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PERFORMANCE OF KHADI AND VILLAGE INDUSTRIES COMMISSION (KVIC) IN INDIA

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ABSTRACT

Khadi and Village Industries Commission (KVIC) established under the Khadi and Village Industries Commission Act, 1956 (61 of 1956), is a statutory organization under the aegis of the M/o MSME, engaged in promoting and developing Khadi and village industries (KVI) for providing employment opportunities in the rural areas, thereby strengthening the rural economy. KVIC has been identified as one of the major organizations in the decentralized sector for generating sustainable non-farm employment opportunities in rural areas at a low per capita investment. It undertakes activities like skill improvement, transfer of technology, research & development, marketing etc., and helps in generating employment/self-employment opportunities in rural areas. In this paper it discussed with the Plan outlays to KVIC, Performance of KVI Sector in India, Small Major Schemes being implemented by KVIC includes, (i) Prime Minister's Employment Generation Programme (PMEGP), (ii) Work shed Scheme for Khadi Artisans, (iii) Khadi Reform and Development Programme (KRDP) (iv) Interest Subsidy Eligibility Certificate (ISEC) Scheme, (v) Market Development Assistance (MDA), (vi) Product Development, Design Intervention and Packaging (PRODIP), (vii) Rural Industries Service Centres (RISC) and Performance of the Central Sliver Plants (CSPs)

KEYWORDS

KVIC, MSME, village industries, Khadi industries.

INTRODUCTION

Khadi and Village Industries Commission (KVIC) established under the Khadi and Village Industries Commission Act, 1956 (61 of 1956), is a statutory organization under the aegis of the MSME, engaged in promoting and developing Khadi and Village Industries (KVI) for providing employment opportunities in the rural areas, thereby strengthening the rural economy. KVIC has been identified as one of the major organizations in the decentralized sector for generating sustainable non-farm employment opportunities in rural areas at a low per capita investment. It undertakes activities like skill improvement, transfer of technology, research & development, marketing etc., and helps in generating employment/self-employment opportunities in rural areas.

OBJECTIVES

The main objectives of KVIC include

- the social objective of providing employment in rural areas,
- the economic objective of producing saleable articles, and
- the wider objective of creating self-reliance amongst people and building up a strong rural community spirit.

FUNCTIONS

The functions of KVIC as prescribed under the KVIC Act, 1956 (61 of 1956) and Rules made there under are as follows.

- To plan and organize training to persons employed or desirous of seeking employment in KVI.
- To build up reserves of raw materials either directly or through specified agencies and supply them or arrange supply of raw materials to persons engaged or likely to be engaged in production of handspun yarn or KVI at such rates as the Commission may decide.
- To encourage and assist in the creation of common service facilities for the processing of raw materials or semi-finished goods and otherwise facilitate production and marketing of Khadi or products of village industries.
- To promote the sale and marketing of Khadi or products of village industries or handicrafts and for this purpose forge links with established marketing agencies wherever necessary and feasible.
- To encourage and promote research in the technology used in KVI, including the use of non-conventional energy and electric power with a view to increasing productivity, eliminating drudgery and otherwise enhancing their competitive capacity and to arrange for dissemination of salient results obtained from such research.
- To undertake directly or through other studies agencies, on the problems of KVI.
- To provide financial assistance either directly or through specified agencies to institutions or persons engaged in the development and operation of KVI and guide them through supply of designs, prototypes and other technical information, for the purpose of producing goods and services for which there is effective demand in the opinion of the Commission.

- To undertake directly or through specified agencies, experiments or pilot projects which in the opinion of the Commission, are necessary for the development of KVI
- To establish and maintain separate organizations for the purpose of carrying out any or all of the above matters.
- To promote and encourage cooperative efforts among the manufacturers of Khadi or persons engaged in village industries.
- To ensure genuineness and to set up standards of quality and ensure that products of KVI do conform to the said standards, including issue of certificates or letters of recognition to the concerned persons, and
- To carry out any other activity incidental to the above.

ORGANIZATIONAL SET-UP

KVIC is functioning under the administrative control of the MSME, Government of India. The Commission functions with its Head Office at Mumbai and six Zonal Offices located at New Delhi, Bhopal, Bengaluru, Kolkata, Mumbai and Guwahati and 36 State/Divisional Offices spread all over the country to facilitate speedy implementation of KVI programme. At the Central Office level, different Directorates have been constituted for coordinating the functions like training, marketing, funding, economic research, implementing of Prime Minister's Employment Generation Programme (PMEGP), etc.

KVIC undertakes training activities through its 41 departmental and non departmental training centres. Marketing is taken up through its 09 departmentally-run Khadi Gramodyog Bhavans located in urban areas and 7,050 institutional/retail sales outlets located at different parts of the country. KVIC also makes available quality raw material to Khadi institutions through its six Central Sliver Plants (CSPs).

KVI programmes are implemented through 33 State/Union Territories (UTs), Khadi and Village Industries Boards (KVIBs), 5,000 registered institutions, 30,129 cooperative societies and banks /financial institutions. The Khadi programme is implemented through institutions registered either with KVIC or State/UT KVIBs. In case of village industries, KVIC is implementing with effect from 2008-09 the Prime Minister's Employment Generation Programme (PMEGP) which is a highly attractive scheme for prospective entrepreneurs with higher subsidy levels than the erstwhile Rural Employment Generation Programme (REGP) and Prime Minister's Rozgar Yojana (PMRY). KVIC also implements cluster development activities in traditional industries of KVI under Scheme of Fund for Regeneration of Traditional Industries (SFURTI) as a Nodal Agency.

CLASSIFICATION OF INDUSTRIES

While the Khadi Programme comprises hand spun and hand woven cotton, woollen, muslin and silk varieties, the Village Industries (VI) Programmes have been classified into seven broad groups. These are.

- Mineral Based Industry,
- Forest Based Industry,
- Agro Based & Food Processing Industry,
- Polymer & Chemical Based Industry,
- Rural Engineering & Bio-Technology Industry,
- Hand Made Paper & Fibre Industry, and
- Service and Textiles Industry.

Industries connected with meat (slaughter) i.e., processing, canning and/ or serving items made the reform, production/manufacturing or sale of intoxicant items like beedi/pan/cigar/cigarette, etc., any hotel or Dhaba or sales outlet serving liquor, preparation/ producing tobacco as raw materials, tapping of toddy for sale and manufacturing of polythene carry bags of thickness less than 20 microns

PLAN OUTLAYS TO KVIC

The Union Government through the MSME provides funds to KVIC for undertaking its various activities under Plan and Non-Plan heads. These funds are provided primarily by the way of grants and loans and KVIC in turn reallocates them to its implementing agencies, namely the State KVIBs, institutions registered under the Societies Registration Act, 1860 cooperative societies registered under the Cooperative Acts of the State Governments, implementing banks, District Industries Centres, etc. The Commission's administrative expenditure including pension payments is met out of Non-plan Government budgetary support.

The details of funds provided from budgetary sources (both under Plan and Non-Plan head) during 2006-07 to 2012-13 are given in the following Table-1

The table-1 reveals that the Budgetary allocation to KVIC in India under Plan and Non-Plan is Rs. 677.75 crore (Rs. 592.93 and Rs. 84.82 crore) and Funds released Rs. 673.73 crore (Rs. 589.82 and Rs. 83.91) in 2006-07, allocated funds Rs. 735.22 crore (Rs. 650.40 and Rs. 84.82 crore) and Funds released Rs. 705.79 crore (Rs. 622.99 and Rs. 82.80) in 2007-08, Rs. 1212.58 crore (Rs. 1104.95 and Rs. 107.63 crore) and Funds released Rs. 1212.56 crore (Rs. 1104.94 and Rs. 107.62 crore) in 2008-09, allocated funds Rs. 1111.61 crore (Rs. 919.20 and Rs. 192.41 crore) and Funds released Rs. 1028.38 crore (Rs. 836.00 and Rs. 192.38 crore) in 2009-10, allocated funds Rs. 1716.60 crore (Rs. 1543.96 and Rs. 172.64 crore) and Funds released Rs. 1624.10 crore (Rs. 1452.46 and Rs. 171.64) in 2010-11 and allocated funds Rs. 1679.44 crore (Rs. 1494.22 and Rs. 185.22 crore) and Funds released Rs. 1443.18 crore (Rs. 1258.46 and Rs. 184.72 crore) in 2011-12 it is accounted an overall linear growth rate of 33.74 per cent per annum.

