style-type: none"> <li>• Vulnerable to reactive attack by major competitors.</li> <li>• Lack of more space could be constrain investment in future extension.</li> <li>• High cost market is intensely competitive.</li> </ul>

**DATA ANALYSIS**

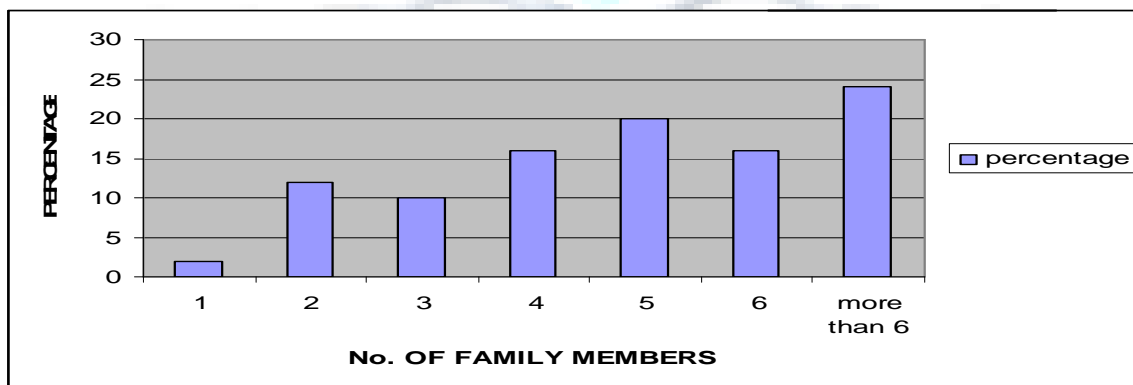
**Percentage of each Policies sold at ICICI for Jan-Feb 2011**



From the above diagram it is very much clear that the current scenario of investment in different policies offered by ICICI Prudential, the life time policies with a 39% play an upper hand as far as policies sold are concerned. Customers are more favorable towards this policy is due to it is compatible to changing needs of different lifestyles

**Q1. HOW MANY MEMBERS DO YOU HAVE IN YOUR FAMILY?**

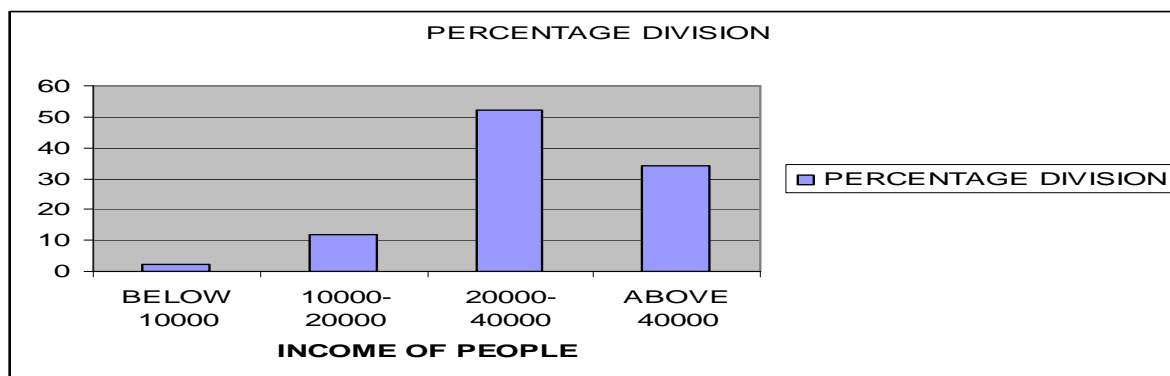
☐ 2   ☐ 3   ☐ 4   ☐ 5   ☐ 6   ☐ other (Specify)



- 2% of the people's have a family consisting of 1 person
- 12% of the people's have a family consisting of 2 person
- 10% of the people's have a family consisting of 3 person
- 16% of the people's have a family consisting of 1 person
- 20% of the people's have a family consisting of 5 person
- 16% of the people's have a family consisting of 6 person
- 24% of the people's have a family consisting of more than 6

**Q2. Net Family Income from all sources (monthly in Rs.)**

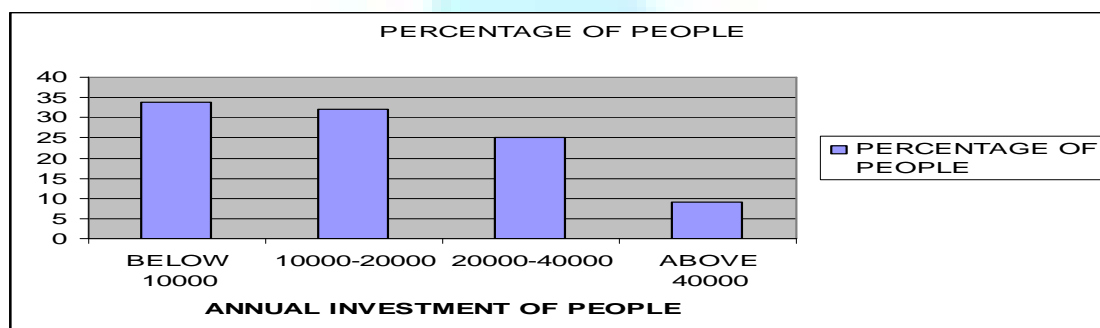
☐ Below 10,000 ☐ 10,000 to 20,000 ☐ 20,000 to 40,000 ☐ 40,000 & above



- 2% of people have an income below 10000
- 12% of people have an income between 10000-20000
- 52% of people have an income between 20000-40000
- 34% of people have an income above 40000

**Q3. How much do you invest yearly in Insurance Plans?**

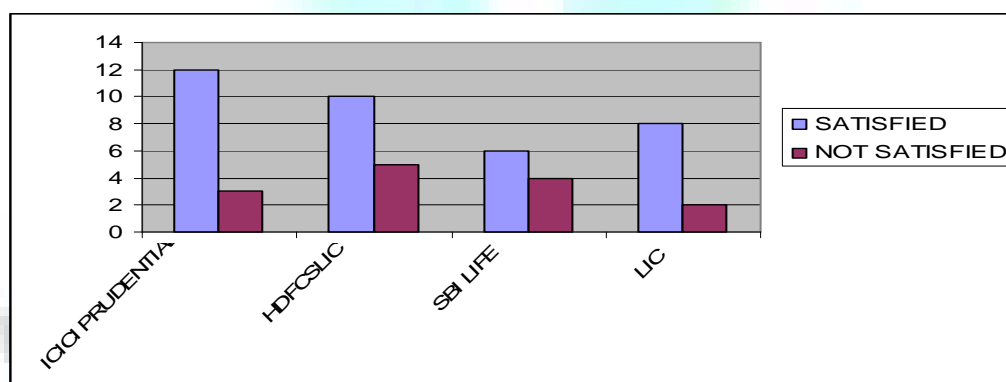
☐ Below 10,000 ☐ 10,000 to 20,000 ☐ 20,000 to 40,000 ☐ 40,000 & above



- 34% of the people invest below 10000
- 32% of the people invest between 10000-20000
- 25% of the people invest between 20000-40000
- 9% of the people invest above 40000

**Q4. Are you satisfied with the services of your Insurance Co?**

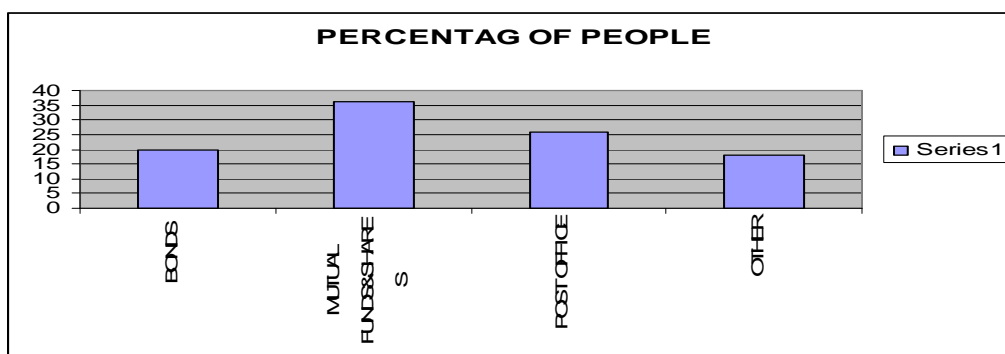
☐ Very Good ☐ good ☐ average ☐ Poor



- 12% of people are satisfied with icici whereas 3% were unsatisfied
- 10% of people are satisfied with icici whereas 5% were unsatisfied
- 6% of people are satisfied with icici whereas 4% were unsatisfied
- 8% of people are satisfied with icici whereas 2% were unsatisfied

**Q-5 Have you invested in any sources of investment like?**

☐ bonds ☐ mutual funds & shares ☐ post office ☐ OTHER (specify) \_\_\_\_\_

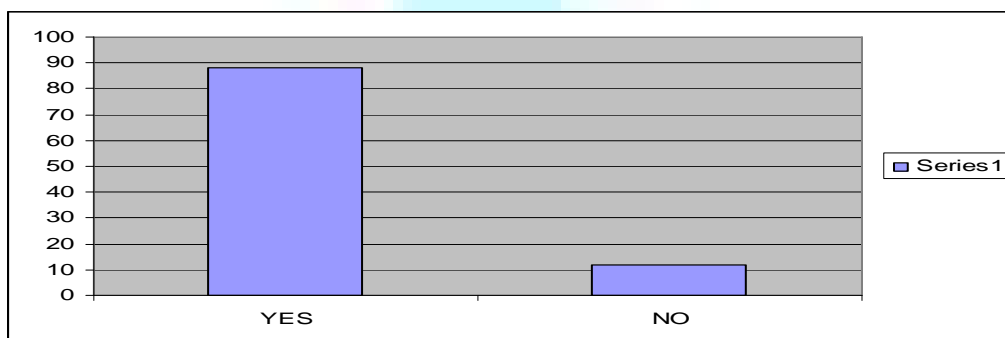


- 20% of the people have invested in bonds
- 36% of the people have invested in bonds
- 26% of the people have invested in bonds
- 18% of the people have invested in bond

Q6. Have you ever seen the advertisement of ICICI PRUDENTIAL CO.?

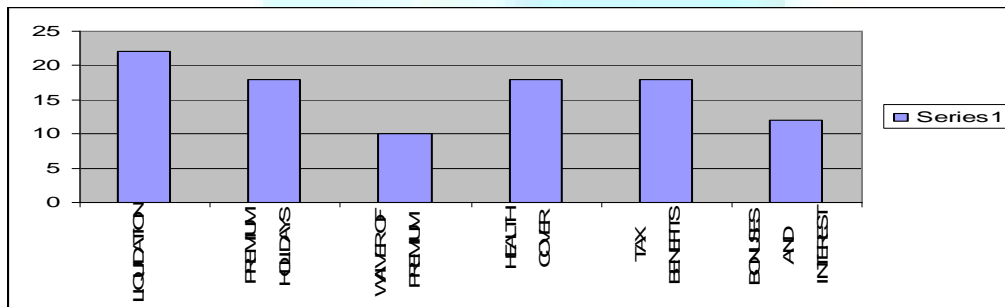
☐ YES

☐ NO



Q7. Did your Insurance Plan provide you the following benefits?

☐ Liquidation ☐ Premium holidays ☐ Waiver of Premium ☐ Health Cover ☐ Tax Benefits ☐ Bonuses & interest



- 22% of the respondents say that their insurance provide liquidation
- 18% of the respondents say that their insurance provide premium holidays
- 10% of the respondents say that their insurance provide waiver of premium
- 18% of the respondents say that their insurance provide health cover
- 18% of the respondents say that their insurance provide tax benefits
- 14% of the respondents say that their insurance provide bonuses and interest

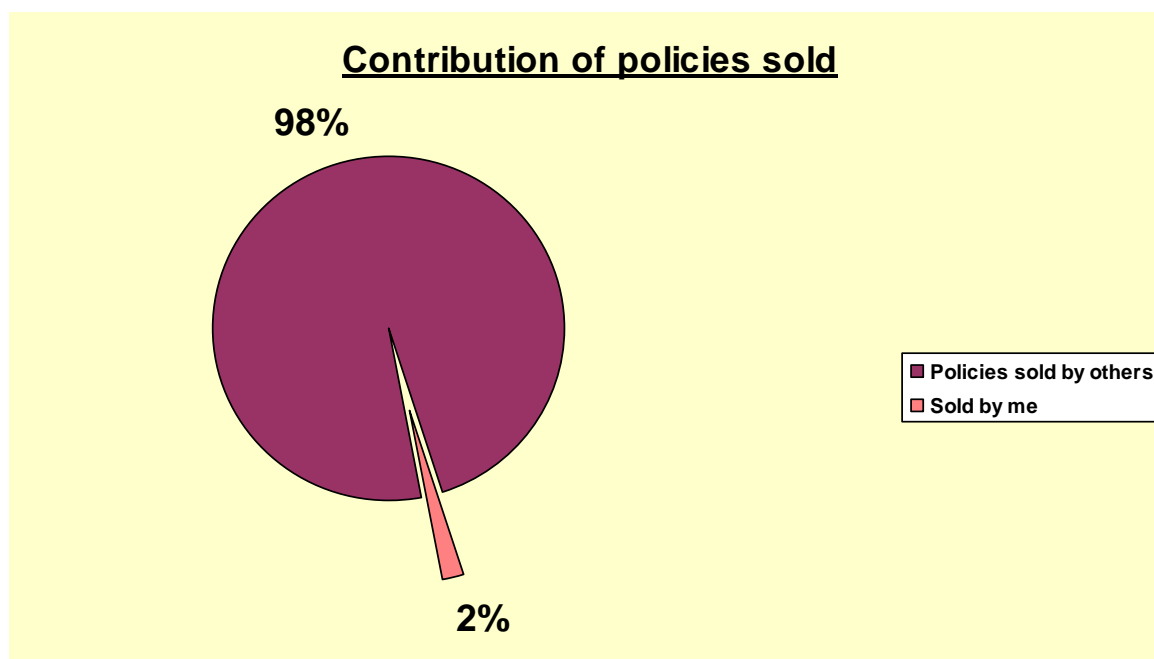
Details of the customer to whom policies were sold are as:-

S.NO	NAME	AGE	ADDRESS	TELEPHONE NO.	TYPE OF POLICY	AMOUNT
1	Samta Dugar	45	96- Vivekananda Puri, Lajpat Nagar, New Delhi	29844594	Life Time	18000
2	Nitin Dugar	32	178, Vinobapuri, Lajpat Nagar II, New Delhi	9811342525	Life Time	40000

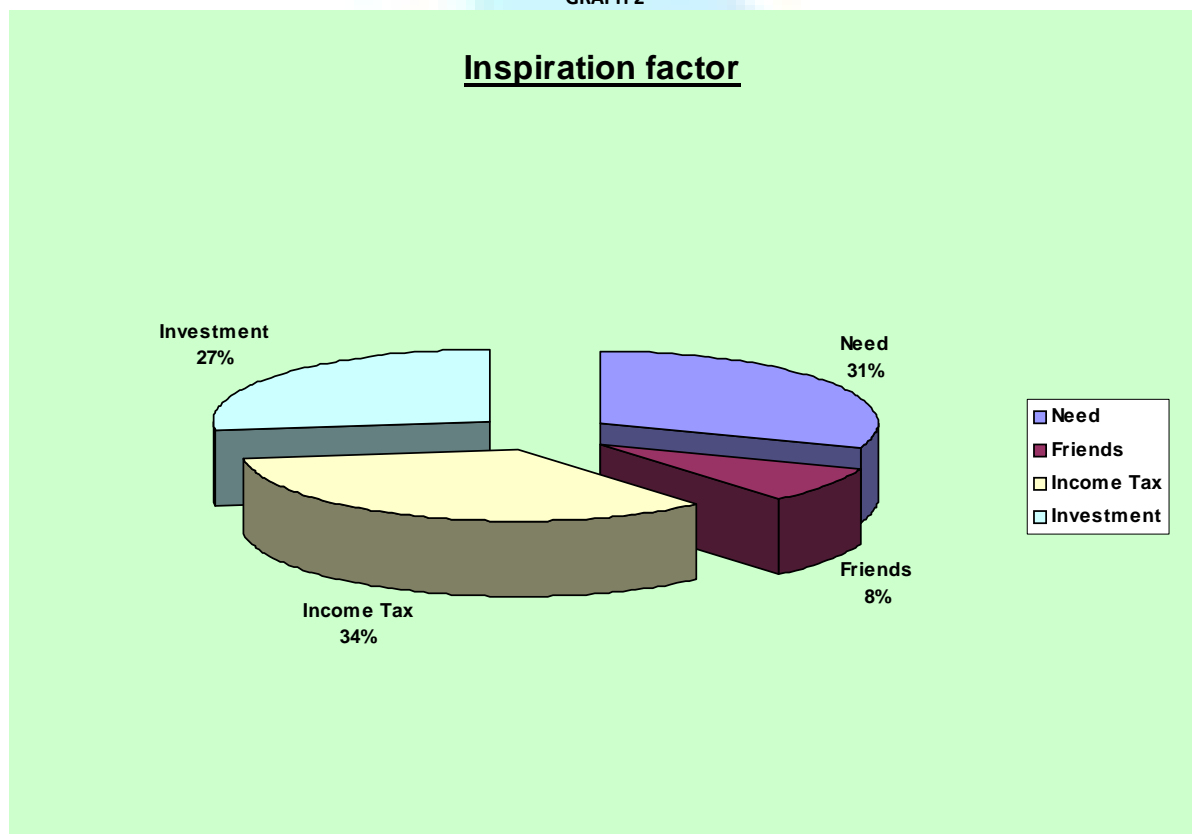
Customer no. 2 i.e. Nitin Dugar has divided his policy into two parts 20000 each, as this will give the customer a flexibility option by paying premium on one continuously for nine to ten years and not paying premium on other after 3 years.

After carrying out the above telephonic interview what was found that people who are unaware of these insurance policies showed a comparatively more interest to invest in these policies than aware people. Therefore an analysis of different kind of policies sold can be made and shown in the graph as followed :-

GRAPH 1



GRAPH 2



the above graphs gives vital information regarding what basically inspires customers or people to invest in a particular policy. Some of the factors are :-

- For Investment purpose
- Income tax
- Need Due to friends
- Amongst the above 4 most people i.e. 34% are inspired to invest in different ICICI policies as it help the people to get income tax rebate, but other factors like need for policy and also as an investment factor are almost equivalent important.

#### **LIMITATION OF FINDINGS**

##### **A) ROLES OF THE STAFF OF ASSIGNED BRANCH**

The effective leadership is transacted by a large number of functionaries including Customer-personnel work space and mentors and principles at branch level who may not have focused concept about their roles in Insurance mode. Therefore, it would be desirable to conduct market studies to identify exact problems that arise due to lack of clarification or conceptualization of the roles, responsibilities and expectations of all those associated with the manager training and how these affect the progress, performance and motivation of customer.



**B) EVALUATION OF THE TRAINEES**

The credits and hierarchy to different post and activities have been properly planned. But empirical testing, especially when the leadership were acted more than ten years ago, should enhance their utility considerably. This requires a review of the validity of the evaluation procedures by studying the practices through which summative evaluation is done and credits are determined.

**C) BASED ON DIFFERENT BRANCH AREA**

Since ICICI has jurisdiction over the centre Delhi, it must pool practices to respond to the wide diversity without limiting or inhibiting innovation. Moreover, in managing learning situation, the image of the manager should not be compromised due to any disadvantage. Therefore, while retaining its branch, the programme should have local relevance. There is a need to examine the state specific aspects and include these in the assignment Job framework as different options. This will surely enhance acceptability and utility of the scientific functioning.

**D) ADOPTING DIFFERENT RESEARCH APPROACHES**

The present research is descriptive in nature. Still there are other types of researches like experimental research, action research, and comparative studies, which have their own investigatory tools, techniques and methods. It would be worthwhile to evaluate some aspects of the Management of ICICI on the basis of these techniques and compare with the findings of this study.

Ultimately, most of the contents collected was difficult to understand because it was new for me to work in this field. It was tricky and time consuming to understand the mysteries of marketing. Trust of customers was a difficult thing to gain because other players are existing in the market. Response of customers could be biased due to be human being. Convincing people to invest in a new product which is different from their lifestyle was a tough job. During the research period in ICICI Prudential, we carried out the telephonic interview of different people, to check their satisfaction level regarding the policies if have taken and if they are interested to give the company more business by further investing or buying more policies. For this a certain set of questions were asked such as: Whether they are a new customer or an existing customer. Providing information to customers for the different insurance policies. To know the interest of customers in different kind of policies. Asking if the customer are interested to invest in a new policy. Taking in account satisfaction level of existing customers. Convincing customers who are interested in a particular policy.

**CONCLUSION**

Our study reveals that effective leadership strata of concerned branch is well designed; it provides a judicious mix of theoretical and practical inputs. The practice functioning component helps to improve job efficiency and customer get sufficient orientation in smooth banking organization, emphasis on practicum helps in development of aptitude for saving investment. Also the branch provides special internship facility to handle the of local, gender and specific issues. However manager perceive the workload to be heavier than that planned programme branch.. Moreover, electronic media support falls woefully short of the claim. To enhance acceptability and suitability of the working of the branch, it would be desirable to include special facility for regional customers. Moreover, in keeping with latest trends, it would be desirable to include optional courses on management with provision for hands on training.

After working on this project its my immense pleasure to say its been most beneficial to me as it gave a lot of leadership knowledge about the Insurance & banking sector in Delhi, which also include how there has been a change in the insurance sector in Delhi over the years with more and more different kind of insurance policies emerging constantly. Also while working as a branch officer in ICICI prudential has given me a vast knowledge on marketing which is a creative and innovative field whose study & usage requires good interaction & communication skills to encourage more and more people to invest in insurance policies which is necessary to be a good & effective leadership..Through this I came to know about the mindset of a customer as an investor and their interest regarding a particular policy but also identifying their insurance need as a participative trait of leader. Therefore ICICI Prudential has been a successful organization over the past few years base on the effective leadership.

**ACKNOWLEDGEMENT**

I am very thankful to all staffs of the branch in general and particularly to branch manager of Prudential insurance dealing section. I would like to express my deep sense to all the customers who helped me to infer assertion & conclusion and finally face to my direct questions as well as circulated questionnaire.

**ANNEXURE****QUESTIONNAIRE**

- Name: \_\_\_\_\_
- Address: \_\_\_\_\_
- Telephone No.: \_\_\_\_\_
- Occupation: \_\_\_\_\_
- ☐ Salaried ☐ Self Employed ☐ Unemployed ☐ Business ☐ Others(specify) \_\_\_\_\_

**OFFICE ADDRESS****FAMILY DETAILS****Q1. How many members do you have in your family?**

- ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐ 6 ☐ other (Specify) \_\_\_\_\_

**Q2. Net Family Income from all sources (monthly in Rs.)**

- ☐ Below 10,000 ☐ 10,000 to 20,000 ☐ 20,000 to 40,000 ☐ 40,000 & above

**Q3. How much do you invest yearly in Insurance Plans?**

- ☐ Below 10,000 ☐ 10,000 to 20,000 ☐ 20,000 to 40,000 ☐ 40,000 & above

**Q4. Are you insured, if yes then?**

- ☐ LIC ☐ ICICI PRU. ☐ HDFC SLIC ☐ AVIVA ☐ BIRLA SUN LIFE ☐ METLIFE ☐ TATA AIG ☐ OTHERS (SPECIFY) \_\_\_\_\_

**Q5. Are you satisfied with the services of your Insurance Co?**

- ☐ Very Good ☐ good ☐ average ☐ Poor

**Q6. What kind of Life Insurance cover you have taken?**

- ☐ ULIP ☐ Mediclaim ☐ pension ☐ other \_\_\_\_\_

**Q7. Have you invested in any sources of investment like?**

- ☐ bonds ☐ mutual funds & shares ☐ post office ☐ OTHER (specify) \_\_\_\_\_

**Q8. Are you satisfied with the return that your company gives?**

- ☐ YES ☐ NO

**Q9. Do you know about HDFC STANDARD LIFE INSURANCE CO.?**

- ☐ YES ☐ NO

**Q10. Have you ever seen the advertisement of HDFC STANDARD LIFE INSURANCE CO.?**

- ☐ YES ☐ NO

**APPENDIX-I****LIST OF CONTACTED PEOPLE**

Name	Age	Profession	Contact No.	Gender
Pankaj Daga	26	Cyber Café	9810115635	M
Vikas Sethia	35	Vegetable Seller	9868012803	M
Kapil Sethia	29	Hotel Owner	9811769303	M
Arush Sabarwal	46	Travel Agency	9810195725	M
Prashant Bhansali	41	Teacher	9810206268	M
Aashish Kapoor	29	Photo Shop	9810012098	M
Jitinder Sharma	51	Automobile Electrician	9899801239	M
Sundeep Bothra	49	Teacher	9871374008	M
Sushila Bothra	55	Embroidery	9868228526	F
Sidharth Jain	44	Medicine Shop	9818810282	M
Prabhat Khater	59	Fruit Seller	9891976072	M
Vidit Garg	31	Tour & Travel	9818375518	M
Manish Bansal	45	Publisher	9818466678	M
Sujit Khanna	32	Mequzir Vender	9891822769	M
Nitin Dugar	39	General Store	9811342526	F
Samta Dugar	41	Telephone Booth	29844595	F
Aruna Sharma	52	DTP Operator	9818032918	F
Vivek Dasani	55	Teacher	9810784984	M
Gaurav Rakhecha	49		9891356788	M
Navneet Jain	33	Principle	9350857102	M
Franky Navetia	38	Agent	9899172048	F
Kiran Miglani	30	Cloth Merchant	9891868181	M
Pawan Chauhan	42	Bettle Shop	9810067898	M
Mohit Golchha	49	Electrician	9810486996	M
Naresh Golchha	43	Contractor	9899699315	M
Sudhir Bajaj	42	Textile Wholesaler	9818830879	M
Mukesh Aggarwal	49	Mechanic	9891605212	M
Praveena Mittal	39	Engineer	9312324278	M
Anuvrat Goel	31	Electrician	9811219479	M
Gautam Bengani	39	Juice Shop	9810359788	M
Hemmat Rakhecha	40	Computer operator	27046549	M
Kunal Solanki	55	Bands Official	27458964	M
Sunita Tiwari	52	Receptionist	27314952	F
Pankaj Gupta	49	General Store	2628433	M
Pawan Singh	36	Vender	9891857841	M
Rishi Sethi	42	Broker	9810118951	M
Varuna Bharadwaj	51	Teacher	22321463	F
Nilesh Chug	44	Post Master	25744578	M
Puneet Jindal	54	Private Tutor	9810288247	M
Padama Jindal	39	Beautician	9811468542	F
Rohit Aggarwal	51	Clerk	27314952	M
Rajeev Kumar	45	Journalist	9810523657	M
Ritesh Kaushal	48	Peon	9811334458	M
Sunita Bafna	37	Teacher	22165002	F

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**AN EMPIRICAL STUDY ON WEAK-FORM OF MARKET EFFICIENCY OF NATIONAL STOCK EXCHANGE**

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**BARDOLI**

**ABSTRACT**

*The purpose of present study is to investigate the weak form of market efficiency of National Stock Exchange of India. Using sample data spanning the period of January 2001 to March 2013 of daily closing price of the selected Indices of National Stock Exchange (NSE): CNX NIFTY, CNX IT, CNX FINANCE, CNX FMCG and CNX ENERGY. The random walk hypothesis is examined using runs test, unit root test (ADF) and Autoregressive Integrated Moving Average (ARIMA) model. The results provide sufficient evidence from the runs test of the weak form of efficiency of National Stock Exchange is weak form inefficient. The result also supported with the ADF test and ARIMA model that successive price are changes in the market, it means that investor put strategy to maintain return based on past price and trends of stock market.*

**KEYWORDS**

ARIMA, Market Efficiency, NSE, Runs Test.

**INTRODUCTION**

The efficient market hypothesis (EMH) asserts that financial market are influence on the basis of relevant market information, if market is efficient, trying to pickup winners will be a waste of time.

The term market efficiency is used to explain the relationship between information and share prices in the capital market literature. A capital market is said to be efficient if it fully and correctly reflects all relevant market information or previous price in determining security prices.

There are three types of efficient market hypothesis: Weak, Semi-strong and Strong forms. Weak form of efficiency suggested that all past prices of a stock are reflected in today's stock price. It means that technical analysis cannot be used to predict the market. Semi strong form of efficiency claims that all publically information reflected on current stock price. It means that neither fundamental nor technical analysis can be used to predict the market. In Strong form of efficiency all information in a market, whether public or private, is reflect in a current stock price. Not only internal information could give an investor an advantage but external also reflect on the stock price.

According to Fama (1970), suggested that the primary role of the capital market is allocation of ownership of the economy's capital stock. In general terms, the ideal is a market in which prices provide accurate signals for resource allocation: i.e., a market in which firms can make productive-investment decisions, and investors can choose among the securities that represent ownership of firms' activities under the assumption that securities prices at any time 'fully reflect' all available information.

Dyckman and Morse (1986) suggested that "a security market is generally defined as efficient if (1) the price of the security traded in the market fully reflect all available information and (2) these prices react instantaneously or nearly so, and in unbiased fashion to new information".

**LITERATURE REVIEW**

Many studies have been conducted nationally and internationally which have focused on the weak form of market efficiency. Following the theoretical literature, empirical studies on the weak form efficient market hypothesis in emerging markets have been intensively investigated, especially in recent years.

**TABLE: 1 REVIEW OF LITERATURE**

Sr. No.	Author(s)	Area/Market under Study	Period of Study	Methodology	Result
1.	Nikunj R. Patel, Nitesh Radadia and Juhi Dhawan	Asian four selected stock markets	1st January 2000 to 31st March 2011	Runs Test, Unit Root Test, Variance Ratio, Auto Correlation and Kolmogorov-Smirnov test	The study indicates that the Asian stock markets under study are not found weak- form efficiency.
2.	Gagan Deep Sharma, Mandeep Mahendru	Indian Securities Market	30 <sup>th</sup> June 2007 to 27 <sup>th</sup> October 2007	Runs Test and Autocorrelation Test	The study indicates that the BSE is found weak form efficient. Author also, suggested that market needs to strengthen its regulatory capacity to boost investors' confidence as well as stringent in enforcing financial regulations, performing regular market.
3.	Anand Pandey	Indian Stock Market	January 1996 to June 2002	Runs Test and Autocorrelation Test	Author finds sufficient evidence from the Indian stock market that market is not efficient. Because of there are number of undervalued securities in the market and the investors can always excess returns by correctly picking them.
4.	Philip Ifeakachukwu and Isiaq Olanukanmi	Nigerian Stock Market	1986 and 2010	Serial auto-correlation and regression method	Study revealed that the Nigeria stock market is informational inefficient, that is stock price does not exhibit random walk. Also, suggested that enhanced regulatory market and developed adequate supervision
5.	Sunil Poshakwale	Indian Stock Market (BSE)	1987-1994	Runs Test, Kolmogorov Smirnov Goodness of Fit Test, Serial Correlation Coefficients Test,	The results give sufficient evidence of day of the week effect and that the stock market is not weak form efficient. The weekend effect is evident as the returns achieved on Fridays are significantly higher compared to rest of the days of the week. The implication of this result for investors is that they cannot adopt a 'fair return for risk' strategy, by holding a well diversified portfolio while investing in the Indian stock market.
6.	Amalendu Bhunia	Indian Stock Market (NSE)	January 2010 to June 2011	CAPM, Beta	The author suggested that there is no strong efficiency found in the Indian market.
7.	Divyang J Joshi	Indian Stock Market (BSE)	1st January 2001 to 31st December 2010	Runs Test	The study identified that the Indian stock market is inefficient in long run while efficient in short term.
8.	Mirah Putu Nikita and Subiakto Soekarno	Indonesia Stock Market	2008-2011	Runs test, Autocorrelation, and Regression Analysis,	The result suggested that the non-randomness behavior and significant result on autocorrelation value have confirmed the weak form market inefficiency.
9.	Rakesh Gupta and Junhao Yang	Indian Capital Market (NSE and BSE)	1997 to 2011	ADF, PP and KPSS	Study suggested that the rejection of weak form efficiency during all sample periods.
10.	Uttam Sapate and Valeed Ansari	Bombay Stock Exchange (India)	April 2000 to March 2010	Autocorrelation Test & Ljung – Box Q (LBQ) Statistics, Runs Test,	The result shows that BSE has not find sufficient evidence as a efficient market. It signifies that trading strategies based on historic prices cannot be used to gain abnormal profits consistently because market is weak form efficient.
11.	Xiaofeng Li	China and Japan	November 2000 to November 2011	Runs test, Unit root test (ADF), and Variance ratio test	Result shows that Shanghai and Shenzhen market has absence of random walk characteristics as well as Tokyo stock market, the indices cannot said to be pure efficient.

**OBJECTIVES OF THE STUDY**

The main objective of study is to examine whether the major indices of national stock exchange (NSE) is weak form efficient over the period 2001-2013. Present study applies a classical theory of testing market efficiency, to determine whether or not the time series predictability in NSE indices returns violate the random walk model, which maintains that past stock price cannot be used to predict future stock returns.

**METHODOLOGY**

Examining the efficiency through efficient market hypothesis in its weak form from being the objective of leading stock exchange in India, NSE was selected because NSE has maintained its slot as the world's largest bourse in terms of volumes in equity segment (number of equity traders) for the January-March quarter of 2013, with a total of 36.6 crore trades, as per latest data compiled by World Federation of Exchanges (WFE)<sup>30</sup>. Under the NSE four top indices were selected viz., CNX IT, CNX FINANCE, CNX FMCG and CNX ENERGY. These indices were selected keeping in the mind that highest weightage in CNX NIFTY as per given in following table.

**TABLE: 2 SECTOR REPRESENTATION**

Sector	Weight (%)	Sample Period	Observations
NIFTY	--	01.01.2001 to 31.03.2013	3058
Financial Services	28.53	01.01.2004 to 31.03.2013	2305
Energy	15.71	01.01.2001 to 31.03.2013	3058
IT	14.45	01.01.2001 to 31.03.2013	3058
Consumer Goods (FMCG)	13.14	01.01.2001 to 31.03.2013	3058

(Source: Indian Index Services & Product Limited, CNX NIFTY dated 28.03.2013)

<sup>30</sup> <http://www.rediff.com/money/slide-show/slide-show-1-worlds-top-bourses-nse-is-no-1/20130420.htm?pos=13&src=NL20130420> accessed on 22/4/2013



The data obtained from web portal of National Stock Exchange ([www.nseindia.com](http://www.nseindia.com)), on the basis of the daily closing prices from 1<sup>st</sup> Jan. 2001 to 31<sup>st</sup> March 2013 of the selected Indices of National Stock Exchange (NSE): CNX NIFTY, CNX IT, CNX FINANCE, CNX FMCG and CNX ENERGY.

## DATA ANALYSIS WITH HYPOTHESES

The data which was collected in order to find out the weak form efficiency or market followed random walk pattern of NSE with selected indices. The tests which were used in the time series analysis includes the Runs test, Unit root test (ADF) and Auto regressive test. For the data analysis GRETL version 1.7.3 and E-views 4 were used. The hypothesis of the study is:

H<sub>0</sub>: The National Stock Exchange is a weak form efficient.

H<sub>1</sub>: The National Stock Exchange is weak form inefficient.

### RUNS TEST

To test for weak form efficiency 'runs test' is widely used as it does not require return to be normally distributed. The runs test is to determine whether successive price changes are independent or not, if not independent it must not follow random walk characteristics, i.e. if the positive and negative value comes out with equal or lies within an efficient scope then the market can be called to be efficient.

The null hypothesis H<sub>0</sub> is accepted if the value of Z is less than 1.96 and it is rejected if the value of Z exceeds 1.96.

$$Z = \frac{r - \mu_r}{\sigma_r} \quad \mu_r = 1 + \frac{2n_1n_2}{n_1+n_2} \quad \sigma_r = \sqrt{\frac{2n_1n_2(2n_1n_2-n_1-n_2)}{(n_1+n_2)^2(n_1+n_2-1)}}$$

r = Number of runs

n<sub>1</sub> = total number of returns equal and more than the mean value

n<sub>2</sub> = total number of returns less than the mean value

### UNIT ROOT TEST- AUGMENTED DICKEY-FULLER TEST

Most time series data are non-stationary i.e., they tend to exhibit a deterministic and stochastic trend. Before apply any statistical test researcher need to be check whether the series is stationary or not. A more formal method of detecting non-stationarity is often described as testing for unit roots, for reasons that need not concern us here. The standard test, pioneered by Dickey and Fuller (1979), is based on the model

$$X_t = \beta_1 + \beta_2 X_{t-1} + \gamma_t + \epsilon_t$$

Rewritten as:

$$\Delta X_t = \beta_1 + (\beta_2 - 1)X_{t-1} + \gamma_t + \epsilon_t$$

Where  $\Delta X_t = X_t - X_{t-1}$ , the series will be non-stationary if either the coefficient of  $X_{t-1}$  is zero or the coefficient of  $t$  is non zero.

### AUTOREGRESSIVE INTEGRATED MOVING AVERAGE (ARIMA (p, d, q))

Model for non-seasonal series are called Autoregressive integrated moving average model, denoted by ARIMA (p, d, q). Here p indicates the order of the autoregressive part, d indicates the amount of differencing, and q indicates the order of the moving average part. If the original series is stationary, d = 0 and the ARIMA models reduce to the ARMA models. The deference linear operator ( $\Delta$ ), defined by

$$\Delta Y_t = Y_t - Y_{t-1} = Y_t - BY_t = (1 - B)Y_t$$

The stationary series  $W_t$  obtained as the dth difference ( $\Delta^d$ ) of  $Y_t$ ,

$$W_t = \Delta^d Y_t = (1 - B)^d Y_t$$

ARIMA (p, d, q) has the general form:

$$\phi_p(B) (1 - B)^d Y_t = \mu + \theta_q(B)\epsilon_t \quad \text{or} \quad \phi_p(B) W_t = \mu + \theta_q(B)\epsilon_t$$

### EMPIRICAL EVIDENCE

#### RUNS TESTS

A random stock price behaviour supported weak from market efficiency. This can be studied though the runs test is given in Table 3.

#### HYPOTHESIS

H<sub>0</sub> = Series of each index return are random

TABLE: 3 SUMMARY OF RUNS TEST

	CNX NIFTY	CNX Finance	CNX IT	CNX FMCG	CNX Energy
Test Value <sup>a</sup>	3460.00	2862.42	5862.50	5076.74	5724.06
Cases < Test Value	1529	1152	1529	1529	1529
Cases >= Test Value	1529	1153	1529	1529	1529
Total Case	3058	2305	3058	3058	3058
Number of Runs	22	28	39	50	32
Z	-54.549	-46.896	-53.934	-53.536	-54.187
Asymp. Sig. (2-tailed)	0.000	0.000	0.000	0.000	0.000

a. Median

Runs test reveals that, the resulting p-value of all indices (0.000) are smaller than the alpha level of 0.05, there is sufficient evidence to conclude that the null hypothesis is rejected i.e., indices are not followed random pattern and market is inefficient. It means that the help of past prices and trend an investor can predict the future market.

#### UNIT ROOT TEST

This empirical work commenced its analysis by testing the stationarity status of the times series used in this study.

H<sub>0</sub> = There is a presence of unit root in the series. (non-stationary)

TABLE: 4 SUMMARY OF UNIT ROOT TEST

	ADF Test		ARIMA Model	R <sup>2</sup>	DW
	With intercept	With intercept and trend			
CNX NIFTY	t static = -40.654 p-value = 0.000	t static = -40.648 p-value = 0.000	(3,1,3)	0.7859	2.05
CNXIT	t static = -43.834 p-value = 0.000	t static = -43.827 p-value = 0.000	(3,2,3)	0.7953	2.04
CNX Finance	t static = -34.825 p-value = 0.000	t static = -34.818 p-value = 0.000	(3,2,3)	0.7625	2.06
CNX Energy	t static = -41.116 p-value = 0.000	t static = -41.109 p-value = 0.000	(3,1,3)	0.7831	2.08
CNX FMCG	t static = -43.130 p-value = 0.000	t static = -43.123 p-value = 0.000	(0,2,1)	0.8031	2.05

Table 4 clearly shows that all five series are statistical significant as seen in the result of ADF test, the times series was non stationary at level but became stationary after first difference and second difference with lag length 4, implying that the variables are of order one (CNX nifty and CNX Energy) and order two

(CNX IT, CNX Finance and CNX FMCG). Hence, the null hypothesis on stationarity was rejected in the series. It suggested that all indices are weak forms inefficient. DW statistics shows that the error series is free from autocorrelation.

#### ARIMA MODEL CHECKING

In CNX Nifty, can be applied ARIMA (3, 1, 3) model. Model parameter were shown as following:

Type	Coefficient	Std. Error	t-Statistic	Prob.
AR(1)	0.2004	0.0667	3.0063	0.0027
AR(2)	0.3526	0.0567	6.2213	0.0000
AR(3)	-0.8441	0.0589	-14.3368	0.0000
MA(1)	-0.1514	0.0714	-2.1207	0.0340
MA(2)	-0.3301	0.0641	-5.1504	0.0000
MA(3)	0.8095	0.0640	12.645	0.0000

We obtained the model in the form

$$\hat{Y}_t = Y_{t-1} + 0.200448(Y_{t-1}) + 0.3526(Y_{t-2}) - 0.8441(Y_{t-3}) - 0.1514(\epsilon_{t-1}) - 0.3301(\epsilon_{t-2}) + 0.8095(\epsilon_{t-3})$$

In CNX IT, can be applied ARIMA (3, 2, 3) model. Model parameter were shown as following:

Type	Coefficient	Std. Error	t-Statistic	Prob.
AR(1)	-0.4124	0.0669	-6.1626	0.0000
AR(2)	-0.7287	0.0549	-13.275	0.0000
AR(3)	0.0407	0.0180	2.2511	0.0245
MA(1)	-0.5510	0.0660	-8.3434	0.0000
MA(2)	0.3065	0.0650	4.7142	0.0000
MA(3)	-0.7501	0.0552	-13.5993	0.0000

We obtained the model in the form

$$\hat{Y}_t = Y_{t-1} - 0.4124(Y_{t-1}) - 0.7287(Y_{t-2}) + 0.0406(Y_{t-3}) - 0.5509(\epsilon_{t-1}) + 0.3066(\epsilon_{t-2}) - 0.7501(\epsilon_{t-3})$$

In CNX FMCG, can be applied ARIMA (0, 2, 1) model. Model parameter were shown as following:

Type	Coefficient	Std. Error	t-Statistic	Prob.
AR(1)	0.0088	0.0182	0.4850	0.6277
MA(1)	-0.9975	0.0017	-562.6614	0.0000

We obtained the model in the form

$$\hat{Y}_t = Y_{t-1} - 0.9974(\epsilon_{t-1})$$

In CNX Finance, can be applied ARIMA (3, 2, 3) model. Model parameter were shown as following:

Type	Coefficient	Std. Error	t-Statistic	Prob.
AR(1)	-0.7736	0.0220	-35.1449	0.0000
AR(2)	-0.8685	0.0198	-43.7830	0.0000
AR(3)	0.1098	0.0211	5.21006	0.0000
MA(1)	-0.0920	0.0072	-12.706	0.0000
MA(2)	0.0764	0.0075	10.1586	0.0000
MA(3)	-0.9836	0.0072	-136.6882	0.0000

We obtained the model in the form

$$\hat{Y}_t = Y_{t-1} - 0.7736(Y_{t-1}) - 0.8685(Y_{t-2}) + 0.1098(Y_{t-3}) - 0.0920(\epsilon_{t-1}) + 0.0764(\epsilon_{t-2}) - 0.9834(\epsilon_{t-3})$$

In CNX Energy, can be applied ARIMA (3, 1, 3) model. Model parameter were shown as following:

Type	Coefficient	Std. Error	t-Statistic	Prob.
AR(1)	0.2074	0.0305	6.8003	0.0000
AR(2)	0.2986	0.0263	11.3495	0.0000
AR(3)	-0.9006	0.0281	-32.083	0.0000
MA(1)	-0.1482	0.0352	-4.2054	0.0000
MA(2)	-0.2720	0.0324	-8.4011	0.0000
MA(3)	0.8573	0.0331	25.8657	0.0000

We obtained the model in the form

$$\hat{Y}_t = Y_{t-1} + 0.2074(Y_{t-1}) + 0.2986(Y_{t-2}) - 0.9006(Y_{t-3}) - 0.1482(\epsilon_{t-1}) - 0.2720(\epsilon_{t-2}) + 0.8573(\epsilon_{t-3})$$

Based on the ARIMA model, investor can put their strategies to earn profit based on past price trend because one order or two order successive price interval will help them to make decisions on their investment.

#### CONCLUSIONS & IMPLICATIONS

Based on the theoretical and empirical literature that is reviewed in this study, the weak form market efficiency in the context of an emerging market, like National Stock Exchange is investigated. The national stock exchange has experienced significant positive developments as reflected in its market capitalization, liquidity, turnover and increase in value of stock prices.

This paper primarily examines the weak form efficiency of the Indian stock exchanges (NSE). We employ different tests like, Runs Test, ADF, and model building for forecasting future market value and find similar results.

The results of Runs test and ADF test supported that weak form market inefficiency and abnormal returns can be generated based on past price trends / information. That can be viewed with the help of ARIMA model i.e. autoregressive integrated average moving model in integrated with one order or two order integrated successive change in price depending on the movement of stock price.

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## THE GOLDEN ROUTE TO LIQUIDITY: A PERFORMANCE ANALYSIS OF GOLD LOAN COMPANIES

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## ABSTRACT

Gold is a highly liquid asset and it was not until recently that consumers leveraged it effectively to meet their liquidity needs through the avenue of gold loan. In India, there has been an upsurge in the volume of gold loan among organised sector players viz. banks and Non Banking Financial Companies (NBFCs). The stigma attached to pledging gold is slowly thinning among people as it is an effective assistant at the time of financial need. Over the years, the percentage share of gold loan NBFCs have increased in comparison to other players in the market for which the Reserve Bank of India has issued directives to control their activities. Accordingly, this paper endeavours to evaluate the performance and organizational health of the financial institutions, more specifically gold NBFCs, which are backed by gold jewellery as the main collateral. For interpretation of financial performance, various financial parameters in the form of ratios have been computed over a time-series data. Furthermore, for determining the influential factors with regard to the overall financial performance the technique of multiple regression analysis has been utilised. The findings of the analysis point out that the companies have heavier debt in their capital structure, aggressive lending policy, lower liquidity, decreasing net NPA ratio and higher trend of capital adequacy ratio. There exists a significant scope for growth in the gold loan market and the NBFCs can reap the benefits keeping in mind the possibility of sudden volatility of the gold prices and adhering to the RBI directives towards long-term financial benefits.