TABLE 1: BUDGETARY ALLOCATION TO KVIC IN INDIA (Rs. In Crore)

Year	Allocation (RE)		Funds Released	
	Plan	Non-Plan	Plan*	Non-Plan
2006-07	592.93	84.82	589.82	83.91
2007-08	650.40	84.82	622.99	82.80
2008-09	1104.95	107.63	1104.94	107.62
2009-10	919.20	192.41	836.00	192.38
2010-11	1543.96	172.64	1452.46	171.64
2011-12	1494.22	185.22	1258.46	184.72
2012-13# (BE)	1607.11	195.58	1008.05@	117.00@
LGR	33.74	28.64	12.63	14.13

Source: Annual Reports 2012-13

* including SFURTI

Notes

1. @as on 31 December 2012
2. Growth rate calculated for 6 years only (excluding 2012-13)

The performance of KVI sector in respect of production, sales and employment during 2006-07 to 2012-13 is shown in Table 2

The table 2 reveals that the KVI sector has registered a growth rate of around 9.96 % in 2011-12 over the performance of previous year. The total KVI production during 2012-13 (up to 31, December, 2012) is estimated at Rs. 18,017.61 crore (Khadi Rs. 569.30 crore and V.I. Rs. 17,448.31 crore) as against Rs. 21,852.04 crore (Khadi Rs. 716.98 crore and V.I. Rs. 21,135.06 crore) in 2011-12. Similarly, estimated sales of KVI products up to 31, December, 2012 also increased to Rs. 21,111.51 crore (Khadi Rs. 790.78 crore and V.I. Rs. 20,320.73 crore) in 2012-13 as against Rs. 26,797.13 crore (Khadi Rs. 967.87 crore and V.I. of Rs. 25,829.26 crore) of the previous year (up to 31, December, 2011).

The total cumulative employment in the KVI sector is estimated to have also increased to 121.73 lakh persons (10.69 lakh in Khadi and 111.04 lakh in V.I.) by 31, December, 2012 as against 119.10 lakh persons (10.45 lakh in Khadi and 108.65 lakh in V.I.) of corresponding period of previous year.

TABLE 2: YEAR- WISE PERFORMANCE OF KVI SECTOR IN INDIA

Year	Production (Rs. in crore)		Sales (Rs. in crore)		Cumulative employment (lakh in persons)	
	Khadi	V.I.	Khadi	V.I.	Khadi	V.I.
2006-07	491.52	13527.19	663.19	18888.21	8.84	80.08
2007-08	543.39	16134.32	724.39	20819.09	9.16	90.11
2008-09	585.25	16753.62	799.60	21948.59	9.50	94.41
2009-10	628.98	17508.00	867.01	23254.53	9.81	98.72
2010-11	673.01	19198.85	917.26	24875.73	10.15	103.65
2011-12	716.98	21135.06	967.87	25829.26	10.45	108.65
2012-13*	569.30	17448.31	790.78	20320.73	10.69	111.04
LGR	9.07	10.14	9.35	7.29	3.66	6.69

Source: Annual Reports 2012-13

Notes

- *up to 31 December 2012
- Growth rate calculated 6 years only (excluding 2012-13)

SMALL MAJOR SCHEMES BEING IMPLEMENTED BY KVIC

1. PRIME MINISTER'S EMPLOYMENT GENERATION PROGRAMME (PMEGP)

The Ministry was implementing two credit linked employment generation schemes namely, Prime Minister's Rozgar Yojana (PMRY) and Rural Employment Generation Programme (REGP) since October, 1993 and April, 1995 respectively. By the end of March, 2008, the Ministry was able to generate an estimated 46.62 lakh and 49.45 lakh additional employment opportunities under PMRY and REGP respectively. Keeping in view the varying parameters and entitlements, targeting almost the schemes same set of beneficiaries in rural areas, better recovery rates under REGP as compared to PMRY and the existence of employment generation schemes being implemented by a number of States with more attractive benefits/ assistance/ interventions like Bangla Swanirbhar Karma Sansthan Prkalpa (West Bengal); Shri Vajpayee Bankable Yojana (Gujarat); Chief Minister's Rozgar Yojana (Uttar Pradesh), etc., it was decided to discontinue PMRY and REGP from 2008-09 and introduce a new credit linked subsidy scheme titled Prime Minister's Employment Generation Programme (PMEGP) through merger of the erstwhile schemes of PMRY and REGP. PMEGP has been a significant initiative with a higher level of subsidy than that available under PMRY and REGP. This Scheme is being implemented through KVIC as the national level nodal agency.

2. WORK SHED SCHEME FOR KHADI ARTISANS

In order to facilitate and empower Khadi spinners and weavers to chart out a sustainable path for growth, income generation and better work environment and to enable them to carry out their spinning and weaving work effectively 'Work shed Scheme for Khadi Artisans' was introduced in 2008-09. Under this Scheme, financial assistance for construction of work sheds is provided to Khadi artisans belonging to BPL category through the Khadi institutions with which the Khadi artisans are associated. The revised quantum of assistance is as under:

Component Area per unit	Amount of Assistance	Area per unit	Amount of Assistance
Individual Work shed		20 Square meters (approximately)	Rs. 45,000/- or 75% of the cost of the work shed, whichever is less.
Group Work sheds (for a group of minimum 5 and maximum 15 Khadi artisans)		15 Square meters per beneficiary (approximately)	Rs. 30,000/- per beneficiary of the group or 75% of the total cost of the project, whichever is less.

Under this Scheme, more than 38,000 Work sheds are targeted to be constructed at a total cost of Rs. 127 crore (approx.), involving financial assistance of Rs. 95 crore as grant to KVIC from the Government's budgetary sources. Assistance to 4444 artisans has been provided during 2011-12. Against the target of providing assistance to 4444 artisans during 2012-13, assistance to 3557 artisans could be provided up to 31 December, 2012. Keeping in view the past experience, it is expected that the target would be achieved by the end of the year. Scheme for Enhancing Productivity & Competitiveness of Khadi Industry and Artisans:

The Scheme aims at making Khadi industry more competitive with more market-driven production and sustained employment for Khadi artisans and related service providers through replacement of obsolete and old machinery and equipment and repair /renovation of existing/operational machinery/ equipment. The Ministry has introduced the 'Scheme for Enhancing Productivity and Competitiveness of Khadi Industries and Artisans' through KVIC with effect from July 2008. The Scheme would provide financial assistance to 200 of the 'A+' and 'A' category Khadi institutions of which 50 institutions would be those which are managed by beneficiaries belonging to Scheduled Castes (SCs)/ Scheduled Tribes (STs), at a total cost of Rs. 84.00 crore involving financial assistance of Rs. 71.14 crore as grant to KVIC from the Government's budgetary sources between 2008-09 to 2011-12. A total of 59 Khadi institutions were selected for assistance during 2011-12. The target for assisting 43 Khadi institutions in 2012-13 has been fixed. Strengthening Infrastructure of existing weak Khadi institutions and assistance for marketing infrastructure in order to facilitate the need-based support towards the Khadi sector for nursing the sick/problematic institutions elevated from "D" to "C" category as well as those whose production, sales and employment have been declining while they have potential to attain normalcy and to support creation of marketing infrastructure in other identified outlets, the scheme of Strengthening of infrastructure of existing weak Khadi institutions and assistance for marketing Infrastructure has been formulated. Under this scheme, financial assistance has been provided to 58 existing weak Khadi institutions for strengthening of their infrastructure and for renovation of selected 30 Khadi sales outlets which includes. The maximum amount of assistance for strengthening of weak Khadi institutions under this scheme is Rs. 9.90 lakh (capital expenditure Rs. 3.50 lakh, working capital Rs. 6.15 lakh and Rs. 0.25 lakh towards conducting detailed study report). For renovation of sales outlets, the ceiling of financial assistance is Rs. 25 lakh for Departmental Sales outlets of KVIC, Rs. 21.25 lakh for Departmental Sales outlets of State KVIBs, Rs. 18.75 lakh for institutional outlets located in metro cities and Rs. 15 lakh for institutional outlets located in non-metro cities. It is expected that after implementation of this scheme, there will be a higher level of production, sales and employment along with the increased level of earnings in Khadi sector. The target for assisting 45 institutions in 2012- 13 has been fixed.

3. KHADI REFORM AND DEVELOPMENT PROGRAMME (KRDP)

Department of Economic Affairs, Ministry of Finance has tied up financial aid from Asian Development Bank (ADB) amounting to US\$150 million over a period of three years for implementing a comprehensive Khadi Reform Programme worked out in consultation with ADB and KVIC. Under this Reform Package, it is proposed to revitalize the Khadi sector with enhanced sustainability of Khadi, increased incomes and employment to artisans, increased artisans' welfare and to enable KVIC to stand on its own with gradually decreasing dependence on Government Grants. Initially, the programme will be implemented in 300 Khadi institutions keeping in mind the needs of regional balance, geographical spread and inclusion of backward areas.

4. INTEREST SUBSIDY ELIGIBILITY CERTIFICATE (ISEC) SCHEME

The Interest Subsidy Eligibility Certificate (ISEC) Scheme is an important mechanism of funding Khadi programme undertaken by Khadi institutions. It was introduced in May 1977 to mobilize funds from banking institutions for filling the gap between the actual fund requirements and availability of funds from budgetary sources. Under the ISEC Scheme, credit at a concessional rate of interest of 4 % per annum for working capital, is made available as per the requirement of the institutions. The difference between the actual lending rate and 4 % is paid by the Central Government through KVIC to the lending banks

and funds for this purpose are provided under the Khadi grant head to KVIC. The Institutions registered with the KVIC/State Khadi and Village Industries Boards (KVIBs) can avail of financing under the ISEC Scheme. Initially, the entire KVI sector was covered under the Scheme. However, with the introduction of REGP for village industries (VI) in 1995 and PMEGP in 2008, the Scheme now supports only the Khadi and the Polyvastra sector. The extent of credit flow to the institutions under the Scheme during 2006-07 to 2012-13 is depicted in the Table 3.

TABLE 3: YEAR WISE CREDIT FLOW UNDER ISEC SCHEME

Year	Credit Flow to Khadi and Polyvastra Institutions	Subsidy Provided by KVIC
2006-07	233.62	10.62
2007-08	226.12	17.61
2008-09	244.85	27.54
2009-10	279.02	25.00
2010-11	275.52	29.09
2011-12	305.03	35.56
2012-13*	305.03	10.46
LGR	6.59	42.13

Source: Annual Reports 2012-13

Notes

- *up to 31 December 2012
- Growth rate calculated 6 years only (excluding 2012-13)

5. MARKET DEVELOPMENT ASSISTANCE (MDA)

For promoting sale of Khadi and polyvastra, Government of India through the KVIC used to provide subsidy in the form of rebate on sale which used to be passed to the consumers. But it was observed that artisans, who are the backbone of Khadi activities, were not extended any benefit from this and Khadi outlets also were not able to attract buyers due to inadequate quality design, unattractive look of the outlets and inadequate marketing support, etc. To rectify these deficiencies, the Government after extensive consultation with Khadi institutions and other stakeholders and also with the approval of Cabinet Committee on Economic Affairs (CCEA) has introduced a flexible, growth stimulating and artisan centric 'Market Development Assistance (MDA) Scheme for Khadi and Polyvastra' in place of the Rebate Scheme with effect from 01.04.2010 for implementation during two terminal years of XI Plan, i.e., 2010-11 and 2011-12 with estimated cost of Rs. 345.05 crore (Rs. 159.65 crore for 2010-11 & Rs. 185.40 crore for 2011-12). The main feature of this Scheme is that financial assistance (i.e., MDA) will be provided @ 20% of value of production of Khadi and polyvastra (cotton Khadi, silk khadi, wollen Khadi and Polyvastra) achieved by the producing institution. It is mandatory on the part of the Khadi Institution to pass on 25% of MDA to artisans/weavers as bonus/incentive, in addition to wages in their Post Office/Bank Account. The remaining 75% can be utilized by the producing and selling institutions for various marketing and production related activities as per norms. The MDA would be claimed by the situations quarterly on the basis of their production in the preceding quarter. An amount of Rs. 119.53 crore has been disbursed by KVIC towards MDA (Khadi) in 2011-12. Rs. 26.39 crore has been disbursed by KVIC towards MDA (Khadi) in 2012-13 (up to 31 December 2012).

6. PRODUCT DEVELOPMENT, DESIGN INTERVENTION AND PACKAGING (PRODIP)

The Product Development, Design Intervention and Packaging (PRODIP) Scheme was launched in November 2002 as a small intervention with a view to selectively improving the quality of Khadi products and also to diversify into new products. It also seeks to improve the marketability of Khadi by enlisting the support of professional designers approved by the National Institute of Design (NID). Under this Scheme, financial assistance is provided to the institutions or entrepreneurs affiliated to the KVIC or State KVIBs up to Rs. 2 lakh per project per year or 75 per cent of the project cost whichever is less. In the case of individual entrepreneurs, the quantum of assistance is up to Rs. 1 lakh or 75 per cent of the project cost, whichever is less. The internal studies conducted by KVIC have indicated that production and sales have increased approximately by 13 per cent and 21 per cent, respectively, in the case of the projects taken up under PRODIP.

The Progress of KVI under PRODIP is assisted the 162 projects in 2006-07, 208 in 2007-08, 256 in 2008-09, 169 in 2009-10, 175 in 2010-11 and 122 in 2011-12 it is accounted a negative growth rate of 6.81 percent per annum.

7. RURAL INDUSTRIES SERVICE CENTRES (RISC)

KVIC has also taken up another small intervention called "Rural Industries Service Centers (RISC)" Scheme from 2004-05 onwards for providing infrastructural support and services to the selected units with a view to upgrading their production capacity; skill upgradation and market promotion. RISC, inter alia, provides testing facilities by establishing laboratories for ensuring quality of products, improved machinery/equipment to be utilized as common facilities by nearby units/artisans for enhancing production capacity or value addition of the product, attractive and appropriate packaging facilities and machinery to the local units/artisans for better marketing of their products, training facilities for upgrading artisans' skills in order to increase their earnings and new designs and diversified products in consultation with experts/agencies for value addition of rural manufacturing units. This Scheme is being implemented through KVIC/KVIBs; National level/ State level Khadi and VI Federations; Khadi and VI Institutions affiliated to KVIC and KVIBs and NGOs which have already worked for the implementation of the programmes relating to rural industries. Under this scheme, financial assistance for establishing smaller projects costing up to Rs. 5 lakh each is provided to KVI units, while in bigger projects such assistance is up to Rs. 25 lakh. Each project cost up to Rs. 5 lakh is expected to provide benefit to at least 25 individuals.

The Progress of KVI under Rural Industries Service Centres (RISC) is assisted the 72 projects in 2006-07, 76 in 2007-08, 54 in 2008-09, 169 in 2009-10, 175 in 2010-11 and 122 in 2011-12 and it is accounted a growth rate of 26.26 per cent per annum.

In order to streamline the payment of MDA, release of interest subsidy, supply of raw materials, etc., Khadi institutions are categorized as A+, A, B, C and D on the basis of their performance in production, sales, marketing, etc. As on March 31, 2012, the details of 2299 categorized Khadi institutions are given in the Table 4.

TABLE 4: CATEGORIZATION OF KHADI INSTITUTIONS

S. No	Type	A+	A	B	C	D	Total
1	Affiliated to KVIC	107	288	322	469	260	1448
2	Affiliated to State Boards	31	177	224	340	81	853
Grand Total		138	465	546	809	341	2299

Source: Annual Reports 2012-13

GOVERNMENT SUPPLIES

KVIC has been supplying its products under the 'Rate Contract' of Director General of Supplies and Disposal (DGS&D) to various Government Departments/Agencies. Based upon DGS&D Rate Contract, the items like Dasuti Khadi, Dungari cloth, dusters, long cloth, bunting cloth and sheeting cloth, etc., are being supplied to Government Agencies and bed rolls, curtains, pillow covers, "Kulhars" (Earthen cup), etc., are being made available to the Indian Railways. The Performance of KVI in terms of supply with a value of the government accounted of Rs. 29.10 crore in 2006-07, Rs. 33.99 in 2007-08, Rs. 31.82 in 2008-09, Rs. 21.36 in 2009-10, Rs. 30.28 in 2010-11 and Rs. 29.94 in 2011-12 it is accounted a negative growth rate of 1.71 per cent per annum.