## JEL CODE

G23

## KEYWORDS

Gold loan, loan-to-value ratio, performance analysis.

## 1. INTRODUCTION

In India, gold has long been a valued commodity where it is considered auspicious, and has been in use for centuries in the form of jewellery, coins and other assets. In recent times it is considered to be a part of diversified investment portfolio because the general trend is increase in its price in comparison to other modes of investment and a suitable avenue of financing in times of need. This resulted in the rise of gold loan i.e. a loan taken against gold as a security. It is a short-term loan and is an old concept as people used to take loan from money lenders by pawning the gold jewellery. Recently, the gold loan market has started to be driven heavily by the organised segment. This paper concentrates on the banking and financial institutions in India providing gold loans. Therefore, an attempt has been made to evaluate the performance of the gold loan companies. So, the remainder of the paper is organised as follows. *Section 2* narrates the acceptability and position of gold loan in India. *Section 3* lays down the literature review. *Section 4* specifies the objectives of the study. *Section 5* states the sample selection and research methodology. *Section 6* puts forth the analysis and findings. Finally, *Section 7* concludes the paper.

## 2. GOLD LOAN IN INDIA

In India, gold loan has become popular in recent times. This type of loan is gaining a strong foothold due to less complicated documentation, tailor-made loan arrangements and lower processing time. The organized gold loan market has grown at a compound annual growth rate (CAGR) of 40% from 2002 to 2010 [Source: Cognizant Report 2012]. NBFCs have been a major driving force behind this growth given their extensive network, faster turnaround time, and the ability to serve non-bankable customers. With such a rapid growth of the NBFCs, the Reserve Bank of India (RBI) has issued various directives to strictly control their activities. NBFCs had been traditionally disbursing gold loans through funds received from banks under priority lending for the agricultural sector but on several occasions such money lent by the banks were misused. Accordingly, on 2<sup>nd</sup> February, 2011, RBI issued a directive that loans sanctioned to NBFCs for lending against gold jewellery, are not eligible for classification under agriculture sector. [Source: <http://www.rbi.org.in>]. This increased the cost of borrowing for the NBFCs. RBI on March 21, 2012 directed that all NBFCs shall maintain Loan-to-Value (LTV) ratio (the percentage of the value of gold collateral given out as loan) not exceeding 60% and disclose in their balance sheet the percentage of such loans to their total assets. Moreover, gold NBFCs have to maintain a minimum Tier I capital (comprises of share capital and disclosed reserves minus goodwill, if any, Reserve Bank of India-Glossary) of 12% by April 01, 2014. They should not grant any advance against bullion / primary gold and gold coins. The guidelines of RBI, though restrictive in the beginning but is expected to improve the overall performance of the gold NBFCs.

## 3. LITERATURE REVIEW

*BusinessWire—A Berkshire Hathaway Company (August 2011)* conducted a research on gold loan market in India and concluded that gold loan by banks or NBFCs has gained acceptance in recent years thus pushing its demand. A report by *Cognizant (January 2012)* pointed out that gold loan market in India is still under-penetrated and the government should frame suitable policies favoring its growth. *ICRA Management Consulting Services Limited (IMaCS) (January 2012)* captured the Gold Loans Market in India during 2010-12 and concluded on the growth and operational capabilities of banks and NBFCs in the changed regulatory environment. *RNCOS Industry Research Solutions (June 2012)* conducted a primary research to study the consumer behavior in the market and it was revealed that the consumer outlook towards gold loan is changing. Moreover, *Reserve Bank of India (January 2013)* in its study observed that gold loans have a causal impact on gold imports substantiating the emergence of a liquidity motive for holding gold. Furthermore, increase in gold prices appears to be one factor that increases the gold loans outstanding.

The research conducted till date in India has focused on various characteristics of the gold loan market but none of the studies taken up so far focused on the performance analysis of these institutions. Hence, in view of this research gap the present study assumes significance in Indian context.

## 4. OBJECTIVES OF THE STUDY

The study aims at analyzing the performance parameters of the institutions providing gold loan. More specifically, the present study is designed to carry out the following objectives:

- (i) To evaluate the financial performance in respect to various aspects encompassing profitability, asset quality, liquidity, capital adequacy and managerial efficiency of the institutions.
- (ii) To determine the factors influencing their overall financial performance.



## 5. SAMPLE SELECTION AND RESEARCH METHODOLOGY

The present study attempts to ascertain and interpret the financial position and organizational health of the institutions lending against gold jewellery. As the NBFCs have witnessed a rapid development over a few years so the study concentrates on the conduct of these companies. An analysis of various articles and research reports indicated that out of the various gold NBFCs (hereinafter companies) in India whose major business comprised of lending on the basis of gold as the collateral only three are significant in respect to the total percentage of share in the gold loan market viz. *Muthoot Finance*, *Manappuram Finance Limited* and *Muthoot Fincorp*. So the sample of the study comprises of these 3 companies in the absence of names and details of other small players in the market. The study is based on secondary data collected from *CMIE Prowess* database, the annual reports of the NBFCs as provided in their websites and the RBI website. The duration of the study-period is 6 years ranging from March 2007 till March 2012. For the first objective, relating to evaluation of financial performance, various financial parameters in the form of ratios have been computed over a time-series data and various statistical tools such as arithmetic mean, standard deviation, and co-efficient of variation (CV) have been applied on that data. The financial ratios which are mentioned as per the CAMEL rating system (*popular method to analyze banking performance developed in the early 1970s in USA*) have been considered for the selected NBFCs (*on-site inspection CAMEL pattern is applicable to NBFCs in the supervisory framework of RBI -Source: <http://www.rbi.org.in>*). As per the CAMEL system the ratios are divided on the basis of the broad category of *capital adequacy (C)*, *asset quality (A)*, *management capacity (M)*, *earnings ability (E)* and *liquidity (L)*. The various ratios under the main five groups (*compiled from Chartered Financial Analyst 2005*) are—

TABLE-1 RATIOS UNDER CAMEL RATING SYSTEM

Aspects	Ratios
Capital Adequacy	1. Capital Adequacy Ratio (CAR)
	2. Debt-Equity Ratio
	3. Advances to Assets
	4. G-Secs to Total Investments
Asset Quality	1. Gross NPAs to Net Advances
	2. Net NPAs to Net Advances
	3. Total Investments to Total Assets
	4. Percentage Change in Net NPAs
Management Capacity	1. Profit Per Branch
	2. Total Advances to Total Deposits
	3. Business per Employee
	4. Return on Net Worth
Earnings Quality	1. Operating Profit by Average Working Funds
	2. Percentage Growth in Net Profit
	3. Spread
	4. Net Profit to Average Assets
	5. Interest Income to Total Income
	6. Non-Interest Income to Total Income
Liquidity	1. Liquid Assets to Total Assets
	2. G-Secs to Total Assets
	3. Approved Securities to Total Assets
	4. Liquid Assets to Demand Deposits
	5. Liquid Assets to Total Deposits

Under *capital adequacy*, CAR is a measure of an institution's capital and expressed as a percentage of its risk weighted assets and a higher trend is desirable. At present, the sample companies have to maintain a minimum CAR of 15%. *Debt-equity ratio* is a measure of a company's financial leverage and preferably it should be maintained at 2. For *advances to Assets* a higher ratio is preferred. *G-Secs to Total Investments* indicates the risk involved in an institution's investment and increasing ratio means safer investments.

Under *asset quality*, a lower *Gross NPA to Net Advances* ratio indicates better quality of advances. A diminishing trend is acceptable for *Net NPA to Net Advances*. *Total Investments to Total Assets* indicates assets locked up in investments and a lower trend is desirable as investments does not form part of the core income of the institutions. For *percentage change in Net NPAs* data on Net NPA at beginning and end of the year is required and due to absence of such data the parameter has not been considered.

In respect to *management Capacity*, *profit per branch* measures the efficiency of the employee at the branch level. The sample NBFCs do not take deposits and accordingly, the ratio of *Total Advances to Total Deposits* has been modified to *Total Advances to Total Borrowings* and a higher ratio in this respect is advisable. The data on *business per employee* was not available so not considered in the study. However, another ratio has been computed to find out the contribution of the employees which is *total income to compensation to employees*. So, a higher ratio will signify the efficiency of the staff in earning better returns. *Return on Net Worth* measures how much profit a company generates with the shareholders' money.

With regard to *earnings quality*, due to unavailability of data in the secondary sources *operating profit by average working funds*, has not been considered. The *percentage growth in net profit* measures the trend of net profit. *Spread* is difference between the interest income and interest expended as a percentage of Total Assets and a gradually increasing trend is preferred. For *Net profit to average assets* (average of total assets in the current year and previous year) an augmentation in the trend is acceptable. *Interest income to total income* should be increasing which indicates efficient lending operations. In respect to *non-interest income to Total Income* as the primary objective of any financial institution is extending loans and advances so a higher trend of this ratio is not preferable.

For *liquidity*, a higher *liquid assets to total assets* ratio signifies enhancement in liquidity. *G-Secs by Total Assets* measures the risk involved in the assets and a higher ratio is desirable. Investments in approved securities are not mandatory for non-deposit taking NBFCs and hence *approved securities by total assets* has not been considered (*Source: <http://www.rbi.org.in>*). The ratios of *liquid assets to demand deposits* and *liquid assets to total deposits* have not been examined as the sample NBFCs have not taken deposits over the sample period.

Furthermore, for analyzing the impact of the financial parameters on the overall performance of the gold loan companies, linear multiple regression technique has been utilised where three regression equations have been framed with profit/return, net worth and return on assets (ROA) as dependent variables and the CAMEL financial parameters as the independent variables. Here, an endeavour has been made to determine the composite impact and extent of influence of the financial ratios over the profitability, capital structure and operational efficiency (*measured with profit, net worth and ROA respectively*) of the companies. The regression analysis has been performed using SPSS software package. While setting the regression equation, certain ratios have not been included. The CAR ratio has not been included to maintain parity in the time-series analysis as data for it is available only for 5 years. Out of the two parameters, Gross NPA and Net NPA ratio, only the Net NPA ratio has been considered to avoid duplicity in the data. Apart from these two, the profit or income based ratios have not been considered as the objective is to determine the impact of return parameter on financial ratios. Thus, the regression equations have been framed with eight financial parameters.

## 6. ANALYSIS AND FINDINGS

TABLE-2 FINANCIAL PERFORMANCE INDICATORS OF GOLD LOAN NBFCs

Parameters	2007	2008	2009	2010	2011	2012	Mean	S.D.	CV (%)
<b>Capital Adequacy</b>									
1. CAR	--	16.48	19.85	21.9	21.28	19.45	19.79	2.11	10.65
2. Debt-Equity	6.03	5.85	5.11	5.85	6.28	5.69	5.80	0.39	6.79
3. Advances to Assets	0.75	0.73	0.69	0.77	0.84	0.85	0.77	0.06	8.28
4. G-Secs to Total Investments	0.439	0.490	0.333	0.002	0.003	0	0.21	0.24	111.43
<b>Asset Quality</b>									
1. Gross NPA to Net Advances (%)	9.32	4.09	2.68	2.77	2.05	2.85	3.96	2.71	68.39
2. Net NPA to Net Advances (%)	5.82	3.11	2.31	1.79	1.04	0.50	2.43	1.90	78.19
3. Total Investments to Total Assets	0.012	0.007	0.003	0.022	0.005	0.010	0.010	0.007	69.30
<b>Management Capacity</b>									
1. Profit per Branch	0.58	0.77	0.87	1.31	1.44	1.94	1.15	0.51	44.06
2. Total Advances to Total Borrowings	0.97	1.00	0.96	0.99	1.03	1.05	1.00	0.03	3.45
3. Total Income to Compensation to Employees	12.02	9.98	8.87	9.30	9.47	10.38	10.00	1.12	11.20
4. Return on Net Worth	35.97	41	28.4	43.03	42.07	36.43	37.82	5.47	14.46
<b>Earnings Quality</b>									
1. Percentage Growth in Net Profit	144.63	77.13	39.07	222.43	115.30	78.53	112.85	64.69	57.32
2. Spread	0.134	0.133	0.126	0.125	0.106	0.110	0.122	0.012	9.610
3. Net Profit to Average Assets	0.18	0.12	0.08	0.08	0.07	0.13	0.11	0.04	37.78
4. Interest Income to Total Income	0.95	0.97	0.97	0.98	0.99	0.99	0.98	0.01	1.39
5. Non-Interest Income to Total Income	0.023	0.015	0.014	0.006	0.003	0.005	0.011	0.008	69.36
<b>Liquidity</b>									
1. Liquid Assets to Total Assets	0.14	0.18	0.25	0.17	0.13	0.11	0.16	0.05	30.15
2. G-Secs to Total Assets	0.00789	0.00446	0.00054	0.00008	0.00003	0	0.00217	0.00330	152.13

Table-2 lays down the overall ratio of the sample companies, their mean, standard deviation and co-efficient of variation (CV). CAR has been computed for the period 2008-2012 as the disclosure of CAR became mandatory for the NBFCs through a notification of RBI dated 1<sup>st</sup> August 2008 (Source: <http://www.rbi.org.in>). Thus, it has been possible to compile the information only from 2008 onwards. The CAR has gradually increased depicting greater safety levels for the companies, the mean for which is 19.79 and CV 10.65%. CV denotes consistency of the particular ratio over the study period. *Debt-Equity ratio* has remained quite higher for the entire sample period, the mean being 5.80 with a CV of 6.79%. The ratio remained consistently on the higher level which has been indicated through the lesser CV. The high debt-equity ratio indicates that the companies have been aggressive in financing its growth with debt. A high use of debt can generate more earnings but is also associated with high risk as the cost of this debt financing may outweigh the return that the company generates. Thus, the companies have to strike a balance between the equity and debt usage. The sample companies have shown a higher trend to the *advances to assets ratio*. The average of the ratio is 0.77 with a low CV of 8.28%. The *G-Secs to total investments* ratio has revealed uneven movements over the sample period with 0.49 in 2008 to zero in 2012, with a mean of 0.21. CV of 111.43% indicates a high level of inconsistency in the investment pattern which, in turn has enhanced the riskiness of the investment portfolio of the sample companies.

*Gross NPA to Net Advances (%)* shows a gradually diminishing ratio with an average of 3.96%. The diminishing pattern of the gross NPA however, did not follow a steady and gradual movement as depicted by CV of 68.39%. After decreasing to the level of 2.05% in 2011 the ratio increased to 2.85% in 2012. This slight increase is attributed to the volatile nature of the gold price. RBI capped the LTV to 60% on March 21, 2012. Thus, the loans issued, before the directive, were with high LTV ratio (75%-90%) and were, in turn, the most vulnerable to default in case of even a small change in the price of gold. Such loans become vulnerable when the principal plus accrued interest surpasses the value of the collateral. Thus, the gross NPA ratio has enhanced to some extent in 2012 due to the sharp increase in the loans and advances coupled with high LTV ratio and volatility in the gold market. *Net NPA to Net Advances (%)* ratio has witnessed a decline over the sample period with a mean of 2.43 and a CV of 78.19%. The high CV signifies the non-uniformity in the downward movement of the ratio. However, the downward trend is a good sign for the sample companies and their loan portfolio. *Total investments to total assets* has gradually decreased over the years indicating that the sample companies have aggressively utilised the funds for the more profitable loans and advances. This amounts to higher return, better asset quality but is also conjoined with higher risk. The companies should focus the majority of their funds towards loans and advances but should also invest to keep a proper balance in the composition of their assets. The mean of the ratio is 0.010 and the CV is 69.30%. The magnitude of CV exhibits inconsistency in the level of investment.

*Profit per branch* has increased over the years having an average of 1.15. The growth in the ratio was not uniform in all the years and accordingly, the CV witnessed a high margin of 44.06%. In spite of the variability in the trend the enhancement in the ratio denotes overall effectiveness of the management in controlling the affairs of the sample companies. *Total advances to total borrowings* has shown a consistent movement with a CV of only 3.45%. The ratio remained more or less balanced over the entire sample period with a mean of 1.00. In the years 2011 and 2012, the ratio has been 1.03 and 1.05 which indicates extensive lending out policy. This is a risky mechanism as it leads to concentration of majority of the funds to loans and advances and in case of default it will bestow heavy risk on the part of all the stakeholders. Moreover, it also puts a burden on the CAR of the companies as can be witnessed from the reduced CAR in the respective years. Thus, the sample companies should be more prudent in utilizing the available funds in a more balanced way. *Total income to compensation to employees* after decreasing in the first three years gradually witnessed an augmentation in the following years. The mean of the ratio is 10.00 and the CV of 11.20% exhibits more or less congruency in the movement of the ratio. The diminution in the ratio in the earlier years suggests the inability of the management and its staff to cope up with the increasing competition and balancing the regulatory hurdles. However, the ascent in the ratio thereafter, indicates the capability of the employees to not only restore the profit position but also lead to its augmentation. *Return on net worth* has an average of 37.82 and a CV of 14.46%. Lesser co-efficient of variation signifies greater consistency over the study period. The return has been as high as 43% in 2010 to 28% in 2009. The ratio decreased heavily in 2009 as the sample companies witnessed a gradual decline in their profit. This fall can be attributed to the RBI directive on 1<sup>st</sup> August, 2008 which mandated maintenance and disclosure of CAR in the balance sheet which had put the NBFCs to a safer zone but in the preliminary stages squeezed their profits. However, in the later years the sample companies managed to put up their return on net worth at a higher level.

*Percentage growth in net profit* has an average of 112.85 with a CV of 57.32%. The escalated co-efficient of variation indicates that there is incongruity in the data over the years. The net profit growth decreased heavily in the year 2009 and also once again in the year 2012. The reason for the abrupt plunge in the growth of return is the directives issued by RBI. First of all, RBI issued a notification in 2008 as a result of which the profits tumbled and accordingly the growth ratio and even the return on net worth. Thereafter, RBI issued another regulation in 2012 by way of which most importantly, the LTV has been restricted to 60%. So such stringent guidelines made the profit to plummet down and depict an inconsistency in the growth ratio. However, in the long run the stricter norms would enable the sample companies to keep up a better return while at the same time reducing the concomitant risk for the stakeholders and ultimately improving the overall financial position of the institution. The *spread* have a mean of 0.122 and a CV of 9.610%. The co-efficient of variation signifies that there has been a more or less steady movement in the ratio. In the years 2011 and 2012, the fund-based expenses increased heavily on account of the accession in borrowings made by the sample companies which ultimately reduced the difference between the income earnings and the income expenditure. Thus, the companies with low spread and high advances to borrowings ratio should resist from opting hawkish financing technique which will in turn put a pressure on its

ultimate return. *Net profit to average assets* ratio shows an irregular trend and portrays high variation as indicated by the CV of 37.78%. The ratio has shown comparatively similar movements with that of the net profit growth percentage. The *interest income to total income* ratio has displayed a uniform movement over the various years with a minimum CV of 1.39% and a mean of 0.98. There has been a downfall in the *non-interest income to total income* ratio which is a preferable trend. The average of the ratio is 0.011 with a high CV of 69.36% which indicates inconsistency in the movement of the data.

*Liquid assets to total assets* ratio experienced a decline from 2010 onwards. The average is 0.16 while the CV is 30.15%. The high CV indicates inconsistency in the data over the sample period. Not only there is incongruity but also the ratio has indicated diminution in the liquidity level which is not a prospective sign. In respect to *G-Secs to Total Assets*, mean is low of 0.00217 associated with very high CV of 152.13%. The sample companies have invested very meagre amounts in G-Secs, considered to be the safest investment avenue. The investment pattern is highly irregular and not a prospective sign for liquidity. In order to maintain a steady level of performance the companies also have to strengthen their liquidity position and set right the balance of the composition of their assets which can ultimately prove to be a boon for their financial well-being.

The findings of the regression analysis have been exhibited in table-3.

TABLE-3: REGRESSION RESULTS (DEPENDENT VARIABLE: PROFIT)

<i>Dependent Variable: Natural Log of Profit After Tax (Rs. in Million)</i>		
<i>Independent Variables</i>	<i>Standardized Coefficients Beta</i>	<i>t values</i>
Debt-Equity Ratio	-.209	-.963
Advances to Assets	1.672	1.883
G-Secs to Total Investments	-.092	-1.308
Net NPA (%)	-.132	-1.729
Total Investments/Total Assets	-.018	-.321
Total Advances to Total Borrowings	-.629	-.787
Liquid Assets to Total Assets	.273	1.897
G-Secs to Total Assets	.081	.852
R Square	0.99	
Adjusted R Square	0.98	
Durbin-Watson	1.026	

The overall explanatory power of the variables is 98% (Adjusted R Square) which is quite high in measuring the goodness of fit. Out of the 8 variables in the regression analysis, *advances to assets*, *liquid assets to total assets* and *G-Secs to Total Assets* have a significant positive relation with profitability. This indicates that increasing loans and advances and better liquidity would increase profits. Furthermore, *G-Secs to Total Assets* also has a positive relation with the dependent variable. On the other hand, *G-Secs to Total Investments* have a negative relation with profit. This means that the companies should aim at increasing the G-Secs investments coupled with increase in other avenues of investments which will enhance both liquidity and profitability. A negative relation has been witnessed in respect to *Net NPA ratio*, *Debt-Equity ratio*, *Total Investments to Total Assets* and *Total Advances to Total Borrowings*. The debt-equity ratio of the sample companies were very highly leveraged which led to deterioration in the profit. Total Investments to Total Assets is negatively related to profitability which indicates that higher loans and advances increase the profit. In respect to Total Advances to Total Borrowings, a higher trend in the ratio is preferable but a ratio of more than 1.00 signifies heavy risk and declination in profit. Accordingly, a negative co-efficient provides a forewarning to take necessary steps for restricting the proportion of advances over borrowings to a profitable limit.

TABLE-4: REGRESSION RESULTS (DEPENDENT VARIABLE: NET WORTH)

<i>Dependent Variable: Natural Log of Net Worth (Rs. in Million)</i>		
<i>Independent Variables</i>	<i>Standardized Coefficients Beta</i>	<i>t values</i>
Debt-Equity Ratio	-.280	-2.038
Advances to Assets	1.707	3.042
G-Secs to Total Investments	-.073	-1.654
Net NPA (%)	-.128	-2.660
Total Investments/Total Assets	-.021	-.616
Total Advances to Total Borrowings	-.592	-1.173
Liquid Assets to Total Assets	.269	2.958
G-Secs to Total Assets	.066	1.091
R Square	0.996	
Adjusted R Square	0.992	
Durbin-Watson	0.988	

The overall explanatory power of the variables is 99.2% (Adjusted R Square). In respect to this model also the ratios of *advances to assets*, *liquid assets to total assets* and *G-Secs to total assets* have a positive relation with the net worth. Thus, this analysis reiterates the point that the sample companies should enhance their loans and advances, improve the liquidity position of their balance sheet and increase their investments in G-Secs. However, the investment in G-Secs should also be accompanied with increase in the investment in other avenues as the dependent variable has exhibited a negative relation with *G-Secs to Total Investments*. *Debt-Equity ratio*, *G-Secs to Total Investments*, *Net NPA*, *Total Investments to Total Assets* and *Total Advances to Total Borrowings* have showed a negative relation. Thus, the companies should check these ratios to achieve better overall performance.

TABLE-5: REGRESSION RESULTS (DEPENDENT VARIABLE: ROA)

<i>Dependent Variable: Return on Assets (ROA)</i>		
<i>Independent Variables</i>	<i>Standardized Coefficients Beta</i>	<i>t values</i>
Debt-Equity Ratio	-.350	-.905
Advances to Assets	1.340	.847
G-Secs to Total Investments	-.056	-.419
Net NPA (%)	.109	.837
Total Investments/Total Assets	.065	.624
Total Advances to Total Borrowings	-.609	-.424
Liquid Assets to Total Assets	.435	1.754
G-Secs to Total Assets	.163	1.000
R Square	0.963	
Adjusted R Square	0.933	
Durbin-Watson	1.685	



The overall explanatory power is 93.3% (Adjusted R Square). The ratios which indicate a negative relation with the dependent variable are *Debt-Equity ratio*, *G-Secs to Total Investments* and *Total Advances to Total Borrowings*. As the increasing trend of these ratios tends to reduce the profitability of the companies so they also bear a negative impact on the ROA parameter. *Advances to Assets* and *G-Secs to Total Assets* have a significant positive relation with the dependent variable. *Total Investments to Total Assets* has exhibited a positive relation with the dependent variable as though increase in the ratio decreases the profit slightly but a corresponding increase in advances increases the overall ROA. *Net NPA ratio* has depicted a meagre positive relation as though NPA ratio has increased but the overall return on assets has also increased due to the growth in other components of assets which ultimately have led to the augmentation in the dependent variable.

## 7. CONCLUSION

### FINDINGS OF THE ANALYSIS

- As is apparent from the study the sample companies have been able to maintain the CRR at a higher level. However, with the stricter provisions imposed by RBI, the companies have to maintain a minimum Tier 1 capital of 12% by April 1, 2014. Accordingly, the companies have to improve their paid-up capital base not only to comply with the norms but also to provide support and assurance to the lenders.
- The companies have resorted to financing through heavier debt in its capital structure. Such a high ratio makes the business risky because it has to meet heavier amount of principal and interest. Thus, the companies should endeavour to make a balance between debt and equity.
- The companies have extensively increased their loans and advances over the years as evident from *advances to borrowings* and *advances to assets* ratio. Though increment in advances increases the return but the companies should also improve its liquidity position and investment structure.
- The gross NPA and net NPA ratio have depicted a decreasing trend over the sample period and hence has its impact on the overall financial performance of the companies.
- In some years the companies have lent out more than its borrowings thereby increasing the pressure on its capital base. Thus, the companies should curtail on its extensive lending policy to ameliorate the high risk attributed as a result of it.
- The sample companies have not exhibited an impressive trend of the *liquid assets to total assets* ratio. Thus, in order to make the company more financially secure in the short-term the proportion of liquid assets should be increased along with advances.
- According to RBI, gold NBFCs has to maintain LTV not exceeding 60%. In order to cope with it NBFCs resorted to a liberal valuation of collateral to include making charges and also tax. For e.g. if the gold is valued at Rs 100, a loan of Rs 70 was possible. Now, the loan is given on the replacement cost (e.g. Rs. 123) and 60% of Rs 123 is greater than 70% of Rs 100 [Source: *The Economic Times*, September 22, 2012]. But the companies should deter themselves from this activity as these guidelines might moderate the growth and impact the profitability in short term but in the long term they are expected to improve the sector's performance. Thus, along with LTV, a proper interpretation of the valuation of the collateral is necessary.

Over the years the gold loan market has surged tremendously especially among the gold loan NBFCs. Their performance has also shown considerably better results but the reducing liquidity, extensive debt financing, high LTV ratio prior to RBI norms and aggressive lending policy has kept the companies to the edge on account of high risk involved. Thus, the gold companies should not operate on the belief that gold prices do not collapse, as evidenced from the fall in gold prices since April 2013, and accordingly, should improve its lending policies, enhance its liquidity, try to achieve a balanced capital structure so that any volatility in the market will not impact the overall performance and can serve as an assurance to the stakeholders.

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**STUDY ON THE MANAGEMENT OF CURRENT LIABILITIES OF NEPA LIMITED**

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**ABSTRACT**

The prosperity, civilization and culture of a country depend upon its paper industry. A country which uses the maximum paper, is known highly civilized, developed and educated. The consumption of paper in India is increasing day by day due to the increase in literacy. The "National Newsprint & Paper Mills Limited" was floated by M/s Nair Press Syndicate Limited, as a private entrepreneur, on 25<sup>th</sup> January 1947, It was the first Newsprint Mill in the country. The management of NEPA was taken by the Madhya Pradesh Government in 1949 and it became a Govt. company in 1959. It is the first indigenous newsprint manufacturing unit in the country. A company's profit, assets and other financial indicators are key information for investors, when deciding whether to buy or sell a company's stock. Lying about those numbers can be an appealing way to keep a company riding high, when they are not actually performing well. The objective of this research is to study & analyze the Current Liabilities of NEPA Limited for the duration of 15 Years from 1987-88 to 2001-02. Index Numbers have been used to analyze and observe the fluctuations in the Current Liabilities of NEPA Limited. The conclusion of this research is that the Creditors and other Current Liabilities of the company have shown drastic increase in their values, therefore a policy has to be made by the company to payback the creditors and other liabilities as soon as possible.

**KEYWORDS**

Absolute Change, Current Liabilities, Index Number, Newspaper, NEPA Limited.

**INTRODUCTION**

The paper industries in India play a very important role in fulfilling the huge requirement of paper in different fields and purposes. The consumption of paper in India is increasing day by day due to the increase in literacy.

Paper Industry in India is the 15<sup>th</sup> largest paper Industry in the world. Paper Industry is primarily dependent upon forest based raw materials. The paper in India began from Muslim time.

The actual theory of paper making started in year 1870 when "Beli", near Kolkata the Royal paper mills was established. In 1925, Punjab Paper Mills was started with an annual capacity of 6000 tons. By 1930-1931, the total capacity of paper production in India was increased to 45600 tons as against 33000 tons in 1925. The share of indigenous production in national consumption was 71% as against 54% in 1925. This research paper focuses on the study of current liabilities of one of the paper mill in i.e. NEPA Limited for a period of fifteen years starting from 1987-88.

The production of individual paper mills in India during 1947 is shown in Table 1 below:-

**TABLE-1: PRODUCTION OF INDIVIDUAL PAPER MILLS IN 1947**

S. No.	Year of Incorporation	Name and location	Production (In Tons)
1	1881	Upper India Cooper Paper Mills, Lucknow	20302
2	1882	Titagrah Paper Mills Titagarh and Kankinara	38550
3	1887	Bengal Paper Mills, Raniganj	11760
4	1887	Deccan Paper Mills, Hadaspur	3090
5	1918	India Paper Pulp, Naihati	6040
6	1925	Andhra Paper Mills, Rajahmundry	1630
7	1925	Shree Gopal Paper Mills, Yamuna Nagar	10360
8	1931	Punalur Paper Mills, Punalur	4120
9	1933	Gujarat Paper Mills, Barejadi	1500
10	1935	F. Pudumjee, Bombay	1120
11	1936	Star Paper Mills, Saharanpur	4250
12	1936	Orient Paper Mills Brajrajnagar	27310
13	1937	Mysore Paper Mills, Bhadravati	3990
14	1938	Sirpur Paper Mills, Sirpur Kaghaznagar	5480
15	1939	Rohtas Industries, Dalmianagar	12860

Source: Bansal and Kumar. 2001 Paper Making. In History of Technology in India. Pp. 723.

At present there are 515 units which are engaged in the manufacture of paper, paper boards and news print in India, in the private sector with installed capacity of 51 lakh tons, these units are of diverse size, type and magnitude, there are about 30 large integrated mills, well organized and well equipped and there are about 270 small units which, are too small and too moderately equipped. As many as 194 paper mills, particularly small mills are either sick or lying close. It is also to be noted down here that NEPA Limited which commenced production in 1955, was the only unit in the country manufacturing newsprint.

**LITERATURE REVIEW**

This section covers the reviews of literature of some of the important studies, research papers, projects, books, etc. on the various aspects of this topic.

**Hiller(1990)** In his paper "The politics of News Print – The New Foundland Pulp and Paper Industry (1915-1939)" founded that in 1930s the industry employed not more than 10% of the labour force and even less Perhaps half on a full time basis.\* It was dominated by two major pulp and paper companies with mills of grand falls and corner brook, which together held leases to almost all the island's productive forest on generous terms.

**Hameri and Lehtonen (2001)** revealed in his study that, the traditional production management strategy in paper manufacturing is based on a volume – intensive approach. This involves the measurement of overall performance or productivity, while aiming at a high level of capacity utilization and minimum waste levels. This approach has proved successful in mills producing high volumes with a limited and standardized products range. He also said that this situation changes radically when paper and board products are being tailored to customer specified dimensions and quantities.

J.D.Sutherland "A Social History of Pulpwood Logging in Newfoundland during the great depression", M.A. thesis, Memorial University, 1988, PP. 2-4, 29.

**Subburaj (2006)** in his paper he explored that until 1981, national Newsprint and Paper Mills, which is known as NEPA Limited and which commenced its production in 1955, was the only unit in the country manufacturing newsprint. He also explored that the import of paper and paper products was 1.62 lakh tones in 2001-02.

His research also tells that from 1997 the Government has delicensed the paper industry.

**Mehta (2009)** he studied about paper and newsprint in India, where he reveals that for expansion of newspaper in the country there is a need for substantial increase in indigenous production of newsprint. Limited annual availability of such newsprint is a serious bottleneck to the growth of newspaper. He also found that India is a deficit country in respect of newsprint production. He pointed out that only after independence National Newsprint and Paper Mills Limited, NEPA Nagar, Madhya Pradesh, emerged as a newsprint producer. The domestic production of newsprint increased from 1.02 lakh metric tones in 1981-82 to 2.72 lakh metric tones during 1989. The total newsprint requirement for 1988-89 was of the order of 5.40 lakh metric tones.

**Singh (2011)** In his research he found that paper industry is generally define as a forest based industry. He revealed that there are currently 64 newsprint mills with an installed capacity of 12 lakh tones. He also said that until 1981, there was just one newsprint producing unit in the country, the National Newsprint 7 Paper Mills (NEPA).

### STATEMENT OF PROBLEM

As the use of every kind of paper is increasing day by day the more and more pressure on the manufacturing units is also increasing. The manufacturing units which are in the private sector are doing well but few of the manufacturing units of paper specially the Newspaper in Public Sector are running in losses and therefore not able to meet out the demand of the country for the same. NEPA Limited is one of such Newsprint manufacturing unit in Public Sector among the all Newspaper producing unit which is running in losses and not able to pay back its debts. In this paper the focus is on the Current Liabilities of NEPA Limited so that it can be understood and analyzed its performance and accordingly remedial solutions can be suggested not only to the Company but also to the Government for improvement.

### RESEARCH METHODOLOGY

The Methodology & Approach followed in this study has naturally been to remain very close to the data available and to analyses them to test the various hypotheses based on theoretical and imperial evidences. To analyze the data various statistical techniques such as absolute percentage change, index numbers, trend values, and ratio techniques have been used in this research work. The secondary data has been used in this research project which had been collected with the help of the various annual reports of NEPA Limited & Various information have been collected from valuable books, articles, bulletins and news papers also. For collecting the data, the web site of the paper making units have also been used.

### OBJECTIVE OF STUDY

- Paper is a vital core industry for any country and for capital consumption can be taken as a measure of growth and progress in areas of industrial, cultural & educational activities. The first objective of this paper is to find out the core importance of Paper, Newspaper and Newspaper Mills and their performance in India with reference to National Newsprint and Paper Mills Limited.
- The economic and social development of any country depends on the paper industry. So one of the objective here is to study how NEPA has contributed for the economic and social development of the economy of India.
- Due to the increase in the educational standard among the people, the consumption of paper is increasing continuously in the country. Here keeping in mind this point, an effort has been put to reveal that weather Newspaper Mills(NEPA) are able to fulfill the required demand in the country.
- In the whole research only Current Liabilities of NEPA Limited have been focused. Therefore the main objective this research is to study and analyze the Current Liabilities of NEPA Limited for a duration of fifteen years starting from 1987-88 to 2001-02.

### ANALYSIS AND INTERPRETATIONS

The research has been imposed on the Current Liabilities of NEPA Limited for the duration of fifteen years commencing from 1987-88. In this research all kinds of Current Liabilities of the company have been taken in to account. Balance sheet is an indicator of the financial position of a business concern in terms of assets and liabilities. Balance sheet is always prepared in such a way that the true and fair financial position of a business is revealed, which will be easily readable and more quickly understood form.

Just like other manufacturing organizations and institutions NEPA Limited is also liable to pay its liabilities within a span of one year. Long term liabilities will be paid after a certain period but the current liabilities or short term liabilities will be paid with in one year, otherwise the goodwill of this organization will be affected.

### STUDY OF CURRENT LIABILITIES OF NEPA LIMITED

The Current Liabilities of NEPA Limited includes the following-

#### 1. SUNDRY CREDITORS

In the table 1.1 an attempt has been made to analyze the Sundry Creditors of NEPA Limited during the fifteen years period of study commencing from 1987-88 to 2001-02.

**TABLE 1.1: SUNDRY CREDITORS OF NEPA LIMITED (Rs. in lakhs)**

Year	Amount (in Rs.)	Absolute Change	Percentage Change	Index Number
1987-88	356.49	-	-	100
1988-89	256.65	(-) 99.84	(-) 28.01	71.99
1989-90	294.03	37.38	14.56	82.48
1990-91	302.77	8.74	2.97	84.93
1991-92	1147.72	844.95	279.07	321.95
Changes From (1987-88 to 1991-92)		(A) Absolute Terms Rs. 791.23	(B) Percentage 44.39%	
1992-93	2827.42	1679.70	146.35	793.13
1993-94	3362.97	535.55	18.94	943.36
1994-95	2925.65	(-) 437.32	(-) 13.00	820.68
1995-96	2300.32	(-) 625.33	(-) 21.37	645.27
1996-97	4624.20	2323.88	101.02	1297.15
Changes From (1992-93 to 1996-97)		(A) Absolute Terms Rs. 1796.78	(B) Percentage 12.71%	
1997-98	5420.12	795.92	17.21	1520.41
1998-99	5246.29	(-)173.83	(-)3.21	1471.65
1999-00	6423.17	1176.88	22.43	1801.78
2000-01	6892.79	469.62	7.31	1933.52
2001-02	8235.75	1342.96	19.48	2310.23
Changes From (1997-98 to 2001-02)		(A) Absolute Terms Rs. 2815.63	(B) Percentage 10.39%	
Changes From (1987-88 to 2001-02)		(A) Absolute Terms Rs. 7879.26	(B) Percentage 147.35%	

Source : Annual Reports of NEPA Limited from 1987-88 to 2001-02.

Conclusively we can say that the Sundry Creditors of NEPA Limited during the year 1987-88 to 2001-02 has shown an increasing trend, this has increased the liability of the company. So the management of the company should make a policy to pay the creditors as soon as possible.

## 2. DEPOSITS FROM CONTRACTORS ETC.

Deposits from Contractors etc. is that portion of current liability which was taken by the firm from them for the shorter period of time. It should be paid with in the shorter period of time. NEPA Limited has deposited from its contractors and other persons, which are for the shorter duration of time.

Table 1.2 indicates the Deposits from Contractors etc. of NEPA Limited during its fifteen years of operation commencing from 1987-88 to 2001-02.

**TABLE-1.2: DEPOSITS FROM CONTRACTORS ETC. OF NEPA LIMITED (Rs. in lakhs)**

Year	Amount (in Rs.)	Absolute Change	Percentage Change	Index Number
1987-88	267.81	-	-	100
1988-89	309.68	41.87	15.63	115.63
1989-90	186.96	(-)122.72	(-)39.63	69.81
1990-91	188.82	1.86	0.99	70.51
1991-92	198.53	9.71	5.14	74.13
Changes From (A) Absolute Terms Rs. (-) 69.28 (1987-88 to 1991-92) (B) Percentage (-) 5.17%				
1992-93	221.43	22.90	11.53	82.68
1993-94	165.48	(-)55.95	(-)25.27	61.79
1994-95	157.19	(-) 8.29	(-)5.01	58.69
1995-96	168.11	10.92	6.95	62.77
1996-97	210.39	42.28	25.15	78.56
Changes From (A) Absolute Terms Rs. (-) 11.04 (1992-93 to 1996-97) (B) Percentage (-) 1.00%				
1997-98	274.04	63.65	30.25	102.33
1998-99	317.01	42.97	15.68	118.37
1999-00	309.89	(-)7.12	(-)2.25	115.71
2000-01	292.77	(-)17.12	(-)5.52	109.32
2001-02	326.13	33.36	11.39	121.78
Changes From (A) Absolute Terms Rs. 52.09 (1997-98 to 2001-02) (B) Percentage 3.80%				
Changes From (A) Absolute Terms Rs. 58.32 (1987-88 to 2001-02) (B) Percentage 1.45%				

Source: Annual Reports of NEPA Limited from 1987-88 to 2001-02.

It can be summarized that the Deposits from Contractors etc. of NEPA Limited has shown an increasing trend during the fifteen years of study. For the better management of the company, the Deposits from Contractors should increase in the coming years.

## 3. ADVANCED FROM AGENTS, CUSTOMERS ETC.

It is the amount of advance money which has been received from our Agents and Customers in advance for the delivery of goods in future. We have to deliver the goods to them during the shorter period of time. The Advanced from Agents, Customers etc. of NEPA Limited have been recorded and analyzed during the fifteen years of the study commencing from 1987-88 to 2001-02.

**TABLE-1.3: ADVANCED FROM AGENTS, CUSTOMERS ETC. OF NEPA LIMITED (Rs. in lakhs)**

Year	Amount (in Rs.)	Absolute Change	Percentage Change	Index Number
1987-88	69.14	-	-	100
1988-89	82.59	13.45	19.45	119.45
1989-90	123.00	40.41	48.93	177.90
1990-91	92.94	(-)30.06	(-)24.44	134.42
1991-92	64.04	(-)28.90	(-)31.10	92.62
Changes From (A) Absolute Terms Rs. (-) 5.10 (1987-88 to 1991-92) (B) Percentage (-) 1.48%				
1992-93	81.12	17.08	26.67	117.33
1993-94	30.90	(-)50.22	(-)61.91	44.69
1994-95	327.90	297.00	961.17	474.26
1995-96	117.57	(-)210.33	(-)64.14	170.05
1996-97	77.19	(-) 40.38	(-) 34.35	111.64
Changes From (A) Absolute Terms Rs. (-) 3.93 (1992-93 to 1996-97) (B) Percentage (-) 0.97%				
1997-98	78.34	1.15	1.49	113.31
1998-99	71.85	(-)6.49	(-)8.28	103.92
1999-00	127.00	55.15	76.76	183.69
2000-01	58.52	(-)68.48	(-)53.92	84.64
2001-02	70.86	12.34	21.09	102.49
Changes From (A) Absolute Terms Rs. (-) 7.48 (1997-98 to 2001-02) (B) Percentage (-) 1.91%				
Changes From (A) Absolute Terms Rs. 1.72 (1987-88 to 2001-02) (B) Percentage 0.17%				

Source : Annual Reports of NEPA Limited from 1987-88 to 2001-02.

We can summarize that the Advanced from Agents, Customers etc. of NEPA Limited has shown many ups and down. It was maximum during the year 1994-95. Increase in the value of Advanced from Agents, Customers proves that the customers have strong faith on the company.

## 4. STAFF WELFARE SCHEME

The Staff Welfare Fund is maintained by almost every company. It is prepared to fulfill the requirements of the employees of the business. Every year a portion of profit is being withdrawn and kept a side for the welfare of the employees. It is refunded to the employee at the time of his retirement from job. So NEPA Limited has also maintained the Staff Welfare Scheme for its employees, during the fifteen years period of the study from 1987-88 to 2001-02.

**TABLE 1.4: STAFF WELFARE SCHEME OF NEPA LIMITED (Rs. in lakhs)**

Year	Amount (in Rs.)	Absolute Change	Percentage Change	Index Number
1987-88	2.31	-	-	100
1988-89	2.45	0.14	6.06	106.06
1989-90	2.74	0.29	11.84	118.61
1990-91	2.93	0.19	6.93	126.84
1991-92	7.17	4.24	144.71	310.39
Changes From (A) Absolute Terms Rs. 4.86 (1987-88 to 1991-92) (B) Percentage 42.08%				
1992-93	8.51	1.34	18.69	368.40
1993-94	8.82	0.31	3.64	381.82
1994-95	9.72	0.90	10.20	420.78
1995-96	10.44	0.72	7.41	451.95
1996-97	11.79	1.35	12.93	510.39
Changes From (A) Absolute Terms Rs. 3.28 (1992-93 to 1996-97) (B) Percentage 7.71%				
1997-98	11.93	0.14	1.19	516.45
1998-99	11.34	(-)0.59	(-)4.95	490.91
1999-00	11.10	(-)0.24	(-)2.12	480.52
2000-01	10.96	(-)0.14	(-)1.26	474.46
2001-02	10.95	(-) 0.01	(-) 0.09	474.03
Changes From (A) Absolute Terms Rs. (-)0.98 (1997-98 to 2001-02) (B) Percentage (-)1.64%				
Changes From (A) Absolute Terms Rs. 8.64 (1987-88 to 2001-02) (B) Percentage 24.94%				

Source : Annual Reports of NEPA Limited from 1987-88 to 2001-02.

We can say the NEPA Limited has continuously increased the contribution in Staff Welfare Scheme, which is good indication for the staff members of the company. It proves that the company is very sincere for its staff members because adequate funds have been maintained by NEPA Limited.

#### 5. STATUTORY DUES

Many types of taxes are paid by the business to the government, which include direct taxes and indirect taxes. It is payable to the government with in the shorter duration of time. The Statutory Dues of NEPA Limited came in to existence from the year 1992-93. Before 1992-93 no provision was made by this organization regarding the Statutory Dues. So the Statutory Dues of NEPA Limited has been analyzed since 1992-93 to 2001-02.

**TABLE 1.5: STATUTORY DUES OF NEPA LIMITED (Rs. in lakhs)**

Year	Amount (in Rs.)	Absolute Change	Percentage Change	Index Number
1992-93	144.67	-	-	100
1993-94	215.31	70.64	48.83	148.83
1994-95	353.78	138.47	64.31	244.54
1995-96	782.44	428.66	121.17	540.84
1996-97	895.37	112.93	14.43	618.91
Changes From (A) Absolute Terms Rs. 750.70 (1992-93 to 1996-97) (B) Percentage 103.78%				
1997-98	924.93	29.56	3.30	639.34
1998-99	792.80	(-)132.13	(-)14.29	548.01
1999-00	913.23	120.43	15.19	631.25
2000-01	856.22	(-)57.01	(-)6.24	591.84
2001-02	907.15	50.93	5.95	627.05
Changes From (A) Absolute Terms Rs. (-)17.78 (1997-98 to 2001-02) (B) Percentage (-)0.38%				
Changes From (A) Absolute Terms Rs. 762.48 (1992-93 to 2001-02) (B) Percentage 52.70%				

Source: Annual Reports of NEPA Limited from 1992-93 to 2001-02.

Finally we can say, that the Statutory Dues of NEPA Limited has gone up very quickly, which ultimately resulted in increasing the liabilities of the company. So for the better and efficient management the company should try to pay the Statutory Dues with in the shorter duration of time.

#### 6. GRANT FOR VOLUNTARY RETIREMENT SCHEME

Voluntary Retirement Scheme is the scheme which was started few years back, to reduce the over burden of employees from government organizations. Under Voluntary Retirement Scheme (VRS), a chance is given to the employee of such organization to retire at his own will but before the date of his retirement. A study has been made in the table 1.6 to analyze the Voluntary Retirement Scheme of NEPA Limited. No Grant was sanctioned for Voluntary Retirement Scheme of NEPA Limited since 1987-88 to 1991-92.