REGISTRATION OF NEW KHADI INSTITUTIONS

KVIC has directly enlisted/registered institutions with a view to enhance production. 72 such new Khadi institutions were registered with KVIC and KVIBs in 2012-13 (up to 31 December 2012).

KHADI ARTISANS WELFARE TRUST FUND (KAWTF)

KAWTF is conceptually meant to be run on the lines of a Provident Fund. Membership of KAWTF is mandatory for all Khadi and Polyvastra producing institutions affiliated to KVIC and State KVIBs. All the Institutions categorized as A+, A, B and C are eligible to join the Trust Fund. This Fund has been functioning in 21 States and the concerned State Government manages it. A total of 1797 Khadi institutions have become its members as on March 31, 2012, accounting for remittance to the tune of Rs. 23.06 crore and refund of Rs. 11.09 crore.

NATIONAL FLAG PRODUCTION CENTRE

Khadi is the pride and joy of our nation and this can be easily understood from the fact that the Bureau of Indian Standards (BIS) gave it the first place by way of national flag specifications. As per BIS, Khadi is the only fabric that is to be used for production of India's National Flag. Accordingly, one National Flag Production Unit has been started in consultation with the South Indian Textile Research Association (SITRA) at Karnataka Khadi Gramodyog Samyukta Sangh, an NGO of KVIC at Bengeri, Hubli (Karnataka) at an estimated cost of Rs. 51.10 lakh. The National Flag Production Unit was awarded BIS certification on February 17, 2006. The Unit has also installed the dyeing, processing and finishing equipment envisaged in the second phase of the programme of National Flag Production Centre. The Unit has the capacity to produce around 5000 National Flags of different sizes per day.

KHADI 'READY-TO-USE MISSION

KVIC has initiated a "Ready-to-Use" Mission during 2005-06 for Khadi products. Under this project, a major Khadi institution works as a lead institution where facilities for production of garments including covering, designing, finishing, packaging, etc., are installed. Other institutions working in nearby areas are associated in a concentric manner with the activities of the lead institution. As a result, all of them are able to upgrade their product quality by sharing their experiences and common facilities installed by the lead institution. The National Institute of Fashion Technology (NIFT), Kolkata and Chennai have been engaged as Service Providers for conceptualization and development of project, identification of location, installation of machinery, training, commissioning of project and post installation support. Two projects one each at Murshidabad (West Bengal) and Padiyur (Tamil Nadu) have been established under this Mission. The NIFT, Kolkata and Chennai have been enlisted by KVIC to also provide hand-holding support in the areas of design inputs and training.

CENTRAL SLIVER PLANTS

In order to ensure that Khadi institutions maintain regular spinning work for artisans and to improve the quality of raw material in Khadi sector, KVIC continued to operate its six Central Sliver Plants (CSPs) at Kuttur, Chitradurga, Sehore, Raibareilly, Etah and Hajipur during the year. The performance of these sliver plants in terms of production and supply to the Khadi institutions are given in the Table 5.

TABLE 5: YEAR-WISE PERFORMANCE OF THE CENTRAL SLIVER PLANTS (CSPs) (Quantity: lakh kg, Value: Rs. crore)

Year	Production		Supply	
	Quantity	Value	Quantity	Value
2006-07	24.46	21.32	25.94	22.36
2007-08	29.86	26.91	32.73	27.18
2008-09	33.96	33.26	30.13	29.53
2009-10	35.27	35.70	35.46	35.82
2010-11	32.98	42.88	34.17	41.14
2011-12	29.63	48.81	24.98	42.76
2012-13*	14.42	22.20	18.96	29.60
LGR	4.27	25.17	0.53	19.19

Source: Annual Reports 2012-13

Notea

- *up to 31 December 2012
- Growth rate calculated 6 years only (excluding 2012-13)

CONCLUSION

It is concluded that the paper mainly focuses on the broad targets for development and performance of Khadi and Village industries sector during the 12th Plan period are to be achieve at least 11% growth in Khadi sector and 13% growth in Village Industries. The strategy for achieving targets are to develop product-wise clusters of Khadi & Village Industries products and develop their domestic as well as export market, introduce innovations in design, technology, creation of entrepreneurship and growth in manufacturing in rural non-farm sector to prevent migration by enhanced allocation for PMEGP. Other focal areas are building up competitiveness in traditional industries in Khadi and VI sectors by enhanced allocation for the cluster development scheme of SFURTI, upgradation of the Khadi Institutions, introduction of Public, Private and Partnership in marketing operations etc.

REFERENCE

- Annual Reports 2012-2013 of Khadi and Village Industries Commission (KVIC)

COST MANAGEMENT PRACTICES IN INDIA: AN ANALYTICAL STUDY**DR. SAMBHAVNA GUPTA****FACULTY****DEPARTMENT OF MANAGEMENT STUDIES****FAIRFIELD INSTITUTE OF MANAGEMENT & TECHNOLOGY****NEW DELHI****DR. R. K. SHARMA****PROFESSOR****BHARATI VIDYAPEETH UNIVERSITY INSTITUTE OF MANAGEMENT & RESEARCH****NEW DELHI****DR. M.S.S. RAJU****PROFESSOR****SCHOOL OF MANAGEMENT STUDIES****INDIRA GANDHI NATIONAL OPEN UNIVERSITY****NEW DELHI****ABSTRACT**

The present study of 53 CFOs of corporate India captures the development in the cost management practices such as accounting for overheads, applications of budgetary control and standard costing. In addition to traditional cost management techniques it also deals with applications of contemporary management tools such as activity-based costing. The hypotheses in general deal with the difference in the practices across sectors, stages, and level of adoption of contemporary cost management techniques. The firms are successful in capturing accurate cost and profit information from their ABC cost systems for value chain and supply chain analysis. The results suggest that the firms have better insight for benchmarking and budgeting with ABC cost system yet the consistency in their priority of budget goals is lacking unlike the firms who are using traditional costing systems. However both the ABC and traditional cost system users have clarity of reasons for effective implementations of planning and budgeting process in their organizations. There is no significant difference in the application of standard costing between the ABC-users and the traditional costing system users. This implies that the use of activity-based cost systems and standard costing is not mutually exclusive. There is a widespread use of sales variances and material variances vis-à-vis labour and overheads cost variances.

KEYWORDS

Activity based costing, variance, global competition, product differentiation.

INTRODUCTION

In today's time of rapid technological change, tough global and domestic competition, total cost management is central to sustained corporate profitability and competitiveness. The management mantra today is conquering your costs, before they conquer you. The cost means total cost to the customer. The cost leadership strategy does not mean compromise on either quality or technology or product differentiation. Low costs are no advantage, if the customers are not willing to buy the product of low cost firm. Cost management has to be driven with customer as the focus. The survival triplet today for any company is how to manage its product/service cost, quality, and performance. The customers are continuously demanding high quality and better performance products/services and at the same time, they want the prices to fall. The shareholders are also demanding a required rate of return on their investment with the company. Thus, cost has become a residual. The challenge is being able to manufacture or provide service within the stipulated cost framework. Thus, cost management has to be an ongoing continuous improvement programme. Today the market leaders are even pursuing cost-reduction as a strategic imperative. They want to stay ahead of the market by continuously widening the gap between their cost and that of their competitors and re-deploy the resources for profitable growth. Thus, the cost challenge is one of the most critical tasks facing Indian Industry during the next decade in the post-WTO environment. The framework will be of activity based cost and performance management in a value chain perspective.

OBJECTIVES OF THE STUDY

The present study intends to capture the development in the cost management practices such as accounting for overheads, applications of budgetary control and standard costing in the corporate India. The study plans to test the hypothesis that the firms using activity-based costing system are:

a) more likely to have a:

- i) better insight for benchmarking and budgeting;
- ii) clear structure of priorities of budget goal;
- iii) clarity of reasons for effective implementation of planning; and budgeting process in their organization; and

b) less likely to use

- i) department-wide budgeting systems,
- ii) absorption costing systems, and
- iii) variable costing systems vis-à-vis the firms that follow traditional costing system.

It further plans to verify whether there is a significant difference in the management motivation for the implementation and the use of standard costing as a management control tool between ABCM-user firms and firms using traditional costing systems.