**TABLE 1.6: GRANT FOR VOLUNTARY RETIREMENT SCHEME OF NEPA LIMITED (Rs. in lakhs)**

Year	Amount (in Rs.)	Absolute Change	Percentage Change	Index Number
1992-93	94.01	-	-	100
1993-94	78.02	(-)15.99	(-)17.01	82.99
1994-95	119.53	41.51	53.20	127.15
1995-96	72.74	(-)46.79	(-)39.14	77.37
1996-97	124.03	51.29	70.51	131.93
Changes From (A) Absolute Terms Rs. 30.02 (1992-93 to 1996-97) (B) Percentage 6.39%				
1997-98	0.94	(-)123.09	(-)99.24	1.00
1998-99	(-)1.22	(-)2.16	(-)229.79	(-)1.30
1999-00	18.30	19.52	(-)1600.00	19.47
2000-01	34.52	16.22	88.63	36.72
2001-02	-	(-) 34.52	(-) 100.00	-
Changes From (A) Absolute Terms Rs. (-) 0.94 (1997-98 to 2001-02) (B) Percentage (-) 20.00%				
Changes From (A) Absolute Terms Rs. (-) 94.01 (1992-93 to 2001-02) (B) Percentage (-) 10.00%				

Source : Annual Reports of NEPA Limited from 1992-93 to 2001-02.

The contribution in Voluntary Retirement Scheme by NEPA Limited was more which shows the ineffectiveness of the company.

**7. INTEREST ACCRUED**

Interest is generally due and paid on loan which are taken by the firm or organization. Apart from that the interest can be due by some other reasons also. Interest Accrued is the Current Liability of the company, so it should be paid with in the short duration of time i.e. one year. NEPA Limited has also Interest Accrued, which has been shown in the head of Current Liabilities.

**TABLE 1.7: INTEREST ACCRUED OF NEPA LIMITED (Rs. in lakhs)**

Year	Amount (in Rs.)	Absolute Change	Percentage Change	Index Number
1987-88	126.33	-	-	100
1988-89	77.12	(-) 49.21	(-) 38.95	61.05
1989-90	63.33	(-)13.79	(-)17.88	50.13
1990-91	50.60	(-)12.73	(-)20.10	40.05
1991-92	50.93	0.33	0.65	40.32
Changes From (A) Absolute Terms Rs. (-) 75.40 (1987-88 to 1991-92) (B) Percentage (-) 11.94%				
1992-93	44.39	(-) 6.54	(-) 12.84	35.14
1993-94	44.42	0.03	0.07	35.16
1994-95	44.42	-	-	35.16
1995-96	41.40	(-) 3.02	(-) 6.80	32.77
1996-97	41.40	-	-	32.77
Changes From (A) Absolute Terms Rs. (-) 2.99 (1992-93 to 1996-97) (B) Percentage (-) 1.35%				
1997-98	86.82	45.42	109.71	68.72
1998-99	137.13	50.31	57.95	108.55
1999-00	164.04	26.91	19.62	129.85
2000-01	173.30	9.26	5.64	137.18
2001-02	246.80	73.50	42.41	195.36
Changes From (A) Absolute Terms Rs. 159.98 (1997-98 to 2001-02) (B) Percentage 36.85%				
Changes From (A) Absolute Terms Rs. 120.47 (1987-88 to 2001-02) (B) Percentage 6.36%				

Source : Annual Reports of NEPA Limited from 1987-88 to 2001-02.

The Interest Accrued of NEPA Limited has increased continuously in almost every year of the study during the last year of the research, it was maximum which is not a good indication for the company.

**8. PROVISION FOR INCOME-TAX**

Income Tax is paid by those individuals, firms, organizations or companies whose income exceeds the minimum limit from the point of view of tax. The company has made the Provision for Income-Tax during the year 1987-88 to 1991-92 only.

**TABLE 1.8: PROVISIONS FOR INCOME TAX OF NEPA LIMITED (Rs. in lakhs)**

Year	Amount (in Rs.)	Absolute Change	Percentage Change	Index Number
1987-88	89.72	-	-	100
1988-89	61.67	(-) 28.05	(-) 31.26	68.74
1989-90	21.31	(-) 60.36	(-) 97.88	23.75
1990-91	21.31	-	-	23.75
1991-92	21.31	-	-	23.75
Changes From (A) Absolute Terms Rs. (-) 68.41 (1987-88 to 1991-92) (B) Percentage (-) 15.25%				

Source : Annual Reports of NEPA Limited from 1987-88 to 1991-92.

No Provisions for Income Tax was made by the company after 1991-92, which does not reflect the effectiveness of the company.

**9. OTHER CURRENT LIABILITIES**

The Liabilities, which have not been included in the above mentioned heads are included in Other Current Liabilities. The Other Currents Liabilities of NEPA Limited have been categorized and studied in the table 1.9 during the period of fifteen years commencing from 1987-88 to 2001-02.

**TABLE 1.9: OTHER CURRENT LIABILITIES OF NEPA LIMITED (Rs. in lakhs)**

Year	Amount (in Rs.)	Absolute Change	Percentage Change	Index Number
1987-88	559.82	-	-	100
1988-89	794.54	234.72	41.93	141.93
1989-90	829.41	34.87	4.39	148.16
1990-91	863.48	34.07	4.11	154.24
1991-92	120.43	(-)743.05	(-)86.05	21.51
Changes From (1987-88 to 1991-92)		(A) Absolute Terms Rs. (-) 439.39 (B) Percentage (-) 15.70%		
1992-93	-	(-)120.43	(-)100.00	-
1993-94	24.59	24.59	-	4.39
1994-95	41.84	17.25	70.15	7.47
1995-96	14.75	(-)27.09	(-)64.75	2.63
1996-97	4.55	(-)10.20	(-)69.15	0.81
Changes From (1992-93 to 1996-97)		(A) Absolute Terms Rs. 4.55 (B) Percentage 0.00%		
1997-98	4.52	(-)0.03	0.66	0.81
1998-99	4.52	-	-	0.81
1999-00	4.52	-	-	0.81
2000-01	-	(-)4.52	(-)100.00	-
2001-02	-	-	-	-
Changes From (1997-98 to 2001-02)		(A) Absolute Terms Rs. (-) 4.52 (B) Percentage (-) 20.00%		
Changes From (1987-88 to 2001-02)		(A) Absolute Terms Rs. (-) 559.82 (B) Percentage (-) 6.67%		

Source: Annual Reports of NEPA Limited from 1987-88 to 2001-02.

So the Other Current Liabilities of NEPA Limited has shown the decreasing trend in it, which means that the company has paid off its other current liabilities. This is a very positive sign for the company which will create a good impression in the minds of its creditors.

### SUMMARY & FINDINGS

- In this analysis we have emphasized on the Current Liabilities of NEPA Limited during the fifteen years of the study from year 1987-88 to 2001-02.
- During the fifteen years of the study we have studied and analyzed different Other Current Liabilities of NEPA Limited, which was classified as Sundry Creditors, Deposits from Contractors etc, Advanced from Agents, Customers, etc, Staff Welfare Scheme, Statutory Dues, Grant for Voluntary Retirement Scheme, Interest Accrued, Provisions for Income-Tax, Other Current Liabilities.
- The study of it reveals that the Current Liabilities of NEPA Limited have played a very important role in the management of the company. Some times the Current Liabilities of NEPA Limited has shown the increase and some times it has shown the decrease in its value.
- The Sundry Creditors of NEPA Limited has raised up from 356.49 lakh in the year 1987-88, to Rs. 8235.75 lakh in the years 2001-02, indicating an increase of Rs. 7879.26 lakh, where as the percentage increased being 147.35. The index number which was 100 during the year 1987-88 has also stood up at 2310.23 in the year 2001-02, showed an increase by 2210.23.
- The company has made provisions for the Income tax, for Statutory Dues, which are very important for any business or organization.
- On the other hand the company has also made many provisions for its employees, because the employees are always the backbone for the business.
- The contribution made by the company for the betterment of its employees was in Staff Welfare Scheme, Grants for Voluntary Retirement Scheme.

### PROBLEMS AND SUGGESTIONS

- The main problem of the company is the unavailability of adequate raw material used for producing the paper and newsprint.
- Present age is the age of Computer. The success of any business and organization largely depends upon Computer. Being a public company most of the work is done here manually which does not prove much effective and takes too time and money. So NEPA Limited should install advanced Computer system with advanced technology to improve its work.
- For the betterment and effective planning different committees can be formed by any business or organization. So a committee should be established by the company for the improvement, progress and look in to the Current Liabilities of NEPA Limited.
- The Central and State Government should provide adequate grants to the Company so that the financial requirements can be fulfilled.

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# QUALITY OF MEDICAL SERVICES: A COMPARATIVE STUDY OF PRIVATE AND GOVERNMENT HOSPITALS IN SANGLI DISTRICT

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## ABSTRACT

*This article attempts to discover the service quality offered in public and private hospitals in Sangli district of Maharashtra. In today's competitive environment, hospitals are achieving a phenomenal growth especially in India. The effect of service quality on hospitals has been examined by SERVQUAL Scale framework. Intangible aspects of service performance have a stronger direct effect on service quality of hospitals than tangible aspects. The hospital administration members should improve the intangible aspects according to the up to date technological requirements of the users in order to create a good image and service rendered by the hospitals among the patients. An analysis covering 246 patients revealed that there was an overall service quality gap between patients' expectations and perceptions, as they were dissatisfied with the level of healthcare services rendered in public and private hospitals. Thus, improvements are required across all the five dimensions, namely, tangibility, reliability, responsiveness, assurance and empathy. In view of this widespread belief, an attempt has been made in the present paper to study the service quality of hospitals in Sangli district (Maharashtra) with a view to offer suggestions to make overall service quality in private and public hospitals more effective and efficient.*

## KEYWORDS

medical services, private hospitals, government hospitals.

## 1. INTRODUCTION

The fundamental needs of an individual are food, water, shelter, clothing and air. In addition to this, health is also the most basic and primary need of an individual. It makes the nation progress in socio-economic, scientific, literary and culture sphere. Health is input and output also. It is linked with development. An adequate and equitable health care system stimulates the development through improving human productivity. Investment in health is an investment in human capital. A healthy individual is an asset to a community while a sick person is liability.

Physical and mental status of human resources are centre of all activities and also very much important to improve the quality of human life. The Government has realized that the diseases which affect human progress and ultimately nation hence, govt. of all over world to counteract the diseases and preserve and protect the human race from all possible hazards of health. The health standard of rural India is unsatisfactory, which require the establishment of multiple referral hospitals throughout the country. Though the number of PHCs, Rural Hospitals, and Civil Hospitals has been established, they do not render any proper account as they incur sizeable expenditure.

India is the second fastest growing major economy in the world, with a GDP average growth rate of 8.5%. The Indian healthcare industry is seen to be growing at a rapid pace and is expected to become a US\$280 billion industry by 2020.

### 1.1 SIGNIFICANCE OF THE STUDY

It is increasingly being recognized that good health is an important contributor to productivity and economic growth. Good health and its natural corollary—defense against illness are fundamental of human beings. Health promoting aspects like education, housing, sanitation, environment, pollution, nutrition, and social security measures. Expenditure on these factor lead to reduce mortality and enhance time availability for earning income.

Problem of rural health is to be addressed both at macro (national and state) and micro (district and regional) levels. This is to be done in an holistic way, with a genuine effort to bring the poorest of the population to the centre of the fiscal policies. A paradigm shift from the current 'biomedical model' to a 'socio-cultural model', which should bridge the gaps and improve quality of rural life, is the current need. A revised National Health Policy addressing the prevailing inequalities, and working towards promoting a long-term perspective plan, mainly for rural health is very important.

### 1.2 STATEMENT OF PROBLEMS

The problem of social health which is purely depend on five main factors, these factors may be lacking in the selected region

1. Accessibility,
2. Affordability,
3. Quality,
4. Availability,
5. Utilization of health services.

### PRIVATE HOSPITALS Vs PUBLIC HOSPITALS

There is a much difference between private and public hospital on account of its quality of services and charges. Private hospitals are quietly business oriented; private hospitals deliver quality services but these are unaffordable to majority of populations. they are functioning for profit not for charitable. Whereas Govt. hospitals have no adequate medical resources and staff. Hence medical services are beyond the majority populations.

**TABLE 1: FIVE BROAD DIMENSIONS OF SERVICE QUALITY**

Dimension	Definition
<b>Tangibles</b>	Appearance of physical facilities, equipment, personnel and written materials
<b>Reliability</b>	Ability to perform the promised service dependably and accurately
<b>Responsiveness</b>	Willingness to help customers and provide prompt service
<b>Assurance</b>	Employees' knowledge and courtesy and their ability to inspire trust and confidence
<b>Empathy</b>	Caring, easy access, good /communication, customer understanding and individualized attention given to cutomers

Source: Adapted from Zeithaml et al. (1990)

## 2. OBJECTIVES OF THE STUDY

In view of the introductory remark, the research topic and the description of the study area, the study put following objectives.

1. To study the Quality in delivery of medical services in Government and Private hospitals in study area
2. To suggest remedial measure for enhancing the Accessibility of medical services

### 3. HYPOTHESIS

Following will be hypothesis of the study.

The Quality of selected Medical services rendered in Government hospitals is poor and insufficient as compared with Private Hospitals.

### 4. RESEARCH METHODOLOGY

**Research Design:** The research design is descriptive research design.

**Data collection:** Primary data was collected through a structured questionnaire.

**Sample design:** Convenient Sampling

**Sample size:** 246 Patients from 10 hospitals from Sangli district (Maharashtra).

(Note: For this paper the data are collected from the inpatients who stayed in the Hospital more than 3 days which can help the patients to understand about overall nature of the service provided by the hospital)

The data was collected through questionnaire consisting of 3 parts. There were 36 statements measuring the expected service quality from excellent hospitals. In Part II, the same items were measuring the service quality perceptions of public/private hospitals in Sangli district (Maharashtra). All of the statements were measured on a five point "Agree-Disagree" Likert scale

#### 4.1 SAMPLING DESIGN

TABLE 2

Sr. No.	Ownership of Hospitals	No. of Hospitals in Sample	No. of Doctors in Sample	No. of Patients in Sample
1	Public Sector	5	5	123
2	Private Sector	5	5	123
Total		10	10	246

#### 4.2 CHARACTERISTICS OF SAMPLE

The following table shows the demographic profile of surveyed respondents.

TABLE 3: CHARACTERISTICS OF SAMPLE

Variable	Category	Frequency
Age	18-23	46
	24-29	63
	30-35	49
	35-40	41
	40+	47
	Total	246
Monthly Income	10,000-20,000	58
	20,001-30,000	73
	30,001-40,000	41
	40,000+	74
	Total	246
Occupation	Student	33
	Professional	109
	Businessman	27
	Housewife	17
	Govt. employee	32
	Others	28
	Total	246
Education Level	Undergraduate	8
	Graduate	78
	Postgraduate	160
	Total	246
Gender	Male	183
	Female	63
	Total	246

The researchers have used following mentioned 36 structured and paired questions to measure E and P for service quality of Hospitals

#### A ) TANGIBLE / PHYSICAL ASPECTS

1. It is convenient to reach to this Hospital.
2. The waiting rooms, clinical and diagnostic test rooms, pre-operative and post-operative (or patient/resident ward) rooms, intensive care units, wards, bathrooms and toilets were adequate, comfortable and clean.
3. The beds, pillows and mattresses were comfortable and clean.
4. The wards are well furnished, decorated, well ventilated and clean all the time.
5. Employees of excellent hospitals will have neat appearing.
6. This hospital has visually appealing Materials associated with the service (promotional brochures, service tracking documents, invoices etc).
7. Wards, beds, operation theatres, intensive/post-operative care units and resident rooms are adequately available for patients in this hospital.
8. Ambulance services are made available to patients with minimal costs in this 'hospital.
9. Diagnostic facilities like CT scans, MRI scans, X-rays and ultrasound; telemedicine, patient information and billing, operation theatres, labs, etc. are adequately and effectively available.
10. The waiting rooms, clinical and diagnostic test rooms, pre-operative and post-operative (or patient/resident ward) rooms, intensive care units, wards, bathrooms and toilets were adequate, comfortable and clean.
11. Amenities such as continuous electricity and water supply, housekeeping and sanitation facilities, comfortable conditions such as temperature, ventilation, noise and odour are available.
12. Availability of required drugs in the pharmacy
13. Availability of the desired blood group in the blood bank in the hospital.
14. The meals are offers food which is suitable to the patients
15. The ergonomics (layout) of this hospital is conducive for physically challenged, elderly & emergency patients.
16. This hospital provides for proper safety and comfort measures (e.g: handrails in aisles, rooms and bathrooms, ramps suitably designed for wheelchairs and stretchers, elevators and spacious corridors).



**B) RELIABILITY**

17. This hospital will insist on error free records.
18. This hospital performs the service right the first time.
19. Patients feel safe in getting treated by the doctors of this hospital.
20. This hospital provides all the required information and instructions regarding admission, treatment, and discharge clearly to patients and attendants.
21. The patient's attendants are kept informed about the patient's condition.
22. The allergy or reaction to drugs is taken care of in this hospital.
23. Employees of this hospital tell patients exactly when services will be performed.
24. Patients feel safe in getting treated by the doctors of this hospital

**C) RESPONSIVENESS**

25. Employees in this hospital are never too busy to respond to customer's requests.
26. When patient has a problem, this hospital will show a sincere interest in solving them.

**D) EMPATHY**

27. Employees in this hospital are curious to know & solve my problems.
28. Employees in this hospital are not rude in conveying the rules of the hospital (i.e. asking attendants of patients to maintain peace).
29. Employees in this hospital understand my requirement and gives individualised attention.
30. This hospital has their patient's best interests at heart.
31. This hospital gives patients individual attention.
32. Employees of this hospital have knowledge to answer patients' questions.
33. Medical staff of this hospital is consistently courteous with people.

**E) ASSURANCE**

34. The hospital provides for significant loyalty rewards through membership cards.
35. This hospital has consulting hours convenient to all their patients.
36. Over all, I am satisfied with the service quality of this hospital.

**5. DATA ANALYSIS AND INTERPRETATION****TABLE-4 STATEMENT WISE MEAN SCORE OF PERCEPTION AND EXPECTATION OF PUBLIC AND PRIVATE HOSPITALS**

Dimensions	Expectations	Public Hospital Perception	Public Hospital Gap	Private Hospital Perception	Private Hospital Gap
PA1	4.68	2.77	1.91	4.58	-0.84
PA2	4.75	2.34	2.41	4.37	-1.00
PA3	4.70	2.63	2.07	3.97	-0.59
PA4	4.44	2.87	1.57	3.01	1.43
PA5	4.24	2.53	1.71	3.29	0.95
PA6	4.43	2.58	1.85	2.43	0.74
PA7	4.42	1.89	2.53	1.72	2.7
PA8	4.64	2.10	2.54	2.24	2.4
PA9	3.98	1.91	2.07	1.87	2.11
PA10	4.32	1.74	2.58	1.82	2.5
PA11	4.44	2.45	1.99	2.55	-0.33
PA12	4.54	2.76	1.78	2.35	0.97
PA13	4.65	2.59	2.06	2.56	0.20
PA14	4.32	2.22	2.10	2.33	1.26
PA15	3.82	2.98	0.84	4.22	-0.4
PA16	3.71	2.64	1.07	3.89	-0.18
<b>AVG.</b>	<b>4.38</b>	<b>2.44</b>	<b>1.94</b>	<b>2.95</b>	<b>1.43</b>
R17	3.82	2.98	0.84	4.01	0.19
R18	3.84	2.63	1.21	4.53	0.28
R19	4.95	1.98	2.97	2.12	2.83
R20	4.77	2.03	2.74	1.34	3.41
R21	4.63	1.32	3.31	1.63	3.06
R22	4.82	1.48	3.34	1.39	3.47
R23	4.86	2.42	2.44	1.37	3.54
R24	4.15	3.13	1.02	3.27	0.88
<b>AVG.</b>	<b>4.48</b>	<b>2.25</b>	<b>2.23</b>	<b>2.45</b>	<b>2.03</b>
Res25	4.24	3.43	0.81	3.44	0.8
Res26	4.11	2.20	1.91	3.42	0.69
<b>AVG.</b>	<b>4.17</b>	<b>2.81</b>	<b>1.36</b>	<b>3.43</b>	<b>0.74</b>
E27	3.89	3.46	0.43	3.22	0.49
E28	3.33	3.21	0.12	3.14	0.24
E29	3.56	3.48	0.08	3.29	0.23
E30	4.39	1.22	3.17	4.04	0.03
E31	4.05	2.52	1.53	2.98	1.51
E32	4.61	1.62	2.99	4.79	0.19
E33	4.03	2.43	1.60	2.98	0.05
<b>AVG.</b>	<b>3.98</b>	<b>2.56</b>	<b>1.42</b>	<b>3.49</b>	<b>0.49</b>
Assurance 34	4.45	2.28	2.17	4.13	-0.79
Assurance 35	4.98	4.69	0.29	4.53	0.12
Assurance 36	4.98	3.90	1.08	4.71	0.27
<b>AVG.</b>	<b>4.80</b>	<b>3.62</b>	<b>1.18</b>	<b>4.79</b>	<b>-0.01</b>

TABLE-5: DIMENSIONS WISE SCORE OF PERCEPTION AND EXPECTATION OF PUBLIC AND PRIVATE HOSPITALS

Dimensions	Expectation	Public Hospitals Perception	Public Gaps	Private Hospitals Perception	Private hospitals Gap
Tangibles	4.38	2.44	1.94	2.95	1.43
Reliability	4.48	2.25	2.23	2.45	2.03
Responsiveness	4.17	2.81	1.36	3.43	0.74
Empathy	3.98	2.56	1.42	3.49	0.49
Assurance	4.80	3.62	1.18	4.79	0.01

TABLE-6 -GAPS OF THE STUDY (DIMENSIONS WISE COMPARATIVE ANALYSIS OF PUBLIC AND PRIVATE HOSPITALS)

Dimensions	Public hospital Gaps	Private hospitals Gap	Best Performer
Tangibles	1.94	1.43	Private Hospital
Reliability	2.23	2.03	Private Hospital
Responsiveness	1.36	0.74	Private Hospital
Assurance	1.18	0.01	Private Hospital
Empathy	1.42	0.49	Private Hospital

## 6. FINDINGS

It found that, the overall quality of healthcare services is perceived to be higher in private hospitals than in community health centres. Inadequate availability of doctors and medical equipments, poor clinical examination, and poor quality of drugs were the important drawbacks reported at public hospitals.

A gap between expectation and perception means that the perceived services that had been delivered were not sufficient enough to meet the expectations of the respondents, thus both private and public hospitals have to take some corrective actions to close these gaps in order to give higher quality based service to their patients.

The **Tangibility** dimension measures Appearance of physical facilities, equipment, personnel and written materials. When compared, the gaps between these hospitals public hospitals have gap of 1.94 and private hospitals have gap of 1.43. The gaps in the public hospitals are in a worse position than private hospitals.

The **Reliability** dimension measures ability to perform promised service dependably and accurately. When compared, the gaps between these hospitals public hospitals have gap of 2.23 and private hospitals have gap of 2.03. The gaps in the public hospitals are in a worse position than private hospitals.

On the **Assurance** dimension, the perception gap of public hospitals is 1.18 and private hospital's 0.01. Assurance is the knowledge and courtesy of employees and their ability to convey trust and confidence.

**Responsiveness** is another dimension that has a gap difference between the private and public hospitals. Public Hospitals have the gap score of 1.36 and private hospitals have the gap score of 0.74. Responsiveness measures willingness to help patients to provide prompt service.

The last dimension is **empathy**. This dimension is the provision of caring, individualized attention to customers. There is a gap difference between the private and public hospitals in this dimension as well. Especially public hospitals have the highest gap between the other dimensions with this dimension.

## 7. RECCOMENDATIONS

1. Government should fill the shortfall of specialists comprising surgeon, physician, gynecologists, and pediatrician in public hospitals.
2. Government should open generic medicine store at every tahasil place, which would help the patients to purchase drugs at affordable prices.
3. Private and public hospitals should arrange training and development programmes to their employees to bridge the gap in responsiveness, assurance and Empathy.
4. Every hospital should keep box for getting feedback from patients regarding their overall experience, which would help the hospitals for continuous improvement in their workings.

## 8. CONCLUSION

The results of the analysis conducted indicate that public hospitals have rather bigger gaps when compared to private hospitals. The public hospitals' gap values were found as follows:

Tangibles, 1.94, Reliability, 2.23; responsiveness, 1.36; Assurance, 1.18, and Empathy, 1.42.

The study is limited to certain areas of Maharashtra Sangli district. Therefore, it is suggested that similar studies be carried out in other rural and urban regions of the country and include the private healthcare service providers as well. Further, researches could be conducted on price-quality relationship.

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**DIVIDEND POLICY AND BANK PERFORMANCE: THE CASE OF ETHIOPIAN PRIVATE COMMERCIAL BANKS****NEBYU ADAMU ABEBE****LECTURER****DEPARTMENT OF ACCOUNTING & FINANCE****SAMARA UNIVERSITY****AFAR REGION****TILAHUN AEMIRO TEHULU****ASST. PROFESSOR****DEPARTMENT OF ACCOUNTING & FINANCE****COLLEGE OF BUSINESS & ECONOMICS****BAHIR DAR UNIVERSITY****BAHIR DAR****ABSTRACT**

*The purpose of this study is to examine the relationship between dividend policy and bank performance. To achieve this purpose, data is obtained from Banking Supervision department of national bank of Ethiopia and from the website of banks. The study used panel data constructed from the financial statements of 6 private commercial banks in Ethiopia for a period of 8 years, from 2005-2012. Then empirical testing was made using the Pooled OLS regression model. The empirical results of this study show that dividend policy affects bank performance negatively and significantly. In this study, a proxy of dividend policy is dividend payout measured as dividend to net income of the banks. From the results of the study, the average dividend paid by banks over the study period was 48%. The results also reinforce earlier findings that leverage and size of a bank enhance the performance of banks. However, credit risk has a negative and significant relationship with bank performance. Generally, the result is similar to earlier studies that dividend policy has an effect on firm performance.*

**JEL CODES**

G21, G35

**KEYWORDS**

Commercial banks, Dividend policy, Performance, Ethiopia.

**1. INTRODUCTION**

Ethiopia has continued to maintain the double digit growth it has started since the last eight years. The robust and broad based economic growth places Ethiopia among the top performing African and other developing Asian countries (NBE Annual report 010/2011). In the rapidly growing economies of Ethiopia, as in many other emerging markets, the banks are expected to play a crucial role. Research has demonstrated that financial institutions are critically important for growth and efficient capital allocation (Levine 2005). Banks provide financial resources necessary for economic development of the country like promote capital formation, investment in new enterprises, promotion of trade and industry, development of agriculture and implementation of monetary policy. Therefore it is important to understand the key elements for maximizing the performance of banks and their role in the growing economies. The performance of banks is important to investors because it determines both the returns on investment and it is a measure of economic stability and secured investment environment (Abdulrasheed et al, 2011). Enhancing shareholders' wealth and profit making are among the major objectives of a firm (Pandey, 2005). Shareholder's wealth is mainly influenced by growth in sales, improvement in profit margin, capital investment decisions and capital structure decisions (Azhagaiah & Priya, 2008). Firm performance in this case can be viewed as how well a firm enhances its shareholders' wealth and the capability of a firm to generate earnings from the capital invested by shareholders. Dividend policy can affect the value of the firm and in turn, the wealth of shareholders (Baker, Veit & Powell, 2001).

Dividend represents a distribution of earnings to the shareholders of a company that are usually declared at Annual General Meetings and paid to shareholders of record. Dividend or profit allocation decision is one of the four decision areas in finance. The other decision areas in finance are financing, investment, and working capital management decisions. As noted by Ross et al (2002) companies view the dividend decision as quite important because it determines what funds flow to investors and what funds are retained by the firm for investment. Dividend policy can also provide information to stakeholders concerning the company's performance.

Dividend policy got attention in 1956 with the work of Linter. After the great contribution of Linter in the field of finance, Miller & Modigliani (1961) provided another opinion about dividend policy, that dividend policy does not affect the value of firm; the only thing that could affect the value of firm is the investment policy. While some previous empirical studies show that dividend policy is irrelevant to firm value, Gordon (1963) gave arguments against Dividend Irrelevance Theory by providing evidence that dividend policies do affect the firm value. The question still remains debatable among managers, policy makers and researchers whether dividend policy affects firm value or not.

There have been several studies on dividend policy and bank performance. However, the results are mixed. Some studies (Amidu, 2007; Murekefu and Ouma, 2011) contend that dividend policy affects performance or firm value positively; others (Collins and McKeown, 1979) claim that dividend policy has a negative impact on performance. Besides, most of the studies examined dividend policy in general without focusing on a particular sector and most of the literature on dividend policy use data from non-financial institutions, and very few on financial institutions (Agyei and Yiadom, 2011). In Ethiopia, studies on dividend policy have been limited to the determinants of dividend payout ratios of banks (Theodros 2011) and dividend policy and share price (Berhane 2011). However, to the best of our knowledge, there was no study carried out previously to study the impact of dividend policy on bank performance. Thus, the general objective of this study is to examine the relationship between dividend policy and bank performance of Ethiopian private commercial banks. Specifically, this research examined the relationship between the financial performance and dividend payout of Ethiopian Private Commercial Banks and the effect of control variables such as capital structure, age, size, credit risk, and asset growth on the financial performance of Ethiopian private commercial banks.

The remaining part of the paper is organized as follows: section 2 provides a brief review of the literature on the determinants of performance of banks, section III describes the data and methodology and section IV presents empirical results and discussions. Finally, section V concludes.

**2. REVIEW OF RELATED LITERATURE**

In this chapter the theories and findings of previous research on dividend policy and performance and other determinants of performance are presented respectively.

**2.1 DIVIDEND POLICY AND BANK PERFORMANCE**

Dividend policy of the firm is a complex but crucial issue in corporate finance. Although investors generally agree on some key determinants of dividend policy of firms, (for instance risk, profitability, ownership structure, cash flow, and taxation), the effect of dividend policy on firm value or performance is largely mixed. There has been a number of studies in the relevance or irrelevance of dividend decisions. Miller and Modigliani (1961) were the first to demonstrate that under certain assumptions (perfect market conditions, rational behavior and perfect certainty), the value of the firm is independent of the dividend policy of the firm and that all that matters is the firm's investment opportunities. This position has been largely criticized (see Allen and Michaely, 2002; Gordon, 1961, 1962; Bhattacharya, 1979; Shefrin and Statman, 1984; Lease et al, 2000; Amidu and Abor, 2006). They argue that important market imperfections such as asymmetric information, agency cost, taxes, transaction costs, floatation expenses and behavioral factors exist in reality, and should be taken into consideration when assessing whether dividends have any impact on firm value. Consequently, when the assumptions of perfect market are relaxed, dividend policy is seen as relevant. There are a number of additional theories that have been developed on dividend policy. Some of these are bird-in-hand theory, signaling theory, tax preference theory, Clientele effect and agency theory.

The bird-in-hand theory asserts that because of uncertainty of future cash flow, investors will often tend to prefer dividend to retained earnings. As a result, higher payout ratio will reduce the required rate of returns and increase the value of the firm (Gordon 1963 and Linter, 1962). Another theory is the signaling effect theory. Even though Modigliani and Miller (1961) argued in favor of the dividend irrelevance they also stated that in the real world disregarding the perfect capital markets, dividend provides an "information content" which may affect the market price of the stock. Many researchers have thereafter been supporting the signaling theory and today it is seen as one of the most influential dividend theories. Bhattacharya (1979) presented one of the most acknowledged studies regarding signaling theories which states that dividends may function as a signal of expected future cash flows. Bhattacharya (1979) argues that under these circumstances even though there is a tax disadvantage for dividends, companies would choose to pay dividends in order to send positive signals to shareholders and outside investors.

The tax preference theory asserts that low dividend ratios lower the required rate of return and increase the market value of firm's stock.

The M&M assumptions of a perfect capital market exclude any possible tax effect. It has been assumed that there is no difference in tax treatment between dividends and capital gains. However, in the real world taxes exist and may have significant influence on dividend policy and the value of the firm. In general, there is often a differential in tax treatment between dividends and capital gains, and, because most investors are interested in after-tax return, the influence of taxes might affect their demand for dividends. The tax-effect hypothesis suggests that low dividend payout ratios lower the cost of capital and increase the stock price. This argument is based on the assumption that dividends are taxed at higher rates than capital gains. In addition, dividends are taxed immediately, while taxes on capital gains are deferred until the stock is actually sold (Ross et al, 2008).

The Clientele effect is another theory related to dividend policy. The theory recognizes that different groups /clienteles prefer different dividend payment policies. For example, while one may want the firm to pay out a higher percentage of its earnings another may prefer otherwise. If dividend income is taxed at a higher rate than capital gains, investors in high tax bracket may prefer no dividend or low-dividend paying stocks. On the other hand, an investor in a low tax bracket would definitely invest in stocks with higher returns as he currently does not have a large tax liability (Deeptee, 2009).

One of the most influential theories is the agency theory. A firm's dividend policy can reduce agency problems between managers and shareholders and, in turn, enhance the firm's value to shareholders (Dhanani, 2005). Dividends are a way to solve agency problems where managers can use excess free cash flows to pursue their own interests. By paying dividends to shareholders, free cash flows are reduced and thus managers have no opportunity to make suboptimal investments (Bartram et al., 2009 & DeAngelo et al., 2006).

Empirical findings also suggest that dividend policy is relevant. Amidu (2007) examined how the dividend policy influence performance of firms listed on the Ghana Stock exchange. The results support that dividend policy is significant and positively related to the firm's performance. Murekefu and Ouma (2011) also found that dividend payout affects firm performance positively and significantly. However, Collins and McKeown (1979) suggest that dividend policy does have a significant impact on return and that the higher the dividends paid the lower is the return. Therefore, these show that dividend policy is relevant and therefore affects the performance of a firm hence its value contrary to theories that view dividend policy as irrelevant.

Companies with more generous dividend policy are likely to attract more investors and this would help improve their performance. The company would be performing well because of availability of funds through primary issue of equity shares and the shares would be actively traded on the stock exchange and improving the company performance in the market (Tornyeva and Wereko, 2012). Ameer (2007) observed that dividend policies convey information to the depositors as well as to the shareholders, assisting them in uncovering the actual financial conditions of the bank.

**2.2 OTHER DETERMINANTS OF PERFORMANCE**

The control variables that would influence performance include capital structure, credit risk, size, asset growth and age. A number of studies have shown the importance of firm size in influencing firm performance. Larger firms have more capabilities and resources, achieve economies of scale and are more diversified (Frank and Goyal, 2003). The size of the firm affects its financial performance in many ways. Large firms can exploit economies of scale and scope and thus, being more efficient compared to small firms. In addition, small firms may have less power than large firms; hence they may find it difficult to compete with the large firms particularly in highly competitive markets. On the other hand, as firms become larger, they might suffer from inefficiencies, leading to inferior financial performance. Theory, therefore, is equivocal on the precise relationship between size and performance (Majumdar, 1997). Almajali (2012) suggests that size has a significant statistical impact on financial Performance of insurance companies and his finding is supported by prior studies (Liargavas and Skandalis, 2008; Tarawneh, 2006; Chen and Wong, 2004), who stated that the larger firm are more profitable. Hence, large firms have more resources, more accounting staff and sophisticated information systems that result in high performance.

Regarding firm age, older firms are more experienced, have enjoyed the benefits of learning, are not prone to the liabilities of newness, and can, therefore, enjoy superior performance. Older firms may also benefit from reputation effects, which allow them to earn a higher margin on sales. On the other hand, older firms are prone to inertia, and the bureaucratic ossification that goes along with age; they might have developed routines, which are out of touch with changes in market conditions, in which case an inverse relationship between age and profitability or growth could be observed (Liargavas, and Skandalis, 2008). However, Almajali (2012) found that Company age has no significant impact on financial Performance of insurance companies.

Another variable that could influence performance of banks is capital structure. Some studies (Uwalomwa and Uadiale, 2012; Abor, 2005; Bokpin, 2009) examined the relationship between short term debt and/or long term debt and the performance of firms. Using 31 listed companies on the floor of the Nigerian Stock Exchange over a period of 5 years (i.e. 2005 – 2009), Uwalomwa and Uadiale (2012) found that short-term debt has a significant positive relationship with the performance of firms suggesting that short-term debt tends to be less expensive; and therefore incremental short-term debt in capital structure tends to lead to an increase in performance levels of firms. Similarly, the study also revealed that while shareholders' fund (i.e. equity shareholders) has a significant positive impact on the performance of firms; on the other hand, it was observed that long term debt has a significant negative impact on the performance of firms since it is relatively more expensive due to certain direct and indirect costs associated with it. Abor (2005) also found a positive and significant relationship between short term debt to total asset and return on equity. However, Bokpin (2009) finds a statistically insignificant relationship for short term debt to total asset with return on equity in the emerging market economies.

Credit risk is also considered as one of the important factors affecting profitability. Al-Khouri (2011) assessed the impact of bank's specific risk characteristics, and the overall banking environment on the performance of 43 commercial banks operating in 6 of the Gulf Cooperation Council (GCC) countries over the period 1998-2008. Using fixed effect regression analysis, results show that credit risk, liquidity risk and capital risk are the major factors that affect bank performance when profitability is measured by return on assets while the only risk that affects profitability when measured by return on equity is liquidity risk.



### 3. RESEARCH METHODOLOGY

This chapter gives a description of the research methodology employed in achieving the objectives of the study. This chapter presented the research design, target population and sampling procedure, data collection procedures, operational definition of variables and hypotheses, data analysis methods and model specification.

#### 3.1. THE RESEARCH DESIGN

The main objective of this study is to investigate the relationship between dividend policy and bank performance of private commercial banks of Ethiopia. This research paper employed quantitative research design. The purpose of this research is explanatory and used to explain the relationship between dividend payout policy and bank performance. To achieve its objective this study used a panel data and pooled OLS estimator model. A panel data methodology provides important benefits. These include the fact that panel data methodology assumes that individuals, firms, states or countries are heterogeneous. Time series and cross sectional data studies not controlling for this heterogeneity run risk of obtaining biased results. Furthermore, panel data gives more informative data, more variability, less collinearity among variables, more degree of freedom and more efficiency (Guirjati, 2004)

#### 3.2. METHOD OF DATA COLLECTION AND SOURCE OF DATA

To achieve the objectives of this study, secondary data were used; this is due to the fact that annual reports are readily available and accessible.

The secondary data were collected from audited annual report of the selected banks and from national bank of Ethiopia. So the data used in this study were non confidential, that is, all the data used in this study were public. A balanced panel financial data of banks covering the period 2005 to 2012 was used in this study to examine the relationship between dividend policy and bank performance.

#### 3.3. POPULATION AND SAMPLING

As the national bank of Ethiopia 2010/11 annual report shows Ethiopia has a total of 17 commercial banks out of which 14 were privately owned banks. But in the year 2012 the total number of banks reached 19 including Enat bank which is new private owned bank. Out of this, 16 were private owned commercial banks and three were state owned. The target population of this study is Ethiopian privately owned banks and a sample of six banks namely Dashn Bank(DB), Awash International Bank(AIB), Wegagen Bank(WB), United Bank(UB), NIB International Bank(NIB), and Bank of Abssiniya (BOA) were selected by using purposive sampling technique. The researcher used purposive sampling by considering long period dividend payment record and to avoid new entrant bias.

#### 3.4. OPERATIONAL DEFINITION OF VARIABLES AND HYPOTHESES

The dependent variable is performance while the independent variable is dividend policy (DIVPAYOUT). The study also controls for the effect of the following factors on bank performance; credit risk, capital Structure, size of bank, asset growth and age.

SYMBOL	VARIABLE DEFINITION	EXPECTED SIGN
$ROE_{i,t}$	Dependent Variable: Bank Performance = the ratio of earnings divided by common equity for bank $i$ in time $t$ .	
$DIVPAYOUT_{i,t}$	Independent Variable: Dividend Policy = the ratio of cash dividend paid to Net income for bank $i$ in time $t$ .	Positive
$CR_{i,t}$	Control Variable: Bank credit Risk = Provision for loan loss to total loans of bank $i$ in time $t$ .	Negative
$SDA_{i,t}$	Control Variable: Bank Capital Structure = the ratio short term debt to net total assets for bank $i$ in time $t$ .	Positive
$LDA_{i,t}$	Control Variable: Bank Capital Structure = the ratio of long-term debt to net total assets for bank $i$ in time $t$ .	Negative
$SIZE_{i,t}$	Control Variable: Bank Size = Natural logarithm of total asset for bank $i$ in time $t$ .	Positive
$ASTGRO_{i,t}$	Control Variable: Asset Growth = the growth in net total assets for bank $i$ in time $t$ .	Positive/Negative
$AGE_{i,t}$	Control Variable: Bank Age = the bank age for bank $i$ in time $t$ .	Negative/Positive
$\varepsilon_{i,t}$	The error term	

#### 3.5. METHOD OF DATA ANALYSIS

The main objective of this study is to investigate the relationship between dividend policy and bank performance. This study is conducted using 6 banks data covering the time period 2005-2012. It has a total of 48 observations. In this study version 11 of STATA software is used for estimating regression parameters. Hausman test has been employed to choose between random effect and fixed effect models. Based on the Hausman specification test, the random effects model was preferred to the fixed effect model (Insert Table 1 here). Then after chosen the random effect model further test is also made comparing with pooled OLS estimator, finally the result supports the pooled OLS estimator (Insert Table 2 here). Thus, the regression parameters in this study are estimated using the Pooled OLS regression model.

#### 3.6. THE RESEARCH MODEL

The research model used for this study is similar with that of Agyei and Yiadom (2011). The basic model is written as follows:

$$Y_{i,t} = \beta_0 + \alpha_1 Z_{i,t} + \sum_{j=1}^6 \gamma_j XJ_{i,t} + \varepsilon_{i,t} \quad \text{----- Eq. 1}$$

Where:  $i$  = bank,  $t$  = time,  $Y$  = the dependent variable in the model,  $Z$  = dividend payout,  $XJ$  = control variables in the model,  $B_0$  = the constant,  $\alpha_1, \gamma_j$  = represents the coefficients.

Extending Eq. 1 to reflect all the explanatory variables in the model, we have the following baseline model:

$$ROE_{i,t} = \beta_0 + \alpha_1 DIVPAYOUT_{i,t} + \gamma_1 CR_{i,t} + \gamma_2 SDA_{i,t} + \gamma_3 LDA_{i,t} + \gamma_4 ASTGRO_{i,t} + \gamma_5 AGE_{i,t} + \gamma_6 SIZE_{i,t} + \varepsilon_{i,t} \quad \text{-----Eq.2}$$

Where: ROE= Return on equity, DIVPAYOUT=dividend payout, CR = bank credit risk, SDA=short term debt scaled by total asset, LDA= long term debt scaled by total asset, SIZE = Bank Size, ASTGRO= Bank asset growth, AGE= Bank Age,  $\beta_0$  = the constant term, and  $\varepsilon$  = the error term

### 4. EMPIRICAL RESULTS AND DISCUSSIONS

This chapter presents regression diagnoses results, regression results and discussions. The relationships of dividend policy and control variables with bank performance are discussed in detail.

#### 4.1 REGRESSION DIAGNOSES

Before running the regression, the data sets are checked for satisfying regression assumptions. To this end, normality of error term, autocorrelation, multicollinearity, and heteroskedasticity tests have been conducted.

Shapiro-Wilk test is used to test the normal distribution of error term. Shapiro wilk  $w$  test for normal distribution is appropriate for small sample from  $4 < n < 2000$  (Cameron and Trivedi, 2009). In this study the result of Shapiro-Wilk  $W$  test is statistically insignificant ( $W = 0.98607$  and  $\text{prob} > z = 0.83350$ ). Accordingly the residuals were normally distributed because the  $p$ -value is not less than 0.05 (Insert Table 3 here). Regarding autocorrelation, the Durbin-Watson test statistic value is 1.497284. Since it is between 1 and 3, it reflects low autocorrelation (Insert Table 4 here). One of the most important problems facing the use of multiple regression analysis is the probability of collinearity between independent variables. One of method used to test collinearity between independent variables is Variance Inflation Factor (VIF) for each independent variable. So as to examine the possible degree of multicollinearity among the explanatory variables, Variance Inflation Factor (VIF) was employed. Since the VIF value for each independent variable is less than 2, multicollinearity problem is not of

concern. As a rule of thumb, VIF values greater than 10 show multicollinearity problems (Gujarati, 2004)(Insert Table 5 here). In this study Breusch-Pagan/Cook-Wesberg is applied to test the presence of heteroskedasticity. The Breusch-Pagan/Cook-Wesberg test (Prob > chi2 = 0.6109) show that error variance are homoskedastic. In other words the data does not suffer from heteroskedasticity (Insert Table 6 here). The Ramsey's RESET (regression specification error test) was employed to test whether there is model specification error. The result ( Prob>F=0.1938) shows that the model has no omitted variables (Insert Table 7 here).

#### 4.2 REGRESSION RESULTS

In order to determine the relationship between dividend policy and bank performance of private commercial bank of Ethiopia, a panel of six banks and eight year data covering the time period 2005 to 2012 is used. This study used the pooled OLS estimator model.

TABLE 8: REGRESSION RESULTS (DEPENDENT VARIABLE: RETURN ON EQUITY)

Variables	coefficient	standard Error	t	p- value
DIVPOUT	-.1319885	.0347405	-3.80	0.000*
CR	-172.4736	40.68462	-4.24	0.000*
SDA	44.85962	11.70454	3.83	0.000*
LDA	-2.158627	2.561764	-0.84	0.404
SIZE	4.928927	1.110132	4.44	0.000*
ASTGRO	.1472167	.0999554	1.47	0.149
AGE	-.0129138	.2344066	-0.06	0.956
_CONS	-105.374	23.89396	-4.41	0.000
Number of obs	48			
F(7, 40 )	15.29 (Prob > F	0.0000)		
R-Squared	0.7279			
Adj R-Squared	0.6803			
Root MSE	3.821			

Source: authors own computations

\*statistically significant at 1 percent level of significance

In this study the dependent variable is bank performance (ROE) and independent variables are dividend payout, credit risk, short term debt, long term debt, size, asset growth and age. The R square value is 73% and it suggests that 73% of the variation in the dependent variable can be explained by the variation in the independent variables.