RESEARCH METHODOLOGY

A nationwide survey was conducted to capture the issues in the design and applications of contemporary cost management tools. The questionnaire was sent to the CFOs of the 579 companies consisting of the top-500 private sector companies, 75 most valuable PSUs, and four subsidiaries of multinational corporations. It was indicated to the CFOs that the identity of the respondent companies as well as the persons responding on their behalf will be kept strictly confidential and only aggregate generalizations would be published. Fifty-three completed questionnaires had been received by June 9, 2009. All the four MNCs responded. In addition, 49 out of the remaining 575 with a response rate 8.52%. Two percent returned the duly filled questionnaires. These 53 companies constitute the sample for deriving inferences of the present study (Table 1). In any such survey it is likely that the firms that did not respond on time may have non-response

bias. Whatever the respondents have said is believed to be their true response. Another limitation of the survey methodology is that it measures beliefs and not necessarily actions. All in all, the versatility in the characteristics of respondent firms enabled the present study to examine the cost management practice vis-à-vis theory. This response rate is low as compared to Joshi's (2001).

TABLE 1: INDUSTRY COMPOSITION OF SAMPLE

Industry	Sample Size	Sample proportion
Consumer Durable, Personal Care & Food Products	7	13.21
Engineering & Capital Goods	6	11.32
Chemicals & Pharmaceuticals	4	7.55
Power Generation & Transmission	4	7.55
Tractors	4	7.55
Automobiles & Auto Ancillary	4	7.54
Construction, Cement & Building Material	3	5.66
Information Technology - Software	3	5.66
Oil & Gas and Petrochemicals	3	5.66
Telecom & Electronics Equipment	2	3.77
Tyres	2	3.77
Diversified	1	1.89
Iron Ore & Non-Ferrous Metals	1	1.89
Textiles	1	1.89
Others (Logistics, Banking, Telecom services Consultancy airline services trade services etc)	8	15.09
Total	53	

Twenty-six respondents firms out of 53 are using activity-based costing for product pricing and operational feedback. Nearly 77% of the ABCM users firms are in the manufacturing sector and 23% in the service sector. This ABC adoption rate compared favourably with nearly 38% in India, 26% in the USA, 20% in UK and 40% in Norway. Nearly 58% of the ABCM users firms have fully integrated cost management and financial reporting systems with enterprise resource planning system. 57.69% of the respondents extended their ABC systems to advanced stage extending it up to facility level and customer level activities. Seventy-six percent users of the activity-based costing in Canadian firms have implemented the activity-based cost system as supplementary and offline (Armitage and Nicholson, 1993). The 42.3% of the ABC-user firms are using activity-based costing in their company for more than two years.

SUCCESS WITH THE PRESENT COST MANAGEMENT SYSTEMS

Table 2 shows the success of the existing cost management systems in terms of capturing the accurate cost information for product pricing, inventory valuation, value chain analysis, supply chain analysis and outsourcing decisions. 52.8% of the respondents have achieved success in application of their present costing system in product pricing and inventory valuation. The success ratio in the area of value chain analysis & supply chain analysis and out-sourcing decisions is 22.7% and 28.3% respectively. 54.8% of the firms were successful in accurate profit analysis by product, 24.6% by process and 30.2% by department and customer. The examination of responses conditional on ABC-adoption revealed that the firms who have adopted ABC were significantly more successful in capturing accurate cost information for value chain analysis and supply chain analysis vis-à-vis the firms who had not adopted ABC.

TABLE 2: SUCCESS ACHIEVED IN THE APPLICATION OF PRESENT COSTING SYSTEM TO CAPTURE ACCURATE COST INFORMATION

Sl. No.	Areas	Completely Successful	Mean Score		
			Aggregate	Non-ABCM User	ABCM user
i.	Accurate cost information for				
a)	Product pricing	52.8%	3.3	3.0	3.6
b)	Inventory valuation	52.8%	3.0	2.8	3.3
c)	Value chain analysis	22.7%	1.9	1.3	2.5***
d)	Supply chain analysis	22.7%	1.8	1.4	2.2*
e)	Outsourcing decisions	28.3%	2.1	1.8	2.4
ii	Accurate profit analysis				
a)	By product	54.8%	3.1	2.9	3.3
b)	By process	24.6%	2.1	1.9	2.2
c)	By department	30.2%	2.1	1.6	2.6*
d)	By customer	30.2%	2.1	1.8	2.3
iii	Better insight for benchmarking & Budgeting	43.4%	3.0	2.4	3.7
iv	Better insight about manufacturing performance	34%	2.7	2.3	3.0

*, **, *** indicate significant at 10%, 5%, and 1% level respectively.

BUDGETARY CONTROL

The use of the master budget as a part of the management control systems is wide spread. 88.7% of the respondents to the present study prepared the master budget. Nearly all the companies in Australia, Holland, Japan, UK, and USA prepare master budget (see for example, Asada et al. 1989; Blayney and Yokoyama, 1991; Chantal and Linfield-Smith, 1998). The respondent firms used more than one budget goal in formulating the master budget. Although 39.6 % of the respondents expressed that maximizing earnings before interest and Tax (EBIT) was their most important budget goal, maximization of economic profit emerged as the most important objective function on aggregate basis, when considered the top three goals. The other objective functions such as minimizing production

cost, maximization of operating profits and sales revenue are equally important. Interestingly, returns on investment and sales revenue were the most important budget goals in the USA and Japan respectively.

BUDGET GOALS

There was significant correlation amongst the budget goal rankings in 7 out of 10 cases in traditional as against 3 in case of ABC-users. Thus, the users of traditional costing system vis-à-vis ABC users had consistency in their priorities of budget goal. 73.6% of the respondents attributed effectiveness of budgeting to well defined strategy, 64.1% to clear linkages of strategy to operational plans and meaningful performance measures and 51% to management control and coordination. No significant difference had been found in the reasons for effectiveness of planning and budgeting process in their organization between the ABCM users and the non-ABC users.

BUDGETING APPROACH

45.3% of the respondents were using department-wise incremental budgeting while 30.2% used activity-wise zero-based budgeting. The firms using traditional costing system had clarity in the thought process of application of ZBB vis-à-vis ABC user firms.

JOINT COST ALLOCATION

The physical measures based joint cost allocation methods were equally popular in India as market-based estimated Net Realizable Value (NRV) method, as against the survey findings of Koester and Barnett (1996).

COST METHOD FOR PRODUCT PRICING

In contrast to the worldwide (Ireland, Japan, and the UK) trend where market based factors were starting point for product pricing decision, in India the present study had found that the cost based factors are equally important.

RELATIVE IMPORTANCE OF MARKET BASED TO COST BASED FACTORS FOR PRODUCT PRICING

The full cost-absorption costing (39.6% used it) was found to be more widely used vis-à-vis variable costing (30.2% used it), as evident from Fig. 7 in accordance with the international practice. There was no significant difference between the ABC users and the traditional costing system users in respect of use of full absorption costing and variable costing for product pricing decisions.

CURRENT USAGE OF MANAGEMENT TOOLS

The most widely used management tool is cost-volume-profit analysis (77.3% use it vis-à-vis 65% adoption rate finding of Joshi, 2001) followed by MRP (41.5%), activity based budgeting (30.2% vis-à-vis 7% adoption rate finding of Joshi, 2001) and value engineering (30.2%). Other contemporary management tools such as target costing, lifecycle budgeting, Kaizen costing, Quality costing, Taguchi costing did not find many acceptances by the respondent firms. These findings are in agreement with the findings of Joshi (2001).

USAGE OF COST MANAGEMENT TOOLS IN INDIA TRANSFER PRICING PRACTICES

The Indian corporate sector had followed market price based transfer pricing system as against the worldwide practice of cost-based method domestic transfer pricing and market price based method for international transfer pricing. The motivations for adoption of market based domestic transfer pricing method by the respondent firms were optimal decision making for the organization, divisional autonomy, and motivation for performance.