The regression results in Table 8 above show that there is statically significant relationship between dividend payout and bank performance at 1 percent level of significance. However, it shows the existence of negative relationship between dividend payout and bank performance of private commercial banks of Ethiopia. However in developed countries the literature shows that as management pay out dividend, they tend to send out good signals about the bank's performance or it is a means of communicating with shareholder about the performance of the bank and therefore attracting more customers to deal with. Kefele (2008) suggested that a non-competitive market structure exists in the Ethiopian banking industry, due to the nature of the country's financial sector in which there are no foreign banks. Moreover, even if the financial sector reform aims at improving profitability, efficiency and productivity, by adopting a strategy of gradualism, Ethiopian banks' performance has still remained poor with substantial gaps in service delivery to private agents, particularly to the rural and lower-income population. So paying dividend to shareholder is decreasing the cash amount that they have used for bank branch expansions as well as applying information technology. Therefore in Ethiopia case payment of dividend to shareholder does influence bank performance negatively. This finding is consistent with Collins and McKeown (1979). Their finding suggests that dividend policy does have a significant impact on return and that the higher the dividends paid the lower is the return.

The study also shows that there is statistically significant relationship between credit risk and bank performance. The variable has a negative coefficient indicating a negative relationship with bank performance. This finding is similar with that of Funso et al (2012) and Said and Tumin (2011) which suggest that increased exposure to credit risk is normally associated with decreased firm profitability.

Another variable considered in this study is capital structure. In this study capital structure is divided into two: the ratio of short term debt to net total assets (SDA) and the ratio long term debt to net total assets (LDA). The empirical findings of this study show an existence of a positive statistically significant relationship between SDA and bank performance; significant at 1 percent level of significance. This finding is similar with that of Abor (2005) who found a positive and significant relationship between SDA and ROE. As short term debt was less expensive, employing more short term debt with low level of interest rates have resulted in an increase in profits thereby increase bank performance. On the other hand, the results show that long term debt to net total assets (LDA) has no impact on bank performance.

The regression results also revealed that bank size has a positive and significant relationship with bank performance. The positive and significant coefficient of the variable size gives support to the economies of scale hypothesis. Larger firms can obtain lower unit cost and higher profits through economies of scale. The result is similar with that of Amajali (2012), Almro and Al-soub (2012), and Zunaidah and Fauzias (2010) that the size of firm is an important variable to determinate the firm's financial performance. Martani et al. (2009) also argue that the firm's size as measured by total assets has a positive relationship with the firm's performance. However, the study reveals that asset growth and age have no impact on performance. Prior studies (Almajali, 2012; Alamro and Al-soub, 2012; and Liargavas and Skandalis, 2008) have also revealed that age has no significant statistical impact on financial performance. However, other studies (Yiadom, 2011) argued that firm age has an influence on its performance.

#### 5. CONCLUSION

The study aimed at investigating the relationship between dividend policy and bank performance. A panel data of six private banks over the period 2005 to 2012 is the basis for our econometric analysis. On the basis of the findings of the study, the following conclusions are drawn. The results of Pooled OLS regression analysis show that dividend payout and credit risk have a negative and significant impact on the performance of private commercial banks of Ethiopia. The study

also revealed that size of a bank and the use of short term debt have a positive and significant influence on bank performance. However, the variables asset growth and age are found to have no impact on performance. Thus, dividend payout, credit risk, the use of short term debt and bank size are the important factors that influence bank performance.

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## APPENDIX

**TABLE 1: HAUSMAN TEST FOR RANDOM VS FIXED EFFECT**

Test: Ho: difference in coefficients not systematic

$$\begin{aligned} \chi^2(7) &= (b-B)'[(V_b - V_B)^{-1}](b-B) \\ &= 11.11 \\ \text{Prob} > \chi^2 &= 0.1339 \\ (V_b - V_B \text{ is not positive definite}) \end{aligned}$$

**TABLE 2: BREUSCH AND PAGAN LAGRANGIAN MULTIPLIER TEST FOR RANDOM EFFECTS**

Breusch and Pagan Lagrangian multiplier test for random effects

$$\text{roe}[\text{bank}, t] = Xb + u[\text{bank}] + e[\text{bank}, t]$$

Estimated results:

	Var	sd = sqrt(Var)
roe	47.70462	6.906853
e	12.26626	3.502322
u	0	0

$$\begin{aligned} \text{Test: } \text{Var}(u) = 0 \quad \chi^2(1) &= 0.17 \\ \text{Prob} > \chi^2 &= 0.6810 \end{aligned}$$

TABLE 3: NORMALITY OF ERROR

Ho: variables are normally distributed  
Shapiro –wilk w test for normal data

swilk residual					
Shapiro-Wilk W test for normal data					
Variable	Obs	W	V	z	Prob>z
residual	48	0.98607	0.634	-0.968	0.83350

TABLE 4: DURBIN-WATSON TEST FOR AUTOCORRELATION

Durbin-Watson d-statistic( 8, 48) = 1.497284
dL = 1.081
du = 1.692

TABLE 5: MULTICOLLINEARITY TEST

VARIABLE	VIF	1/VIF
SIZE	1.59	0.627138
ASTGRO	1.48	0.677108
AGE	1.41	0.708135
CR	1.12	0.896577
DIVPOUT	1.10	0.906620
LDA	1.10	0.912891
SDA	1.05	0.953423
MEAN VIF	1.26	

TABLE 6: BREUSCH-PAGAN/ COOK –WEISBERG TEST FOR HETEROSKEDASTICITY

Breusch-Pagan / Cook-Weisberg test for heteroskedasticity	
Ho: Constant variance	
Variables: fitted values of ROE	
chi2(1) =	0.26
Prob > chi2 =	0.6109

TABLE 7: RAMSEY TEST FOR MODEL SPECIFICATION

Ramsey RESET test using powers of the fitted values of ROE	
Ho: model has no omitted variables	
F(3, 37) =	1.65
Prob > F =	0.1938



**CUSTOMER KNOWLEDGE: A TOOL FOR THE GROWTH OF E-LEARNING INDUSTRY**

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**ABSTRACT**

*Customer Knowledge is a blend combination of Information, experience & expertise, which is needed for the creation of knowledge during the process of exchange between customer and industry. In e-learning it is concerned with the dynamic integration of systems and people in pursuit of enrichment of the knowledge wealth of learning Industry. On the basis of this we can say that Customer Knowledge is a tool for the growth of e-learning industry and the advantage of such tool is that it gives demonstrator an ability to express his ideas, views and flow of thoughts rather than simply explaining them which may be more confusing when delivered via traditional text instructions. Education industry can create virtual environment in which all aspects of a course are handled through a consistent user interfaces throughout the institution. For e-learning industry Customer knowledge is that knowledge which is not owned by the industry but by others who may not be willing to share such knowledge. Here these two entities are working together with the shared goal in mind and the customer becomes an active and key participant in the knowledge creation process. E-learning emphasizes the opportunities for knowing customer in the digital economy so in this paper research has been conducted to focus on the aspect that e-learning industry's success and growth is dependent on the successful creation, acquisition, management and use of its own and customer's knowledge across its business process.*

**KEYWORDS**

Customer Knowledge, customer knowledge management, knowledge management, CRM, e-learning.

**INTRODUCTION**

**K**nowledge is the main resource and the ability to acquire through which any organization can gain the advantage over their competitors. The ability to create knowledge will become the knowledge of tomorrow. With the importance of knowledge, organizations start looking a major element i.e. Customer Knowledge. It is a combination of information and data.

Customer knowledge is a combination of understanding, significance, and situation information. According to Paquette "The processes that an organization employs to manage the recognition, attainment and utilization of customer knowledge are collectively referred to as Customer Knowledge Management". "E-learning" may be defined as instruction delivered electronically via the Internet, Intranets, or multimedia platforms such as CD-ROM or DVD (Hall, 2003; O'Neill, Singh, & O'Donoghue, 2004). In E-Learning industry there are so many new channels for CKM & CRM concepts, and in these channels service experience and data gathering about the Customer (Learner or Students) are closely attached. Moreover, in electronic environment the medium between the customer and companies are computers. Through which each and every activities and online behavior of learner can be recorded. The style of e-learning emphasizes the opportunities for knowing learners in the digital economy.

As we know that the main **objectives** of customer knowledge management are

- Segmentize the customer base
- Understand customer's behavior
- Product Innovations
- Improve Business in terms of selling
- Identify the need and want of your customer

So with the help of these objectives we are able to enhance the quality of E-learning industry by knowing the behavior and requirement of learners because E-learning has grown tremendously over the past several years as technology has been integrated into education and training. Since many users today have access to direct Internet connections, e-learning is often identified with web-based learning (Hall, 2003). E-learning can be implemented in a variety of ways, such as through the use of self-paced independent study units, asynchronous interactive sessions (where participants interact at different times) or synchronous interactive settings (where learners meet in real time) (Ryan, 2001).

**LITERATURE REVIEW**

According to Paquette in 2006 an important aspect of customer knowledge is that the two entities are working together with a shared goal in mind and the customer becomes an active and key participant in knowledge creation process.

According to Guaspari (1998) Customer knowledge refers to understanding your customers, their needs, wants and aims and is essential if a business is to align its processes, products and services to build real customer relationship.

According to Gibbert et al. (2002) CKM is a strategic process by which companies emancipate their customers from passive recipient of product and services to empowerment as knowledge partners.

Su et al. (2006) presents the CKM process comprises of four stages which are supported by the applications of different methods in information technology.

- At the first stage, the company identifies perspective product benefits in terms of a customer's perceived value, in the form of features, functions and other attributes which can be communicated to the customers.
- At the second stage, the company acquires knowledge about the customers by understanding the customer's background, needs, and preference pattern toward product features.
- At the third stage, the tacit customer knowledge, dispersed among the individual customers is excavated, and it can be codified into explicit customer knowledge desired by the company.
- Finally, once the segmentation task is completed, the characteristics of the customer's needs in each segment are studied in order to extract the need patterns in each segment.
- Acquiring knowledge of customer form the first point of the cycle. Through processing it becomes the knowledge about the customers. In order to influence that knowledge for innovation and improvement it must disseminate within the organisation and the next step is to use this knowledge for the customer and developed provide and communicated to the customers. And finally organisations retrieve the knowledge from the customers in a very refined form and this is the point where this cycle closes.
- Effective CKM systems have the possible to translate data into knowledge. It is necessary that the organisation have the knowledge culture that will add to the effective and efficient processing, dissemination and utilisation of knowledge management.
- Customer knowledge is knowledge that resides within the customers, not knowledge about them. The processes that a firm employs to manage the identification, gaining and utilization of customer knowledge are collectively referred to as **Customer Knowledge Management**.

What we know about learning is an important starting point for exploring the use of technology and the design and success of online and blended learning. The basis of effective online learning is comparable to the foundation of effective learning in general. Among the many theories surrounding how people learn, this paper focuses on three aspects of learning, which in turn are tied to the use of the online learning components integrated in the two courses of the study.

Learning theory suggests that learning is promoted or enhanced (1) when students are actively involved in the learning, (2) when assignments reflect real-life contexts and experiences, and (3) when critical thinking or deep learning is promoted through applied and reflective activities (Bransford, Brown, & Cocking, 2000; Driscoll 2002). Each of these aspects of learning are briefly reviewed, with a subsequent discussion of how the online learning components integrated in the two courses were chosen with these dimensions in mind. Numerous studies have demonstrated that a student's active involvement in the learning process enhances learning, a process often referred to as active learning (Benek-Rivera & Matthews, 2004; Sarason & Banbury, 2004). Simply stated, active learning involves "instructional activities involving students in doing things and thinking about what they are doing" (Bonwell & Eisen, 1991, p. 5). Interactive instruction or "learning by doing" has been found to result in positive learning outcomes (Picciano, 2002; Watkins, 2005). Because many new technologies and web based activities are interactive, online coursework has the potential to create environments where students actively engage with material and learn by doing, refining their understanding as they build new knowledge (Johnston, Killion & Omomen, 2005; Pallof & Pratt, 2003). As Driscoll (2002) observes, "When students become active participants in the knowledge construction process, the focus of learning shifts from covering the curriculum to working with ideas. and using technology tools 'to think with' facilitates working with ideas and learning from that process" (also see Scardamalia 2002).

In addition to potential cost savings, e-learning has pedagogical potential beyond traditional methods related to the principles of learning discussed. For instance, multimedia capabilities can be used with learning exercises that allow learners to apply concepts realistically. Or, animation can help demonstrate concepts and events difficult to portray in traditional classes, which, in turn, can facilitate a more accurate communication of important ideas. E-learning can deliver "new" information not contained in traditional sources, effectively reinforcing other course information through offering examples, explanations, assessments, and exercises. In this way, online instruction can potentially enhance learning compared to what can be accomplished using a classroom only approach (McEwen, 1997).

In 1998, Beller noted that very little research attention has been devoted to web-based education and learning. Although additional research has been conducted since that time, many unexamined issues remain (O'Neill, Singh, & O'Donoghue 2004, Piccoli et al., 2001). Specifically, Wang (2003) found that research seldom addresses the element of learner satisfaction with e-learning. Yet, as the use of e-learning and blended learning continues to expand significantly in business environments, we must gain an improved understanding of where, when, and under what circumstances online and blended learning can be applied most effectively as well as how it can best be implemented.

## RESEARCH METHODOLOGY

The purpose of this research is to analyze the customer's knowledge (student) as an effective tool for the E-Learning which is emerging as a form of business in education Industry. This research is of exploratory type. Since it is a valuable method to find out what is exactly happening in initial stages and it has an advantage which is flexible and adaptable to change.

A quantitative approach has been chosen for this purpose as quantitative approach is one which posess numerical and statistical base. It uses generalizations, based on the processes results of the investigation and emphasizes the measurement and analysis of causal relationships between variables.

For this research Survey method has been selected and the sampling tool is Questionnaire. Usually Survey method is well associated with the quantitative approach. It is a popular and common strategy in business research. It allows collecting large amount of data from a sizeable population in a highly economical way. Based most often on questionnaire, data are standardized and allows comparison easily. SPSS is used as statistical tool for the data analysis and conducting Chi-square test.

A Probability and Simple Random Sampling Technique has been used to collect the responses of various under-graduate /graduate /post-graduate students and teachers, who usually play a very significant role in e-learning process. 110 samples had been studied from the Lucknow (India) area as the sample size of this research.

Following variables has been considered for the study, which are as Use of Internet for Information gathering (V1), Use of Internet for E-Commerce/E-Business (V2), Use of Internet for Research Work (V3), Customer Knowledge in E-Learning techniques to enhance the Quality of Education (V4), Customer Knowledge can develop E-Learning techniques as an effective way due to its accessibility (V5), Customer Knowledge and creativity if properly managed can results Innovations (V6), Customer Knowledge/ Ideas/ Creativity if properly used can develop an effective E- Learning system (V7).

## HYPOTHESIS TESTING & DATA ANALYSIS

Hypothesis developed for this study is as follows:

- H1:** Occupation has a significant relation with the use of Internet for gathering Information (V1).
- H2:** Occupation has a significant relation with the use of Internet for doing E-Commerce/E-Business (V2).
- H3:** Occupation has a significant relation with the use of Internet for doing research work (V3).
- H4:** Level of Education has a significant relation with the customer's knowledge in E-Learning techniques to enhance the quality of education (V4).
- H5:** Age of Customer has a significant relation with the development of E-Learning techniques due to its accessibility (V5).
- H6:** Level of Education has a significant relation with the management of customer's knowledge & Creativity in E-Learning to do Innovations (V6).
- H7:** Age of Customer has a significant relation with the use of customer's knowledge/ ideas/ creativity in E-Learning system development (V7).

## FREQUENCY TABLE

TABLE 1: OCCUPATION * USE OF INTERNET FOR INFORMATION (V1)					
CROSS-TABULATION					
			Use of Internet for Information		Total
			NO	YES	
Occupation	Teacher	Count	7	39	46
		% within Occupation	15.2%	84.8%	100.0%
	Student	Count	12	24	36
		% within Occupation	33.3%	66.7%	100.0%
	Others	Count	5	23	28
		% within Occupation	17.9%	82.1%	100.0%
Total		Count	24	86	110
		% within Occupation	21.8%	78.2%	100.0%

TABLE 2: OCCUPATION * USE OF INTERNET FOR INFORMATION (V1)			
CHI-SQUARE TESTS			
	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	4.231 <sup>a</sup>	2	.121
Likelihood Ratio	4.072	2	.131
Linear-by-Linear Association	.304	1	.582
N of Valid Cases	110		

a. 0 cells (.0%) have expected count less than 5. The minimum expected count is 6.11.

TABLE 3: OCCUPATION * USE OF INTERNET FOR E-COMMERCE/ E-BUSINESS (V2)					
CROSS TABULATION					
			Use of Internet for E-commerce/ E-business		Total
			NO	YES	
Occupation	Teacher	Count	14	32	46
		% within Occupation	30.4%	69.6%	100.0%
	Student	Count	21	15	36
		% within Occupation	58.3%	41.7%	100.0%
	Others	Count	12	16	28
		% within Occupation	42.9%	57.1%	100.0%
Total		Count	47	63	110
		% within Occupation	42.7%	57.3%	100.0%

TABLE 4: OCCUPATION * USE OF INTERNET FOR E-COMMERCE/ E-BUSINESS (V2)			
CHI-SQUARE TESTS			
	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	6.424 <sup>a</sup>	2	.040
Likelihood Ratio	6.478	2	.039
Linear-by-Linear Association	1.846	1	.174
N of Valid Cases	110		

a. 0 cells (.0%) have expected count less than 5. The minimum expected count is 11.96.

TABLE 5: OCCUPATION * USE OF INTERNET FOR RESEARCH WORK					
CROSS TABULATION					
			Use of Internet for Research Work		Total
			NO	YES	
Occupation	Teacher	Count	23	23	46
		% within Occupation	50.0%	50.0%	100.0%
	Student	Count	23	13	36
		% within Occupation	63.9%	36.1%	100.0%
	Others	Count	15	13	28
		% within Occupation	53.6%	46.4%	100.0%
Total		Count	61	49	110
		% within Occupation	55.5%	44.5%	100.0%

TABLE 6: OCCUPATION \* USE OF INTERNET FOR RESEARCH WORK

CHI-SQUARE TESTS			
	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	1.631 <sup>a</sup>	2	.442
Likelihood Ratio	1.646	2	.439
Linear-by-Linear Association	.222	1	.638
N of Valid Cases	110		

a. 0 cells (.0%) have expected count less than 5. The minimum expected count is 12.47.

TABLE 7: LEVEL OF EDUCATION \* ENHANCE THE QUALITY OF EDUCATION

CHI-SQUARE TESTS			
	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	27.620 <sup>a</sup>	3	.000
Likelihood Ratio	32.358	3	.000
Linear-by-Linear Association	3.050	1	.081
N of Valid Cases	110		

a. 0 cells (.0%) have expected count less than 5. The minimum expected count is 5.22.

TABLE 8: LEVEL OF EDUCATION \* ENHANCE THE QUALITY OF EDUCATION

CROSS TABULATION					
			Enhance the Quality of Education		Total
			NO	YES	
Level of Education	Under-Graduate	Count	27	17	44
		% within Level of Education	61.4%	38.6%	100.0%
	Post- Graduate	Count	28	1	29
		% within Level of Education	96.6%	3.4%	100.0%
	Diploma	Count	6	17	23
		% within Level of Education	26.1%	73.9%	100.0%
	PG - Diploma	Count	8	6	14
		% within Level of Education	57.1%	42.9%	100.0%
Total		Count	69	41	110
		% within Level of Education	62.7%	37.3%	100.0%

TABLE 9: LEVEL OF EDUCATION \* DEVELOPMENT OF E-LEARNING DUE TO ITS ACCESSIBILITY

CROSS TABULATION					
			Development of E-Learning due to its accessibility		Total
			NO	YES	
Level of Education	Under-Graduate	Count	2	42	44
		% within Level of Education	4.5%	95.5%	100.0%
	Post- Graduate	Count	0	29	29
		% within Level of Education	.0%	100.0%	100.0%
	Diploma	Count	0	23	23
		% within Level of Education	.0%	100.0%	100.0%
	PG - Diploma	Count	1	13	14
		% within Level of Education	7.1%	92.9%	100.0%
Total		Count	3	107	110
		% within Level of Education	2.7%	97.3%	100.0%

TABLE 10: LEVEL OF EDUCATION \* DEVELOPMENT OF E-LEARNING DUE TO ITS ACCESSIBILITY

CHI-SQUARE TESTS			
	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	8.135 <sup>a</sup>	3	.043
Likelihood Ratio	7.431	3	.059
Linear-by-Linear Association	2.243	1	.134
N of Valid Cases	110		

a. 4 cells (50.0%) have expected count less than 5. The minimum expected count is .44.



TABLE 11: LEVEL OF EDUCATION \* CUSTOMER KNOWLEDGE MANAGED TO DO INNOVATIONS

CROSS TABULATION					
		CK managed to do Innovations		Total	
			NO	YES	
Level of Education	Under-Graduate	Count	29	15	44
		% within Level of Education	65.9%	34.1%	100.0%
	Post- Graduate	Count	14	15	29
		% within Level of Education	48.3%	51.7%	100.0%
	Diploma	Count	21	2	23
		% within Level of Education	91.3%	8.7%	100.0%
	PG - Diploma	Count	11	3	14
		% within Level of Education	78.6%	21.4%	100.0%
Total		Count	75	35	110
		% within Level of Education	68.2%	31.8%	100.0%

TABLE 12: LEVEL OF EDUCATION \* CUSTOMER KNOWLEDGE MANAGED TO DO INNOVATIONS

CHI-SQUARE TESTS			
	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	11.767 <sup>a</sup>	3	.008
Likelihood Ratio	12.838	3	.005
Linear-by-Linear Association	3.173	1	.075
N of Valid Cases	110		

a. 1 cells (12.5%) have expected count less than 5. The minimum expected count is 4.45.

TABLE 13: AGE GROUP \* CUSTOMER KNOWLEDGE USED TO DEVELOP E-LEARNING SYSTEM

CROSS TABULATION					
			CK used to develop E-learning System		Total
			NO	YES	
Age Group	less than 20 year	Count	3	13	16
		% within Age Group	18.8%	81.2%	100.0%
	21-40 years	Count	17	29	46
		% within Age Group	37.0%	63.0%	100.0%
	41-60 years	Count	1	20	21
		% within Age Group	4.8%	95.2%	100.0%
	61-80 years	Count	12	15	27
		% within Age Group	44.4%	55.6%	100.0%
Total		Count	33	77	110
		% within Age Group	30.0%	70.0%	100.0%

TABLE 14: AGE GROUP \* CUSTOMER KNOWLEDGE USED TO DEVELOP E-LEARNING SYSTEM

Chi-Square Tests			
	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	11.076 <sup>a</sup>	3	.011
Likelihood Ratio	13.208	3	.004
Linear-by-Linear Association	.770	1	.380
N of Valid Cases	110		

a. 1 cells (12.5%) have expected count less than 5. The minimum expected count is 4.80.

## FINDINGS

From the above data of Table 1 it has been observed that 84.8% of the Teachers use Internet for obtaining Information while 66.7 % students get information from the Internet. Not only Teachers or Students but other people (82.1%) also prefer to use Internet to obtain Information. This shows that there is an inclination of mass is towards the use of electronic modes for obtaining Information.

From the Chi-square test (Table 2) it has been found that the two-sided asymptotic significance value of Pearson chi-square is greater than 0.10 which shows that there is no significant relationship with the occupation of respondent with the use of Internet for obtaining Information.

From the above data of Table 3 it has been observed that 69.6% of the Teachers and 41.7 % students use Internet for doing E - Commerce / E – Business transactions while 57.1% of other respondents perform E-Commerce / E – Business from the Internet. Still a big mass of total 42.7 % of the respondents doesn't use Internet for E – Commerce / E – Business or we can say they don't prefer to perform E – Commerce transactions. This reflects that still Indian community hesitates to perform business transactions electronically whether it to purchase goods or to go for e-learning.

From the Chi-square test (Table 4) it has been found that the two-sided asymptotic significance value of Pearson chi-square is less than 0.10 which shows that there is significant relationship between the occupations of respondent and the use of Internet for E-commerce/ E-business.

From the above data of Table 5 it has been observed that 50% of the Teachers use Internet for their research work while only 36.1 % students use Internet to perform their Research work. Other people (46.4%) also prefer to use Internet to perform various research works. This lacking behavior for using Internet for the purpose of research work may be because of lacking research interest in the students and Teachers or due to some other reasons.

From the Chi-square test (Table 6) it has been found that the two-sided asymptotic significance value of Pearson chi-square is less than 0.10 which shows that there is significant relationship with the occupation of respondent with the use of Internet for their Research work.

From the above data of Table 8 it has been observed that 61.4% of the respondents dealing with Under-Graduate courses, 96.6% of the respondents dealing with Post-Graduate courses, and 57.1% respondents dealing with Post-Graduate Diploma courses have a doubt on enhancing the quality of education through e-learning while 73.3 % respondents dealing with Diploma courses believe that thru E-learning we can enhance the quality of education as we will be exposed to the International quality of teaching methodology and when it is a mixture of the customer's ideas who is the ultimate end-user will definitely enhance the quality of education.

From the Chi-square test (Table 7) it has been found that the two-sided asymptotic significance value of Pearson chi-square is less than 0.10 which shows that there is a significant relationship with the Level of Education of which the respondent is dealing and the enhancement of quality of education thru involvement of Customers in E-learning.

In table-9, 97.3% of the total respondents dealing with various educational levels strongly believe that E-learning can be developed by utilizing the customer's knowledge and it's only because of its flexible accessibility. 100% of the respondents dealing with the Post-graduate and diploma courses, 95.5% from Under-graduate courses and 92.9% of Post-graduate diploma courses are in agreement of this view while 4.5% of the respondents dealing with Under-graduate courses & 7.1% dealing with Post-graduate diploma courses still believe that not only its flexible accessibility there is something more to be required to develop the e-learning thru its customer knowledge.

From the Chi-square test (Table 10) it has been found that the two-sided asymptotic significance value of Pearson chi-square is less than 0.10 which shows that there is a significant relationship with the Level of Education of which the respondent is dealing and the development of E-learning thru its customer's knowledge due to its flexible accessibility.

68.2% of the total respondents in (table 11) dealing with various level of education don't believe that if customer knowledge is properly managed in e-learning environment it can results in Innovations while 34.1%, 51.7% 8.7% and 31.8% of respondents dealing with undergraduate courses, Post-graduate courses, Diploma courses and Post-graduate diploma courses respectively believe that if the customer knowledge can be managed properly, it can create wonders.

From the Chi-square test (Table 12) it has been found that the two-sided asymptotic significance value of Pearson chi-square is less than 0.10 which shows that there is a significant relationship with the Level of Education of which the respondent is dealing and the management of customer's knowledge for E-learning to result in innovations.

In table 13, 70.0% of the respondents of various age group are in agreement that Customer Knowledge of the students of E-learning environment can be used to develop E-learning system effectively which are as 81.2% of the respondents from the age-group of less than 20 years, 63.0% of the respondents from the age group of 21-40 years, 95.2% of the respondents from the age-group of 41-60years and 55.6% of the respondents from the age-group of 61-80 years believe that if the customers knowledge of the students is used, an effective E-learning system can be developed.

From the Chi-square test (Table 14) it has been found that the two-sided asymptotic significance value of Pearson chi-square is less than 0.10 which shows that there is significant relationship with the age group of population with the development of E-learning system by using its own customer knowledge/ creativity and ideas.

## CONCLUSION

At first glance, the results of this study may cause some readers to question the value of incorporating online learning units into a traditional course. The ultimate question for educational research is how to use this Customer's Knowledge (A combination of understanding, significance, and situation information) tool to maximize learning opportunities in e-learning process. The result of this research shows that that irrespective of the occupation of the customer people are using internet (an electronic mode) for obtaining their information but simultaneously on other hand still they are hesitating to go for e-commerce or e-business transactions may be because of reliability and trust. Though retrieving information from Internet is too responsive and fast but it is very difficult to rely on it as it is a mess of right and wrong information but still it is found from this research that there is an inclination of mass towards the use of electronic modes for obtaining Information. From this research it has been observed that still people in India are doing less work on Internet for their research purpose while for such type of task Internet is a better platform and in future if we have to develop the e-learning, we have to motivate them to become more Internet savvy as the more they will do their research work on Internet, e-learning organizations will be able to gather more and more views to develop this aspect. For developing the e-learning models the industry have to make their products which suits to their customers according to their understanding, mode of learning, grasping power, requirement and utility. So until and unless they will not provide a platform to their customers for customization of their course content and its presentation, learning pattern, resolving queries, assessment criteria etc they will not be able to provide a product for all of their customers which can be from diversified in nature due to globalization.

The biggest advantage of e-learning is its flexibility and accessibility which makes their customers to learn as per their convenience of time and place and definitely if they were in full blow they can generate better ideas for its development. Now the matter is for the industry that how it manages and utilizes their customers knowledge for the development of new products for the industry and not only this they should develop such type of programs in which the interest of their customer can be developed, to compel them to become more active and participative to generate new ideas by using their creativity. There is no scope of doubt if most of their customers will develop their creativity and share their ideas, the quality enhancement will ultimately take place. As the use of student's (customer) knowledge which resides within them and their ability for innovation and improvements that helps in the development of this e-learning industry which will enhance the quality of education and develop effective e-learning system. Further research will likely yield additional insight to educators and trainers about where, when, and how to apply this CKM tool to develop e-learning.

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## THE EFFECTS OF ORGANIZED RETAIL SECTOR ON CONSUMER SATISFACTION: A CASE STUDY IN MYSORE CITY

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### ABSTRACT

*In recent days Retail scenario has grown rapidly and is reaching its zenith. Retailing in India is becoming increasingly important and organized retailing is poised to grow at an exponential rate. Consumers are now enjoying a wide variety of products and services to choose from retailers. Retailers provide genuine value to consumer so that they will be able to establish themselves in the long run. Consumers are emerging as the emperors of retailing in India with their discerning buying attitudes and their ever increasing purchasing power. The present paper is an attempt to know about factors influencing on consumer satisfaction in retail sector through their preference for retail sector, choice for various commodities, price advantages, displays, quality of products, offers and discounts and services provided in retail sector etc. Suitable statistical and econometric techniques like pie chart, correlation, regression, chi-square test and logit model have been used for data analysis. It was found that the consumers are more satisfied with quality of product available in the organized retail sector. And also, the advertisement and offers play a vital role in increasing consumer satisfaction in organized retail sector.*

### KEYWORDS

Consumer Satisfaction, Discounts, Offers, Organized Retailing, Price Advantage.

### INTRODUCTION

In recent days Retail scenario has grown rapidly and is reaching its zenith. The Indian retail industry is the fifth largest in the world. Retail development in India is unique, as it co-exists in both organized and unorganized sector with over twelve million retail outlets of various size and formats. The term Retail- originates from a French word retailer, which means to cut a piece off or to break bulk. Retailer is someone who cuts off or sheds a small piece from something. Retailing is buying in large quantity from a whole seller or directly from manufacturers and selling the goods or services to consumer for personal consumption. Retail industry is one of the fastest growing industries in India, especially over the last few years. According to the 8<sup>th</sup> Annual Global Retail Development Index (GRDI) of AT Kearney, Indian retail industry is the most promising emerging market for investment. In 2007, the retail trade in India had a share of 8-10% in the GDP (Gross Domestic Product) of the country. In 2009, it rose to 12%. It is also expected to reach 22% by 2010 with an employment of around 8%, being determined by strong income growth, changing life styles and favorable demographic patterns. Over 12 million outlets operate in the country and only 4% of them are larger than 500 sq ft (46 m<sup>2</sup>) in size. Organized retailing refers to trading activities undertaken by licensed retailers, that is, those who are registered for sales tax, income tax, etc. These include the corporate-backed hypermarkets and retail chains, and also the privately owned large retail businesses. Unorganized retailing, on the other hand, refers to the traditional formats of low-cost retailing, for example, the local kirana shops, owner managed general stores, paan/beedi shops, convenience stores, hand cart and pavement vendors, etc.

In the present era, customer is the center point of all the marketing activities. The objective of the marketers has shifted from maximization of profits to maximization of customer satisfaction. Customer behavior is unpredictable, so marketer has to implement different strategy to keep the customer loyalty. According to Manju Rani Malik, there are three major motivating aspects regarding goods and services which convince the customer to visit organized retail outlets they are: variety of product, branded products and availability of all necessary goods. The major motivating aspect regarding prices is reasonable when compared with quality of product and also location where customers choose the shop that is close to their residence or workplace. The Indian retail sector is highly fragmented with 97% of its business being run by the unorganized retailers. In this paper attempt is made to study the factors affecting on consumer satisfaction in organized retail sector in Mysore city.

Consumer satisfaction is a measure of how products and services supplied by a company meet or surpass customer expectation. Customer satisfaction is also defined as "the number of customers or percentage of total customer, whose reported experience with a firm, its products, or its services (ratings) exceeds specified satisfaction goals". (Retail Management by Barry and Joel, P-137).

### REVIEW OF LITERATURE

**Parasuraman et al (1985)** identified 10 criteria as service quality determinants i.e., Access, communication, competence, courtesy, credibility, reliability, responsiveness, security, tangibles and understanding or knowing the customer. Later, they simplified them into five dimensions namely tangibles, reliability, responsiveness, assurance and empathy.

**Dr.M.Anbalagan and V.Gunasekaran (2007)** find that the Indian consumers are influenced by the factors like media explosion; increase in the disposable income especially the earnings of younger people, standard of living, change in expenditure pattern and the increase in the number of working women. The consumer landscape is changing very fast. A consumer today looks forward to an exciting list of choices, new categories and new shopping options and has increasing disposable incomes to fulfill their aspirations.

**Anuradha Kalhan (2007)** in his small sample survey of the impact of mall on small shops and hawkers in Mumbai points to a decline in sales of groceries, fruits and vegetables, processed foods, garments, shoes, electronic and electrical goods in these retail outlets, ultimately threatening 50 % of them with closure or a major decline in business. Only 14% of sample of small shops and hawkers has so far been able to respond to the competitive threat of the malls with the institution of fresh sales promotion initiatives.

**Jyotsna Diwan Mehta (2009)** has observed that India is a fast developing nation. Since the population is very high, we have the highest level of growth in the retail sector. Indian retail scenario has awakened to the new challenges and about \$ 35 billion is expected to be invested in next half decade.

According to **T.R. Renuka Murthy and Devaraju (2010)**, the retail outlets in India are mainly dominated by unorganized sectors. Most of today's customers are moving or shifting from traditional retail landscape to modern retail formats. Retailing has become common part of everyday life. They are enjoying and buying goods from these outlets and are happy with the services and products that are being offered and provided by these retail outlets.



**A.M. Suresh and R. Shashikala (2010)** opine that the Indian retail sector has got its own problems and challenges. There is a big gap between customer expectation and their perception of quality (using SERVQUAL instrument – Cronbach's co-efficient). The conclusion is that the retail sector has to improve quality in all the aspects of services to achieve consumer satisfaction.

**Dr. J S Prasad and Dr. A R Aryasri (2010)** in their study focus on the phenomenal changes and developments happening in retailing in view of the burgeoning consumerism. Riding on economic growth and widespread consumerism, the Indian consumer market and retail trade has become siamese twins and growing in tandem. With the rising affluent middle class society, changing consumption patterns, rise in number of dual income nuclear families and the youth driven culture are some of the factors fuelling the new wave of consumerism.

**Dr. Avinash Kapoor and Dr. Chinmaya Kulshrestha (2010)** explored whether the customer's shopping motivation gets affected by in store environment; how does an in store environment influence the customers evaluation of utilitarian and hedonic benefits; and finally what are the consequences of overall shopping value?. In sum, the paper emphasized that store environment impacts consumer perceptions of utilitarian and hedonic benefits offered by the store, and may influence different types of shoppers in unique ways.

**Dr. Raj Kamal and Pankaj Agarwal (2010)** highlight that at present, all over the world retail sectors are facing more competition and as a consequence find it more and more difficult to differentiate their stores on the basis of product, place, people, price and promotion. Since the beginning of the 1970's, with Kotler's pioneering work, the topic of atmospheric effects on consumer behavior has gained popularity. The elements of retail sectors such as display, variety of product, and visual merchandising are having immediate effects on the buying decision making process of customers.

**Shweta Arora, Priya Rathi and Vaishali Malhotra (2010)** concluded that India's organized and unorganized retail sectors can co-exist and flourish. The growth in the Indian organized retail market is mainly due to the change in the consumer's behavior. Due to increased income, changing lifestyles and patterns of demography the consumer wants to shop at a place where he can get food, entertainment, and shopping all under one roof. And even the retailers also take all pains to satisfy the consumer by taking care of choice of the consumers and have the product which is demanded by them and at a same time maintain a good relationship to retain them and consequently convert them into their loyal customer.

**Mrs Dhivya Sathish and Mr D Venkatramaraju (2011)** feel that the world is under the roof of modernization in all aspects of lifestyle, business and economy, science and technology, consumer behavior and many more. The roof of modernization has also encapsulated the retail industry that is getting modernized everyday with new store concepts and ideas. It is understood that the retail concepts are well modernized and becoming important to understand the clear-cut expectation of the shoppers while selecting a retail outlet for shopping and their level of choices in selecting the same. The study tried to unveil the areas of shopper's expectations, choices and its relationship with various other parameters through a structured and customized market research technique.

**According to Manju Rani Malik (2011)** retail industry is the largest industry in India, with an employment of around 8% and contributing to over 10% of the country's GDP. Retail industry in India is expected to rise 25% yearly being driven by strong income growth, changing life styles and favorable demographic patterns. The study explored the components of retail customer satisfaction and also investigates relationship between each of the retail customer satisfaction components and customers satisfaction level. As the majority of the respondents belong to the younger generation and women, their needs should be taken to account while deciding the marketing strategy. Location, variety of products and reasonable price are the major motivating factors that influence the customer to visit the retail outlets again. Organized retailers are suggested to offer convenient location, sufficient parking space and such an atmosphere ambience so that customers can have a pleasurable shopping experience.

**Hemant Syal (2011)** concludes that retailing is the interface between the producer and the individual consumer for buying for personal consumption. India has the highest shop density in the world in retail market and it is ranked second in the global retail development index out of 30 by AT Kearney. For few years, foreign retailers have the role of facilitator for standardizing the agribusiness and to unify customer's preference across the country. The competition will help to increase the quality of service of the existing local retailers and customer satisfaction in Indian society.

**Subhadip Mukherjee (2011)** in his paper found the determinants of the relative share of organized and unorganized retail sector of a country. A multiple regression model has been used in his study to find the determinants. The result from the analysis revealed that GDP, women's participation rate, foreign investment freedom and urbanization rate of a country, positively influenced the growth of the relative share of organized retail sector. This may have enormous socio economic effect on the nature of business competition with several outcomes for ever dominating unorganized retailers.

## OBJECTIVES OF THE STUDY

- To analyze the factors influencing consumer satisfaction in organized retailing.

## SCOPE OF THE STUDY

The study tried to identify the significant factors which influence customer satisfaction in organized retailing in Mysore city. It considers some of the factors like preference for retail sector, choice for various commodities, price advantages, displays, quality of product, offers and discount and services provided in retail sector etc. and tried to analyze the influence of these factors on consumer satisfaction. Due to time constraint only limited numbers of respondents i.e., 100 were questioned.

## METHODOLOGY

The study is based on primary data and it was carried out in Mysore. Interviews were conducted by using questionnaires, 100 respondents were selected randomly among the customers of the retail shops, immediately after the completion of the shopping experience in a mall.

### BINARY DEPENDENT VARIABLE MODELS

In this model, the dependent variable, may take on only two values— might be a dummy variable representing the occurrence of an event, or a choice between two alternatives. For example, modeling consumer satisfaction of an individual in the sample (whether satisfied or not). The individuals differ in age, gender, educational attainment, taste, average monthly income and other observable characteristics. The goal is to quantify the relationship between the individual characteristics and the probability of being satisfied.

There are three types of models to estimate binary or ordered variables; Probit, Logit and Glogit models. The present study employs logit model, because when dependent variable is expressed in binary the logit model is more appropriate.

$Satisfied = \beta_0 + \beta_1 Age + \beta_2 Sex + \beta_3 income + \beta_4 add + \beta_5 offer + \beta_6 prices + \beta_7 quality + V_i$

Where satisfaction is a binary dependent variable that denotes 1= satisfied, 0= not satisfied. The independent variables like advertisement, offer, quality are denotes 1= satisfied, 0= not satisfied. Where as in gender 1=female, 0=male. Age and income is expressed in quantitative term.

## LOGISTIC REGRESSION

## FACTORS INFLUENCING CONSUMER SATISFACTION IN ORGANIZED RETAILING

FIGURE 1

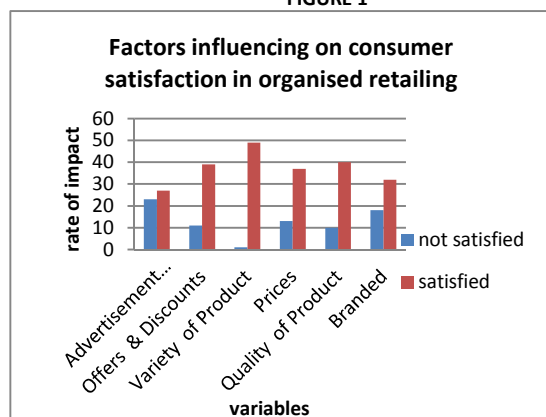


TABLE 1

Variables	Satisfaction	Non-satisfaction
Advertisement & Display	43(43%)	57(57%)
Offers & Discounts	22(22%)	78(78%)
Variety of Product	03(3%)	97(97%)
Prices	21(21%)	79(79%)
Quality of Product	13(13%)	87(87%)
Used to Branded	31(31%)	69(69%)

From the above figure and table it is clear that the variety of product (97%) and quality of product (87%) are the two factors highly influencing consumer satisfaction.

TABLE 2 LOGISTIC REGRESSION (LOGIT MODEL)

. logistic satisfied avgincome add offer prices quality age gender					
Logistic regression		Number of obs = 100			
		LR chi2(7) = 18.99			
		Prob > chi2 = 0.0082			
Log likelihood = -27.19685		Pseudo R2 = 0.2588			
satisfied	Odds Ratio	Std. Err.	z	P> z	[95% Conf. Interval]
avgincome	.9999993	3.73e-06	-0.18	0.859	.999992 1.000007
add	2.543256	2.071234	1.15	0.252	.5154299 12.54905
offer	1.760113	1.436358	0.69	0.488	.3555569 8.713088
prices	2.790546	2.240925	1.28	0.201	.5782809 13.46603
quality	16.37261	14.68955	3.12	0.002	2.821094 95.02075
age	.950323	.0283448	-1.71	0.088	.8963608 1.007534
gender	1.095683	.7969796	0.13	0.900	.2633521 4.558618

From the above results it is clear that there is significant impact of factors on consumer satisfaction. The factors like average income, advertisement, offer, gender and price of a product are not statistically significant, but have positive impact on consumer satisfactions. Only consumers age and product quality are statistically significant at 10% and 1% level of significance.

## CROSS TABULATION

## CONSUMER SATISFACTION AND AGE OF CONSUMER

Cross tabulations were considered to analyze the inter-relationship between consumer satisfaction and its determinants like age, gender, income, advertisement, offer, prices and quality.

## CROSS TABULATION

TABLE 1

CHI-SQUARE TESTS			
	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	52.652 <sup>a</sup>	35	.028
Likelihood Ratio	42.594	35	.177
Linear-by-Linear Association	.353	1	.552
N of Valid Cases	100		

H<sub>0</sub>: There is no significant influence of age on consumer satisfaction.

H<sub>1</sub>: There is significant influence of age on consumer satisfaction.

From the above results it is clear that influence of consumers' age on satisfaction is statistically significant at 5% level of significance. So, we reject the null hypothesis and accept the alternative hypothesis that is there is a significant influence of consumer's age on satisfaction level. Also there is negative relationship between the age and consumer satisfaction, as consumer age increases satisfaction decreases.

**CONSUMER SATISFACTION AND QUALITY OF PRODUCT  
CROSS TABULATION**

TABLE 2

count		Quality of product		Total
		no quality	more quality	
Satisfied	not satisfied	6	6	12
	satisfied	7	81	88
Total		13	87	100

CHI-SQUARE TESTS			
	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	16.506 <sup>a</sup>	1	.000
Continuity Correction <sup>b</sup>	12.998	1	.000
Likelihood Ratio	11.774	1	.001
Fisher's Exact Test			
Linear-by-Linear Association	16.341	1	.000
N of Valid Cases <sup>b</sup>	100		

H<sub>0</sub>: There is no significant influence of product quality on consumer satisfaction.

H<sub>1</sub>: There is significant influence of product quality on consumer satisfaction.

From the above results it is clear that influence of product quality on satisfaction is statistically significant at 1% level of significance. The null hypothesis is rejected and the alternative hypothesis is accepted i.e., there is a significant influence of product quality on consumer satisfaction level. There is positive relationship between the quality of product and consumer satisfaction, as product quality increases consumer satisfaction increases.

**CONSUMER SATISFACTION AND PRICE OF PRODUCT  
CROSS TABULATION**

TABLE 3

CROSSTAB				
	Count	Price of product		Total
		not reasonable	reasonable	
Satisfied	not satisfied	6	6	12
	satisfied	15	73	88
Total		21	79	100

CHI-SQUARE TESTS			
	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	6.913 <sup>a</sup>	1	.009
Continuity Correction <sup>b</sup>	5.069	1	.024
Likelihood Ratio	5.793	1	.016
Fisher's Exact Test			
Linear-by-Linear Association	6.844	1	.009
N of Valid Cases <sup>b</sup>	100		

H<sub>0</sub>: There is no significant influence of product price on consumer satisfaction.

H<sub>1</sub>: There is significant influence of product price on consumer satisfaction.

From the above results it is clear that influence of product price on satisfaction is statistically significant at 1% level of significance. The null hypothesis is rejected and the alternative hypothesis is accepted that there is significant influence of product quality on consumer satisfaction level.

**CONSUMER SATISFACTION AND OFFER  
CROSS TABULATION**

TABLE 4

CROSSTAB				
	Count	Offer		Total
		not affected	affected	
Satisfied	not satisfied	5	7	12
	satisfied	19	69	88
Total		24	76	100

The cross table highlights that out of 100 respondents, 76 said the offers influence customer satisfaction and 24 customers said offers do not influence consumer satisfaction. In 76 respondents, 7 are not satisfied and 69 are satisfied with offer given by retail outlets and where as out of 24 respondents, 5 are not satisfied and 19 are satisfied with the offer given in organized retail sector.

**CONSUMER SATISFACTION AND ADVERTISEMENT  
CROSS TABULATION**

TABLE 5

Crosstab				
	Count	Advertisement		Total
		not affected	affected	
Satisfied	not satisfied	7	5	12
	satisfied	36	52	88
Total		43	57	100

The cross table indicates that out of 100 respondents, 57 visit the organized retail due to advertisement and 43 are not influenced by advertisement. In 57 respondents, 5 are not satisfied and 52 are satisfied. Out of 43 respondents, 7 are not satisfied and 36 are satisfied with advertisement of organized retail sector.