MANUFACTURING OVERHEADS ACCOUNTING

The use of direct method of allocation of service departments' overheads cost amongst the production departments is widespread (Blayney and Yaokoyama, 1991). In India, too the direct method was found to be widely used (62.1%) to allocate support department overheads cost amongst the production department in the first stage of cost allocation. Surprisingly the reciprocal method, the theoretically more sound method of cost allocation, did not find much acceptance with corporate India and was not at all popular worldwide. The department-wide machine hour rate had been found to be more popular with corporate India vis-a-vis department wide comprehensive machine hour rate (37.9% versus 20.7% used it) for absorbing the production departments' overheads to the final products or services in the second stage of cost allocation. The practice of corporate India with respect to treatment of under/over-absorbed overheads was in agreement with the generally accepted cost accounting principles. The only exception was that 24.1% of the respondents had written off substantial amount of over or under absorption of manufacturing overheads to costing profit and loss account.

STANDARD COSTING

The standard costing technique as a part of the management control systems had been widely used amongst corporate India. 77.36% of the respondents under study have used it vis-à-vis 53% in the Business Today (1999) survey of 113 large-sized companies. The Indian practice is in agreement with that of the U.S.A. (Waldron and Everett, 2002). No significant difference in the use of standard costing amongst ABC users and non- ABC users was found. The use of standard costing is popular worldwide. More than 75% of the firms use it in USA, UK, Ireland, and Sweden has found 65% usage of standard costing in Japan. The sales volume variance and selling price variance had been given the highest level of importance over the other variances. This had been followed in material price and material usage variance (70.7% and 70.8% respectively). On an aggregate basis material variances had been given more predominance over overhead variances but when the sample was discriminated in to ABC user/nonuser, it had been found that ABC users were more concerned about overhead variances than the non-users. Drury, et al (1993) finds that nearly two-third companies in the UK view labour efficiency variance of vital importance in control decisions.

TABLE 3: APPLICATIONS OF STANDARD COSTING IN MANAGEMENT CONTROL DECISIONS

Sl. No.	Variances	Most Important %	Mean Score		
			Aggregate	Non-ABCM User	ABCM user
i.	Sales volume variance	85.3	4.1	3.9	4.2
ii	Selling price variance	68.3	3.5	3.5	3.5
iii	Material price variance	70.7	3.6	3.4	3.8
iv	Material usage variance	70.8	3.4	3.1	3.7
v	Material mix variance	31.7	1.9	1.7	2.2
vi	Labour price variance	31.7	2.2	2.3	2.2
vii	Labour efficiency var.	29.3	2.1	1.9	2.4
viii	Variable factory overhead Variance				
a)	Spending variance	31.5	2.7	2.2	3.2
b)	Prod. Volume variance	58.5	3.1	2.9	3.3
c)	Efficiency variance	51.2	3.9	3.6	3.3
ix	Fixed factory overhead Variance				
a)	Spending variance	41.5	2.7	2.5	2.8
b)	Prod. Volume variance	41.5	2.6	2.3	2.9
c)	Efficiency variance	44	2.8	2.5	3.1

*, **, *** indicate significant at 10%, 5%, and 1% level respectively

Cost management (68.3%) and budgetary planning & control (65.8%) had evolved to be the major motivations for implementation of standard costing in the organizations. The ABC users had indicated performance measurement as significantly higher motivation for implementation of standard costing vis-à-vis non-ABC users.

CONCLUSIONS

The present study of cost management practices in the Indian industry is unique in terms of its scope and methodology followed. It not only deals with traditional cost management techniques but also with contemporary management tools such as activity based costing. The hypotheses in general deal with the difference in the practices across sectors, stages, and level of adoption of contemporary techniques. The firms are successful in capturing accurate cost and profit information from their ABC cost systems for value chain and supply chain analysis. The results suggest that the firms have better insight for benchmarking and budgeting with ABC cost system

yet the consistency in their priority of budget goals is lacking unlike the firms who are using traditional costing systems. However both the ABC and traditional cost system users have clarity of reasons for effective implementations of planning and budgeting process in their organizations

In contrast to the theory, ABC-users are using department-wide budgeting system. The Indian firms do use absorption costing and variable costing irrespective of whether they are using activity-based cost systems or not. There is no significant difference in the application of standard costing between the ABC and the traditional costing system users. This implies that the use of activity based cost systems and standard costing is not mutually exclusive. There is a widespread use of sales variances and material variances vis-à-vis labour and overheads cost variances (variable and fixed).

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IMPLICATIONS OF INFLATION ON INVESTMENT DECISIONS: AN EMPIRICAL STUDY**DR. SANJIV MITTAL****PROFESSOR****UNIVERSITY SCHOOL OF MANAGEMENT STUDIES****GURU GOBIND SINGH I. P. UNIVERSITY****DELHI****RITESH GUPTA****FACULTY****FOOTWEAR DESIGN & DEVELOPMENT INSTITUTE****ROHTAK****DR. SUNIL GUPTA****ASSOCIATE PROFESSOR****SCHOOL OF MANAGEMENT STUDIES****INDIRA GANDHI NATIONAL OPEN UNIVERSITY****NEW DELHI****ABSTRACT**

In today's complex business environment, making capital budgeting decisions are among the most important and multifaceted of all management decisions as it represents major commitments of company's resources and have serious consequences on the profitability and financial stability of a company. It is important to evaluate the proposals rationally with respect to both the economic feasibility of individual projects and the relative net benefits of alternative and mutually exclusive projects. The growing internationalization of business brings stiff competition which requires a proper evaluation and weightage on capital budgeting appraisal issues viz. different project life cycle, impact of inflation, analysis and allowance for risk. Therefore financial managers must consider these issues carefully when making capital budgeting decisions. Inflation is one of the important parameters that govern the financial issues on capital budgeting decisions. This paper aims to analyze the issues in the area of effects of inflation on capital budgeting decisions for optimum utilization of scarce resources.

KEYWORDS

Capital Budgeting Decisions, Financial Stability, Economic Feasibility.

INTRODUCTION

Managers evaluate the estimated future returns of competing investment alternatives. Some of the alternatives considered may involve more risk than others. For example, one alternative may fairly assure future cash flows, whereas another may have a chance of yielding higher cash flows but may also result in lower returns. It is because, apart from other things, inflation plays a vital role on capital budgeting decisions and is a common fact of life all over the world. Inflation is a common problem faced by every finance manager which complicates the practical investment decision making than others. Most of the managers are concerned about the effects of inflation on the project's profitability. Though a double digit rate of inflation is a common feature in developing countries like India, the manager should consider this factor carefully while talking such decisions.

In practice, the managers do recognize that inflation exists but rarely incorporate inflation in the analysis of capital budgeting, because it is assumed that with inflation, both net revenues and the project cost will rise proportionately, therefore it will not have much impact. However, this is not true; inflation influences two aspects viz. Cash Flow, Discount Rate and hence this study is an attempt to analyze the issues in the area of effects of inflation on capital budgeting decision for optimum utilization of scarce resources. In discussing how the inflation effects on capital budgeting decision, this paper has been divided into two parts. In the first part, discussion is about inflation, how to measure the inflation and the effects of inflation on GDP. In the second part, effects on inflation of capital budgeting decisions, comprising how to deal with expected and unexpected inflation while forecasting cash flows and determining the discount rate in particular.

OBJECTIVES OF THE STUDY

1. To analyse the impact of inflation on investment decision
2. To examine and analyse the degree of risk associated with inflation and capital Budgeting
3. To suggest some measures for taking sound Investment decisions

RESEARCH METHODOLOGY

The study is descriptive in nature, therefore the statistics have been obtained from different reliable sources such as news papers, Journals, Magazines etc.

OVERVIEW OF INFLATION

Everyone is familiar with the term 'Inflation' as rising prices. This means the same thing as fall in the value of money. For example, a person would like to buy 5 Kgs of apple with Rs. 100, at the present rate on inflation, say, zero. Now when the inflation rate is 5%, then the person would require Rs. 105 to buy the same quantity of apples. This because there is more money chasing the same produce. Thus, Inflation is a monetary ailment in an economy and it has been defined in so many ways, which can be defined as "the change in purchasing power in a currency from period to period relative to some basket of goods and services."

When analyzing Capital Budgeting Decision with inflation, it is required to distinguish between expected and unexpected inflation. The difference between unexpected and expected inflation is of crucial importance as the effects of inflation, especially its redistributive effect, depend on whether it is expected or not. Expected inflation refers to the loss the manager anticipates in buying power over time whereas unexpected inflation refers to the difference between actual and expected inflation. If rate of inflation is expected, then the manager take steps to make suitable adjustments in their proposals to avoid the adverse effects which could bring to them.

Measuring Inflation: Inflation is measured by observing the change in the price of a large number of goods and services in an economy, usually based on data collected by government agencies. The prices of goods and services are combined to give a price index or average price level, the average price of the basket of

products. The inflation rate is the rate of increase in this index; while the price level might be seen as measuring the size of a balloon, inflation refers to the increase in its size. There is no single true measure of inflation, because the value of inflation will depend on the weight given to each good in the index. The common measures of inflation include Consumer price indexes (CPIs), Producer price indexes (PPI s), Wholesale price index (WPIs), commodity price indexes, GDP deflator, and Employment cost index. Table showing the rate of inflation in India (2000-2011) based on WPI, based on CPI and growth rate in GDP is given table 1.

TABLE 1: RATE OF INFLATION IN INDIA (2000-2008)

Year	Based on WPI	Based on CPI	Growth rate in GDP
2000	4.9	2.5	4.4
2001	1.6	5.2	5.6
2002	4.4	3.2	4.4
2003	3.4	2.27	4.5
2004	5.5	2.68	8.5
2005	6.5	3.39	6.5
2006	4.4	3.24	8.6
2007	5.4	2.85	8.9
2008	4.6	3.85	8.8
2009	8.3	2.05	6.7
2010	7.25	3.12	7.4
2011	8.55	7.65	8.4

Source: Indiabudget.nic.in

Inflation and Gross Domestic Product (GDP): Inflation and GDP growth are probably the two most important macroeconomic variables. The Gross Domestic Product (GDP) is the key indicator used to measure that health of a country's economy. The GDP of a country is defined as the market value of all final goods and services produced within a country is defined as the market value of all final goods and services produced within a country in a given period of time. Usually, GDP is expressed as a comparison to the previous quarter or year. For example, if the year-to-year GDP was up by 3%, it means that the economy has grown by 3% over the last year.

A significant change in GDP, whether increase or decrease, usually reflects on the stock market. The reason behind this is that, a bad economy usually means lower profits for companies, which in turn means lower stock prices. Investors really worry about negative GDP growth. Therefore growth in GDP reflects both on growth in the economy and price changes (inflation). GDP deflator is based on calculations of the GDP: it is based on the ratio of the total amount of money spent on GDP (nominal GDP) to the inflation corrected measure of GDP (constant price of real GDP). It is the broadest measure of the price level. Deflators are calculated by using the following formula:

$$\text{GDP Deflator} = \frac{\text{Nominal GDP}}{\text{Real GDP}} \times 100$$

Current price figures measure value of transaction in the prices relating to the period being measured. On the other hand, Constant price figures express value using the average prices of a selected year, this year is known as the base year. Constant price series can be used to show how the quantity or volume of goods has changed, and are often referred to as volume measure. The ratio of the current and constant price series is therefore a measure of price movement, and this forms the basis for the GDP deflator. The GDP deflator shows how much a change in the base year's GDP relies upon changes in the price level. It is also known as the "GDP implicit price deflator". Because it isn't based on a fixed basket of goods and services, the GDP deflator has an advantage over the Consumer Price Index. Change in consumption patterns or the introduction of new goods and services are automatically reflected in the deflator.

INFLATION AND CAPITAL BUDGETING DECISIONS

Capital budgeting results would be unrealistic if the effects of inflation are not correctly factored in the analysis. For evaluating the capital budgeting decisions; we require information about cash flows-inflows as well as outflows. In the capital budgeting procedure, estimating the cash flows is the first step which requires the estimation of cost and benefits of different proposals being considered for decision-making. The estimation of cost and benefits may be made on the basis of input data being provided by experts in production, marketing, accounting or any other department. Mostly accounting information is the basis for estimating cash flows. The Managerial Account's task is to design the organization's information systems or Management Accounting System (MAS) in order to facilitate managerial decision making. MAS parameters have to be designed on the basis for commonalities in the decision process of executives involved in strategic capital budgeting decisions.

Inflation and Cash Flows: As mentioned above, estimating the cash flows is the first step which requires the estimation of cost and benefits of different proposals being considered for decision-making. Usually, two alternatives are suggested for measuring the 'Cost and benefits of a proposal i.e., the accounting profits and the cash flows. In reality, estimating the cash flows is most important as well as difficult task. It is because of uncertainty and accounting ambiguity. Accounting profit is the resultant figure of the basis of several accounting concepts and policies. Adequate care should be taken while adjusting the accounting data, otherwise errors would arise in estimating cash flows. The term cash flow is used to describe the cash oriented measure of return, generated by a proposal. Though it may not be possible to obtain exact cash-effect measurement, it is possible to generate useful approximations based of available accounting data. The costs are denoted as cash outflows whereas the benefits are denoted as cash inflows. The relation between cash flows and Accounting Profit is discussed in the subsequent Para, before a detailed discussion of effect of Inflation and cash flows is done.

Cash Flows Vs Accounting Profit: The evaluation of any capital investment proposal is based of the future benefits accruing for the investment proposal. For this, two alternative criteria are available to quantify the benefits namely, Accounting Profit and Cash flows. This basic difference between them is primarily due the inclusion of certain non-cash items like depreciation. This can be illustrated in the Table2:

TABLE 2: A COMPARISON OF CASH FLOW AND ACCOUNTING PROFIT APPROACHES

Accounting Approach			Cash flow Approach		
Particulars	Rs.	Rs.	Particulars	Rs.	Rs.
Revenue		1000	Revenue		1000
Less: Expenses			Less: Expenses		
Cash Expenses	400		Cash Expenses	400	
Depreciation	200	600	Depreciation	200	600
Earnings Before Tax		400	Earnings Before Tax		400
Tax @ 50%		200	Tax		200
Earning after Tax		200	Earning after Tax		200
			Add: Depreciation		200
			Cash flow		400

Effects of Inflation on Cash Flows: Often there is a tendency to assume erroneously that, when, both net revenues and the project cost rise proportionately, the inflation would not have much impact. These lines of arguments seem to be convincing, and it is correct for two reason. First, the rate used for discounting cash flows is generally expressed in nominal terms. It would be inappropriate and inconsistent to use a nominal rate to discount cash flows which are not adjusted for the impact of inflation. Second, selling prices and costs show different degrees of responsiveness to inflation. Estimating the cash flows is a constant challenge to all level of financial managers. To examine the effects of inflation on cash flows, it is important to note the difference between nominal cash flow and real cash flow. It is the change in the general price level that creates crucial difference the two.

A nominal cash flow means the income received in terms rupees. On the other hand, a real cash flow means purchasing power of your income. The manager invested Rs. 100000 in anticipation of 10 per cent return at the end of the year. It means that the manager will get Rs. 11000 after a year irrespective of changes in purchasing power of money toward goods or services. The sum of Rs. 11000 is known as nominal terms, which includes the impact of inflation. Thus, Rs. 11000 is a nominal return on investment of the manager. On the other hand, (Let us assume the inflation rate is 5 per cent in next year. Rs. 11000 next year and Rs. 10476.19 today are equivalent in terms of the purchasing power if the rate of inflation is 5 per cent.) Rs. 476.19 is in real terms as it adjusted for the effect of inflation. Though the manager's nominal rate of return is Rs. 1000, but only Rs. 476 is real return. The same has been discussed with capital budgeting problem. ABC Ltd is considering a new project for manufacturing of toys involving a capital outlay of Rs.6 Lakhs. The capacity of the plant is for an annual production capacity 60000 toys and the capacity utilization is during the 3Years working life of the project is indicated below:

Year	1	2	3
Capacity Utilization	60	75	100

The selling price per toy is Rs. 15 and contribution is 40 per cent. The annual fixed costs, excluding depreciation are to be estimated Rs. 28000 per annum. The depreciation is 20 per cent and straight line method. Let us assume that in our example the rate of inflation is expected to be 5 per cent.