CONSUMER SATISFACTION AND GENDER  
CROSS TABULATION

TABLE 6

CROSSTAB				
		Gender		Total
	Count	Male	Female	
Satisfied	not satisfied	6	6	12
	satisfied	37	51	88
Total		43	57	100

The table reveals that out of 100 respondents, 57 are females and 43 males. In 57 female respondents, 6 are not satisfied and 51 female are satisfied. Out of 43 males, 37 are satisfied and 6 are not satisfied in the service provided in organized retail sector.

**CONCLUSION**

Now a day's most of the customers prefer purchasing products from organized retail outlets than unorganized outlets. Satisfaction of consumers in retail sector is an important criterion for a marketer to understand for further strategic decision. It was observed that most of the consumers are satisfied with the quality of service, price and variety of goods provided by organized retail outlets. The retail outlets should provide more attractive offers and discounts so that they can satisfy their customers. From the above analysis it is found that quality of product and age of consumers which are statistically significant factors influence more on consumer satisfaction in organized retail sector. Most of youngsters and female consumers are more attracted towards the retail sector. It is concluded that the major features of retail outlets that influence the customers and make it a place of attraction are variety of products, price, quality of product, getting every goods under one roof. In modern days consumer is considered as the emperor of the retail sector. So, the organized retailer should give more importance to those factors which influence consumer satisfaction and their buying decision.

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## PERCEIVED BENEFITS AND RISKS OF ELECTRONIC DIVIDEND AS A PAYMENT MEDIUM IN THE NIGERIA COMMERCIAL BANKS

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### ABSTRACT

*The need for more secure dividend payment came in the wake of recurring and high incidence of unclaimed dividends by shareholders. The existing warrant payment system has led to many problems which include poor logistics management and inadequate update of personal data on the part of shareholders. The concept of e-dividend is very new in Nigeria and has therefore become a subject of interest to Scholars and practitioners, especially Professional Accountants, Bankers and Information Technology experts. The paper attempted to examine the perceptions of selected bankers on the influence of e-dividend on banks service delivery cum the resultant effect on shareholders wealth with a view to evaluate the impact of e-dividend at reducing the problem of unpaid dividend. Few studies exist in Nigeria as to the application of e-payment concept to dividend payment. Data collected through questionnaire administered on selected banks in Lagos state were analysed using mean score analysis. The choice of Lagos was due to its predominance of commercial activities and selection by the Nigerian government as cashless policy implementation starting point. The analysis was based on data collected through the administration of structured questionnaires on management staff of First Bank PLC and UBA PLC. The hypotheses formulated were centered on the variables: perceived ease of dividend collection, saving postage time and cost, improved dividend delivery and shareholders preference for electronic dividend. Hypotheses were tested with Z-Score statistics to examine relationship between e-dividend practices and the performance of banks that adopt e-dividend in term of dividend service delivery. The result revealed that bankers perceived e-dividend as promoting ease of collection by shareholders, saving postage time and cost as well as improved dividend delivery service. The result of the study is expected to throw light on the concept of e-dividend and would be of help to shareholders of companies, policy makers and other stakeholders in banking sector at exploring the benefits of dividend payment through the electronic channel. It would also be part of policy consideration in the Nigerian cashless policy implementation.*

### KEYWORDS

E-dividend, payment medium, unclaimed dividend, dividend service delivery, shareholders wealth, Nigerian commercial banks.

### INTRODUCTION

The electronic system of dividend payment (e-dividend) was introduced into the stock market in Nigeria on February 28, 2008, with about 35 per cent of investors in the Nigerian capital market who have embraced the e-dividend payment system according to security and exchange commission (SEC 2008). Anand, (2004) observed that the payments of dividend help reduce the agency cost associated in a corporate form of organizational structure. The dividend payments reduce the incentive to managers to use free cash flows for creation of corporate wealth instead of shareholders' wealth [Jensen 1986; Lang and Litzenberger (1989) and Agrawal and Jayaraman (1994)]. However the inability of regulators to adequately educate the investing public on benefits to keying into electronic dividend has, to a large extent, retarded the growth of the concept which was formulated to ease dividend collection and stem the tide of unclaimed dividends in the country. The Securities and Exchange Commission (SEC) recently estimated unclaimed dividend in the capital market at N33 billion with investors disagreeing with government's plan to set up a body to manage the funds. (SEC Report 2010). A rational shareholder would be willing to get cash dividend in the most convenient form in line with the theory of Bird in hand.

Payment of dividends to shareholders of quoted companies in Nigeria has been fraught with many administrative bottlenecks leading to accumulation of unclaimed dividends over the years. This perennial problem has generated a lot of debate which has consequently attracted the concerns of all stakeholders in the Nigerian equity market. The need for more secure dividend payment came in the wake of reoccurring and high incidence of unclaimed dividends by shareholders. The existing warrant payment system has led to many problems which are as a result of inefficiency of the system, poor logistics management and inadequate update of personal data on the part of shareholders. One of the critical areas of the company is the determination and implementation of its dividend in order to create and add value to shareholders fund. The need for reinforcement of shareholders' confidence can be seen from the statement of (Obinna, 2007) which maintains that the continuous retention of dividends by companies had distorted their true financial position and misled investors and other members of the public. This is corroborated by Babalola (2005) who opined that most public quoted companies attempt to act deliberately to ensure a high figure of unclaimed dividends as a cheap source of fund to the detriment of investors. It is very clear that despite the various agitations towards resolving the problem of unclaimed dividends, a robust policy towards the elimination of this problem has been elusive. To achieve significant long-term elimination of unclaimed dividends and clear the backlogs, a pragmatic approach is required which will also protect the interest of shareholders.

E-dividend which refers to the payment of dividend due to shareholders through direct credit by electronic means into their nominated bank accounts was recommended by the Securities and Exchange Commission (SEC) in 2008 to reduce the incidence of unclaimed dividends (Oladejo & Oyerinde, (2011)). It was gathered that the automated electronic funds transfer would be operated through the existing electronic payment platforms of the Nigerian Inter-bank Settlement System to effect payment into shareholders' bank account. In doing this, registrars are expected to issue notices to shareholders to inform them of dividend deposits into their respective bank accounts. Late or non-receipt of dividends has discouraged some investors from patronizing the stock market. For instance, Adefila *et al*, (2001) establish that dividends payment is more of attractive bait for stimulating investment in Nigeria. For it is unusual for the rejection of dividend declaration in favour of capital gains by share holders and neither would they advocate a reduction in the level of dividends declared for any other reason for that matter.

From the review of Central Securities Clearing System Limited (CSCS) performance for year 2010 made available to the Nigeria clearing house it has been observed that there were currently over 4.5 million shareholders on CSCS System going by statistics gathered at the end of 2010 in comparison to over 4.32

million shareholders recorded in previous years (CSCS Report 2010). The extent to which the payment of dividends through the electronic means influence dividend delivery to enhance shareholders wealth and possible eradication of unclaimed dividends shall form the thrust of the present study.

## STATEMENT OF THE PROBLEM

In Nigeria many studies have analyzed the relationship between the shareholders wealth and dividend payment. Despite the number of research studies that had been carried out on e-dividend in various countries such as South Africa (Frame and White, 2002.) USA (Chakravorti et al, 2003) and UK (Chang, 2002), research – based evidence on perceived benefits and risks associated with e-dividend payment system in Nigeria is scarce. The concept of e-dividend is very new in Nigeria and has therefore become a subject of interest to Scholars and practitioners, especially Professional Accountants, Bankers and Information Technology experts. Few studies exist in Nigeria as to the application of e-payment concept to dividend payment system. The paper attempted to examine the perceptions of selected bankers on the influence of e-dividend on banks service delivery cum the resultant effect on shareholders wealth with a view to evaluate the impact of e-dividend at reducing the problem of unpaid dividend. Specifically, the study will answer the following research questions:

- ❖ Does e-dividend has significant impact on dividend delivery to shareholders?
- ❖ How do the bankers perceive the e-dividend payment medium?
- ❖ Is there any significant relationship between e-dividend and unclaimed dividends?

## RESEARCH HYPOTHESIS

From the research questions above' the following null hypotheses will be tested:

- ❖ HO1: There is no significant difference in the bankers perception of e-dividend as a payment medium.

## LITERATURE REVIEW AND CONCEPTUAL EXPLANATION

The optimal dividend policy of a firm depends on investor's desire for capital gains as opposed to income, their willingness to forgo dividend now for future returns, and their perception of the risk associated with postponement of returns (Adefila *et al*, 2011). The theory of dividend relevance was proposed by Myron J. Gordon and John Lintner. Dividend relevance theory suggests that investors are generally risk averse and would rather have dividends today ("bird-in-the-hand") than possible share appreciation and dividends tomorrow. Dividend relevance theory proposes that dividend policy affect the share price. Therefore, according to this theory, optimal dividend policy should be determined which will ensure maximization of the wealth of the shareholders. Empirical studies do not support this theory. However, actions of market participants tend to suggest that there is some connection between dividend policy and share price. Miller and Modigliani (1961) observed that "the Dividend Policy is Irrelevant". The dividend policy has no effect on the price of shares and it has no impact on a shareholder's wealth, under the Perfect Capital Market (PCM) which assumes rational investors. They, therefore, concluded that dividend policy has no impact on shareholders' wealth and that all dividend policies are equivalent.

Diffusion of Innovations is a theory that seeks to explain how, why, and at what rate new ideas and technology spread through cultures. In 1962 Everett Rogers, a professor of rural sociology published Diffusion of Innovations. In the book, Rogers synthesized research from over 508 diffusion studies and produced a theory for the adoption of innovations among individuals and organizations. The book proposed 4 main elements that influence the spread of a new idea: the innovation, communication channels, time, and a social system. If the innovation is adopted, it spreads via various communication channels. During communication, the idea is rarely evaluated from a scientific standpoint; rather, subjective perceptions of the innovation influence diffusion. Rogers categorizes the five stages (steps) as: awareness, interest, evaluation, trial, and adoption. An individual might reject an innovation at any time during or after the adoption process. In later editions of the Diffusion of Innovations Rogers changes the terminology of the five stages to: knowledge, persuasion, decision, implementation, and confirmation. However the descriptions of the categories have remained similar throughout the editions.

Dividends are payments from a company's earnings to shareholders after the obligation of all fixed income earners have been met. Dividend concept has generated a lot of controversies in the financial market, some schools of thought believe that dividend payment is an active variable in the valuation of the firm (Solomon, 1969.) while others believe that dividend impact does not matter and is irrelevant in valuation (Modigliani and Miller, 1961). According to Brealey & Meyer (2003) a company must decide what proportion of its earning to pay as dividend and what proportion to retain as reserve amidst other investment decision. Therefore, dividend decision is one of the five financial management functions of any firm since dividend involves cash flow, it is affected by the firm's other four decisions.

The leading proponent of the relevance of dividend theory, Gordon (1962) affirmed that shareholders do have a preference for current dividend. Investors prefer the bird-in-hand of cash dividend rather than the two in the bush of future capital gains. Several studies provide support for the bird in hand hypotheses which includes Gordon and Shapiro (1956), Gordon (1959,1963), lintner (1962) and Walter (1963) cited in Husam,Michael and Rekha (2010).

## CONCEPT OF ELECTRONIC DIVIDEND

The arrival of the internet technology on the commercial panorama has generally changed the nature of contemporary dividend payment system. Indisputably, the trend is towards more of financial transactions migrating to online electronic systems using highly sophisticated computer machines and internet facilities. The impact of e-dividend has been more apparently observed in the financial and the banking sector when compared with other industries. Kannabiran and Narayan (2005) argued that in many industries technology is being implemented as a response to customers' demands, but the dynamism of innovation in the banking industry is subtler than this. Rapid technological developments in information collection, storage, processing and transmission have greatly affected the banking fraternity and continue to do so (Arbussa, 2001; Armitage 2002). Generally, during the last two decades a number of changes have occurred in banking technologies which have greatly influenced the ways in which success is achieved by financial institutions. The adoption of e-dividend has allowed banks to design delivery channels from a customer perspective and not only from their productivity oriented viewpoints. This has enabled the tailoring of banking services to client expectations in building close relationships with customers (Lamb et al., 2002). The pace at which user adoption has been transpiring is unarguably a major drawback for e-dividend to accomplish its successful potentials.

Literature have identified the accessibility problems of e-dividend by a number of customers as poor internet penetration, customer inflexibility to new technology, low educational levels and computer literacy to broad based adoption and constructive use of internet services (Oladele & Oyerinde 2011). Technology use is paramount for banks to develop strategies so as to gain competitive advantages in the delivery of financial services, provides useful information, expand choices, lowers costs, develops new services and streamlines purchasing processes to consumers (Hollensen, 2003).

The growth and changes in consumer demand require gratification which is enhanced through the use of e-dividend. The automation of basic operations in the provision of services has enabled banks to integrate their delivery channels with the aim of offering better services to customers, for example, the use of internet banking, ATMs and cell phone banking. Computer literacy among consumers, greater consumer awareness, and the explosion in installed PCs, computer networking, internet and business analysis models are amongst new technologies which have fuelled e-dividend. The following factors have been identified to have enabled e-dividend payment system to be increasing numbers of internet users, affordability of high performance technologies and poverty of time and searching efforts.

## THE NEED FOR ELECTRONIC DIVIDEND SYSTEM

E-dividend refers to the online payment of cash dividend into a shareholder's nominated bank through a direct credit rather than issuing a cheque or warrant. Hitherto, the old dividend payment warrant system was characterized by numerous problems, which include irregular signatures by applicant with multiple applications for an offer; inability to identify the next of kin of shareholders that die intestate; inefficiency of the postal system; deliberate act to deny investors their benefit through various schemes by companies that lack liquidity to pay; observed reliance on the part of registrars and their related businesses on the

float provided by unpaid dividends as working capital and; poor logistics management and inadequate data on the part of shareholders. Going forward, this latest initiative is expected to enhance transparency and give investors immediate access to cash dividend once corporate action is paid by companies.

Oladele & Oyerinde (2011) assessed the factors influencing the adoption of e-dividend payment method by Nigerian banks. To achieve the objectives of the study, primary data were collected from purposively selected staff of sampled banks' registrars with the aid of a structured questionnaire. The statistical analysis showed that both adopters and non-adopters expressed common view on the impact of top management support, organizational competence, IT capability, perceived benefits, perceived compatibility, perceived complexity, supporting industries, regulatory pressure, market pressure and government support on e-dividend method, but differ on the issues of e-dividend reducing transaction costs, improving transparency in dividend payment and helping in tracking investment reliably and efficiently.

Furthermore, Emmanuel (2008) maintains that as at March 31, 2007, the total sum of N28, 645,595,238.30 had accrued as dividends to be claimed with the sum of N14, 816,303,321.90 being unclaimed dividends and N13, 829,291,916.40 remaining as current dividend. He further stated that the surplus and/or returned excess money of public offers stood at N562, 802,621.00. Also, there are 1,007,234 share certificates waiting to be claimed as at March 31, 2007, in spite of the fact that there are thousands of investors who are asking daily for their share certificates (as evidence of investment). The above figure is exclusive of those that are delivered to wrong addresses.

Al-Faki (2008) stated that as at March, 2007 First Bank, hereinafter called First Registrars had about N4 billion (accrued and current) as dividends awaiting investors' claim. He further estimated the unclaimed dividends in other banks as follows: Oceanic Registrars (N2 billion), Sterling Registrars (N2.5 billion), Union Registrars (N2 billion), Afribank Registrars (N1.5 billion), Wema Registrars (N2.26 billion) and City Securities Registrars (N3 billion). He opined that the registrars are largely to blame for the huge amounts of unclaimed dividends. According to him, the registrars ought to have devised means of ensuring that investors all get their dues. Obinna (2007) argues that the only viable alternative is to embrace the new concept of e-dividend which in his opinion would lead to increased transparency in the administration of dividend payments, eliminate the costs associated with printing and posting of dividend warrants, as well as reinforce the confidence of investors in the sector. The e-Dividend payment system is the service where the dividends are credited to a bank account to facilitate the shareholders in receiving dividends from companies. Before the introduction of e-dividend, dividends are made to shareholders by cheques. Then there were always issues of loss of cheque and unclaimed dividends. With the e-Dividend service, this would facilitate you as a shareholder to have more convenience, the dividend will be deposited directly into your bank accounts.

Shareholders can obtain, fill and submit request forms for e-dividend payments from the companies where they are shareholder or they can apply through securities companies from which they receive services. A registrar will deposit dividend/ interest into bank accounts after a securities issuer requests to make dividend/ interest payments to bank accounts of shareholders or share owner. The e-Dividend payment system ensures that your dividend is credited directly into the bank account of your choice within 24 hours of the payment date. Other benefits of e-dividend as identified by Paul (2012):

- Ability to Receive the dividend payments on the due date via the money transfer
- No need to worry about delayed or lost cheques during the handling
- Receive dividend payment via bank accounts even in case of relocation without notifying to a registrar.
- Customers have no difficulty or do not have to wait for a returned mail to be reforwarded
- No need to spend time at a bank to cash cheques
- Shareholders located outside the country can save bank fees/charges for cheques and they will receive the dividend payments immediately on the paid date, while in case of cheques it will take 5-7 days.
- Shareholders will continue receiving letters regarding the dividend payments to bank accounts, including the withholding tax documents by mail.

### RISKS ASSOCIATED WITH ELECTRONIC DIVIDEND

Although, electronic dividend provides many opportunities for the banks and shareholders, it is also the case that the current banking services provided through Internet are limited due to security concerns, complexity and technological problems (Sathye, 1999; Mols, 1999). Hewer and Howcroft (1999) used the term trust to describe a measure of risk. Suganthi et al., (2001) viewed risk in the context of security concerns and risk in the context of trust in one's bank. Nancy et al.'s (2001) study found that customers' complain about computer logon times which are usually longer than making a telephone call. Liao and Cheung (2002) found that individual expectations regarding accuracy, security, transaction speed, user friendliness, user involvement and convenience are the most important attributes in the perceived usefulness of Internet-based e-retail banking. Confidentiality of consumer data is another important concern in the adoption of online banking (Gerrard and Cunningham, 2003). Customers fear that someone will have unlimited access to their personal financial information. Also, White and Nteli (2004) conducted a study that focused on why the increase in Internet users in the UK had not been paralleled by increases in Internet usage for banking purposes. Their results showed that customers still have concerns with the security and the safety aspects of the Internet.

Lack of specific laws to govern Internet banking is another important concern for both the bankers and the customers. This relates to issues such as unfair and deceptive trade practice by the supplier and unauthorized access by hackers. Larpsiri et al., (2002) argued that it is not clear whether electronic documents and records are acceptable as sufficient evidence of transactions. They also pointed out that the jurisdiction of the courts and dispute resolution procedures in the case of using the Internet for commercial purposes are important concerns. Disputes can arise from many sources. For instance, websites are not a branch of the bank. It is difficult for the court to define the location of the branch and decide whether they have jurisdiction (Rotchanakitumnuai and Speece, 2003). Other risks associated to electronic banking are job losses, lack of opportunities to socialize and the development of a lazy society (Black et al., 2001). All these put together have influence on e-dividend payment system as they pose to e-banking through which e-dividend is paid to shareholders who are customers to the banks.

### UNCLAIMED DIVIDENDS: CAUSES AND TRENDS

As part of its statutory mandate to develop the securities industry, the Securities and Exchange Commission undertook a study into the issue of unclaimed / unpaid dividends to shareholders by listed companies (SEC (2011). The study of unclaimed dividend revealed widespread and extensive incidence of accumulated unclaimed dividends owed to shareholders by listed companies in the country. Among the reasons given for the high incidence of unclaimed dividends in Nigeria jurisdiction law include:

- ❖ Wrong address of shareholders
- ❖ Death of shareholders without any notification
- ❖ Relatives and heirs may not be aware of deceased's shareholdings
- ❖ Beneficiaries may have travelled without leaving a forwarding address
- ❖ Many shareholders fail to monitor their investments
- ❖ Minimum deposit requirements by commercial banks has forced many small shareholders to close their accounts, hence, the high incidence of return of dividend cheques back to registrars
- ❖ Many individual small shareholders not satisfied with dividend amount received, do not bother to claim dividend.
- ❖ Many foreign residents, who do not have bank accounts in Nigeria find it difficult accepting their dividends in Naira overseas. This has compelled many to allow their unclaimed dividends to accumulate
- ❖ Ignorance of shareholders is generally regarded as one of the major causes of unclaimed dividends in the country.

By law, dividends become debt of a company once they are declared and must be paid. This implies that unclaimed dividends do not belong to companies that have declared them, but to investors or shareholder. However SEC (2011) observed that some listed companies and other securities market operators are holding substantial sums of monies being declared as dividend but became unclaimed dividend belonging to unidentified shareholders. The SEC in the course of



unclaimed dividend, has also examined the applicability of the Limitation Decree 1972 to outstanding unclaimed dividends and concludes that since shareholders are in principle and legally acknowledged as part owners of a company, by which they are entitled by right to dividend payments when declared, and also the fact that companies annual reports acknowledge liability of such dividend payments (claimed or unclaimed), it stands to reason that the Limitation Decree 1972 cannot be applied to unclaimed dividends. This is still so even if the shares are transferred to a third party. The SEC is aware that whilst jurisdictions all over the world with operating capital markets have extensive provisions on the treatment of unclaimed dividends, there seem to be a void or gap in Nigeria's securities industry and related laws and regulations on the subject. However, under section nine (9) of the Securities Industry Law, (Securities and Exchange Commission) is vested with powers to "maintain surveillance over activities in securities to ensure orderly, fair and equitable dealings in securities and to formulate principles for the guidance of the industry and protection of investors.

## METHODOLOGY

The twenty commercial banks in Nigeria as at 2010 made up the population of this research. A total of five banks were randomly chosen for this research. All the five banks were in the adopter category as observed Oladele and Oyerinde (2011) including Union Bank, GT Bank, UBA, First Bank and Zenith Bank. The sampling frame of this study comprises all senior and management staff in the relevant departments of the five selected public quoted banks in Lagos metropolis. The choice of these categories of employees was informed by the fact that adoption of e – dividend payment system is a major policy decision, which is clearly the responsibility of that management cadre. Also Lagos was chosen for predominance of banking activities even as the Nigerian government selecting it as the experimental cashless policy implementation centre.

The sample procedure applied is purposive sampling since the respondents were simply identifiable. Thus, the sample size is one hundred and (125) staff of the selected commercial banks' relevant's departments. This is done by choosing 5 staff in five different branches from Ikeja, Ikorodu, Island, Mainland and Badagry zones respectively, making 25 staff per selected banks. The implication of this was that the sample size adopted was not only the total representation of the population but every member was given the opportunity to partake in the study. Data were collected using a self-administered questionnaire. Questionnaires are appropriate for gathering the views of a large number of people about a particular phenomenon (Stroh, 2000). Questionnaires were used to gain general picture of the perception of bankers on benefits and risks associated with adoption of e-dividend payment. The questionnaire consists of questions that are related to possible perceptions of e-dividend payment as identified in the literature. Likert five point scales ranging from 'strongly agree' to 'strongly disagree' were used as a basis of questions. This scale has been used in previous adoption research. Instruments from previous research [Aghaunor and Fotoh (2006); Folorunso et al. (2006; Popoola (2010); Oladele & Oyerinde, 2011)] in e-commerce in Nigeria were adapted for this survey.

The analysis begins with data collected with questionnaire. To analyze the data percentage method and Mean score method will be employed. All the one hundred and twenty five (125) questionnaires administered were returned adequately filled due to the purposive selection and personal administration to the respondents bankers.

## RESULTS AND DISCUSSIONS

The focus of this study has been to ascertain if there is any impact of electronic dividend on dividend delivery service. The study has been carried out in order to examine as much as possible dividend impact and practice of Union Bank, GT Bank, UBA, First Bank and Zenith Bank as case study. The result revealed that bankers perceived e-dividend as promoting ease of collection by shareholders, saving postage time and cost, reducing transaction costs, improving transparency in dividend payment, helping in tracking investment reliably and efficiency, improved dividend delivery service and ability to reduce unclaimed dividend by shareholders.

Bankers expressed common view on risks such as the impact of top management support, organizational competence, IT capability, perceived compatibility, perceived complexity, supporting industries, regulatory pressure, market pressure and government support on e-dividend method, compliance with SEC regulations, commitment of government to promote e-dividend, understanding of e-dividend technologies by employees, and flexibility of e-dividend method.

If e-dividend is viewed as better than the existing method of operations, consistent with the needs of the adopting bank, and is easy to use, then there is a greater chance that a favorable attitude towards e-dividend will be formed as observed Oladele & Oyerinde (2011). External factors also influenced the adoption of e-dividend. A highly developed supporting industry will improve the adoption of e-dividend. The perception of the market banks operate in affects the decision to adopt.

The ranks of the perceived benefits of e-dividend are in the order presented in the table I below:

**TABLE I: BANKERS' PERCEPTIONS OF THE BENEFITS OF ELECTRONIC DIVIDEND**

STATEMENTS	MEAN	RANK
1.Electronic Dividend facilitates ease of dividend collection	4.44	2
2.Electronic Dividend saves postage time and cost	4.46	1
3.Electronic Dividend has chance to reduce unclaimed Dividend	4.41	4
4.Electronic Dividend provides up-to-date information	4.33	6
5.Electronic Dividend increases operational efficiency	4.13	10
6.Electronic Dividend reduces transaction costs	4.19	8
7.Electronic Dividend improves transparency in dividend payment	4.34	5
8.Electronic Dividend improves dividend delivery service	4.43	3
9.Electronic Dividend is very easy and simple to use	4.18	9
10.Electronic Dividend helps investment tracking	4.26	7

Source: Field Survey 2012

Table I shows the mean scores of bankers' perceptions of the benefits of electronic dividend.

Table I shows that the statements, "Dividend saves postage time and cost," "Electronic dividend facilitates ease of dividend collection", "Electronic Dividend improves dividend delivery service", "Electronic dividend reduces the cost of transactions" and "Electronic Dividend has chance to reduce unclaimed Dividend," appear with the highest mean scores of 4.46, 4.44, 4.43 and 4.41 respectively. The outcomes are similar to those of earlier studies on e-banking and e-dividend made by Howcroft et al., (2002) ; Gerrard and Cunningham (2003); Popoola (2010); and Oladele & Oyerinde (2011). The bankers give average importance to the statements, "Electronic Dividend improves transparency in dividend payment" (4.34); "Electronic dividend provides up-to-date information" (4.33). and "Electronic Dividend helps investment tracking" (4.26).

The statements "Electronic Dividend reduces transaction costs" (4.19), "Electronic Electronic Dividend is very easy and simple to use" (4.18) and "Electronic Dividend increases operational efficiency" (4.13) had the lowest mean scores.

**TABLE II: BANKERS' PERCEPTIONS OF THE RISKS ASSOCIATED WITH ELECTRONIC DIVIDEND**

STATEMENTS	MEAN	RANK
11.Electronic Dividend requires heavy investment in IT	1.94	6
12.Electronic Dividend has the chance of fraud	3.28	3
13.Electronic Dividend has the chance of government access	3.83	1
14.Electronic Dividend lacks information security	3.17	4
15. Dividend has many legal and security issues	3.38	2
16.Electronic Dividend needs expertise and training	1.98	5

Source: Field Survey 2012



Table II shows the mean scores of bankers' perceptions of the risks of electronic dividend.

Table II shows that the statements: "Electronic Dividend has the chance of government access;" and "Electronic Dividend has many legal and security issues;" appear with the highest mean scores of 3.83 and 3.38 respectively. The statement "Electronic Dividend has the chance of fraud;" (3.28) and "Electronic Dividend lacks information security" (3.17) are perceived on the average risks while the statements Dividend needs expertise and training" (1.98) and "Electronic Dividend requires heavy investment in IT" (1.96) received the least perceptions as e-dividend risks. This implies that e-dividend adoption does not require heavy investment in IT since it can be supported by the existing e-commerce platforms. Most banks in Nigeria have embraced e-banking evidenced from empirical studies like Agboola, (2004, 2006), Ayo, (2006), Ayo & Babajide (2006); Popoola (2010); Oladele & Oyerinde (2011) and therefore support e-dividend concept without further heavy investment in IT.

### TEST OF HYPOTHESIS

❖  $H_0$  E- dividend has no significant impact on dividend delivery to shareholders

❖  $H_1$  E- dividend has significant impact on dividend delivery to shareholders

Testing the overall significance of Z-score implies testing the Null hypothesis  $H_0$  against the alternative hypothesis  $H_1$ . If the null hypothesis is true i.e. the zones and sample means do not lie within the population means at 0.05 significance level, we accept the null hypothesis i.e. that there is no significant relationship between the dependent and independent variables, but if it is otherwise, we will reject the null hypothesis and accept the alternate hypothesis.

Results from the hypothesis tested using question 8 as analyzed in table I showed the following:

Sample Mean =  $\bar{x}$  = 4.43

Standard Deviation =  $sd$  = 0.32537

Standard Error of the Mean =  $sd\bar{x}$  = 0.0291

Population means ranges between 3.95 and 4.901. The Z-score calculated is 1.96. Z-score table value at 0.05 significance level is 1.96 for a two-tail test.

Therefore, the relationship between the dependent and independent variables is significant. We then reject the Null hypothesis and accept the alternate hypothesis that is e-dividend is significant to dividend delivery service to shareholders. The above analysis is presented in the table 3, given below.

TABLE 3

Sample Mean $\bar{x}$	4.43
Standard Deviation $sd$	0.32537
Standard Error of the Mean $sd\bar{x}$	0.0291
Z-score Calculated $Z_c$	1.96
Z-score T-value $Z_t$ 0.005	1.96
Population Mean $\mu$	3.95 and 4.901
Decision	Reject $H_0$ and Accept $H_1$

Source: Author computation 2012

### CONCLUSION AND RECOMMENDATION

The results of the present study are consistent with the dividend relevance and diffusion of innovation theory and they are simultaneously revealing as well. According to (Anand 2004), the management of corporations believes that dividend decisions are important as they provide a signaling mechanism for the future prospects of the firm and thus affect its market value. They do consider the investors' preference for dividends and shareholder profile while designing the dividend policy. Although, the shareholders believe that the expansion of corporate activities and earnings power are essential, but the principal benefit that they expect is the periodic payment of cash dividend, which enables them to maintain their consumption expenditure. This assertion is proudly supported by Walter's and Gordon's model of Dividend Relevance or Supremacy School of Thought.

In the light of the foregoing, based on the findings of this study, the following can be recommended in order to encourage adoption of e-dividend method by all Nigerian banks on sustainable basis:

- Companies should ensure the adoption of electronic dividend payment to avoid fluctuation in dividends and hence avoid sending wrong information about the company's performance to the investors especially the shareholders. This should however, be reviewed from time to time as deemed necessary by the Directors.
- External business environment must be made conducive to the adoption of e-dividend method by banks. This can be achieved through formulation and implementation of appropriate public policies by various tiers of government.
- The establishment of supporting industries should be facilitated and encouraged; regulatory authorities (Securities and Exchange Commission) should be made to be effective and efficient in the discharge of their duties; government should provide necessary infrastructural facilities (e.g. electricity supply situation should be improved) necessary for the support of the industry; and ensure healthy competition in the business environment.
- Improvement in service delivery by the telecommunication industry in the country from its current epileptic situation/condition.
- Internal business environment should be made favorable to the adoption of e-dividend method. That is, top management should be supportive and receptive to new idea;
- High level of government support is necessary for the adoption of e-dividend; for example, government can play a key role in the development of e-dividend in Nigeria by providing the necessary infrastructure. Regulatory authorities (e.g. SEC) directive and pressure can influence the adoption of e-dividend method.

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**INDO - CANADIAN TRADE RELATION IN THE MATH OF POST REFORM PERIOD**

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**ABSTRACT**

*The longstanding bilateral relations between India and Canada are built upon a "mutual commitment to democracy", "pluralism", and "people-to-people links"<sup>31</sup>. In the 1940s and 1960s, because of the personal ties which developed between Indian Prime Minister Jawaharlal Nehru and two Canadian Prime Ministers Louis St. Laurent and Lester B. Pearson Indo-Canadian relations were enhanced. But, India's Smiling Buddha nuclear test had worsened the Indo-Canadian relations in 1974.<sup>32</sup> However, after 1990 Indo-Canadian relations improved due to the major reforms which were introduced in India's domestic economy particularly in trade sector. The larger economic transformation in the Indian economy (1990-91) had attracted the world, where in the Canadian government and business community wasn't exception. In this regard, the proposed paper attempts to study the impact of 1991 reforms on Indo-Canadian trade relations and examine their bilateral trade relations.*

**KEYWORDS**

Bilateral Trade, Indo-Canadian relations, 1991 Trade Reforms.

**INTRODUCTION**

As per International Monetary Fund 2011 list, Canadian economy is known to be eleventh largest in the world with 33 million of population and \$1.73 trillion of GDP. It is the major trading partner of US, each contributing to other economy. Canada is member of many global institutions like G7, G8, G-20, OECD, WTO, and UN etc and wealthiest in world. The Canadian parliamentary government has strongly deep rooted democratic tradition. Natural reserves like potash, uranium, coal, oil and gas, diamonds, forest products, etc are abundant. Use of cutting edge technology can be seen in agriculture, food processing, education, innovation, science, environment, cleaner technologies, etc.

India and Canada have long standing bilateral relationship based on shared democratic values, multi-cultural, multi-religious and multi-ethnic nature of two societies and people-to-people contacts. Canada is represented in India by the High Commission of Canada in Delhi, a consulate in Chennai and trade offices in Ahmadabad, Bangalore, Hyderabad and Kolkata and also it has two consulate generals in Chandigarh and Mumbai also India is represented in Canada by a High Commission in Ottawa and by consulates in Toronto and Vancouver (Government of Canada).

Prime Minister Dr. Manmohan Singh speaking at Seoul on November 17, 2010 at the G20 Summit quoted that India-Canada relations have undergone a "sea change". In recent years, India and Canada have been working to enhance and expand their bilateral relations both in terms of quality and quantity. They have established various mechanisms to interact on an annual basis in areas of mutual interest, such as - Foreign Office Consultations, Science & Technology Joint Committee, Joint Working Group on Counter Terrorism, Trade Policy Consultations, Energy Forum Environment Forum, Health Steering Committee etc.

**LITERATURE REVIEW**

Harper quoted in an exclusive interview with Mark Kennedy that Canada needs to improve its trade and investment in India as part of a broader economic plan to rely less in future on "traditional export markets" such as the United States. And also he quoted that "India will be a significant world economic power" (2012).

Canada's World project on Canada's Relations with Asia and the United States summarizes key elements of Canada's economic and political relations with the US and the rising powers in Asia, focusing mostly on China, Canada's second-largest trading partner.

In an exclusive interview with Postmedia News, Harper Canadian Prime Minister spoke about the critical need to improve both political and economic relations with India. He said it's time to "turn the page" on the "very challenging and guarded relationship" Canada has had with India. He also pointed that the country (India) is very similar to Canada and to the West.

High Commission of India (Ottawa) report on "India-Canada Economic & Trade Relations" gives a indeed information about the Bilateral Trade, Bilateral Investment, Important areas of Bilateral Cooperation between India and Canada.

The federal budget for 2011-12 presented in the Canadian Parliament in March 2011 carried a specific reference for collaboration with India under Canada's Global Commerce Strategy.

As part of the ongoing Year of India 2011 in Canada, an Innovation Summit was held at the Canada-India Centre for Excellence in Science, Technology, Trade and Policy at Carleton University, Ottawa on 20-21 June, 2011. The Summit organized in collaboration with the Department of Foreign Affairs and International Trade, Canada (DFAIT) and International Science and Technology Partnership (ISTP) Canada had high level participation from both India and Canada.

Thus, it was observed that there are very few studies on Indo- Canadian trade relation and also the available literature manifests that Indo-Canadian relation is going to be strong in future particularly in trade sector. In this regard the present paper tried to study the Indo-Canadian relation in trade sector with special focus on post reform period.

**OBJECTIVES**

1. To study the impact of 1991 reforms on Indo-Canadian trade relations.
2. To examine the bilateral trade relations between India and Canada.

<sup>31</sup> "Canada-India Relations". Government of Canada

<sup>32</sup> [http://en.wikipedia.org/wiki/Canada%E2%80%93India\\_relations](http://en.wikipedia.org/wiki/Canada%E2%80%93India_relations)

## METHODOLOGY

The present study is based on secondary data. The required data has taken from Handbook of Statistics on Indian Economy (1987-88 to 2011-12) and Statistics Canada (2006-2011). Simple tables, charts and trend lines have been used for analysis purpose.

## DEFINITION OF THE CONCEPTS

**Foreign Trade:** It is the exchange of goods and services between different sovereign nations. It is also known as External trade or International trade and also it is considered as an "Engine of Growth".

**Imports:** It refers to buying of goods and services from abroad.

**Exports:** Selling of goods to other countries is called exports.

**Bilateral Trade:** It is the trade exclusively between two countries. Bilateral trade agreements help in minimizing trade deficits.

**1991 trade reforms:** India introduced reforms in Trade sector in 1991-92. Under trade sector reforms, India progressively brought down tariffs and removed all quantitative restrictions on imports.

**Liberalization:** It is considered as the most important feature of the new economic policy liberalization means giving greater freedom to economic agents to take their own decisions and a reduced role for the government.

**Globalization:** It means opening up the economy for world market by attaining international competitiveness. It is the third important feature of New Economic Policy (1991).

## CANADA AND INDIA TRADE RELATION

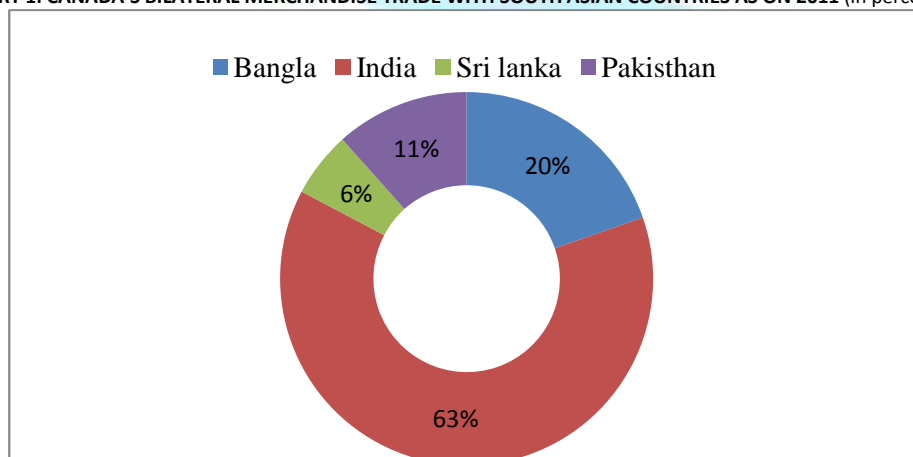
Canada is a country with abundant natural resources like potash, uranium, coal, oil and gas, diamonds, forest products, etc. It has a major trade relation with US economy which accounts 69% of Canada's overall trade. This indicates the Canada's greater (over) dependence on US. Therefore in the recent year Canadian government is showing greater emphasis on reducing its dependence on a single market (US) and looking forward to build strong trade relation with growing power countries in Asia, particularly with India (South Asia) because of its Democratic value and greater similarity.

**TABLE 1: CANADA'S BILATERAL MERCHANDISE TRADE WITH SOUTH ASIAN COUNTRIES CUSTOMS BASIS, INCLUDING RE-EXPORTS** (thousands of Canadian dollars)

Country	Rank as on 2011	2006	2007	2008	2009	2010	2011	Share of EX + IM 2011, %
Bangladesh	2	708	912	937	1,436	1,433	1,613	20
India	1	3,594	3,771	4,655	4,142	4,182	5,162	63
Sri lanka	4	368	359	513	450	476	465	6
Pakistan	3	679	696	795	651	820	950	11

Source: Statistics Canada.

**CHART 1: CANADA'S BILATERAL MERCHANDISE TRADE WITH SOUTH ASIAN COUNTRIES AS ON 2011** (in percentage)



The above table (1) gives a clear picture on Canada's Bilateral Merchandise Trade with the four South Asian countries namely Bangladesh, India, Sri Lanka and Pakistan from 2006 to 2011. It clearly shows that India's share in Canada's merchandise trade with south Asian countries is high, when compared to other South Asian countries, which accounts 63% (Chart 1) in the total trade. The table also indicated positive growth in India's share in Canada's merchandise trade, except in 2009 and 2010 because of Global recession.

**TABLE 2: RANK OF SOUTH ASIAN COUNTRIES IN CANADA'S MERCHANDISE TRADE AS ON 2011**

Country	Rank as on 2011(Ex+Im)	Rank as on 2011(Export)	Rank as on 2011(Imports)
Bangladesh	42	36	41
India	15	13	20
Sri lanka	65	48	78
Pakistan	51	32	69

Source: Statistic Canada

It is clear from the table (2) that India occupied the highest rank in entire three categories comparing to the other South Asian Countries, with 13<sup>th</sup> rank in Export, 20<sup>th</sup> rank in Import and 15<sup>th</sup> rank in total trade with Canada.

## INDO - CANADIAN BILATERAL TRADE RELATION

India had a longstanding trade relation with Canada. Major reforms which India incorporated in to its trade sector in 1990-91, attracted the attention of Canada and as consequence of globalization and liberalization the Indo-Canadian bilateral trade relations became stronger.

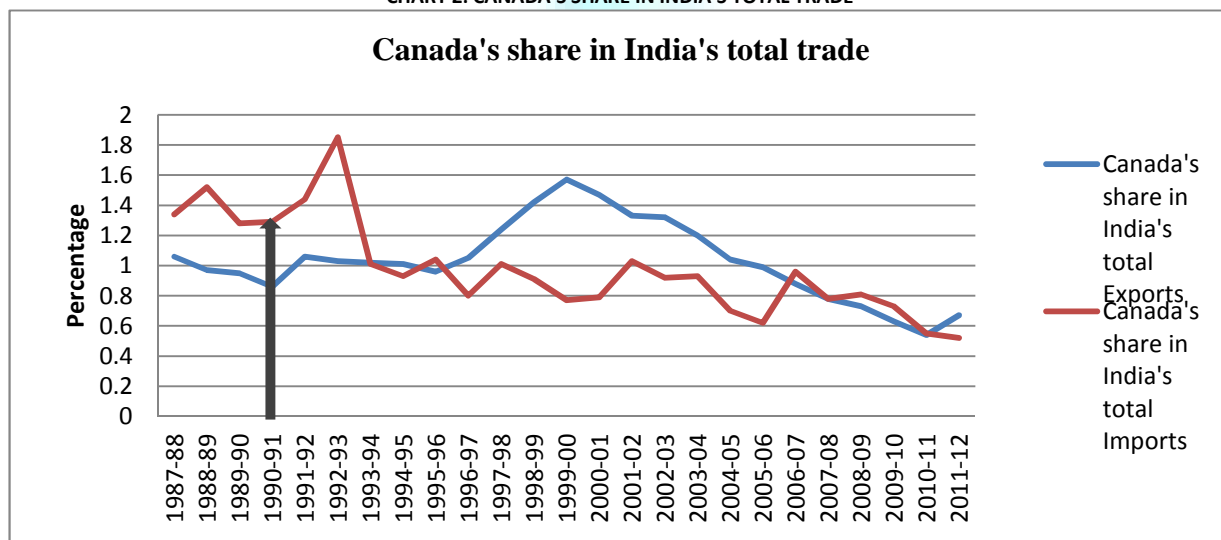


TABLE 3: SOME OF THE MAIN EXPORTED AND IMPORTED ITEMS

Sl.no	Exported items from India to Canada	Exported items from Canada to India
1	Medicines	Pulses
2	Garments	Fertilizers
3	Diamonds	Newsprint,
4	Gems and jewellery	Aircrafts & aviation equipment
5	Organic chemicals	Diamonds
6	Sea food	Copper, ores and concentrates
7	Engineering goods	Bituminous coal
8	Marble and granite	Wood pulp
9	Petroleum oils	Nickel
10	Knitted garments	Unwrought aluminium
11	Electric equipment	Asbestos
12	Plastic products	Cameras, lumber, ferrous waste

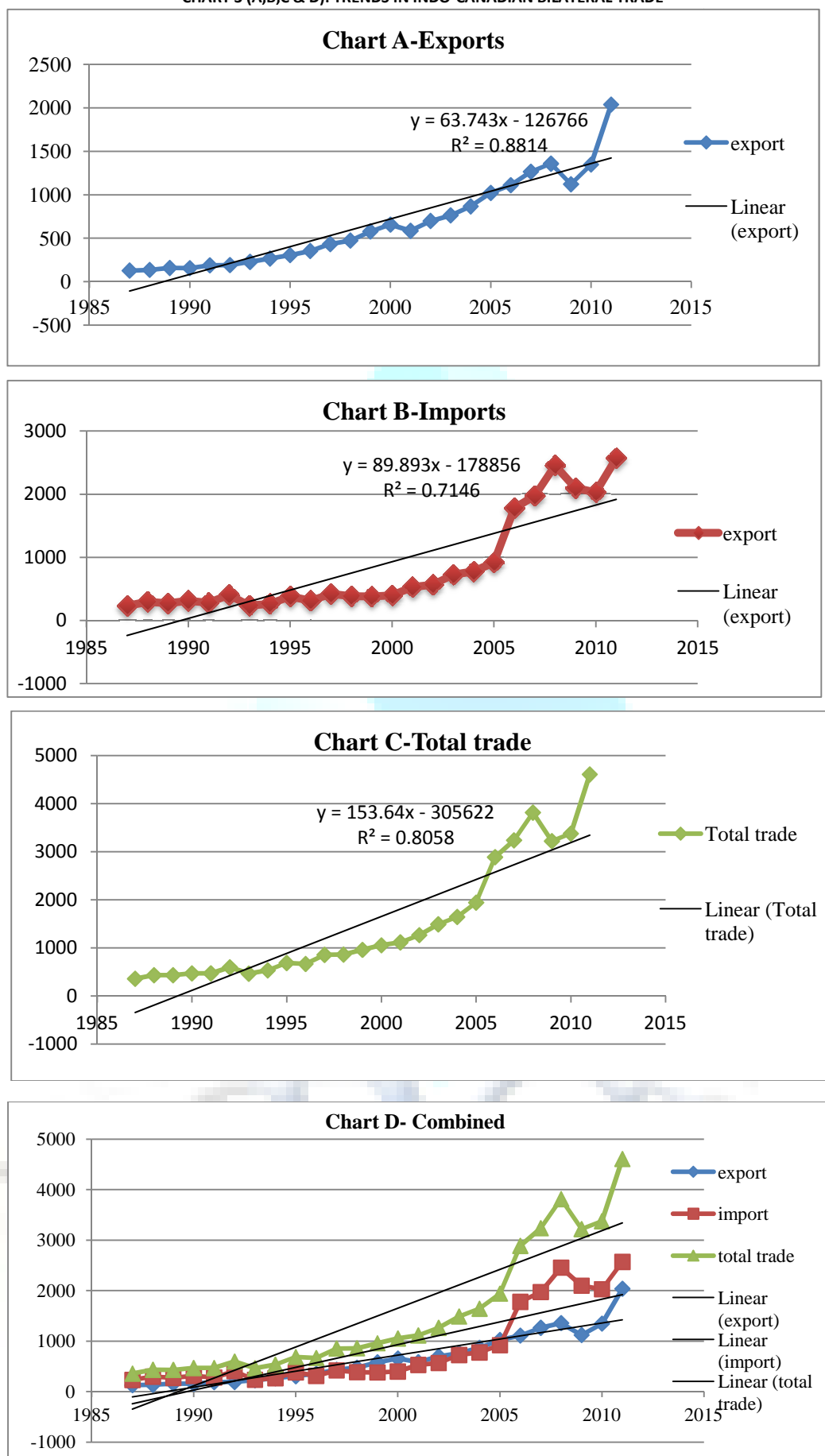
The table 3 gives detailed information about the major traded items between India and Canada.

CHART 2: CANADA'S SHARE IN INDIA'S TOTAL TRADE



The chart (2) and the annexure (IV) indicate Canada's share in India's total Export and total Import. It clears that Canada's share in India's total trade was very low both in Exports and Imports. After 1990-91, Canada's share in India's total Exports slowly started raising due to India's trade sector reforms and recorded highest share in 1990-2000. After this, it started declining but again during 2005 to 2007 it showed an upward trend. But, due to the global economic recession it declined once again and pitched up in 2010-11. On the other hand, Imports share increased rapidly in between 1990-91 to 1992-93 and recorded highest growth in 1992-93.

CHART 3 (A,B,C &amp; D): TRENDS IN INDO-CANADIAN BILATERAL TRADE



The Chart 3 (Chart A, B, C and D) and Annexure (III) indicate positive growth in Indo-Canadian bilateral trade both in terms of Imports and Exports. Where in it shows that after the introduction of reforms in the Indian trade sector i.e., 1990-91 onwards the bilateral trade has increased considerably from 468.1US \$ million in 1990-91 to 4607.7 US \$ million. However, due to global Economic recession during 2009-10 India-Canada bilateral trade declined from 3814.4 US

million \$ to 3219.6 US million \$ i.e. (-) 16 per cent in US dollar terms and India's total exports to Canada too registered a 15 % decline in 2009-10. Total bilateral trade registered around 11.5% increase during 2010-11 over the previous year. In 2011-12, bilateral trade has crossed 4607.7 US million \$. This year, India's Exports to Canada increased by 25 % and imports were higher by around 32 %.

The coefficient of the trend in imports, Chart B and Chart D clearly show that imports are increasing faster than exports and how imports were triggered after 2005 contributing highest share in the total trade. But even though with large t-values (export-13.07427, import- 7.58921, total trade- 9.7695) none of the trend line was found to be significant.

## FINDINGS AND CONCLUSION

It was found that India stand as Canada's largest trade partner in South Asia region with 63% of share in the total trade and also stood at highest rank in entire three categories of trade i.e., in Export, Import and total trade.

The trade sector reform which India incorporated in 1990-91 is identified as a major reason for improved bilateral trade relation between India and Canada. A major shift was noticed after 1990-91, in the Indo-Canadian bilateral trade relation both in Exports and Imports. Contribution of Import found to be greater in their trade. On the other hand, the share of Canada in India's total trade showed a declining trend both in Exports and Imports, because of increasing share of China in India's trade and also due to growing share of other trade partners of India.

It also proved that Indo-Canadian trade relation was not except from the effects of global recession. Due to global economic recession during 2009-10, India-Canada bilateral trade declined from 3814.4 US million \$ to 3219.6 US million \$ i.e. (-) 16 per cent in US dollar terms and India's total exports to Canada too registered a 15 % decline in 2009-10. It was also observed that trade between India and Canada is very less than their potential.

The recent trends in the Indo-Canadian bilateral trade, the high number of visits over the last three years involving Ministers, Members of parliament, trade delegations to India and the ongoing trade negotiations between India and Canada are evident from growing relationship between India and Canada especially in trade sector. It is expected that upcoming free trade agreements (Comprehensive Economic Partnership Agreement) are going to strengthen the Indo-Canadian trade relation by increasing their mutual share in their respective trade.

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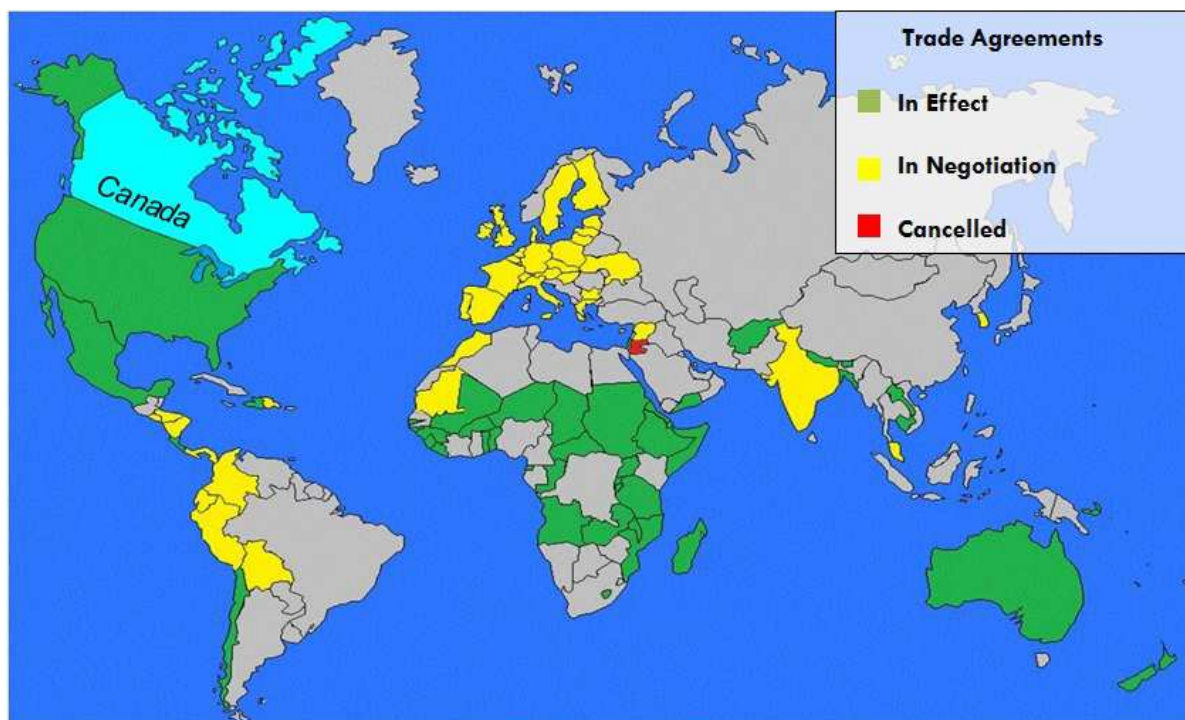
## APPENDIX

### (I) SOUTH ASIA MAP



South Asian countries: Afghanistan, Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan, and Sri Lanka.

## (II) STATUS OF TRADE AGREEMENTS BETWEEN CANADA AND THE REST OF THE WORLD AS PER 2011



Source: Google images

## (III) BILATERAL TRADE BETWEEN INDIA AND CANADA (FROM 1987-88 TO 2011-12)

Year	India's Exports to Canada (US million dollar)	India's Imports from Canada (US million dollar)	Total trade (US million dollar)
1987-88	127.7	230.4	358.1
1988-89	135.9	295.7	431.6
1989-90	158.6	272.3	430.9
1990-91	156.4	311.7	468.1
1991-92	188.6	280.1	468.7
1992-93	191.1	405.2	596.3
1993-94	227.8	234.6	462.4
1994-95	266.8	265.5	532.3
1995-96	305.4	381.2	686.6
1996-97	353.0	313.4	666.4
1997-98	433.2	420.9	854.1
1998-99	473.0	385.6	858.6
1999-00	578.3	380.5	958.8
2000-01	656.5	397.1	1053.6
2001-02	584.8	529.4	1114.2
2002-03	698.3	566.3	1264.6
2003-04	763.2	725.9	1489.1
2004-05	866.8	775.7	1642.5
2005-06	1021.6	919.9	1941.5
2006-07	1110.4	1777.4	2887.8
2007-08	1265.3	1972.2	3237.5
2008-09	1358.2	2456.2	3814.4
2009-10	1121.5	2098.1	3219.6
2010-11	1347.6	2028.7	3376.3
2011-12	2038.3	2569.4	4607.7

Source: Handbook of Statistics on Indian Economy, 2011-12.



## (IV) PERCENTAGE SHARE OF CANADA IN INDIA'S TOTAL TRADE (FROM 1987-88 TO 2011-12)

Year	Canada's share in India's total Exports (%)	Canada's share in India's total Imports (%)
1987-88	1.06	1.34
1988-89	0.97	1.52
1989-90	0.95	1.28
1990-91	0.86	1.29
1991-92	1.06	1.44
1992-93	1.03	1.85
1993-94	1.02	1.01
1994-95	1.01	0.93
1995-96	0.96	1.04
1996-97	1.05	0.80
1997-98	1.24	1.01
1998-99	1.42	0.91
1999-00	1.57	0.77
2000-01	1.47	0.79
2001-02	1.33	1.03
2002-03	1.32	0.92
2003-04	1.20	0.93
2004-05	1.04	0.70
2005-06	0.99	0.62
2006-07	0.88	0.96
2007-08	0.78	0.78
2008-09	0.73	0.81
2009-10	0.63	0.73
2010-11	0.54	0.55
2011-12	0.67	0.52

Source: Handbook of Statistics on Indian Economy, 2011-12.

**IMPACT OF BOARD STRUCTURE ON CORPORATE FINANCIAL PERFORMANCE**

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**ABSTRACT**

*Board structure represents one of the core issues in corporate governance. This study investigates the impact of board structure on corporate financial performance in Nigeria. It examines the composition of boards of directors in firms and analyzes whether board structure has an impact on financial performance. Four board characteristics which include: board composition, board size, board ownership and CEO duality (representing the independent variables), were correlated with the financial performance of the selected firms. Regression was used to estimate the relationship between corporate performance and the independent variables. The result indicates that there is strong positive association between board size, outside directors sitting on the board and corporate financial performance. Negative association was observed between directors' stockholding and corporate financial performance. Furthermore, the study reveals a negative association between ROE and CEO duality, while a strong positive association is observed between ROCE and CEO duality. The results imply that large board size performs effectively. There is also evidence that higher proportion of outside directors on the board have a positive impact on financial performance. However, the effect of directors' shareholding on performance (measured by ROE) is negative while the relationship between ROCE and directors' shareholding is strongly positive and significant.*

**KEYWORDS**

Board Structure, Financial Performance, Corporate Governance.

**INTRODUCTION**

In all business organizations, the board of directors is charged with oversight of management on behalf of shareholders. Agency theorists argue that in order to protect the interests of shareholders, the board of directors must assume an effective oversight function (Uadiale, 2010). It is assumed that board performance of its monitoring duties is influenced by the effectiveness of the board, which in turn is influenced by factors such as board composition and quality, size of board, duality of chief executive officer, board diversity, information asymmetries and board culture (Brennan, 2006).

**REVIEW OF LITERATURE**

Raheja (2005) theoretically models the determinants of board structure, specifically the roles of insiders and outsiders directors. He argues that insiders are an important source of firm-specific information for the board, but may have distorted objectives due to private benefits and lack of independence from the CEO. Compared to insiders, outsiders are more independent, providing better monitoring, but are less informed about the firm's constraints and opportunities.

**CORPORATE GOVERNANCE MECHANISMS**

There are many variables that may constitute yardsticks by which corporate governance can be measured in an organization. Some of these mechanisms include board size, board composition, CEO-Chairman duality and board ownership; these are briefly discussed below. Board size is considered to be a crucial characteristic of the board structure, and empirical studies in this respect show mixed results. Large boards could provide the diversity that would help companies to secure critical resources and reduce environmental uncertainties (Pearce and Zahra, 1992; Goodstein *et al.*, 1994). But, as Yermack (1996) said, coordination, communication and decision-making problems increasingly impede firm performance when the number of directors increases. Thus, as an extra member is included in the board, a potential trade-off exists between diversity and coordination. Limiting board size to a particular level is generally believed to improve the performance of a firm because the benefits by larger boards of increased monitoring are out weighed by the poorer communication and decision making of larger groups. Too big a board is likely to be less effective in substantive discussion of major issues among directors in their supervision of management.

Lipton and Lorsch (1992) argue that large boards are less effective and are easier for the CEO to control. When a board gets too big, it becomes difficult to coordinate and for it to process and tackle strategic problems of the organisation. Yermack (1996), using data from Finland find negative correlation between board size and profitability. Eisenberg *et al.*, (1998) also reports that small size boards are positively related to high firm performance. Mak and Yuanto (2003) using sample of firms in Malaysia and Singapore, find that firm valuation is highest when board has 5 directors, a number considered relatively small in those markets. In a Nigerian study, Sanda *et al.*, (2003) report that firm performance is positively correlated with small, as opposed to large boards.

Board composition refers to the number of independent non-executive directors on the board relative to the total number of directors. An independent non-executive director is defined as an independent director who has no affiliation with the firm except for their directorship (Clifford and Evans, 1997). There is an apparent presumption that boards with significant outside directors will make different and perhaps better decisions than boards dominated by insiders. Fama and Jensen (1983) suggest that non-executive directors can play an important role in the effective resolution of agency problems and their presence on the board can lead to more effective decision-making. Enhanced director independence, according to Young (2003) is intuitively appealing because a director with ties to a firm or its CEO would find it more difficult to turn down an excessive pay packet, challenge the rationale behind a proposed merger or bring to bear the skepticism necessary for effective monitoring. The proponents of agency theory say that corporate governance should lead to higher stock prices or better long-term performance, because managers are better supervised and agency costs are decreased.

Empirical studies of the effect of board membership and structure on firm value or performance generally show results either mixed or opposite to what would be expected from the agency cost argument. Some studies find better performances for firms with boards of directors dominated by outsiders (see John and Senbet 1998), while Weir and Laing (2001) find no such relationship in terms of accounting profit or firm value. Also, Forsberg (1989) find no relationship between the proportion of outside directors and various performance measures.

In the same vein, Bhagat and Black (2002) find no correlation between the degree of board independence and four measures of firm performance, controlling for a variety of other governance variables, including ownership characteristics, firm and board size and industry. They find that poorly performing firms were more likely to increase the independence of their board. Klein (1998) finds that firm performance is insignificantly related to a higher proportion of outsiders on the board. Thus, the relationship between the proportion of outside directors and firm performance is mixed.

Under CEO-chairman duality, the CEO of a company plays the dual role of chairman of the board of directors. There are two schools of thought on CEO-chairman duality. Several researchers argue that CEO-chairman duality is detrimental to companies as the same person will be marking his "own examination scripts". Separation of duties will lead to: (i) avoidance of CEO entrenchment; (ii) increase of board monitoring effectiveness; (iii) availability of board chairman to advise the CEO, and (iv) establishment of independence between board of directors and corporate management (Rechner and Dalton, 1991).

On the other hand, other researchers believe that since the CEO and chairman is the same person, the company will: (i) achieve strong, unambiguous leadership; (ii) achieve internal efficiencies through unity of command; (iii) eliminate potential for conflict between CEO and board chair, and (iv) avoid confusion of having

two public spokespersons addressing firm stakeholders (Davis, *et al.*, 1997). Consistent with these arguments, Cannella and Lubatkin (1993) report a positive link between a dual leadership structure and financial performance, Dedman and Lin (2002) find no evidence of significant abnormal returns upon the announcement of splitting roles in the post-Cadbury period. A closer look at the empirical evidence reveals that the relationship between CEO-chairman duality and company performance is mixed and inconclusive.

Board Ownership is also an important characteristic of board structure. To the extent that executive board members own part of the firm, they develop shareholder-like interests and are less likely to engage in behaviour that is detrimental to shareholders. Therefore, managerial ownership is inversely related to agency conflicts between managers and shareholders. In contrast to this notion, Demsetz and Lehn (1985) find no link between ownership structure and firm performance, and assert that there is little support for the divergence of interests between managers and shareholders. In empirical contrast to the Demsetz and Lehn (1985) findings, and in line with the beneficial effects of ownership, Morck, *et al.*, (1988) find that firm performance first rises as ownership increases up to 5%, then falls as ownership increases up to 25% and then rises slightly at higher ownership levels. They support the theory that managers tend to allocate the firm's resources in their own best interests, which may conflict with those of shareholders. McConnell and Servaes (1990) provide further evidence on the relationship between the distribution of equity ownership and firm value and find a significant curvilinear relation between *Q* and the fraction of shares owned by corporate insiders. Specifically they find that *Q* first increases, then decreases as share ownership is concentrated in the hands of managers and board members.

A possible explanation for the nonlinearity in the ownership–performance relationship is that managers become entrenched when possessing a very high percentage of ownership. Alternative governance mechanisms, such as the corporate control market, become less effective when managers become entrenched. Research on the importance of ownership concentration in the UK has been sparse. Leech and Leahy (1991) find that profitability differences between ownership-controlled (closely-held) firms compared to management-controlled (diffusely-held) firms are only marginal. Such differences are unlikely to be economically meaningful.

## IMPORTANCE OF THE STUDY

This study focuses on the impact of board structure on corporate financial performance in Nigeria. This is crucial especially with the recent reports of corporate failure in many economies. The series of corporate distresses have been blamed on the inefficiency on the part of board of directors in carrying out their oversight functions in the various companies. Thus it becomes important to carry out this study which investigates the impact of board structure on corporate financial performance.

## STATEMENT OF THE PROBLEM

Boards of directors have been largely criticized for the decline in shareholders' wealth and corporate failure in recent times. They have been in the spotlight for the fraud cases that had resulted in the failure of major corporations, such as Enron and WorldCom. In Nigeria, a series of widely-publicized cases of accounting improprieties have been recorded in organizations such as Oceanic Bank, Intercontinental Bank, Finbank and Bank PHB. Some of the reasons stated for these corporate failures are the lack of vigilant oversight functions by the board of directors, the board relinquishing control to corporate managers who pursue their own self-interests and the board being remiss in its accountability to stakeholders etc. As a result, various corporate governance reforms have specifically emphasized on appropriate changes to be made to the board of directors in terms of its composition, structure and ownership configuration (Abidin, *et al.*, 2009).

## OBJECTIVES OF THE STUDY

The objective of this study is to determine the relationship between Board structure and financial performance of the selected firms. The study specifically identified the following objectives:

- i. to determine the extent to which board size affects corporate financial performance,
- ii. to examine the relationship between board composition and corporate financial performance,
- iii. to evaluate the impact of directors' stockholding on corporate financial performance, and
- iv. to investigate the relationship between CEO duality and corporate financial performance in Nigeria.

## RESEARCH QUESTIONS

The study attempts to find answers to the following specific questions:

- i. To what extent does board size affect corporate financial performance?
- ii. Does board of directors' composition have any relationship with corporate financial performance?
- iii. What impact does directors' stockholding have on corporate financial performance?
- iv. Is there any relationship between CEO duality and corporate financial performance in Nigeria?

## RESEARCH HYPOTHESES

The following hypotheses were formulated to guide the researcher in finding answers to the research questions:

*H<sub>01</sub>*: There is no significant relationship between CEO duality and corporate performance.

*H<sub>02</sub>*: There is no significant relationship between proportion of outside directors sitting on the board and corporate financial performance.

*H<sub>03</sub>*: There is no significant relationship between board size and corporate financial performance.

*H<sub>04</sub>*: There is no association between directors' stockholding and corporate financial performance.

## RESEARCH METHODOLOGY

This study uses a survey research design. Since this study is on board structure of quoted companies in Nigeria, population of the study is made up of companies listed on the floor of the Nigerian Stock Exchange (NSE). However, firms belonging to the financial services industry and regulated utility companies are excluded from the population. This is due to the special regulatory environment in which they operate. Simple random sampling technique is used in selecting the sample used for this study. A total sample of five (5) firms was selected for the study. Information relating to firm performance (ROE and ROCE) and board characteristics (board size, board composition, board ownership and CEO duality) were collected from the sampled company's annual reports for the year ended 2009. Dependent variable of the study is corporate financial performance which is represented by ROE (measured as the proportion of Profit after tax to issued share capital) and ROCE (measured as the proportion of profit after tax to issued share capital plus reserves). The independent variables are board size, board composition, board ownership and CEO duality.

## RESULTS

For the purpose of empirical analysis, this study uses descriptive statistics, Pearson correlation analysis and linear multiple regression as the underlying statistical tests. The regression analysis is performed on the dependent variable, CORPERF, to test the relationship between the independent variables (board structure characteristics). The regression model utilized to test the relationship between the board characteristics and corporate performance is as follows:

$$\text{CORPERF} = \beta_0 + \beta_1 \text{BSIZE} + \beta_2 \text{BCOMP} + \beta_3 \text{BOSHP} + \beta_4 \text{CEO} + e$$

Where:  $\beta_0$  = Intercept coefficient.  $\beta_1$  = Coefficient for each of the independent variables. BSIZE = Number of directors on the board. BCOMP = Proportion of outside directors sitting on the board. BOSHIP = Proportion of total equity owned by executive and non-executive directors respectively. CEO = Value zero (0) if the same person occupies the position of the chairman and the chief executive and one (1) for otherwise. Analyses were carried out with the aid of the Statistical Package for Social Sciences, (SPSS Version 15.0).

**TABLE 1: SHOWING THE DESCRIPTIVE STATISTICS OF ALL THE VARIABLES USED IN THE STUDY**

	N	Minimum	Maximum	Mean	Std. Deviation
ROE	5	-.88	8.50	2.0138	3.6521
ROCE	5	-2.11	1.77	.1114	.5827
BDSIZE	5	5	15	7.33	2.203
BCOMP	5	.00	.89	.5131	.2644
BOSHIP	5	.00	1.00	.3700	.3623
CEODUALITY	5	0	1	.78	.315
Valid N	5				

Source: Audited financial statement of the selected firms.

The mean ROE of the sampled firms is N2 and the mean ROCE is N0.11. The results indicate that for every N100 invested on equity there is a return of N2. In the same vein, return on every

N100 of capital employed is N0.11. The average board size of the 5 firms used in this study is 7, while the proportion of the outside directors sitting on the board is 51%. The result also indicates that the proportion of total equity owned by executive and non-executive directors is 37%. The result above also reveals that 78% of the sampled firms have separate persons occupying the posts of the chief executive and the board chair, while 22% of the sampled firms have the same person occupying the two positions.

A Pearson correlation analysis is performed on the variables to check for the degree of multi-collinearity among the variables.

**TABLE 2: CORRELATION ANALYSIS USING ROE AS PERFORMANCE VARIABLE**

		ROE	BDSIZE	BCOMP	BOSHIP	CEODUALITY
ROE	Pearson Correlation	1	.452(**)	.068	-.158	-.152
	Sig. (2-tailed)		.009	.675	.365	.412
	N		5	5	5	5
BDSIZE	Pearson Correlation		1	-.054	.106	.263
	Sig. (2-tailed)			.621	.510	.113
	N			5	5	5
BCOMP	Pearson Correlation			1	-.650(**)	.026
	Sig. (2-tailed)				.001	.733
	N				5	5
BOSHIP	Pearson Correlation				1	-.232
	Sig. (2-tailed)					.140
	N					5
CEODUALITY	Pearson Correlation					1
	Sig. (2-tailed)					
	N					

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

ROE is positively correlated with board size and is significant at (0.009). Similar results appear for board composition though not significant (0.621). However, ROE has a negative relationship with board ownership and CEO duality but not significant. The results also show that a negative and significant (0.001) relationship exists between board composition and board ownership.

**TABLE 3: CORRELATION ANALYSIS USING ROCE AS PERFORMANCE VARIABLE**

		ROCE	BDSIZE	BCOMP	BOSHIP	CEODUALITY
ROCE	Pearson Correlation	1	.267	.019	-.027	.514(**)
	Sig. (2-tailed)		.126	.901	.751	.003
	N		5	5	5	5
BDSIZE	Pearson Correlation		1	-.064	.109	.274
	Sig. (2-tailed)			.605	.543	.117
	N			5	5	5
BCOMP	Pearson Correlation			1	-.571(**)	.033
	Sig. (2-tailed)				.001	.748
	N				5	5
BOSHIP	Pearson Correlation				1	-.229
	Sig. (2-tailed)					.137
	N					5
CEODUALITY	Pearson Correlation					1
	Sig. (2-tailed)					
	N					

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

Table 3 indicates that ROCE is positively correlated with three of the board structure variables (board size, board composition and CEO duality), though significant with only CEO duality (0.003). A negative correlation is observed between ROCE and board ownership though not significant (0.751). Board ownership also has a negative and significant (0.001) relationship with board composition. A negative correlation is also observed between board ownership and CEO duality, but not significant.

**TABLE 4a: MODEL SUMMARY**

R	R square	Adjusted R Square	Std Error of the Estimate	Durbin-Watson
.656	.430	.337	3.2454	2.562

Dependent Variable: ROE



TABLE 4b: ANOVA

	Sum of Square	Df	Mean Square	F	Sig.
Regression	121.321	2	60.6605	3.087	.004*
Residual	132.297	2	66.1485		
Total	253.618	4			

Dependent Variable: ROE; \*Significant at 0.01 level

TABLE 5: MODEL SUMMARY

R	R square	Adjusted R Square	Std Error of the Estimate	Durbin-Watson
.541	.293	.206	0.5141	1.8247

Dependent Variable: ROCE

TABLE 5b: ANOVA

	Sum of Square	df	Mean Square	F	Sig.
Regression	3.035	2	9.211225	2.271	.053**
Residual	4.372	2	19.114384		
Total	7.407	4			

Dependent Variable: ROCE; \*\*Significant at 0.05 level

Tables 4 and 5 present the model summary. The  $R^2$  value, which indicates the explanatory power of the independent variables, is 0.430 and 0.293 respectively. This means that 43.0% of the variation in ROE is explained by the variation in the independent variables, while 29.3% of the variation in ROCE is explained by the variation in the independent variables. This result connotes that there is a significant relationship between corporate financial performance and board structure in Nigerian listed firms. From the output of the analysis in Tables 4b and 5b, the analysis of variance (ANOVA) returns significant p-values of 0.004 and 0.053 for ROE and ROCE respectively. This shows that the explanatory variables are linearly related to CORPERF and the model seems to have some validity.

TABLE 6: CO-EFFICIENT ESTIMATES

	Unstandardized Co-efficients		Standardized Co-efficients		
	B	Std Error	Beta	t	Sig.
(Constant)	-.520	2.521		-.121	.861
BDSIZE	.721	.121	.521	3.812	.000*
BCOMP	-.172	1.421	-.161	-.051	.943
BOSHIP	-3.121	1.602	-.251	-1.423	.060**
CEODUALITY	-3.326	1.072	-.421	-1.852	.002*

Dependent Variable: ROE; \*Significant at 0.01 level; \*\* Significant at 0.10 level

Table 6 shows the results of the coefficient estimates with ROE as dependent variable. Board size and CEO duality are significant at p-value < 0.05. This indicates a positive relationship between them and ROE. Board Ownership is significant at p-value < 0.10. Board composition is not significant at either level.

TABLE 7: CO-EFFICIENT ESTIMATES

	Unstandardized Co-efficients		Standardized Co-efficients		
	B	Std. Error	Beta	t	Sig.
(Constant)	-1.092	.532		-2.012	.039
BDSIZE	.031	.036	.121	.491	.482
BCOMP	.216	.419	.113	.397	.515
BOSHIP	.261	.322	.173	.771	.398
CEODUALITY	.772	.316	.539	2.181	.009*

Dependent Variable: ROCE; \*Significant at 0.05 level

Table 7 shows the results of the coefficient estimates with ROCE as dependent variable. Three of the board structure variables (board size, board composition and board ownership) are not significant at p-value < 0.05. Only CEO duality is significant at p-value < 0.05. This means that there is a relationship between CEO duality and ROCE.

## DISCUSSIONS

The results of the analysis revealed that there is strong positive association between board size, outside directors sitting on the board and corporate financial performance. This result aligns with the result of Raheja (2005) who hypothesized a positive effect on financial performance. This is because outside-directors are more independent and providing better monitoring. However, the result contradicts that of Weir and Lang (2001). Furthermore, this study revealed that there is negative association was observed between directors' stockholding and corporate financial performance; this result is contrary to that of Morck, et al., (1988) who reported positive association. This study also revealed that there is a negative association between ROE and CEO duality. This result is in line with the argument of Rechner and Dalton (1991) who argue that CEO-chairman duality is detrimental to companies as the same person will be marking his "own examination scripts". Finally the study revealed that there is a strong positive association between ROCE and CEO duality. This result aligns with the result of Cannella and Lubatkin (1993) who reported a positive link between a dual leadership structure and financial performance.

## FINDINGS

This study investigated the impact of board structure on corporate financial performance in Nigeria. The results of the study revealed the following: (i) That there is strong positive association between board size, outside directors sitting on the board and corporate financial performance. (ii) That there is negative association was observed between directors' stockholding and corporate financial performance. (iii) That there is a negative association between ROE and CEO duality. (iv) That there is a strong positive association is observed between ROCE and CEO duality.

## RECOMMENDATIONS

Therefore, this study recommends that large board size should be encouraged. The composition of outside directors as members of the board should be sustained and improved upon. Furthermore, this study may be improved upon by including more variables that may affect corporate financial performance.

## CONCLUSION

The objective of this study was to empirically examine the impact of board structure on corporate financial performance in Nigerian quoted firms. In achieving this aim, the study obtained data on variables which were believed to have relationship with corporate financial performance and board structure. These variables included ROE, ROCE, BSIZE, BCOMP, BOSHIP, CEO-DUALITY. On the basis of these variables, hypotheses were postulated.

Results from the study indicate that there is strong positive association between board size and corporate financial performance. The study also reveals a positive association between outside directors sitting on the board and corporate financial performance. A negative association was observed between

directors' stockholding and corporate financial performance. In addition the study reveals a negative association between ROE and CEO duality, while a strong positive association is observed between ROCE and CEO duality. The results imply that large board size performs effectively. There is also evidence that a higher proportion of outside directors on the board have a positive impact on firm financial performance. However, the effect of directors' shareholding on firm performance (measured by ROE) is negative while the relationship between ROCE and directors' shareholding is strongly positive and significant (0.003).

### SCOPE FOR FURTHER RESEARCH

This study concentrated only on board composition and its impact on financial performance of non-financial sector firms which are listed in the Nigerian Stock Exchange. Firms belonging to financial sector were excluded due to the special regulatory environment in which they operate. Thus, it becomes necessary for future researchers to focus their studies on firms operating in the financial sector of the Nigerian economy. Furthermore, future studies could seek to investigate the effect of board gender diversity on corporate financial performance.

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## WORK LIFE BALANCE: A SOURCE OF JOB SATISFACTION: A STUDY ON THE VIEW OF WOMEN EMPLOYEES IN INFORMATION TECHNOLOGY (IT) SECTOR

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### ABSTRACT

*Work life balance entails attaining equilibrium between professional and personal life .It enhances efficiency and satisfaction. India has witnessed unprecedented growth in the field of Information Technology. This sector gives more emphasis to knowledge alone it is non-discriminating in nature. This paper attempts to indentify the various factor which helps to maintain work life balance among women employees in Information Technology (IT) sector. To evidence this study is conducted by taking fifty Women employees with reference to Mysore city. The Primary data would be collected through questionnaire and analyzed with the help of statistical tool, if required.*

### KEYWORDS

work life balance, Job Satisfaction, IT organisations.

### INTRODUCTION

Work/life balance has important consequences for employee attitudes towards their organizations as well as for the lives of employees. The work/life boundary may be especially significant in the management of highly skilled knowledge workers, such as technical professionals, whose commitment and loyalty present a challenge to employer's work-life conflicts. As a result, today's human resource managers evaluate personnel practices to meet those needs with the hope of increasing employee loyalty toward the organization. In addition to this, many organizations have begun to take a role in developing quality of work-life programs.[1]

Job satisfaction has identified a number of factors like reward system in work, perceived quality of supervision, working conditions, and individual determinates such as status and seniority, age group, marital status, and years of experience that cause people to become satisfied or dissatisfied with their job (Mosadeghrad et al., 2008).The current study examines the relationship between job satisfaction and work-life balance among Information Technology (IT) employees in India. Firstly, the relationship is examined between the different constructs Career opportunities, Recognition, Work task, Pay, Work/life balance, Superior subordinate relationship, and employee satisfaction. Second, keeping the work-life balance as a mediating construct, it is analyzed whether it leads to employee satisfaction.[2]

[1] Human resource management-Dr.C.B.Gupta

[2]Human resource management-T.N.chabbra

### OBJECTIVES

1. To examine the job satisfaction of women employee's in the Information Technology (IT) sector.
2. To analyze the Challenges associated with managing balance between professional and personal life.
3. To suggest strategies to maintain a healthy work life balance

### NEED FOR THE STUDY

The objective of this research is to study the work life balance of working women in the Information Technology (IT) sector. It has major influence on maintaining equilibrium between professional life and the personal life responsibilities. The research was conducted among working Women in Information Technology (IT) firms in Mysore city. Work life balance reduces friction between official and domestic life. The concept of balancing work and life is important in more than one way. There can be many factors affect the balance of work and life, which may be social factors, psychological factors, Working Environment, Type of job, Job satisfaction, Family background, schedule at home and life stage. The employee who is able to maintain balance between private and professional life can contribute more to success of the organization.

### REVIEW OF LITERATURE

Rice (1985) emphasized the relationship between work satisfaction and Quality of people's lives. He contended that work experiences and outcomes can affect a person's general quality of life, both directly and indirectly through their effects on family interactions, leisure activities and levels of health and energy. The study conducted by Karrir and Khurana (1996) found significant correlations of Quality of work life of managers from three sectors of industry viz., Public, Private and Cooperative, with some of the background variables (education qualification, native/migrant status, income level) and with all of the motivational variables like job satisfaction and job involvement.

Being successful in the competitive market depends on the level of the satisfaction of the workers in the establishments. The satisfaction or dissatisfaction of the workers affects the performance of the organization. Also job satisfaction provides positive attitudes and behaviors of the workers (Organ, 1997). New working practices and rapid technological advances are changing the nature of many jobs (Cooper, 1999).

One of the most important factors that affect the behaviors of the workers in the establishments is the feeling of working satisfaction, that is to say, job satisfaction. There is growing evidence that current trends in employment conditions may be eroding levels of job satisfaction and directly damaging the physical and mental health of employees (Kenny et al., 2000).

Vittal (2003) observed that in order to empower women in the Information Technology (IT) sector in the real sense, it is necessary to investigate the social impact of Information Technology (IT) sector on the women's community. The author has indicated the emergence of "metro-sexual men", men who are sharing the responsibility of the family which might help women to be an active agent in the Information Technology (IT) workforce. It is also observed that the dropout rates of women get increased with their marriage and childbirth. It is because childcare and housework remain women's responsibilities, irrespective of her income, educational level or employment. This places a great burden on women and restricts women's choices in terms of better job opportunities.

Malliga Dasgupta (2010) explored the relationship between psychosocial variables and emotional intelligence of women employees in Information Technology Industry. The psychosocial variables included in the study were Quality of Work Life, Work Family Role Conflict and Perceived Happiness of female Information Technology (IT) professionals. The sample consisted of 30 female Information Technology (IT) professionals of Kolkata. The findings positively correlated with Quality of Work Life and Happiness, indicating that it contributes toward achieving higher Quality of Work Life and greater perceived happiness and were negatively correlated with both the domains of Work family Role Conflict, indicating that Emotional Intelligence tunes down the perception of Role conflict and thereby reduces the stress produced by it.

In the light of above literature survey it is very clear that a number of research works has been conducted in Indian and Western context. However no research survey has been conducted on work life balance among the women employees in Information Technology Industry. Therefore the present study has been conducted to bridge the gap.

## PARAMETERS CONSIDERED

### 1) JOB SATISFACTION

- Happy with present salary
- Superior support
- Improved job satisfaction
- Stressed Job
- Mentally pressurized by the job

### 2) WORK LIFE BALANCE

- Managing private life
- Spend time with family
- Better physical and mental health
- Balance between work and life

## RESEARCH METHODOLOGY

### DATA COLLECTION

The research is based on both empirical and analytical study. The study uses both primary and secondary data.

### PRIMARY DATA

For the purpose of study, well structured questionnaire was used as an instrument to collect the data.

### SAMPLE SIZE & TECHNIQUES

The sample size is 50. The respondents were chosen from the Information Technology (IT) sector. Convenience sampling technique has been adopted to collect the data.

## DATA ANALYSIS & INTERPRETATION

**TABLE 1.1 – JOB SATISFACTION OF WOMEN EMPLOYEES IN THE INFORMATION TECHNOLOGY (IT) SECTOR**

Opinion	Happy with my present salary	Superior support	Improved Job Satisfaction	Physical stress in the job	Mentally pressurized in the job
Strongly agree	16	-	21	-	-
Agree	27	27	15	14	14
Neutral	7	-	14	15	7
Disagree	-	7	-	21	29
Strongly disagree	-	16	-	-	-
Total	50	50	50	50	50

\*figures are in percentage Source: Primary Data Collected from survey

### INFERENCE

Nearly 16% of the women Employees strongly agree that they are happy with their present salary. 7 % of employees feel neutral towards opinion about present salary and 27% of the Employees agree that they are happy with their present salary.

The above table shows that 27% of the employees agree that their superiors are more helpful and cooperative and 23 % ( 7+16) of the Employees feel that their superiors are not more helpful and cooperative.

Flexibility in their work, Friendly work atmosphere and all sorts of refreshments make employee enjoy at their work. The above table reveals that 36 % ( 21+15) of the women employees strongly agree that, they Improved Job Satisfaction. 14% of the Employees feel neutral in their work place.

The analysis shows that 14% of the women Employees agree that they are physically stressed in their job. And 21% of the Employees feel that they are not physically stressed in their job.

From the above table it is understood that 14% of the women Employees agree that they undergo pressure in the job and 29% of the Employees feels that they are not mentally pressurized in their job.

**TABLE – 2 MANAGING WORK LIFE BALANCE OF WOMEN EMPLOYEES IN INFORMATION TECHNOLOGY (IT) SECTOR**

Opinion	Managing private life	Spend time with family	Better physical and mental health	Balance between work and life
Strongly agree	18	17	4	17
Agree	17	18	26	18
Neutral	15	6	10	6
Disagree	-	9	10	9
Strongly disagree	-	-	-	-
Total	50	50	50	50

\*figures are in percentage Source: Primary Data Collected from survey

Women work force now constitutes a important percentage of the total work force in any organization today. In the fast moving life, there are many pressures that women have to deal with- running a home, doing daily household work like cooking/cleaning, raising children and handle the tight deadlines at work. The above table reveals that 35%(18+17) of them said they are able manage the private life efficiently and only 15% of them said they are neutral to manage. There is no women who said who cannot manage private life.

The study shows that 35%(18+17) of the respondents agree that they are able spend their time with family members after meeting official commitment and only 9% of them disagree the fact that they cannot spend sufficient time with family members.

The research reveals that 30% of the respondents agree that they are able to maintain better physical and mental health in spite of their Industry requirements. Many organizations today have realized the significance of the employee-work-life balance and its importance in the efficiency of the employees so that neither the work nor the employee's personal life is affected. From the above table it is understood that 35% of the women employees agrees that they are able to balance their duties and responsibilities both in job as well as families and 9% of the Employees feels that they are not able to balance their duties and responsibilities both in job as well as families.

### STATISTICAL TEST

A un paired t test is applied to test the proposed hypothesis to check is there any significant difference between the opinions of parameters for balance between work and life and improved job satisfaction. The detailed findings of the t test are reported as below.



**T TEST****P VALUE AND STATISTICAL SIGNIFICANCE**

The two-tailed P value equals 0.6620

By conventional criteria; this difference is considered to be not statistically significant.

**CONFIDENCE INTERVAL**

The mean of Bal Between work and life minus Improved JS equals -2.50

95% confidence interval of this difference: From -15.46 to 10.46

**INTERMEDIATE VALUES USED IN CALCULATIONS**

$t = 0.4563$

Degree of Freedom(df) = 7

standard error of difference = 5.479

Group	Balance between work and life	Improved Job satisfaction
Mean	10.00	12.50
SD	7.58	8.89
SEM	3.39	4.44
N	5	4

**HYPOTHESIS**

H0: No significance difference between the balance between work and life and improved job satisfaction.

H1: There is a significance difference between the balance between work and life and improved job satisfaction.

**CONCLUSION****NULL HYPOTHESIS ACCEPTED AND ALTERNATIVE HYPOTHESIS REJECTED****INFERENCE**

As the p value equals there is no significant difference between the balanced work and life and job satisfaction. The reason being both are complementary to each other. If the work and life is balanced, job satisfaction would be high.

**SUGGESTIONS**

Work-life balance is a broad concept including proper prioritizing between Professional life which includes career, challenges, pressure, achievement and ambition on one hand and private life which includes pleasure, leisure, family and spiritual development

- Specific Counseling programmes on Work Life Balance can be conducted.
- Employers can create awareness about the impact of work life balance for employees personal and organisation life.
- Well designed flexible working hours.
- An ideal work culture can be created to achieve work life balance.
- Family welfare programmes and family counseling programmes can be conducted.
- Employees' social gathering programmes and public contact programmes will be the better option to reduce the mental pressure in the workplace as the study reveals that there is mental pressure for the women employees.
- Regular exercises, mediation and other soft skill practices can improve the emotional balance of the employees.
- Reward and recognition system should be fair and objectively to be adapted to each and every employee in the organisation.

**CONCLUSION**

Information Technology (IT) sector is one of the fastest growing sector it provides opportunity for employment of more number of women. The secret to work-life balance will vary depending on field of work, family structure and financial position. Personal life and professional work are two sides of coin it is difficult to separate and form a source of conflict. Companies must strive to develop a special bond with its people, so that they will put in more into their jobs and contribute positively. The philosophy of work life balance for the people/employee of the company is a very progressive and encouraging concept.

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## SCHOOL LEADERSHIP DEVELOPMENT PRACTICES: FOCUS ON SECONDARY SCHOOL PRINCIPALS IN EAST SHOWA, ETHIOPIA

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### ABSTRACT

*In the 21<sup>st</sup> century there is a growing realization that principalship is a specialist occupation. The study examines the present practices of leadership development in secondary schools with particular reference to some selected public schools in East Showa, Ethiopia. Questionnaire and interview were used to solicit information from secondary school principals and educational experts. Questionnaire was employed to collect data from school principals and vice principals. Interview was used for gathering pertinent information from experts working at different levels of the education system. Accordingly, 19(nineteen) secondary school principals and vice principals and 6(six) supervisors from Woreda Education offices and Zone Education Department were included in the study. Availability and purposive sampling techniques were used to select the required numbers of principals and educational experts respectively. Percentage, weighted mean, and standard deviation were used to analyze the data. The study revealed that short term trainings and experience sharing appear the major practices that are being used frequently to promote the knowledge, skills and attitude of secondary school Principals. The researcher concludes that short term trainings and experience sharing should not be the only ways to be practiced for professional development of Principals. The paper therefore, suggests that potential principals would attend leadership courses at Colleges/Universities before they are assumed for school managerial positions. Despite the necessity of initial formal training, continuous on-job training, leadership consultancy, coaching and mentoring, experiential learning, role playing and simulations are so vital to promote the leadership skills of secondary school principals.*

### KEYWORDS

Leadership, principals, professional development, school leadership.

### INTRODUCTION

The purpose of this study was to examine the existing school leadership development practices in public secondary schools of East Showa. More specifically, the study was aimed to investigate the extent to which the present secondary school principals have the necessary preparation in terms of knowledge, skills and attitude to effectively perform school tasks and to investigate the different modalities that have been in place to promote the competence and capabilities of school leaders. Furthermore, the study was targeted to identify the types of leadership development programs that school principals need to effectively discharge their roles and responsibilities. To do so, basic research questions were formulated to guide the whole activities of the study. It is hoped that the study will help policy makers to revisit the existing realities of the competence of school principals and the need to provide professional development to promote their leadership skills.

### LITERATURE REVIEW

*"Quality schools require quality leadership. Quality leadership cannot be assumed or acquired without a systematic approach to leadership recruitment, retention, and professional development" (UNESCO, 2005:4).*

Literature gives ample evidence that leadership plays an indispensable role in the effectiveness of educational institution, right from the setting of goals to accomplishment of goals. For instance, emphasizing the importance of school leaders in school effectiveness, the Wallance Foundation (2005) indicates that with many imperative issues and challenges facing schools today, effective leadership is essential to meet educational goals and ensure that students achieve academic success. In the same way, Cheng and Townsend (2000) discusses that under the same set of rules and regulations, with same set of teaching staff and students from similar background, an educational institution maintains status quo, or rises to prominence with a change of school leadership. Thus, as countries struggle to transform their educational systems to prepare young people with the knowledge and skills needed to function in a rapidly changing world, the roles and expectations of school leaders have been crucial. So, school leadership has become a priority in education policy agendas internationally. It plays a key role in improving school outcomes by influencing the motivations and capacity of teachers as well as the school climate and environment (OCED, 2008).

As described by the Wallance Foundation (2005), the current status of educational administration both as an academic field and as a profession in practice differs from one country to another. The reasons for the differences according to the writers can be attributed to cultural, political, and socio-economic differences. Apparently, selection criteria, appointment, employment procedures, and the responsibilities of principals are considerably different in different countries. Although these differences are inevitable, the quality of training principals receive before they assume their positions, and the continuing professional development they get once they are hired and throughout their careers, has a lot to do with whether school leaders can meet the increasingly tough expectations and responsibilities.

Thus, leadership is not the result of simply obtaining a position, but rather possessing the knowledge and understanding of successful leadership skills along with the personal ability to effectively implement those skills. Consequently, School leaders need impressive skills to provide effective leadership in the diverse school environments. But, are the present school principals getting the necessary professional preparation and readiness that they need to meet the responsibilities given to them in Ethiopian context? What are the current practices in place to promote the knowledge and skills of secondary school principals which enable them to discharge their responsibilities? These questions were used as a roadmap in this study to investigate the present status of school leadership development practices at the secondary schools of East Showa.

### STATEMENT OF THE PROBLEM

The present education system of Ethiopia is based on the 1994 Education and Training Policy. The policy introduced major changes in the structure of the education system, curriculum and medium of instruction and decentralization. For implementing the education policy, a series of Education Sector Development Program (ESDP) was launched to be effected in phases of five year cycles over 20 years. Accordingly, ESDP I, II, and III have already been completed and it was reported by the Ministry of Education that many achievements have been gained (MOE, 2010).

Currently, the implementation of the fourth Education Sector Development Program (ESDP IV) is underway. As per ESDP IV, the core priorities in the education system in the coming years will concentrate on improving the quality of education. One of the key activities to be done to enhance the quality of education is improving school leadership as school leadership plays a key role in improving school outcomes by influencing the motivations and capacities of teachers, as well as the school climate and environment.

In this regard, secondary education occupies an important place in the Ethiopian education system. It serves as the link between the primary and tertiary levels. The Education and Training Policy of Ethiopia (ETPE, 1994) labels secondary education as the education that the child receives after primary education and it has four years duration, consisting of two years of general secondary education (grade 9 & 10) and two years of preparation for higher education (grade 11 & 12). In the last two decades secondary education has made a remarkable progress in terms access to the people. As a result of dramatic increase of secondary schools,

there has been significant increase of students' enrollment. Parallel to these expansions, there has been also momentous increasing number of teachers and administrative staff year after year. Furthermore, there has been a huge mobilization of resources to secondary schools. These all human and material resources indispensably require competent and professionally trained school leaders to effectively utilize the resources and attain the intended objectives of education system at this particular level. However, there is no clear evidence whether the present school principals have adequate preparation in terms of knowledge, skills and attitude during their pre-service training and how far there is also continuous on-job training program to enhance their leadership competences. Therefore, the purpose of the study was to investigate the extent to which secondary school principals' have the necessary knowledge and skills to carry out their present leadership roles and to identify the existing leadership development modalities/strategies in place to promote the leadership skills of secondary school principals. In doing so, the study attempts to answer the following basic research questions

1. What are the current models/forms of professional development practices in place for secondary school principals to promote their competence?
2. How do secondary school principals perceive their preparation and readiness in terms of knowledge, skills and attitude to carry out their roles?
3. What do secondary school principals really need on the job training to effectively discharge their roles?

## OBJECTIVES OF THE STUDY

The general objective of the study is to investigate the existing leadership development practices in secondary schools of East Showa. More specifically, the study has the following specific objectives:

- To explore the extent to which school principals have adequately prepared before they possess the leadership position;
- To assess the present modalities/forms of professional development practices set for secondary school principals to promote their competence;
- To identify school principals' needs in relation to the current practices and future demands;
- To provide practical and possible suggestions to improve the existing problems related to school leadership development programs

## RESEARCH METHODOLOGY

### RESEARCH METHOD

The research is descriptive survey in nature. It was aimed to investigate the existing leadership development practices in public secondary schools of East Showa and to identify the different strategies carried out for school leadership development practices.

### SAMPLES AND SAMPLING TECHNIQUES

There are 17 public secondary schools in East Showa. These secondary schools are geographically dispersed and it was difficult to incorporate all schools in the study. So, availability sampling technique 9 (53%) of the schools were chosen to be included in the study. All together a total of 19 (9 principals and 10 vice principals) were included in the study. The researcher used availability sampling technique so as to include those school principals and vice principals available during data collection. In addition, a total of six experts (school supervisors) both at cluster level, woreda, and zone were included to solicit information pertaining to the current practices of school leadership development. These target respondents (experts) were selected purposively as the result of their position in the office and the researcher assumed that they have the necessary information about the prevailing situations of secondary school principals' leadership development practices in their respective Woredas and zone.

### DATA COLLECTION INSTRUMENTS

Basically questionnaire and interview were used to gather information from the target respondents. Questionnaire was used for collecting data from principals and vice principals and structured interview was developed and administered to supervisors at the cluster level, woreda education office, and zone education department.

### DATA COLLECTION PROCEDURE

Based on the literature reviewed and the basic research questions raised, data collection instruments were developed and get checked by other potential colleagues for the face validity and clarity of the items. Then, the instruments were revised by taking into account the constructive comments given. Finally, the required information was gathered from the target population by the researcher himself.

### METHODS OF DATA ANALYSIS

Both quantitative and qualitative methods of data analysis were used. In this regard, descriptive statistical method such as percentage, aggregate mean and standard deviation were employed to analyze the quantitative data. Qualitative analysis was also used for a critical investigation of views, opinions and suggestions and for responses of principals, and vice principals to open ended questions.

## RESULTS AND DISCUSSIONS OF THE FINDINGS

TABLE 1: PRINCIPALS AND VICE PRINCIPALS' TEACHING EXPERIENCES AT SECONDARY SCHOOLS (N=19)

Service years	Frequency	%
1-5 years	11	60
6-10 years	4	20
11-15	0	-
Above 15 years	4	20
Total	19	100

It can be portrayed in Table 1, 11 (60 %) of the principals and vice principals had 1-5 years of teaching experiences, followed by 4 (20%) having 6-10 years of teaching experience. The figure in the table shows that only 4(20%) of principals and vice principals have a relatively good number of service years. The remaining majority (60%) of them have less than five years of teaching experiences in secondary schools. Literature evidences that experience in teaching is one of the most important ingredient to make school principal and vice principal effective in their performance. However, there is no clear evidence for the researcher why the WEO or ZED gives due attention to less experienced individuals while recruiting and selecting school principals and vice principals. Anyways, it can be inferred from the data that the leadership of secondary schools in East Showa were relatively staffed with less experienced and young principals and vice principals. For such group of school leaders, it seems vital to provide relevant and continuous on-job training to build their leadership capacity so as to fill the gap in the lack of adequate experience and attain the overall objectives of the secondary schools.

TABLE 2: RESPONDENTS' LEVEL OF EDUCATION/ QUALIFICATION (N=19)

Qualification	Frequency	Percent
Diploma	-	-
Bachelors degree	19	100.0
Masters degree	-	-
Total	19	100.0

In Table 2, it was intended to examine the qualification status of secondary school principals' and vice principals. The figure in the table shows that all the respondents 19 (100%) had bachelor degree. This reveals that in terms of qualification, the respondents have the required degree which is inline with the directives and legislation of the government that allows a minimum of bachelor degree to be a principal of secondary school. Nevertheless, it was reported that the majority of school principals and vice principals 15 (77.8%) were graduated in subject areas such as Geography 5 (26.6%), Mathematics 4 (21.2%), Biology 2

(10%), Afan Oromo 2 (10%), Chemistry 1 (5%), and Amharic 1 (5%). Only 4 (21.2%) of them had graduated from the relevant field Educational Planning and Management. Thus, it is certainly obvious that leadership skills are vital for those who lack the know-how of leadership. In this regard, the data above revealed that the overwhelming number of secondary school principals were from different discipline which imply that they have to participate in leadership development practice to improve their leadership capacity and consequently improve the quality of their performances.

**TABLE 3: SCHOOL PRINCIPALS SELECTION AND PRIOR TRAINING (N=19)**

	Methods employed	Principals		V/Principals		Total	
		F	%	F	%	F	%
How school principals selected	Competition	5	55.5	7	70	12	63
	Political appointment	-	-	-	-	-	-
	Staff selection	-	-	3	30	3	16
	Relevance of field of study	4	44.5	-	-	4	21
	Total	9	100	10	100	19	100
Prior training of school principals	Induction	-	-	3	30	3	30
	Short term training	-	-	2	20	2	20
	Pre-service training	4	44.5	-	-	4	-
	No training at all	5	55.5	5	50	10	50
Total		9	100	10	100	19	100

Table 3 depicts that almost all principals and vice principals 12 (63%) indicated that they take school leadership position through competition. The remaining 4 (26%) of them have indicated that they were directly nominated by WEO and/or ZED due to the relevance of area of studies in their pre-service training. The rest 3 (11%) have replied that they take the position through staff selection. In this regard, the attempt made to recruit and select school principals and vice principals' based on competition and staff selection appears a good job. Above all, the selection and assignment of school principals by considering relevance of areas of studies is appreciated. But, the information obtained from principals and educational experts regarding this issue was inconsistent. During the interview with the supervisors at WEO and ZED it was understood that most of the principals and vice principals are assigned to the leadership position by being membership and loyalty to the political system of the ruling party. They have confirmed that although there is nominal competition among applicants for school principalship, practically the one who has political affiliation is directly or indirectly nominated for the position. This situation is more serious in the case of school principal selection than the vice principals. Sometimes the staff is given an opportunity to select their vice principals. As shown in the table above, out of the ten vice principals in the study group 3 (three) of them were selected directly by the staff. An extensive review of relevant literature have showed that the recruitment and selection of school principals are matters of great importance for all school systems because effective selection of educational leadership is absolutely vital to bringing about improvements and advances in all processes that foster the provision of education and student learning.

Regarding principals and vice principals prior training, the figure in Table 3 shows that the majority of principals 5 (55.5%) and vice principals 5 (50%) have no any prior leadership training. As depicted in this table, only 4 (45%) of principals have got formal training in Educational Planning and Management. The remaining 5 (50%) of vice principals have reported that they attended induction and short term training programs on school leadership. However, they claim that it was inadequate to perform the diverse nature of school tasks. In this regard, the literature stresses that school systems require a cadre of highly qualified and experienced educators to apply for and assume positions of leadership in schools.

**TABLE 4: PRINCIPALS SELF PERCEPTION IN THEIR LEADERSHIP COMPETENCE (N=19)**

TABLE 4: PRINCIPALS SELF PERCEPTION IN THEIR LEADERSHIP COMPETENCE (N=13)													
No	Items	No of Respondents											
		1		2		3		4		5			
		f	%	F	%	f	%	f	%	f	%	M	SD
1	I have a high level of up-to-date pedagogical knowledge and skills	2	11	4	21	4	21	3	16	6	32	3.4	1.4
2	I have a clear and justified vision for school development	-	-	1	5	5	26	5	26	8	42	4.0	.94
3	I have sound financial and resource management skills	-	-	2	11	6	32	7	37	4	21	3.6	.92
4	I have the ability to lead and participate in group discussions	-	-	-	-	4	21	7	37	8	42	4.2	.76
5	I have a high level of interest to the profession of leadership	-	-	-	-	2	11	11	58	6	32	4.2	.61
6	I have good skills of conflict management in my present leadership work	-	-	-	-	5	26	5	26	9	47	4.2	.83
7	I know how to manage programs/projects into successful implementation	-	-	-	-	5	26	7	37	7	37	4.1	.78
8	I have the ability to help others learn in the workplace through best practice	-	-	-	-	4	21	7	37	8	42	4.2	.76
9	I know how organizational tasks planned, organized and operated	-	-	-	-	7	37	3	16	9	47	4.1	.91
10	I am familiar to manage time effectively	-	-	-	-	5	26	5	26	9	47	4.2	.83
11	I can use IT effectively to communicate and perform management functions	-	-	8	42	4	21	5	26	2	11	3.2	
12	I know how to effectively identify and disseminate good practice across the departments, units and sections in the school	-	-	1	5	4	21	5	26	9	47	4.1	.93
13	Being able to work collaboratively with colleagues	-	-	1	5	-	-	8	42	10	53	4.3	.76
Weighted mean=3.9 SD = .80													

Table 4 above is planned to get a good insight on the extent to which secondary school principals and vice principals have adequate preparation and readiness in terms of leadership knowledge and skills. Especially, the items in the table above were designed to understand the self-perception of school principals and vice principals towards themselves and the extent to which they feel that they are mentally and psychologically ready to handle school tasks and discharge their responsibilities. As shown in the table, the average mean of all items was 3.9. This indicates that the mean value of all respondents is falling between 'moderate' and 'high'. The aggregate mean value (M=3.9, SD=0.80) generally shows that most of school principals and vice principals are moderately prepared for leadership position of secondary schools. A significant number of principals and vice principals rated high mean score to items such as: working collaboratively with colleagues (M=4.3), helping others to learn in the workplace through best practices (M=4.2), participating staff in discussions and decision making processes (M=4.2), managing time effectively (M=4.2) and having good skills of conflict management (M=4.2). On the other hand, a considerable number of principals and vice principals rated relatively low to items such as: using IT effectively to communicate and perform management functions (M=3.2), having a high level of up-to-date pedagogical knowledge and skills (M=3.4) and having sound financial and resource management skills (M=3.6). Thus, from both aspects of the responses it is possible to conclude that the preparation and readiness of school principals and vice principals is moderate. On top of this, it was discussed earlier that most principals and vice principals are graduated in subject areas and most of them have no adequate experiences in teaching. All these together affect the quality of their performances. Therefore, they need more leadership development practices so as to feel confident to accomplish the wide variety of school tasks effectively.



TABLE 5: VARIOUS FORMS OF LEADERSHIP DEVELOPMENT PRACTICES (N=19)

No	Forms of LDP	No of respondents							
		1		2		3		Total	
		f	%	f	%	f	%	M	SD
1	Formal leadership training	12	63	7	37	-	-	1.3	0.70
2	Workshops and seminars	8	42	10	53	1	5	1.5	0.59
3	Reflective writing	11	58	8	42	-	-	1.4	0.60
4	Peer observation	4	21	12	63	3	16	1.6	0.99
5	Action learning	8	42	10	53	1	5	1.5	0.59
6	Role play and simulations	9	47	9	47	1	6	1.4	0.69
7	Leadership consultancy	7	37	10	53	2	10	1.5	0.68
8	Experience sharing activities	3	16	14	74	2	10	1.7	0.50
9	E-learning and video conference	18	95	1	5	-	-	1.0	0.51
10	Coaching and mentoring	10	53	8	42	1	5	1.4	0.68
Weighted Mean = 1.4, SD= 0.65									

Table 5 was projected to examine the extent to which secondary school principals and vice principals participate in various forms of leadership development practices organized by their respective schools, WEO, ZED and any other concerned body. As indicated in the table above (Table 5), the average mean of all items was 1.4 i.e. the mean value of all respondents is falling in between 'not at all' and 'sometimes'. This value (M=1.4, SD=0.65) generally shows that school leadership development practices were very rare. The participation of principals and vice principals in all forms of leadership development activities is much less than the average point 2. Although all the study group were agreed that their participation in leadership development practices is very low, a significant number of principals and vice principals rated relatively high mean score (M=1.7, M=1.6 and M=1.5) to items like participating in experience sharing activities, peer observation, and workshops and seminars respectively. On the other hand, a significant number of respondents rated low mean score to specific items such as e-learning and video conferences (M=1.0), formal leadership training (M=1.3), reflective writing (M=1.4), simulation and role playing (M=1.4) respectively.

In general, it was confirmed by the respondents that the existing situation of school leadership development practices are not promising and attractive. The practices are not on a regular basis rather it has been given occasionally and in a sporadic manner. Such unsystematic and discontinuous approach may not help school principals and vice principals to improve their leadership skills. At this juncture the researcher would like to remind Fullan's (2007) argument related this point. The writer recommended that leadership development practices for school leaders should take place over the long-term rather than being episodic, be job-embedded rather than outside the realm of the school and be carefully planned with intention and purpose.

TABLE 6: THE TYPES OF LEADERSHIP DEVELOPMENT PRACTICES THAT PRINCIPALS NEED (N=19)

No	Items	No of respondents											
		1		2		3		4		5		Total	
		f	%	f	%	f	%	f	%	f	%	M	SD
1	Using real-life workplace problems as a key resource for learning	-	-	-	-	3	16	10	53	6	32	4.5	.75
2	Coaching and mentoring on identified skills and best practices	-	-	1	5	-	-	11	58	7	37	4.3	.71
3	Attending masters degree and other postgraduate courses	-	-	1	5	1	5	2	11	15	79	4.6	.81
4	Creating relationship with inspiring international experts	-	-	-	-	3	16	9	47	7	37	4.2	.69
5	Sharing learning experiences to develop the interpersonal and personal skills needed by a principal	-	-	1	5	1	5	5	26	12	63	4.5	.82
6	Using IT to make learning as convenient and interactive as possible	-	-	1	5	3	16	5	26	10	53	4.3	.90
7	Practical problem-based workshops and action learning groups of principals	-	-	-	-	1	5	7	37	11	58	4.5	.59
8	Induction Programs	-	-	1	5	4	21	9	47	5	26	3.9	.82
9	Visits to other similar schools or systems	-	-	-	-	2	11	10	53	7	37	4.3	.51
10	Short-term training	1	5	1	5	5	26	6	32	6	32	3.8	1.1
11	Informal interactions with peers and collegial support	-	-	-	-	1	5	10	53	8	42	4.4	.58
Average Mean = 4.4, SD = .75													

In Table 6, it was intended to examine the needs and interests of school principals and vice principals with regard to school leadership development practices. As indicated in the table above, the average mean score of the whole items is M=4.4. This value is falling between 'agree' and 'strongly agree'. This shows that the respondents have positive outlook to most of the items described in the table. More specifically, 79% and 63% of the respondents strongly prefer to attend masters degree in leadership and to share experiences from similar institutions to develop personal and interpersonal skills respectively. As can be seen in this table, the overwhelming of respondents reveal that they prefer to follow need based leadership development programs which are related to the practical situations of school tasks instead of taking predetermined programs which is mostly designed by people remotest from the actual practice. In the regard, the majority of respondents prefer leadership development practices that are related to real life work related problem (M=4.5), experience sharing among similar institutions (M=4.5), attending masters program and other related courses (M=4.6), practical and problem based workshops and action learning. On the other hand, items such as short term training (M=3.8), induction programs (M=3.9), and creating relationship with inspiring international experts (M=4.2) were among the list which are relatively rated low. However, the overall demand and interest of school principals to all items were very much positive.

Likewise, the experts (supervisors) were interviewed to describe the leadership development practices most likely preferred by school principals and vice principals. Almost all 5(five) of them have indicated that principals and vice principals prefer any leadership development program which promote their status and increase their salary. According to the experts, principals and vice principals mostly do not like short term trainings, workshops, meetings because participation to these programs does not incur any benefit for them. Principals are very much bored with workshops and seminars rather they prefer to attend post graduate programs, sharing of experiences from similar institutions.

In general, it was realized from the responses that school principals and vice principals at present are trying to attend various leadership development practices. Yet, there are more to do on the part of Woreda, and Zone Education Department, school principals themselves to effectively plan, organize and monitor the leadership development practices so as to enable school principals to acquire the contemporary knowledge and skills and apply the skills to improve school effectiveness.

## FINDINGS

This part provides a brief summary of the major findings to the research questions raised i.e. school principals' preparation and readiness for educational leadership position, the present modalities of school leadership development practices, and the needs of school principals in the leadership development practices of secondary schools.

Concerning principals and vice principals preparation and readiness for school leadership, the findings revealed that the majority of them lack adequate preparation either during their pre-service training or in-service training. Out of 19 school principals and vice principals only 4 (21%) have relevant training in

Educational Planning and Management. The remaining 15(79%) do not have adequate leadership training and initially they were trained for teaching their area of studies.

With regard to various forms of school leadership development practices, the data mainly showed the existence of short term training, induction, workshops and experience sharing practices. It was ensured that these activities have been occasionally conducted to improve the leadership skills of secondary school principals. However, it was found that these practices are not well organized and systematically delivered for all principals and vice principals across all school continuously. Respondents specified that the irrelevance of the training contents and imposed type of training programs that do not address the needs and interests of the school principals and vice principals in improving their leadership practices and solving complex problems of their schools.

Concerning the type of training required by school principals and vice principals, it was found that the majority of them prefer leadership development programs which focus on real life and problem based action learning. Respondents stressed the importance of work place trainings and formal leadership courses which practically enable them to solve school problems and at the same time acquire leadership knowledge and skills.

## RECOMMENDATIONS

In order to improve the existing school leadership development practices in secondary schools, the following recommendations are made by considering the information taken from the available literature and from the practical experiences of the present situations in secondary schools in East Showa.

- School leaders are expected to commit themselves and take the initiatives to participate in different leadership development practices. Every principal has to do his or her own effort to strengthen his/her leadership competence and skills. Leadership development is not fruitful without the internal motives and responsibilities of the principals themselves.
- Developing the best educational leaders possible is critical to create the quality of learning environments in schools that we seek. However, school leadership development is not an easy task rather the most demanding practices at all levels of the education system. So, the concerned governments officials at various levels are responsible to take the frontline initiatives to plan, organize and implement school leadership development activities.
- Potential principals have to attend leadership courses at different Universities before they assume managerial positions in secondary schools. In this regard, departments of Educational Planning and Management found in different universities in the country have to avail opportunities for such people who demand the training.
- Despite the necessity of initial formal training, continuous on-job training, leadership consultancy, coaching and mentoring, experiential learning, role playing, action learning and simulations are so vital to promote the leadership skills of secondary school principals.
- There has to be continuous follow-up system by the immediate Woreda Education Office and Zone Education Department on the practical implementations of the professional development of school principals. Regular meetings and discussion forums are vital to examine the successes and failures of the practices so as to make timely measures on the drawbacks observed. Furthermore, they have to create motivating work environment for conducting LDP by allocating the necessary resources (budget, time) and fulfilling the required facilities.
- The Ministry of Education in collaboration with all other concerned bodies including regional education Beauró's has to set transmissible incentive and promotion systems for trained school principals to minimize the turnover and sustain them doing their work.
- Further investigation on a wider scale is essential to examine the impact of school principals leadership development practices and understand its contribution in terms of developing leaders' competence and commitment and improving the quality of students learning.

## CONCLUSIONS

The importance of school leadership development practice in the entire educational system cannot be ignored. However, it has been observed that the government has been giving less attention to the leadership development of secondary school principals. The assumption is that any teacher, who has been teaching in secondary school, is competent to administer the school. This argument is no longer plausible. Many evidences in the literature show that not all teachers can be school administrators. Anyone who wants to be involved in the art of secondary school Principalship needs to be equipped with the necessary leadership skills. So, recognizing leadership knowledge and skills as a prerequisite for healthy school operations and substantive student achievement is essential.

The literature also noted that it is helpful to be in another position of responsibility, such as head of department and vice principals, before applying to the principalship position. The principals themselves also agreed that they need to pursue further studies to be qualified and need to have good experiences at the lower echelons to manage secondary schools. These data suggest that the process by which principals are selected is not based on qualification and experiences of a person at leadership positions, but rather they are simply selected based mainly on political affiliation. Thus, these situations need to be completely reversed in order to use competent and trained educators for school leadership. Generally, it is possible to conclude that the existing leadership development practices are not encouraging. The challenges have to be addressed so as to improve and maximize school effectiveness.

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**EMOTIONAL INTELLIGENCE OF THE MANAGERS IN THE BANKING SECTOR IN SRI LANKA**

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**ABSTRACT**

*Emotional Intelligence is regarded as a vitally important concept that leaders have to learn for the success of any organization. Based on the Sri Lankan research literature, there was no investigation which had focused to investigate the nature and the level of emotional intelligence among the manager in the banking sector in Sri Lanka. This study investigated the nature and the level of emotional intelligence among the managers in the banking sector in Sri Lanka. A total of 100 managers were selected from systemically important banks in Sri Lanka using the convenience sampling technique. A structured questionnaire was used to measure the Emotional Intelligence. The results showed that the majority of the managers are emotionally intelligent. However, they have moderate knowledge on the concept of emotional intelligence. It was also indicated that the level of Emotional intelligence has been changed according to the gender, age, educational level and working experience of the managers.*

**KEYWORDS**

Emotional Intelligence, Managers.

**INTRODUCTION**

Emotional Intelligence (EI) is regarded as a vitally important concept that leaders have to learn for the success of any organization. Daniel Goleman who brought the concept of EI to the world's attention said that "effective leaders are alike in one crucial way. They all have a high degree of EI. Furthermore, he explained that EI is the sine qua non of leadership" (Goleman, 1998). Goleman by his different kind of research studies clearly points out that leaders' EI directly affect to his or her effectiveness and success in an organization (Goleman, 1995; 1998; 1999; 2000).

A growing number of academic and senior managers have recently come to recognize the importance of EI for the leader's effectiveness and success of an organization. A study conducted at Johnson and Johnson, Consumer Care and Personal Care Group shows that the highest performing managers have significantly more EI than other managers (Cavallo & Brienza 2001). In addition, the empirical evidence reveals that the importance of emotional intelligent leadership in improving the work related attitudes and job performance of the employees (Grandy, 2000; Kappagoda, 2011,2012; Wong and Law,2002;). Ryback (1998) asserts that to be able to manage or lead others successfully, the leader must be able to read their emotions. It will allow the leader to gain other's trust and loyalty, and as a result, improve organizational performance. Leaders with high EI skills positively impact every person they contact. They are the role models of excellent performance. They can expect superior performance only when the employees are satisfied with their jobs and well committed to their organization. Excellent performances of the leaders depend on how they use their EI competencies for the satisfaction, commitment and involvement of the employees (Kappagoda, 2012). Manager's EI had a more positive correlation with job satisfaction for employees with low EI than for those with high EI. A similar pattern was found for job performance (Thomas; Susanna & Linda, 2006).

A recent study by Envisia Learning Leadership Group explores that employees who rated leaders in the organization as more EI and effective were significantly less likely to consider leaving within 12 months, were more engaged and satisfied with work and significant impact on employee's commitment to the organization (Nowack, 2006). The emotional intelligent leaders can enhance their employees work related attitudes and work outcomes (Carmeli, 2003; Kappagoda, 2012). Academic research demonstrated the important role of emotional intelligent leadership in facilitating high employee Organizational Citizenship Behavior (Jain & Sinha, 2003; Kappagoda, 2012).

Despite the importance of EI, it was one of the abandon factors among the researchers in Sri Lankan research literature. Therefore, the researcher attempted to fill the research gap by investigating the nature and the level of EI among the managers in the banking sector in Sri Lanka.

The banking sector was selected for this study because of the economy or production process largely depends upon how efficiently the financial sector in general and the banks in particular perform the basic functions of financial transformations. In a country like Sri Lanka, this factor assumes further significance. The banking sector is the dominant sub sector within the financial sector. It plays the positive and important role for the overall development of the country. The performance of the banking sector directly affects to the other industrial and service sectors of the economy (Fernando, 2004).

Business performance of the banking sector largely depends upon the high quality services. Service quality is the ability to provide professionally required and customer expected applications of business (Naeem et al., 2008). According to them, the efficient and quality services are not the result of a single causal factor; it is a result of the multiple factors. According to Naeem et al., (2008) human effort and Emotional Intelligence are more important determinants of service quality. Yoon and Suh (2003) pointed out the behavior of the employees which goes beyond existing role expectations is the most important determinant of service quality. The leadership effectiveness is one of the crucial factors in improving the service quality (Svensson and Wood, 2006).

The banks as the service providers are required to be adaptive towards the demands and behaviors of the customers, it is basically Emotional Intelligence that helps managers in responding effectively towards the customer needs. The learning and practice of these skills help improving the performance of service providers and thus increasing customer satisfaction. By using Emotional intelligence, organizations can have increased knowledge about customers and greater ability for recognizing and regulating the quality of service according to the desires of customers (Naeem et al., 2008).

**PROBLEM STATEMENT**

In today's corporate world, the issue of the EI is widely emphasized. Today many organizations and researchers are recognizing that EI skills are critical to success. The literature has highlighted that the importance of EI leadership for the betterment of the employee satisfaction, commitment, job performance and ultimately, the organizational success. The EI leaders promote the qualities that are instrumental in guiding an organization to success. EI leaders foster self-regulation, self-awareness, motivation, empathy and social skills and effectively guide employees through the use of these skills. Leaders display these qualities promote working environments in which employees feel comfortable voicing their opinions, thereby promoting an environment that is successful and stable. The importance of EI leadership has not limited to any organization. It is equally important to all the organizations in the economy. The banking sector, the dominant sector in the economy plays very positive and important role in the overall economic development of the country. The researcher believes that the prosperity of the banking sector is the prosperity of the country. Therefore, the EI leadership is essential for the banking sector than the other organization. However, there was no enough empirical evidence on emotional intelligence in Sri Lanka. Thus, this issue may serve as a good research gap for investigation. Therefore, the problem addressed in this study is to investigate the nature and level of EI of managers in banking sector in Sri Lanka.



**RESEARCH OBJECTIVE**

To identify the nature and level of EI of managers in Sri Lankan banking sector

**LITERATURE REVIEW****EMOTIONAL INTELLIGENCE**

Two psychologists Peter Salovey and John Mayer first introduced Emotional Intelligence in 1990. They developed the ability model of Emotional Intelligence. They defined Emotional Intelligence as “the ability to perceive, appraise and express emotions accurately and adaptively; the ability to understand emotions and emotional knowledge; the ability to access and generate feeling where they facilitate cognitive activities and adaptive actions; and the ability to regulate emotions in oneself and others” (Mayer et al., 2004).

In 1995, Daniel Goleman opened the eyes of the world about the concept of Emotional Intelligence. He defined Emotional Intelligence under the trait perspectives or mixed model as “one’s ability to motivate oneself and persist in the face of frustration; to control impulses and delay gratification; to regulate one’s moods and keep distress from swamping the ability to think; to empathize and to hope. In 1997, Goleman redefined Emotional Intelligence as words “the capacity for recognizing our own feelings and those of others for motivating ourselves and for successfully managing emotions in ourselves and in our relationship with others” (Dulewicz and Higgs, 2000)

Goleman’s model of Emotional Intelligence introduced in 1998 outlined five main Emotional Intelligence construct and twenty-five competencies. Goleman and Boyatzis (2000) introduced four dimensions of Emotional Intelligence with twenty competencies instead of five dimensions of Emotional Intelligence with twenty-five competencies.

**TABLE 01 - DIMENSIONS AND INDICATORS OF EMOTIONAL INTELLIGENCE**

Dimensions	Indicators
Self-Awareness	Emotional self-awareness, Accurate self-management, Self confidence
Self-Management	Self-control, Trustworthiness, Conscientiousness, Adaptability, Achievement drive, Initiative
Social Awareness	Empathy, Service orientation, Organizational awareness
Relationship Management	Developing others, Influence, Communication, Conflict management, Leadership, Change Catalyst, Building bonds, Teamwork and collaboration

**METHODOLOGY****POPULATION AND SAMPLE**

All the managers of the commercial banks in Sri Lanka are the population of the study. The sample for this study was randomly selected 100 managers employed in Systemically Important Banks in Sri Lanka. It consisted 50 managers from public banks and 50 managers from private banks. Questionnaires were administered among 120 managers working in Systemically Important Banks. The response rate was 83 percent. Thirty of the respondent managers were women; 90 were married. Their average age and tenure in the organization were 43.96 years ( $SD = 8.35$ ) and 20.03 ( $SD = 6.27$ ), respectively. Twenty two managers held a bachelor’s degree, whereas seven held a master’s degree or higher.

**MEASURES**

The questionnaire was separated into two sections for demographic data and emotional intelligence. Six questions were included to get the demographic information. The EI questionnaire measures the level of EI of the managers using 04 dimensions (Self Awareness, Self-Management, Social Awareness and Relationship Management) and 20 sub-dimensions originally operationalized by Daniel Goleman with five -point Likert scales, ranging from 1 (strongly disagree) to 5 (strongly agree).

**VALIDITY AND RELIABILITY**

The content validity of this instrument was secured by including an adequate number of questions for each dimension of the variables. As shown in table No.02, the instruments possess high test retest reliability as there is a significant high correlation between the responses of the two administrations. The results of Cronbach Coefficient Alpha (table No.02) which, suggested each item is correlated with other item across the entire sample and the internal consistency reliability is satisfactory.

**TABLE 02 - RESULTS OF RELIABILITY**

Variables	Test – retest coefficient	Cronbach Alpha Coefficient
Emotional Intelligence	0.91	0.89

**FINDING AND DISCUSSION****TABLE 03 - DESCRIPTIVE STATISTICS FOR EMOTIONAL INTELLIGENCE**

	N	Minimum	Maximum	Mean	Std. Deviation
Self-Awareness	100	3.09	5.00	3.98	0.38
Self-Management	100	3.10	4.80	3.86	0.38
Social Awareness	100	2.50	5.00	4.06	0.41
Relationship Management	100	3.10	4.90	3.99	0.38
Emotional Intelligence	100	3.23	4.92	3.97	0.34

The results of the univariate data are given in table 03. According to the data, the level of emotional intelligence is high among the managers in the banking sector in Sri Lanka. The high level of EI indicate that the managers have capacity to recognize their own and others emotions, manage their emotions and build relationship with others. That was a good sign for the prosperity of the banking sector. According to the statistics, there was no significant difference between mean scores of each subscale. But, Self-Awareness and Self-Management subscales reported slightly lower mean scores as 3.98 and 3.86 respectively. The Social Awareness cluster represents the highest mean value of 4.09. For the Relationship Management it was 3.99. However, Social Awareness and Relationship Management clusters reported the highest standard deviation of 0.41 and 0.38 respectively. Social Awareness and Relationship Management skills were higher than the Self Awareness and Self-Management skills. These two skills further have to be improved.

**TABLE 4 - THE KNOWLEDGE OF THE CONCEPT OF EMOTIONAL INTELLIGENCE**

Ownership of the bank	Knowledge on Emotional Intelligence					Total
	Very Low	Low	Moderate	High	Very High	
Public	1	2	30	14	3	50
Private	0	8	32	9	1	50
Total	1	10	62	23	4	100

The researcher investigated the managers’ awareness about the concept of EI. The table 4 represents the results. According to the data, 62% managers have mentioned that they have moderate level of knowledge on EI. It was 30% and 32% for public and private banks managers respectively.



TABLE 5 - DESCRIPTIVE STATISTICS FOR EI AND GENDER

Gender		Self-Awareness	Self-Management	Social Awareness	Relationship Management	Emotional Intelligence
Male	Mean	4.01	3.89	4.16	4.08	4.03
	S.D	0.41	0.39	0.33	0.37	0.33
Female	Mean	3.90	3.81	3.81	3.80	3.83
	S.D	0.31	0.38	0.46	0.34	0.33

According to the research findings as mentioned in table 05, male managers have reported slightly higher EI scores (4.03) than female managers (3.83). The mean scores of each EI clusters for male managers have reported higher than female managers. But, this finding was not consistent with some earlier findings. Nikolaou & Tsyousis (2002) states that there were no significant differences between male and female in term of the overall EI scores. Social Awareness and Relationship Management skills were high in male managers compare with the female managers. Both male and female managers have low capacity to manage their emotions.

TABLE 6 - DESCRIPTIVE STATISTICS FOR EI AND MARITAL STATUS

Marital Status		Self-Awareness	Self-Management	Social Awareness	Relationship Management	Emotional Intelligence
Single	Mean	3.97	3.81	4.12	4.00	3.97
	S.D	0.39	0.44	0.46	0.37	0.36
Married	Mean	3.98	3.87	4.05	4.00	3.97
	S.D	0.38	0.38	0.40	0.38	0.34

According to the sample data, it can be concluded that there was no difference in EI according to the marital status. This pattern has been remained constant for each clusters of EI. The results are shown in table 6.

TABLE 7 - DESCRIPTIVE STATISTICS FOR EI AND AGE

Age		Self-Awareness	Self-Management	Social Awareness	Relationship Management	Emotional Intelligence
21 - 30	Mean	3.81	3.65	3.73	3.69	3.72
	S.D	0.24	0.45	0.49	0.48	0.39
31 - 40	Mean	4.05	3.91	4.11	4.03	4.02
	S.D	0.40	0.40	0.31	0.39	0.34
41 - 50	Mean	3.92	3.82	4.03	4.00	3.94
	S.D	0.35	0.38	0.38	0.37	0.32
> 51	Mean	3.97	3.88	4.06	3.99	3.98
	S.D	0.41	0.39	0.53	0.36	0.36

According to data in table 7, the majority of managers with high level EI belong to age of 31 to 40 years category. It was 4.03. This age category has been shown the highest mean value for each subscale of EI compare with other three subscales. The age group of 21-30 was reported the lowest level of EI scores (3.72) and the lowest mean value for each subscales. The majority of the managers represent the 31-40 age category in private banks, that means, the majority of the managers in private banks have high EI. Nikolaou and Tsaousis(2002) state that the age was correlated with some competencies of EI. The result of this study was consistent with their findings.

TABLE 8 - DESCRIPTIVE STATISTICS FOR EI AND HIGHEST EDUCATION QUALIFICATIONS

Highest Educational Qualifications		Self-Awareness	Self-Management	Social Awareness	Relationship Management	Emotional Intelligence
G.C.E. (A/L)	Mean	3.95	3.84	3.93	3.91	3.91
	S.D	0.33	0.38	0.45	0.42	0.34
Diploma	Mean	4.07	3.88	4.21	4.11	4.07
	S.D	0.45	0.45	0.29	0.35	0.34
Degree	Mean	3.94	3.80	4.12	4.01	3.99
	S.D	0.39	0.32	0.40	0.36	0.33
Postgraduate	Mean	3.88	3.89	4.06	4.00	3.96
	S.D	0.40	0.37	0.32	0.31	0.30

The groups of managers who have diploma qualification have reported the highest EI score. The managers who have advanced level qualification have reported the lowest EI score. When the level of education increased, the EI scores increased up to diploma qualification, then EI scores decrease while educational level increase. These findings were indicated in table 8.

TABLE 9 - DESCRIPTIVE STATISTICS FOR EI AND THE WORK EXPERIENCE IN THE BANK

Work experience in the bank (in years)		Self-Awareness	Self-Management	Social Awareness	Relationship Management	Emotional Intelligence
< 5	Mean	3.94	3.83	3.83	3.94	3.89
	S.D	0.14	0.30	0.40	0.16	0.21
5 - 10	Mean	4.11	3.77	4.15	3.91	3.99
	S.D	0.30	0.28	0.34	0.39	0.31
11 - 15	Mean	3.81	3.80	4.02	3.90	3.99
	S.D	0.24	0.36	0.20	0.37	0.26
16 - 20	Mean	4.03	3.93	4.10	4.07	4.03
	S.D	0.43	0.39	0.36	0.38	0.35
21 - 25	Mean	3.97	3.80	4.13	4.04	3.98
	S.D	0.43	0.38	0.37	0.38	0.31
> 26	Mean	3.97	3.87	4.02	3.98	3.96
	S.D	0.39	0.42	0.51	0.40	0.37

The highest EI scores (4.03) was reported among the managers who have 16 to 20 working experience category. The lowest EI score was reported among the managers in the lowest working experience category (experience < 5 years). The data indicated that the EI score gradually increased when the working experience increased up to the age category of 16-20, after that the EI score gradually decreased when working experience of the managers further increased. The social awareness skill was high in all working experience categories except the working experience group below 5 years. The data was indicated in table 9.

## CONCLUSION AND RECOMMENDATION

According to the findings of the research study, the majority of the managers are practicing emotional intelligence competencies. But, they have moderate knowledge on the concept of EI. The concept of EI is still new to them. The finding clearly indicated that the level of EI has been changed according to the gender, age, educational level and working experience of the respondents.

Since the emotional intelligence is vitally important in the organization context, all the corporate leaders and managers need to concentrate about this concept. When the managers are training, it is suggested to implement effective EI training as a part of their overall training. One is not born with EI. It is a set of personal and social skills that are improved through practice and discipline. Goleman (1998) states that EI can be learned, but the process is not easy, it takes time and commitment.

The traditional recruitment of management trainees put more emphasis places on Intelligent Quotient (IQ) measures than the EI measures. Emmerline and Goleman (2005) states that even in entry level positions, IQ cannot reliably distinguish average and star performers. In 1998, Goleman point out that IQ and technical skills are important, but EI is the sine qua non of leadership, Furthermore, he explain when calculating the ratio of technical skills, IQ and EI as ingredients of excellent performance, EI proved to be twice as important as the others for job at all levels. The higher the rank of a person considered being a start performer, the more EI capabilities showed up as the reason for his or her effectiveness. Therefore, the researcher suggests that the banks need to use recruitment strategies that go beyond merely assessing IQ measures and technical skills in recruiting new managers. The recruitment board needs to recognize their EI competencies. Selecting managers who have high EI have a positive impact on the extent to which an organization succeeds in retaining its most critical workforce.

On the other hand, EI plays an important part in every aspect of peoples' lives, in everyday life, having a high EI may help us develop stable and trusting relationships, understand others better, and interpret actions of others more clearly. Therefore, the awareness program on EI is also needed for each and every employee in the banking sector.

## LIMITATION AND FURTHER RESEARCH

The sample of this study was 100 managers who work in the Systemically Important Banks in Sri Lanka. The sample was limited only to SIB. The other Licensed Commercial Banks and Licensed Specialized Banks were not considered. Because the practical difficulty of collecting the data from banking sector. The generalizing the result was the main limitation of this research study.

The other limitation was of relying on self-reported data. The level of EI of the managers was measured according to the respondents own attitudes. The better way to evaluate the managers' actual level of EI is from the employees who work under the manager. But it was difficult because the level of self-awareness and self-management competencies of the manager cannot be evaluated by the employees because the managers are the judges of their own personal competencies.

The present study has been provided many potential paths for future researchers. This research focused only the banking sector but other researchers can expand the sample to the other service organizations or different organizations in Sri Lanka. The research study attempted to demonstrate the nature and level of emotional intelligence among the managers. The further researches would be advantages to explore potential correlation between emotional intelligence and other work attitudes, behaviors and outcomes.

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**IMPACT OF CORPORATE SOCIAL RESPONSIBILITY PRACTICES ON MEDIUM SCALE ENTERPRISES**

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**ABSTRACT**

*The study is primarily conducted to assess the impact of CSR practices on the performance of medium scale enterprises (MSEs). The study hypothesized CSR to be multi-dimensional scale comprising local community, employees, suppliers, environment and customers. The data were collected from 84 MSI owners/ managers using snowball sampling, operating in Bari Brahmna, Gangyal and Digiana industrial estates. The three step procedure based on exploratory factor analysis (EFA), item/ reliability analysis and confirmatory factor analysis (CFA) was undertaken to establish the multidimensional CSR scale. The study based on hypotheses testing results confirms CSR to be composite of all the five dimensions. The study concludes with hypothesis results and implications.*

**KEYWORDS**

Corporate social responsibility, Medium scale enterprises, social responsibility, Small and Medium scale enterprises.

**1. INTRODUCTION**

Corporate social responsibility (CSR) is a business concept that is becoming a conventional issue for many firms. Most of the researchers addresses that the majority of the large businesses are involved in CSR activities and there is limited research on the relationship between small- and medium-sized enterprises (SMEs) and CSR (Spence et al., 2003 and Perrini et al., 2007). Specifically, SMEs are characterized by less formal structures and looser control systems, less documentation on transactions and which neither have specialized staff nor time to produce special reports (Spence and Rutherford, 2001). In this context, Jenkins (2009) remarked that SMEs consider CSR as a risk to their reputation. On the other hand, Hemingway and MacLagan (2004) stated that in SMEs CSR can be the result of championing by a few owners/ managers. Hence the CSR philosophy can be considered as equally relevant for SMEs from varied aspects. It is widely acknowledged in the literature that SMEs' owner-managers should recognize the importance of publicising the high quality of their employee relations as part of their strategic approach to promote CSR. Further, Jenkins (2004) find that many SMEs are engaged in socially responsible activities and referred their practices as "sunken CSR" or "silent CSR". Perrini et al. (2007) stated that SMEs play an important role in the economy in terms of number of firms, employment generation, etc. so it is essential to understand the CSR practices performed by the SMEs. Taking aforesaid need into consideration in context to both small and medium enterprises the present study is primarily conducted to conceptualise CSR from the perspective of medium scale enterprises and to determine the impact of CSR practices on the medium scale enterprises operating in Jammu district.

**2. CONCEPTUAL FRAMEWORK**

The CSR concept is considered as a social aspect and includes all societal corporate actions that go beyond formal governmental regulations (Boasson, 2009). The most ideal definition of CSR is given by Carroll (1979) conceptualizing CSR in the context of economic, legal, ethical and discretionary (or philanthropic) responsibilities. Whereas Enderle (2004) considers CSR as responsibility towards society: economic; social; and environmental. Later Robins, (2008) put forth meaning of CSR as twofold. On one hand, it constitutes what is good or desirable business behavior and on the other hand, it shows the responsibility of an organization judged on the basis of ethical or moral behavior. Thereby creating a scope for broad and social behavior rather than narrow behavior European Commission (2001) defines CSR as "a concept whereby companies decide voluntarily to contribute to a better society and cleaner environment and as a process by which companies manage their relationship with stakeholders"

**3. MEDIUM SCALE ENTERPRISES**

In India, medium scale enterprises are those in which the limit in plant and machinery was changed from Rs 10 million (1999) to Rs 5 crores - 10 crores for medium manufacturing enterprises and Rs 2 crore - 5 crores for medium service enterprises in Industrial Policy 2004 (MSME, 2011). In this context, J&K Government offers various incentives to the investors of the SMEs such as fiscal incentives to new industrial units and substantial expansion of existing units, etc for the growth of business and industry ([www.jkonline.in](http://www.jkonline.in)). In spite of attractive fiscal incentives under the State's Industrial Policy (2004-2015), the growth rate of industrial sector is still in developing stage mainly due to the disturbed conditions in the State ([www.jksidco.org](http://www.jksidco.org)).

**4. REVIEW OF LITERATURE AND HYPOTHESIS DEVELOPMENT****4.1 LOCAL COMMUNITY**

The important component which has a significant impact on the CSR practices is local community. Scholtens (2009) stated that CSR in the firms is related to the firm's attitude and behaviour towards the society. Further, Rodriguez and LeMaster (2007) remarked that a firm goes beyond the core business and takes on an observable role in the society such as donating time for the community projects, leads to added value for the firm. To implement strong influence on the society, the medium-sized firms can hire local people according to the rules of the state government (Perrini et al., 2007). Furthermore, Spence et al. (2003) put forth that the SMEs can engage in local community activities such as volunteering, sponsoring (Scholtens, 2009), support for housing and education (Dawkins and Ngunjiri (2008), public health and any other community disclosure (Abbott and Monsen, 1979), contributing money to various kinds of social or cultural enterprises (Galbreath, 2008), maintaining community relations through charitable activities and financial support (Wulfson, 2001). Hence the present study hypothesizes the following:

Hypothesis 1: MSEs are significantly involved in the local community activities.

**4.2 EMPLOYEES**

Employees are the important stakeholders of the firm. A key characteristic of SMEs social responsibility is responding to the preferences of the employees such as focus on the maintenance of the livelihoods of employees and managers (Spence, 1999). According to Perrini and Morsing (2009), SMEs have more labour intensive production processes so they have an influence on the labour markets. Further, Barkemeyer (2009) and Grosser (2009) stated that businesses should support and respect the protection of internationally proclaimed human rights, encourage the effective abolition of child labor and support the elimination of discrimination in respect of employment and occupation. The important CSR activities related to the employees include education and training (Dawkins and Ngunjiri, 2008), health and safety (Frankental, 2001) and financial support to the employees (Walton, 1982). Hence, the following hypothesis is proposed:

Hypothesis 2: MSEs are significantly involved in the employee development activities.

**4.3 SUPPLIERS**

The CSR practices of the firms are not associated with the employees, community, environment, etc but also with its suppliers. Perry and Towers (2008) remarked that they are the significant external stakeholder of the firms that provides goods or services used by the customers. In this context, Longo et al. (2005) stated that quality is considered as an important element so possession of quality certifications such as ISO 9001 becomes an important responsibility of the suppliers. Further, the suppliers of SMEs are expected to be honest with their dealings and transparent in their procurement procedures (George, 2007). It is

also observed that SMEs must concentrate its efforts on sharing information regarding firms product as well as CSR matters with suppliers and should also support and aware the suppliers to become socially responsible (Castka et al., 2004). Thus, the study proposes the following hypothesis:

Hypothesis 3: MSEs Concern towards suppliers significantly contributes to CSR practices.

#### 4.4 ENVIRONMENT

Another important component of CSR is environment. According to Barkemeyer (2009) there are basic issues related to the protection of environment that all SMEs have a responsibility for, that is, they must support the use of renewable energy, optimal utilisation of resources, encourage the development of environmental friendly technology and cleaner production processes such as production process must be free from waste. In other words, SMEs should take steps to minimize the environmental pollution and other negative environmental impacts through the sustainable use of natural resources (Boasson, 2009). Williamson et al. (2006) recognize the importance of minimizing contamination through use of clean technology and protecting the biosphere (Dawkins and Ngunjiri, 2008). Furthermore, other related activities may include building awareness about the green environment, to acquire the environmental certification such as ISO 14000 or equivalent and to guarantee the quality of the product (Tihanyi et al., 2004).

Hypothesis 4: MSEs are significantly contributing to the environmental protection.

#### 4.5 CUSTOMERS

Another component of CSR is customers. To build strong customer base, SMEs should perform activities for the customers which include providing them quality product, giving true information about the characteristics of the product, proper handling of complaints and pay attention towards the safety of them (Perry and Towers, 2008). Further, Longo et al. (2005) suggested that the firms must comply with quality standards such as ISO 9000, 14000, etc. In addition, Galbreath (2008) remarked that to achieve superior value, firms must construct offerings that appeal to customers and are more attractive than competitors and that ultimately increase the buying process. Hence, the following hypothesis is proposed:

Hypothesis 5: MSEs are significantly involved in customer related activities.

#### 4.6 CSR AND FIRM PERFORMANCE

Jenkins, (2009) states that firm's performance depends upon the discrete activities it performs in designing, producing, marketing, delivering and supporting its product. When firms perform such activities they earn some good reputation which is an invaluable asset. Although such firms may bear some initial costs arising from their involvement in CSR, but they also obtain higher sales and profits due to the reputation that is enhanced through corporate social responsibility involvements or programs, as well as a reduction of long run costs and increased socially responsible demands. Vyakarnam et al. (1997) remarked that SMEs' social involvement result in an enhanced reputation, a professional image and an increase in confidence and loyalty. The extant literature reveals marginally significant association between CSR and financial performance (Cochran and Wood, 1984). Muller and Kolb (2009) and Steurer et al. (2005) observed the positive relationship between CSR and financial performance. The literature thus led to the development of following hypothesis:

Hypothesis 6: There exists positive relationship between CSR and firm performance.

## 5. METHODOLOGY

**Data Collection:** The data were collected in two phases that is, pre testing and final survey. The final sample size of the study comprised of 84 medium scale enterprises operating in Bari Brahmana, Gangyal and Digiana industrial estates of Jammu. The distributive and personal contact approached with 3-5 revisits helped in collecting 84 complete questionnaires with 100% response rate.

### 5.1 VALIDITY ANALYSIS

**Convergent Validity :** As the dimensions of CSR have shown significant factor loading values (more than 0.50) in EFA and critical ratio values (more than 1.96) and standardised regression weight (more than 0.50) in CFA which established the convergent validity of the scale. In addition, convergent validity was also established by examining the average variance extracted (AVE) of each dimension of CSR. The AVE of the four dimensions that is, business performance (0.52), suppliers (0.49), customers (0.48) and local community (0.43) were found to be marginal while employees (0.25) and environment (0.30) showed low values for AVE.

### 5.2 DESCRIPTIVE STATISTICS

The descriptive analysis was undertaken to explore the data for normal distribution characteristics using skewness, kurtosis and histogram. After deleting the non-normal items, outliers were identified and deleted for proceeding for exploratory factor analysis. The items with skewness and kurtosis values greater than <5 were considered for deletion. 27 items were deleted in which 6 items belonged to local community, 14 items were from employees, 2 items belonged to suppliers and 5 items each belonged to environment and customers.

### 5.3 EXPLORATORY FACTOR ANALYSIS (EFA)

On application of EFA data was purified and the CSR dimensions that is, local community and employees resulted in two factors while suppliers, environment and customers dimensions showed one factor respectively. The EFA results are shown in Table 1

TABLE 1: EXPLORATORY FACTOR ANALYSIS FOR MSIs

CSR Constructs		F L	CV	KMO%	of
					variance
<b>LOCAL COMMUNITY</b>					
<b>FACTOR1=</b>	Education Facility	0.69	0.61		
	Motivation for welfare programmes	0.65	0.63		
	Promote community welfare(Partnership)	0.73	0.71		
<b>COMMUNITY DEVELOPMENT</b>	Maintain business relationship	0.69	0.58		
	Assessing impact of business activities	0.69	0.52		
	Educative Campaigns	0.73	0.60	37.38	
	Participation in community project	0.77	0.70	0.88	
	Charity & Donations	0.76	0.64		
<b>FACTOR2=</b>	Scholarships on merit basis	0.82	0.71		
	Easy Workers	0.75	0.67		
	Women Employment	0.74	0.65	29.22	
	Employing Older & Disabled people	0.83	0.79		
	Award schemes	0.84	0.82		
	Promotes Sports	0.79	0.67		



	EMPLOYEES				
FACTOR1=	Simple policy frame work	0.68	0.61		
EMPLOYEE	Nominal support & gratification	0.73	0.75	40.28	
DEVELOPMENT	Social activities for staff	0.70	0.73		
	Mentoring	0.74	0.75	0.84	
	Promotes Social Equity	0.75	0.67		
	Balance between work-life & social life	0.82	0.75		
	Adoption of formal procedures	0.63	0.62		
	Health & Safety	0.89	0.82		
	Recognition to dignity of employees	0.77	0.63		
	Design for encouraging	0.55	0.52		
FACTOR2=	Preference for local people	0.89	0.83	29.46	
RECRUITMENT	Public criteria for promotion	0.83	0.71		
ANDPROMOTION					
SUPPLIERS	Social and Environment responsibility		0.79		
	Information sharing on product		0.75		
	Encouragement for becoming socially responsible		0.81	0.72	70.78
	Implementing effective programmes		0.63		
	Quality Certification		0.56		
ENVIRONMENT	Partnerships with environmental firms				
	Environmental reporting		0.62		
	Awareness about green environmental		0.71	0.89	74.80
	Environmental ISO Certification		0.83		
	Pollution Control		0.75		
	Energy conservation		0.73		
CUSTOMERS	Environmental friendly products		0.73		
	Optimal energy utilization		0.82	0.70	75.49
	Accurate information sharing		0.74		
	Compliance with ISO standards		0.73		
BUSINESS	Distribution of wealth		0.72		
PERFORMANCE	Implementation of growth strategies		0.78	0.72	74.67
	Social and environmental performance		0.74		

#### 5.4 RELIABILITY ANALYSIS

Reliability values are examined from both overall as well as dimension-wise as under:

##### i) LOCAL COMMUNITY

The alpha value for the overall dimension came to be 0.93. The SMC values ranged between 0.54 to 0.78 and item to total correlation lies between 0.61 to 0.78. Further, the two factors were analysed individually which resulted in alpha value above 0.9. The item to total correlation for „community development’ lies between 0.68 to 0.81 and ‘motivation’ from 0.72 to 0.84. The SMC values also ranged between 0.57 to 0.73.

##### ii) EMPLOYEES

The items in this dimension resulted in alpha value 0.73. The SMC values ranged between 0.09 to 0.60 and item to total correlation is above 0.2. The items showed little variations among scale mean and scale variance. The application of reliability analysis on individual factors indicated alpha value as 0.91 and 0.83 respectively. The SMC and inter item total correlation values ranged between 0.63 to 0.82. All the items retained possessed low degree of variation indicating good internal consistency.

##### iii) SUPPLIERS

As only one component was extracted, reliability analysis was performed on its five items. The dimension shows alpha value 0.893. The SMC values ranged between 0.35 to 0.69 and item to total correlation lies between 0.58 to 0.89 respectively. Further, there exist little variation among scale mean and scale variance.

##### iv) ENVIRONMENT

The environment dimension indicated alpha value 0.91. The item to total values was above 0.64 and SMC values ranged between 0.42 to 0.70.

##### v) CUSTOMERS

The inter item analysis was performed on 4 items the alpha value arrives at 0.88. The item to total correlation was above 0.70 and SMC values range between 0.49 to 0.66.

##### vi) BUSINESS PERFORMANCE

The scale item analysis showed alpha value 0.86. The SMC values were above 0.50 and the respective item to total correlation was 0.75, 0.71 and 0.75.

### 5.6 CONFIRMATORY FACTOR ANALYSIS

The various CSR dimension after applying EFA and reliability analysis were examined through CFA. The CFA was run on measurement and structural models (zero factor/one factor/ two factor) (Figure 2) to establish the item- construct relationship and model fitness. The dimension –wise analysis is discussed as under:

#### i) LOCAL COMMUNITY

The dimension (two factor structure model) comprised of two factors „community development’ and „motivation’ and the items were significantly contributing towards both the factors. The chi-square, CMIN/df, CFI, RMSEA and NFI came to be 75.4, 1.48, 0.963, 0.076 and 0.897 respectively. Community development: The community development sub-dimension consisted of seven items which were significantly contributing to the local community dimension as all the values of critical ratio were above 1.96. The SRW values ranged between 0.66 to 0.80 and SMC values lie between 0.44 to 0.86.

Motivation: The five items of this factor were significantly contributing towards the local community dimension. The SRW and SMC values ranged between 0.66 to 0.93 and 0.44 to 0.86 respectively. All the critical ratio values were above the acceptable criteria i.e. 1.96.

#### ii) EMPLOYEES

The items of employee factor were divided into two factors „employee development’ and „recruitment and promotion’. The respective chi-square, CMIN/df, CFI, RMSEA and NFI values arrived at 29.5, 1.73, 0.966, 0.094 and 0.926.

Employee development: All the items of the sub-dimension were significant (CR>1.96). The SRW ranged between 0.58 to 0.89 and the SMC values vary between 0.33 to 0.93 respectively.

Recruitment and Promotion: The respective SRW values for the two items were scored as 0.73 and 0.98 indicating positive influence on the sub-dimension. The SMC values were arrived at 0.53 and 0.97 respectively.

#### iii) SUPPLIERS

The supplier dimension (zero factor structure model) contains all the values (Chi-square, CMIN/df, CFI, RMSEA and NFI were arrived at 21.8, 5.44, 0.940, 0.231 and 0.928 respectively) resulted in good fit of the model. All the items are having significant results which resulted in SRW ranged between 0.62 to 0.95 and SMC values lie in between 0.39 to 89.

#### iv) ENVIRONMENT

The chi-square, CMIN/df, CFI, RMSEA and NFI values for the environment dimension (zero factor structure model) came to be 1.8, 1.8, 0.985, 0.095 and 0.966 again showing model fit. The SRW of the items lie between 0.73 to 0.90 while SMC values ranged between 0.57 to 0.82. All the critical ratio values were above the prescribed criteria i.e. above 1.96.

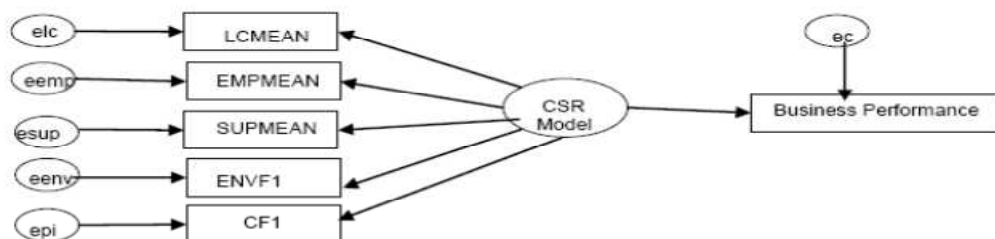
#### v) CUSTOMERS

The application of CFA on customers dimension (zero factor structure model) resulted in good fit of model as chi-square (0.15), CMIN/df (0.15), CFI (1.000), RMSEA (0.000) and NFI (1.000). Hence, the results represent the SRW and SMC values ranging between 0.56 to 0.83 and 0.56 to 0.83.

## 6. HYPOTHESIS RESULTS

The five dimensions local community, employees, suppliers, environment and customers show direct effect .50, .59, .63, .81 and .75 respectively. All the dimensions indicate CR values greater than 6.00 and the SRW range between 0.67 to 0.97. Moderate relationship is predicted regarding construct-wise relationship between CSR dimensions and business performance. Hence hypotheses local community (H1), employees (H2), suppliers (H3), environment (H4) and customers (H5) are accepted which indicate that all retained five dimensions significantly predict business performance of the medium enterprises. Thus, medium scale enterprises are associated with the CSR practices related to the local community, employees, suppliers, environment and customers.

FIGURE 2: COMPREHENSIVE CSR MODEL



Note: LCMEAN, EMPMEAN, SUPMEAN, ENVF1, CF1, Business Performance are explained in enclosure1 elc, eemp, esup, eenv, epi, ec are errors of measurement items.

## 7. CONCLUSION

The study is expected to enable scholars, practitioners, managers and other stakeholders to have more definite understanding of CSR practices. Certain voluntary guidelines can also be framed by the government for improving CSR culture in the SMEs. To help the society in general such as development of a particular village, market, etc. the firms may adopt non- mandatory initiatives which may include voluntary activities such as charity, donations, etc. Such activities, involve comparatively more funds, collaborative efforts with government, non-government organizations etc. which may contribute to CSR objectives. Besides, based on such extra-efforts vis-à-vis to increase such orientation, government can issue awards or rewards to firms which are involved in such affairs.

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# IMPACT OF CASHLITE POLICY ON ECONOMIC ACTIVITIES IN NIGERIAN ECONOMY: AN EMPIRICAL ANALYSIS

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## ABSTRACT

*This paper examines the impact of cashlite policy (cashless economy) on economic activities in Nigerian economy. The study thus attempts an empirical analysis of the implications of the adoption of cashlite policy in the economy. To achieve the study objective four impact constructs of cashlite policy were adopted. These were financial inclusion, cash management, e-payment and cashlite schemes. To this end, primary data were collected through structured questionnaire administered on 1000 respondents covering Bankers, Investors, the banking public, financial analysts and economists. The data collected were qualitative responses measured on a 5-point likert scale, ranging from strongly disagreed (1) to strongly agreed (5). The data through the use of E-views statistical software were subjected to ordinary least square regression analysis, normality test and correlation analysis. Findings indicate that the latent variables of financial inclusion were positively related to cashlite policy development but were not statistically significant. This implies a porous link. Findings also revealed, that the indicators for cash management and E-payment are appropriate indicators of variation in economic activities given the introduction of cashlite policy. Consequently, it was recommended, that in order to achieve financial inclusion in the country, Micro Finance Banks (MFB) and rural banking operations should be enhanced so as to reach the unbanked. Equally, to fully realize the impact of cashlite policy in enhancing economic activities there should be effective E-payment system supported by adequate and diverse electronic channels. Lastly, there should be government designed enlightenment programmes to educate a larger segment of Nigerian population on how to operate a cashless system. Full understanding will encourage people into the banking space thus leading to sound and healthy management of cash.*

## KEYWORDS

Cashless policy, financial inclusion, Cash management, E-Payment, Cashlite Schemes.

## 1.0 INTRODUCTION

The world is evolving everyday as the global financial systems become more connected, most economies around the world have shifted to use of electronic system of payments to quicken the delivery pace of financial services. The trend of e-payment system or cashless economy that began in the United States of America over some decades ago has become the next big thing for developing countries such as Nigeria.

In its effort to reposition the nation's economy and make it relevant to the new global financial environment, the central bank of Nigeria (CBN) has continued to reform the financial sector aimed at encouraging e-payment and e-commerce. In order to achieve this goal, the apex bank introduced a programme called cashless policy; designed to reduce the use of cash in financial (business) transaction in Nigeria. The policy was designed to provide mobile payment services, breakdown the traditional barrier hindering finance or cost of credit, delivering financial services, improving the effectiveness of monetary policy, managing inflation and encourage economic growth.

The introduction of the policy is aimed at developing financial inclusion strategy which is focused on reducing the percentage of those excluded from the financial services. According to the apex bank the development of financial inclusion strategy may be a means to enable stakeholders have access to financial service, engage in economic activities and contribute to the development of Nigeria. The policy seem as an avenue to develop the economy. "Cashless economy will not only help Nigeria's economy but will ease all issues in the industry" (Dayo, 2012). This means that those who do not know anything about banking may be brought into the banking space. The policy may enhance the integration of our economy as roughly 65 percent of adult male, 77 percent of adult female and 80 percent of Nigeria's rural population are largely unbanked. Over three quarter of the population are yet to cultivate banking habit, it will help the monetary authorities including the central bank of Nigeria to control the economy effectively.

In enhancing the economic activities of stakeholders in the country, it is believed money laundering and other forms of financial crises in the country, will be frustrated with the introduction of the cashlite policy by the central bank. "The policy will go a long way in checkmating money laundering, financial crimes and all other forms of corruption (Edem 2012). Abdullahi (2012) is of the opinion that "the cashlite policy will engender financial inclusion, improve life span of bank notes and the velocity of money will reduce thus reducing the cost of cash management and inculcate good banking habits in the citizens, thereby mainstreaming Nigeria into the global financial architecture".

Despite these seeming advantages the introduction of the cashlite policy in Nigeria have aroused lots of doubts as to the credibility of the policy and in enhancing economic activities of stakeholders in the Nigerian economy, especially in the face of gross infrastructural deficiency, epileptic power supply and poor technological base. It is therefore in the light of the above that this study seeks to explore the likelihood impact of cashless policy on economic activities in Nigerian economy.

## 2.1 THE CASHLITE POLICY

The Central bank of Nigeria was established on July 1<sup>st</sup>, 1959 with the general aim of regulating the banking industry. The role of bank mobilization of resources is considered important to the direction and pace of economic growth and development. "There is perhaps no other industry that is regulated as the banking industry (Asaji and Ojo, 2006).



In January 2012, the cashless policy kicked off with a pilot scheme implemented in Lagos State with the objective of reducing cash payments and encouraging electronic payments. The new policy stipulates that going forward, there will be charges on cash withdrawals or deposits that are above N150,000 for individuals and N1million for corporate entities..

The policy which was enacted by the CBN (Central Bank of Nigeria) is as follows:

1. Commencing from June 1, 2012, a daily cumulative limit of N150,000 and N1,000,000 on free cash withdrawals and lodgements by individual and corporate customers respectively with Deposit Money Banks (DMBs) shall be imposed. To this end, individuals and corporate organizations that make cash transaction above the limits will be charged a penal fee N100/thousand and N200/thousand respectively for amounts above the cumulative limits.
2. Contravention of this policy shall attract a fine of five (5) times the amount that the bank waives as a first offender. Subsequently, the bank shall pay ten (10) times the charges waived. Furthermore, 3<sup>rd</sup> party cheque above N150,000 shall not be eligible for encashment over the counter. Value for such cheque shall be received through the clearing house. If a bank allows 3<sup>rd</sup> party cheque encashment, it shall be liable to a sanction of 10% of the face value of the cheque or N100,000 whichever is higher.
3. Banks will cease cash in transit lodgement services rendered to merchant – customers could engage the services of the CBN licensed cash-in-transit (CIT) companies to aid cash management to and from their bank mutually agreed terms and conditions. Contravention of this policy shall attract a fine of N1million per movement.
4. This arrangement shall be in force in Lagos State, FCT, Port-Harcourt, Kano and Aba in the first instance. The arrangement shall be extended to other parts of the country at a date to be determined by the bankers committee.
5. The policy shall apply to both private and public sector transactions. All financial institutions including Deposit Money Banks, savings and loans, mortgage and microfinance banks shall comply accordingly.
6. Compliance with the policy shall be monitored by the banking supervision. Department and the other financial institutions supervision department with appropriate sanction applied to erring institutions.

Following the adoption of the cashlite policy initiative, the policy was introduced in Lagos in January 1, 2012. " This was done with the aim of driving development and modernization of the Nigeria payment systems; reducing the cost of banking service (which include the cost of credit), delivering financial services; and also improving the effectiveness of monetary policy, managing inflation and encouraging economic growth" (CBN, 2012). Due to public outcry over the previous ceiling on daily cash withdrawals and deposits, the CBN (Central Bank of Nigeria) raised the limits. The banking sector regulator had in March 2012, increased the daily cumulative cash withdrawal/deposit limit for individual accounts from the previously announced N150,000 per day to N500,000 per day. Similarly, the limit for corporate accounts was also raised to N3million per day, from the N1million earlier announced, and for penal charges for customers that wish to withdraw/deposit above the limit, three percent above the N500,000 will be charged for individuals and five percent above the N3million will be charged for corporate accounts.

In order to place the economy at a technological competitive level with other economies, The Apex bank enacted the cashlite policy scheme for several reasons.

## 2.2 FINANCIAL INCLUSION

Across the developed world access to financial services is largely at ones fingertips; there is an abundance of cash and credit on demand for multiple channels, any locations, and 24hours a day. But this story is very different in developing countries like Nigeria. Findings have shown that the number of households without access to financial services in Nigeria remains high., it has been identified as a plank to lift a large fraction of the unbanked population in countries across the world especially Nigeria, out of poverty and hunger and bring them into the financial system.

Financial inclusion is the delivery of financial service at affordable costs to the sections disadvantaged and low income earners. NDIC (2012) views financial inclusion as "the state of financial system where every member of the society has access to appropriate financial products and services for effective and efficient management of their resources, get needed resources to finance their business and financial leverage to take up opportunities that will lead to increase in their income". By financial inclusion may occasion all the benefits of mobile money ( Abalue, 2012)

## 2.3 CASH MANAGEMENT

In Nigeria, amidst many developing countries, most people rely on cash to make payments and, to a lesser extent, as a store of value. Nigeria is a cash-intensive economy. Heavy use of cash has consequences for merchants, commercial banks, government, cash in transit (CIT) operators and the Central Bank. Cash handling is costly for all of the actors in the circulation chain. All things being equal, it may cost a merchant more to take cash than to take a debit or credit card. Cash is a valuable commodity that needs to be securely shipped from merchant to bank and to the central bank, all at additional cost. Cash deposits are verified manually or with counting machines at commercial banks before merchants accounts can be credited. In addition there is the manufacturing cost of banks notes and coins. It is an attempt to reduce these challenges that the CBN (Central Bank of Nigeria) in collaboration with the bankers committee, initiated the cashlite policy scheme with the aim of encouraging Nigerian to adopt e-payment. Sanusi (2012) asserts that "the cashless policy will enhance national payment systems and address currency management hitches in the country". It could avert the consequence of cash robbery (Elegbe, 2012). It could also ensure available pool of fund for onward lending" (Nwodo, 2012).

## 2.4 E-PAYMENT

Electronic payment is a relatively new phenomenon in Nigeria. Most transaction in the country are done with cash. This is because cash remains the preferred medium for payment in the country. Poor awareness of e-payment solution, ignorance, poor banking culture, lack of trust, illiteracy and the love for the status quo have been figured as responsible for the high volume of cash transaction in Nigeria. Electronic payment is a term used for any kind of payment processed without using cash or paper cheque. E-payment can be described as the method of affecting payments from one end to another end through the medium of the computer without manual intervention beyond inputting the payment data. "Electronic payment system has been described as problematic and constrained with device challenges in developing countries such as Nigeria which has peculiar socio economic environments.

## 3. METHODOLOGY

### 3.1 RESEARCH DESIGN

Survey research design was utilized for this work; it involves generating information from a subset or fraction of the population of interest through a direct contact with the sample elements and yet detached enough to suggest objectivity and credibility in research process (Easterby-Smith et al, 2002). Thus, survey within the confines of this study will help generate information on the core implications of the adoption of cashlite policy on economic activities.

### 3.2 METHODS OF DATA COLLECTION

Primary data constituted the main source of information for this work. Primary data was collected through structured questionnaires administered to the specified sample that are stakeholders in Nigerian financial sector. Qualitative response information were generated as data from survey. These responses were structured and measured on a five points likert scale, from strongly disagreed (1 point) to strongly agreed (5 points)

### 3.3 POPULATION AND SAMPLE SIZE

it is pertinent to mention that the population of this study is strictly restricted to stakeholders and players in the financial sector of Nigerian economy. From this, desired sample was made. This consists of 1,000 persons covering Bankers, Investors, the banking public, financial analysts and economists.

### 3.4 TECHNIQUE OF DATA ANALYSIS

The relevant data collected which were measured on 5 points likert scale were analyzed using the Least square regression analysis and correlation analysis through E-view 3.1 statistical software.

### 3.5 THE MODEL

Cashlite policy implies a sense of cash management within the domestic economy. As it has been noted, "In view of increasing dominance of cash management to the banking industry, security, money laundering. etc., the central bank of Nigeria in collaboration with the Bankers committee, is adopting policies to reduce the high usage of cash, moderate the cost of cash management and encourage the use of electronic payment channels" (CBN 2012)

Thus, cashlite policy is a function of cash management, and it may also be assumed to imply a variety of factors. Empirical studies employed an endless list of variables including economic, political, geographical and other variables. However within the context of our study, four functional variables reflective of the implications of the adoption of cashlite policy in the economy are used in the model. These variables, in addition to Cash Management, are Financial Inclusion, E-Payment and Cashlite Schemes.

According to the CBN the cashlite policy is aimed to enhance the economic activities of stakeholders, inculcate the culture of e-payment, bring about financial inclusion, management of cash and development in the financial sector. Therefore our study model is specified as:

$$Dcp = f(Fin, Cmgmt, Epmt \& Clsch) \quad (1)$$

In functional form our model in equation (1) is given as

$$Dcp = \theta_0 + \theta_1 Fin + \theta_2 Cmgmt + \theta_3 Epmt + \theta_4 Clsch + \varepsilon \quad (2)$$

Where:

*Dcp* = Cashlite policy development

*Fin* = Financial Inclusion

*Cmgmt* = Cash Management

*Epmt* = E-payment

*Clsch* = Cashlite Schemes

$\theta_i$  = parameters to be estimated,  $\varepsilon$  = Error term

NDIC (2012) views financial inclusion as the delivery of financial services at affordable costs to low income segments of the society.

Accordingly *Fin* in our model is measured by the variables- initiative, integration and banking habit. Thus, financial inclusion is specified as:

$$Fin = F(Intv, Ingtn, \& Bhab) \quad (3)$$

Where:

*Intv* = Initiative, *Ingtn* = Integration, *Bhab* = Banking Habit

Cash Management (*Cmgmt*) in our model is measured by the variables- Financial Innovation, Hard Cash, Life Span and Cost. *Cmgmt* is specified as:

$$Cmgmt = F(Finn, Hch, Lsp \& Cst) \quad (4)$$

Where:

*Finn* = Financial innovation, *Hch* = Hard Cash, *Lsp* = Life Span, *Cst* = Cost

E-payment (*Epmt*) is measured by the variables Culture- Transparency, Employment and Convenient. It thus specified as:

$$Epmt = F(Cult, Tsp, Empl \& Cvnt) \quad (5)$$

Where:

*Cult* = Culture, *Tsp* = Transparency, *Empl* = Employment, *Cvnt* = Convenient

Cashlite Scheme (*Clsch*) is measured by the variables- Stakeholders' Interest, Budgeting, Transactions and Relationship. Accordingly it is specified as:

$$Clsch = F(Stkh, Bdg, Tstn \& Rshp) \quad (6)$$

Where:

*Stkh* = Stakeholders' interest, *Bdg* = Budgeting, *Tstn* = Transactions, *Rshp* = Relationship

Following from above our reduced form model for cashlite policy implications in the economy will be

$$Dcp = a_0 + a_1 Intv + a_2 Ingtn + a_3 Bhab + a_4 Finn + a_5 Hch + a_6 Lsp + a_7 Cst + a_8 Cult + a_9 Tsp + a_{10} Empl + a_{11} Cvnt + a_{12} Stkh + a_{13} Bdg + a_{14} Tstn + a_{15} Rshp + u \quad (7)$$

Where the variables are as previously defined

$a_i$  = parameters to be estimated

$u$  = stochastic term

## 4.0 DATA PRESENTATION AND ANALYSIS

### 4.1 PRESENTATION AND ANALYSIS OF DATA

Relevant data collected were measured on 5 points likert scale, strongly disagreed (1), disagreed (2), undecided (3), agreed (4) and strongly agreed (5). These data were analyzed using the Least square regression analysis and correlation analysis through E-view 3.1 statistical software. The estimation of our composite model equation (7) is given below

#### ESTIMATION EQUATION:

$$DCP = C(1)*INTV + C(2)*INGTN + C(3)*BHAB + C(4)*FINN + C(5)*HCH + C(6)*LSP + C(7)*CST + C(8)*CULT + C(9)*TSP + C(10)*EMPL + C(11)*CVNT + C(12)*STKH + C(13)*BDGT + C(14)*TSTN + C(15)*RSH + C(16)$$

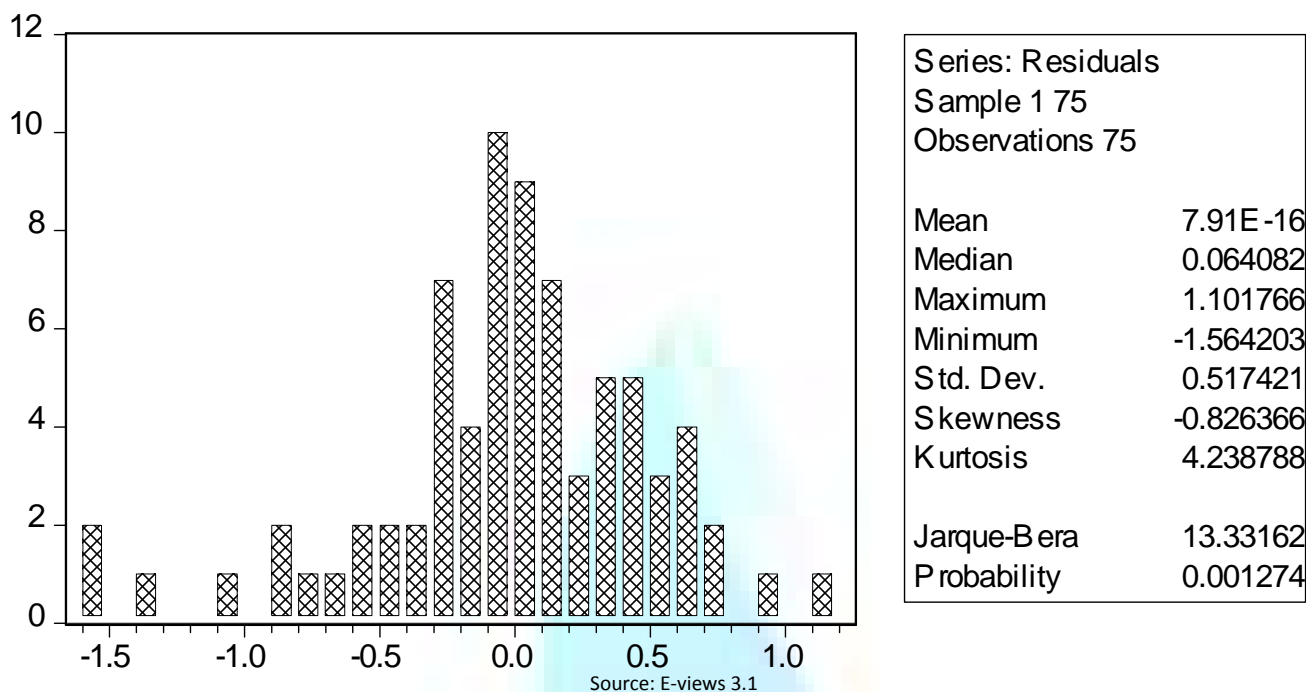
#### SUBSTITUTED COEFFICIENTS:

$$DCP = 0.4122837543*INTV + 0.1506219222*INGTN + 0.003086525124*BHAB + 0.2439988797*FINN + 0.07039598621*HCH + 0.03927082888*LSP - 0.06146340088*CST - 0.02572821115*CULT + 0.03869489168*TSP + 0.1154546995*EMPL + 0.2890282274*CVNT + 0.3205508379*STKH + 0.09052882573*BDGT + 0.002670953861*TSTN - 0.1327344194*RSH + 0.996266423$$

Our estimated model as presented above bears the values of the respective parameter estimates or the coefficients of the independent variables (see appendix 1). The results revealed that all our hypothesized variables were positively related to the dependent variables except cost, culture and relationship. This implies that the adoption of cashlite policy is likely not to create substantial effect on cost, culture and relationship banking in Nigerian economy.

Our regression results in appendix 1 also reveal that our model has predictive power of 89% as evidenced by the value of the  $R^2$ . This implies that the independent variables jointly explain about 89% variation in the dependent variable. Thus, in the context of our study it implies that the variations in cashlite policy development are reflective of effects from our hypothesized variables, at least, up to 89%. This also shows that our model is well fitted. The model good fit was confirmed by the test of normality which shows that our model has no problem of abnormality (Jarque-Bera Prob. 0.0013 < 0.01). see figure 4.1

FIGURE 4.1: NORMALITY TEST (Jarque Bera Statistics)



The output of the correlation analysis contained in appendix 2 shows that all the hypothesized independent variables were significant except the variables - Cost, Transaction, budgeting and Relationship - which manifested coefficient values of less than 0.10 in relation to cashlite policy development (Dcp). The variables that were significant are initiative (0.33), integration (0.11), banking habit (0.14), financial innovation (0.27), hard cash (0.14), life span (0.12), culture (0.17), transparency (0.25), Employment (0.18), convenience (0.23) and stakeholder interest (0.19).

The coefficients are path coefficients. In a similar study using path analysis, Wiklund (1998) used a minimum correlation coefficient of 0.10 as cut off for path coefficient to determine the significant of a path. Thus, path coefficients below 0.10 were suppressed in the path models used in his study. Consequently, the relationship between cashlite policy adoption and latent variables of financial inclusion, cash management, E-payment and cashlite schemes were significant except for Cost, Transaction, budgeting and Relationship which manifested coefficient values of less than 0.10 (see appendix 2).

#### 4.2 FINDINGS

i) Findings reveal from the regression results that all the latent variables of financial inclusion were positively related to cashlite policy development in Nigerian economy as evidenced by the values of their estimated coefficients. For initiatives (0.412), integration (0.151) and banking habit (0.003). However, only initiative was statistically significant at 99% confidence limit as revealed by the value of its t-statistic of 3.347567 (  $P < 0.01$  ) [see appendix 1]. This implies a porous link between cashlite policy and financial inclusion even though they were positive related signifying that financial inclusion could create effects in economic activities but not a significant extent. This finding is at variance with the view of NDIC (2012) which states that financial inclusion through cashlite policy is a plank to lift a large fraction of the unbanked population out of poverty and bring them to the financial system.

ii) Impact analysis from the regression results reveal that the constructs of cash management were in consonant with theoretical expectations of their effect on economic activities with the adoption of cashlite policy. Financial innovation was positively related and also statistically significant (0.244;  $P < 0.05$  ) [see appendix 1]. Hard cash and life span were positively related though not significant,  $\beta = 0.07$  and  $\beta = 0.04$  respectively. In the case of cost there was negative relationship (-0.061) which inferred that adoption of cashlite policy will occasion reduction in cost of carrying cash. This off course is in harmony with the ideals of cash management. This finding leverages the assertion of Abdullahi (2012) that cashless policy will improve the lifespan of banknotes and velocity of money will reduce, thus reducing the cost of cash management, thereby developing the financial sector.

iii) in the case of the constructs of E- payment, Findings from the regression results revealed that transparency, employment and convenience are apt to create measurable influence on economic activities with the introduction of cashless policy evidenced by positive beta ( $\beta$ ) values of 0.039, 0.115 and 0.289 respectively, while culture has an insignificant negative beta value of  $\beta = -0.26$ . In addition, the variable, convenience was highly significant at 99% confidence interval (  $P < 0.01$  ) [see appendix 1]. The implication, thus, is that the construct of E-payment are appropriate indicators of variation in economic activities. This finding is in consonant with the view of Edem (2012) who opined that "making payments through electronic channels brings about development, in that it will go a long way in checkmating money laundering, financial crimes and all attempts to compromise financial transparency".

iv) Finally, results reveal that stakeholder interest has positive effect on cashlite policy development and its impact is statistically significant at 95% confidence level ( $\beta = 0.32$ ,  $P < 0.05$  ). This indicates that 32% of variation is brought about by the effect of stakeholders (see appendix 1). Thus stakeholder interest is a significant and appropriate indicator of economic activities in cashless economy.

#### 5. CONCLUSION AND RECOMMENDATIONS

The study examined the likelihood Impact of Cashlite Policy in the Nigerian Economy. The following conclusions can be drawn from the study.

Financial inclusion through the cashlite policy or scheme is not a plank to lift a large fraction of the unbanked population in Nigeria out of poverty and bring them to the financial system. Though it could evolve a measurable variation in Economic activities, but could not be significant enough for general improvement over poverty and indepth development of the financial system.

Cashless initiative will address cash management hitches in the country, being that it will ensure that a larger proportion of currency in circulation is captured within the banking system, thereby reducing the volume of cash flow in the country.

Electronic payment will enhance financial transparency and accountability in the financial sector, being that it will go a long way in checkmating money laundry, financial crimes and easy tracking of money that is moving the way it ought not to.

Consequently, it is thus recommended that in order to achieve financial inclusion in the country Micro Finance Banks (MFB) and rural banking operations should be enhanced so as to reach the financially excluded since the sector has been identified as a vehicle for financial inclusion.

It is also advocated that to fully realize the Impact of Cashlite Policy in enhancing economic activities there should be effective E-payment system supported by adequate and diverse electronic channels. This will ensure that there are reliable options to choose from. There should be improved security on e-payment channels, and more collaboration between banks and payment providers.

Given the high rate of illiteracy and the dire need for the generality of the people to be involved in the cashless financial system operation and also the need to capture money outside the banking sector, there is, therefore the need for the government to design special enlightenment programmes for non-literate, using

probably, signs and symbols to educate the segment on how to operate the cashless system. Full understanding will encourage people into the banking space thus leading to sound and healthy management of cash.

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## APPENDIX

### APPENDIX 1

Dependent Variable: DCP				
Method: Least Squares				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
INTV	0.412284	0.123159	3.347567	0.0014
INGTN	0.150622	0.119403	1.261462	0.2121
BHAB	0.003087	0.100622	0.030674	0.9756
FINN	0.243999	0.097988	2.490079	0.0156
HCH	0.070396	0.111235	0.632857	0.5293
LSP	0.039271	0.152687	0.257198	0.7979
CST	-0.061463	0.135765	-0.452720	0.6524
CULT	-0.025728	0.120498	-0.213515	0.8317
TSP	0.038695	0.147360	0.262587	0.7938
EMPL	0.115455	0.112890	1.022716	0.3106
CVNT	0.289028	0.120134	2.405888	0.0193
STKH	0.320551	0.123961	2.585906	0.0122
BDGT	0.090529	0.124386	0.727805	0.4696
TSTN	0.002671	0.115329	0.023159	0.9816
RSHP	-0.132734	0.083588	-1.587958	0.1176
C	0.996266	1.407956	0.707597	0.4820
R-squared	0.891376	Mean dependent var		4.653333
Adjusted R-squared	0.716943	S.D. dependent var		0.667657
S.E. of regression	0.579474	Akaike info criterion		1.933324
Sum squared resid	19.81161	Schwarz criterion		2.427721
Log likelihood	-56.49964	F-statistic		2.615733
Durbin-Watson stat	2.164723	Prob(F-statistic)		0.004429

Source: E-view 3.1



## APPENDIX 2

TABLE OF CORRELATION MATRIX

	DCP	INTV	INGTN	BHAB	FINN	HCH	LSP	CST	CULT	TSP	EMPL	CVNT	STKH	BDGT	TSTN	RSHP
DCP	1.00000 0	0.33303 3	0.10509 5	0.14057 0	0.27275 2	0.13778 5	0.12000 6	0.04975 7	0.16680 3	0.24776 9	0.18254 6	0.22945 1	0.19419 4	0.04269 8	0.01344 2	0.01684 9
INTV	0.33303 3	1.00000 0	0.27078 5	0.12114 4	0.08317 3	0.09103 4	0.10359 3	0.11831 4	0.15326 1	0.08239 7	0.20951 4	0.14569 3	0.03159 0	0.04688 7	0.04830 9	0.27491 4
INGTN	0.10509 5	0.27078 5	1.00000 0	0.05355 0	0.26757 6	0.08818 7	0.09263 3	0.02865 3	0.05644 2	0.04912 0	0.19696 2	0.02529 8	0.11107 4	0.01434 3	0.07635 5	0.09115 5
BHAB	0.14057 0	0.12114 4	0.05355 0	1.00000 0	0.09448 1	0.14564 1	0.11664 9	0.05964 6	0.02951 5	0.03597 7	0.03977 5	0.02751 1	0.12618 1	0.05197 4	0.03190 2	0.05208 8
FINN	0.27275 2	0.08317 3	0.26757 6	0.09448 1	1.00000 0	0.13714 7	0.17042 4	0.10414 5	0.15064 0	0.35872 3	0.35451 3	0.10180 8	0.03143 1	0.02992 8	0.05570 4	0.09095 0
HCH	0.13778 5	0.09103 4	0.08818 7	0.14564 1	0.13714 7	1.00000 0	0.25941 5	0.11473 9	0.19306 7	0.26418 9	0.30050 7	0.00460 0	0.01352 7	0.02928 1	0.03016 9	0.03873 3
LSP	0.12000 6	0.10359 3	0.09263 3	0.11664 9	0.17042 4	0.25941 5	1.00000 0	0.35921 1	0.04614 7	0.06414 5	0.07520 4	0.10571 6	0.13972 1	0.12736 8	0.02315 8	0.04481 4
CST	0.04975 7	0.11831 4	0.02865 3	0.05964 6	0.10414 5	0.11473 9	0.35921 1	1.00000 0	0.05709 6	0.10714 3	0.05234 0	0.02323 4	0.19118 7	0.07647 7	0.07879 7	0.02079 3
CULT	0.16680 3	0.15326 1	0.05644 2	0.02951 5	0.15064 0	0.19306 7	0.04614 7	0.05709 6	1.00000 0	0.28140 3	0.10061 0	0.06898 2	0.37716 9	0.18339 6	0.00490 8	0.20835 2
TSP	0.24776 9	0.08239 7	0.04912 0	0.03597 7	0.35872 3	0.26418 9	0.06414 5	0.10714 3	0.28140 3	1.00000 0	0.58321 4	0.04868 1	0.13938 8	0.13110 4	0.04298 0	0.12475 7
EMPL	0.18254 6	0.20951 4	0.19696 2	0.03977 5	0.35451 3	0.30050 7	0.07520 4	0.05234 0	0.10061 0	0.58321 4	1.00000 0	0.01513 3	0.01196 2	0.02134 8	0.04699 1	0.00943 2
CVNT	0.22945 1	0.14569 3	0.02529 8	0.02751 1	0.10180 8	0.00460 0	0.10571 6	0.02323 4	0.06898 2	0.04868 1	0.01513 3	1.00000 0	0.25651 7	0.04006 1	0.05858 5	0.09758 7
STKH	0.19419 4	0.03159 0	0.11107 4	0.12618 1	0.03143 1	0.01352 7	0.13972 1	0.19118 7	0.37716 9	0.13938 8	0.01196 2	0.25651 7	1.00000 0	0.38721 8	0.08727 3	0.11679 2
BDGT	0.04269 8	0.04688 7	0.01434 3	0.05197 4	0.02992 8	0.02928 1	0.12736 8	0.07647 7	0.18339 6	0.13110 4	0.02134 8	0.04006 1	0.38721 8	1.00000 0	0.34304 4	0.04510 3
TSTN	0.01344 2	0.04830 9	0.07635 5	0.03190 2	0.05570 4	0.03016 9	0.02315 8	0.07879 7	0.00490 8	0.04298 0	0.04699 1	0.05858 5	0.08727 3	0.34304 4	1.00000 0	0.26989 0
RSHP	0.01684 9	0.27491 4	0.09115 5	0.05208 8	0.09095 0	0.03873 3	0.04481 4	0.02079 3	0.20835 2	0.12475 7	0.00943 2	0.09758 7	0.11679 2	0.04510 3	0.26989 0	1.00000 0

	CST	CULT	TSP	EMPL	CVNT	STKH	BDGT	TSTN	RSHP
DCP	0.049757	0.166803	0.247769	0.182546	0.229451	0.194194	0.042698	0.013442	-0.016849
INTV	0.118314	0.153261	-0.082397	-0.209514	-0.145693	-0.031590	0.046887	0.048309	0.274914
INGTN	0.028653	-0.056442	0.049120	-0.196962	-0.025298	-0.111074	0.014343	0.076355	0.091155
BHAB	0.059646	-0.029515	0.035977	0.039775	-0.027511	0.126181	0.051974	-0.031902	-0.052088
FINN	-0.104145	0.150640	0.358723	0.354513	0.101808	0.031431	0.029928	0.055704	0.090950
HCH	0.114739	0.193067	0.264189	0.300507	-0.004600	0.013527	0.029281	0.030169	0.038733
LSP	0.359211	0.046147	0.064145	0.075204	-0.105716	0.139721	-0.127368	0.023158	0.044814
CST	1.000000	0.057096	-0.107143	-0.052340	-0.023234	0.191187	-0.076477	-0.078797	0.020793
CULT	0.057096	1.000000	0.281403	0.100610	0.068982	0.377169	0.183396	0.004908	0.208352
TSP	-0.107143	0.281403	1.000000	0.583214	0.048681	0.139388	-0.131104	-0.042980	0.124757
EMPL	-0.052340	0.100610	0.583214	1.000000	0.015133	0.011962	-0.021348	-0.046991	0.009432
CVNT	-0.023234	0.068982	0.048681	0.015133	1.000000	0.256517	0.040061	-0.058585	0.097587
STKH	0.191187	0.377169	0.139388	0.011962	0.256517	1.000000	0.387218	0.087273	0.116792
BDGT	-0.076477	0.183396	-0.131104	-0.021348	0.040061	0.387218	1.000000	0.343044	0.045103
TSTN	-0.078797	0.004908	-0.042980	-0.046991	-0.058585	0.087273	0.343044	1.000000	0.269890
RSHP	0.020793	0.208352	0.124757	0.009432	0.097587	0.116792	0.045103	0.269890	1.000000

Source: E-view 3.1

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