TABLE 3: A COMPARISION OF REAL CASH FLOW AND NOMINAL CASH FLOW

Particulars/Year	1	2	3
Sales Revenue	360000	450000	600000
Less: Variable Cost	216000	270000	360000
Depreciation	120000	120000	120000
Fixed Cost	28000	28000	28000
Earning before Tax	4000	32000	100000
Tax @ 50%	-	16000	50000
Profit after tax	-	16000	50000
Real Cash flow	116000	136000	170000
Inflation Adjustment	(1.05) ¹	(1.05) ²	(1.05) ³
Nominal Cash flow	121800	149940	196796

Therefore, the finance manager should be consistent in treating inflation as the discount rate is market determined. In addition to this, a company's output price should be more than the expected inflation rate. Otherwise there is every possibility is to forego the good investment proposal, because of low profitability. And also, future is always unexpected, what will be the real inflation rate (may be more or less). Thus, in estimating cash flows, along with output price, expected inflation must be taken into account. In dealing with expected inflation in capital budgeting analysis, the finance manager has to be very careful for correct analysis. A mismatch can cause significant errors in decision making. Therefore the finance manager should always remember to match the cash flows and discount rate as mentioned below.

TABLE 4: MATHC UP CASH FLOWS AND DISCOUNT RATE

Cash flows	Discount rate	Yields
Nominal Cash flow	Nominal discount rate	Present Value
Real cash flow	Real discount rate	Present Value

Inflation and Discount Rate: The discount rate has become one of the central concepts of finance. Some of its manifestations include familiar concepts such as opportunity cost, capital cost, borrowing rate, lending rate and the rate of return on stocks or bonds¹¹. It is greatly influenced in computing NPV. The selection of proper rate is critical which helps for making correct decision. In order to compute net present value, it is necessary to discount future benefits and costs. This discounting reflects the time value of money. Benefits and costs are worth more if they are experienced sooner. The higher the discount rate, the lower is the present value of future cash flows.

For typical investment, with costs concentrated in early periods and benefits following in later periods, raising the discount rate tends to reduce the net present value. Thus, discount rate means the minimum requisite rate of return on funds committed to the project. The primary purpose of measuring the cost of capital is its use as a financial standard for evaluating investment projects.

Effects of inflation on Discount Rate: Using of proper discount rate, depends on whether the benefits and costs are measured in real or nominal terms. To be consistent and free from inflation bias, the cash flows should match with discount rate. Considering the above example, 10 per cent is a nominal rate of return on investment of the manager. On the other hand, (Let us assume the inflation rate is 5 per cent, in next year), though the manager's nominal rate of return is 10 per cent, but only 4.76 percent is real rate of return. In order to receive 10 per cent real rate of return, in view of 5 per cent expected inflation rate, the nominal required rate of return would be 15.5%. The nominal discount rate (r) is a combination of real rate (K), expected inflation are (α). This relationship is known as **Fisher's effect**, which may be stated as follows:

$$r = (1-K) (1- \alpha) - 1$$

The relationship between the rate of return and inflation in the real world is a though task to explain than the theoretical relationship described above. Experience shows that deflation of any series of interest rates over time by any popular price index does not yield relatively constant real rates of interest. However, this should not be interpreted as the current rate of interest is properly adjusted or the actual rate of inflation, but only that it will contain some expected rate of inflation. Furthermore, the ability of accurately forecasting the rate of inflation is very rare.

IMPLICATIONS

It is noted from the above analysis; effects of inflation significantly influence the capital budgeting decision making process. If the prices of outputs and the discount rates are expected to rise at the same rate, capital budgeting decision will not be neutral. The implications of expected rate of inflation on the capital budgeting process and decision making are as follows:

- a) The company should raise the output price above the expected rate of inflation. Unless it has lower Net Present Value which may lead to forego the proposals and vice versa.
- b) If the company is unable to raise the output price, it cab make some internal adjustment through careful management of working capital.
- c) With respect of discount rate, the adjustment should be made though capital structure.

CONCLUSION

It could be inferred from the above analysis that, effects of inflation are significantly influenced on capital budgeting decision making process. Though the inflation is a common problem, every finance manager encounters during their capital budgeting decision making process for optimum utilization of scarce resources especially in two major aspects namely cash flow and discount rate. To examine the effects of inflation on cash flows, it is important to note the difference between nominal cash flow and real cash flow. It is the change in the general price level that creates crucial difference between these two. Therefore, the finance manager should take into cognizance the effect of inflation. Otherwise possibilities are more to forego the good investment proposal, because of low profitability.

Using of the proper discount rate demands on whether the benefits and costs are measured in real or nominal cash flows. To be consistent, the cash flows should match with discount rate. A mismatch can cause significant errors in decision making. There should be consistency in treating the inflation in the cash flows and the discount rate. It is very difficult to take decision, free from effect of inflation as it is highly uncertain. Therefore, use of Gross Domestic Product deflator may be ideal while taking CBD since, it would be more rational and scientific and not on pick and choose method for project or programs that extend beyond the inflation rate for the sixth year of the budget forecast. The Administration's economic forecast is updated twice annually, at the time the budget is published in January and February and at the time of the Mid-Session Review of the Budget in July. Alternative inflation estimates, based on credible private sector forecasts, may be used for sensitivity analysis.

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STUDY OF THE EDUCATIONAL LEVEL AND IT'S INFLUENCE ON MALL SHOPPING BEHAVIOUR

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ABSTRACT

One of the demographic variables, Education, has been studied to understand its influence in clustering mall shoppers and accordingly an attempt has been made to propose strategies based on education level of shoppers in a manner motivating them to take appropriate decisions while shopping from malls of their choice. The study undertaken is an extension of scholarly research work i.e. why only one demographic variable has been discussed here. The study has been conducted in select shopping malls in Delhi and NCR. Clustering technique has been used for the purpose. The shoppers have been clustered into Mall Visitors and Mall Shirkers. It has been observed that most of the shoppers who visited malls were undergraduates based on the sample surveyed. Accordingly, shopping mall managers need to focus on youth-centric strategies. The youth also constitute major portion of Indian population. This would help them position their malls effectively.

KEYWORDS

Education, Mall Shopping, Cluster Analysis, Strategies and Shoppers.

INTRODUCTION

Education level of the customer and its role in mall shopping is really an interesting area for conducting the research. Does it influences shopping decisions of buyers in malls and if yes, up to what extent? An attempt has been made by the researcher in the area. Shoppers in malls have varied educational levels. The information could be gathered by contacting the select customers representing the entire population. Shopping mall culture is growing rapidly in India and is now moving towards semi-urban and rural areas from metropolitans. Besides other demographic and behavioural variables, the entire focus of the study is on 'Education' as demographic variable. The data collected has been cluster analysed into different groups. Each cluster could be analysed to achieve ultimate objective of the respective mall with focus on increase in footfall.

Thus, the objective of the study has been focused on:

1. To understand the role of education level of customers in mall shopping.

REVIEW OF LITERATURE

The studies from corners of the world have been referred to know the research work already conducted in the area of the study. These could be summarized as profiling of customers as Teenagers and Adult Customers (Chebat et al., 2008) based on age group. Similarly, other categorizations include Male and Female Shoppers (Kuruville & Ranjan, 2008). Another classification could be Economic and Recreational Shoppers (Jarboe & McDaniel, 1987), followed by Loyal and Non-Loyal Mall Shoppers (LeHew et al., 2002). The review of literature motivated the researcher to conduct further research focusing 'Education' variable and its role in mall shopping.

RESEARCH METHODOLOGY

For conducting the research, the data has been collected primarily by contacting the sample respondents via mall intercept survey method at the exit gate in select malls in Delhi and NCR. In Delhi, the survey was conducted in DLF Emporio, followed by Gurgaon where Ambience Mall was visited for the purpose. In Ghaziabad, Shipra Mall was selected whereas in Noida, The Great India Place was chosen. The data was collected using structured questionnaire. The respondents included shoppers' visiting the said malls on the day the survey was conducted. Only the shoppers, who appeared to be 18 years or more in age, were contacted. Non-probability convenience sampling has been employed. The secondary data was collected from various relevant magazines, newspapers, journals and other published and unpublished sources. Of the 400 shoppers contacted 327 responses were found to be useful for further analysis.

INSTRUMENT DEVELOPMENT

Measures: The items in the questionnaire were based on literature reviewed. The questions related to respondent demographics- education were also included, besides using Shopping Motivation Measurement Scale.

Shopping Motivation Measurement Scale: was developed by Arnold and Reynolds (2003). There were eighteen items in the scale focused on capturing the hedonic fulfillment experienced through shopping. The items pertaining to demographic variable were drawn from researches conducted by Kuruville & Ranjan (2008), Teller et al., (2008) and Salim (2008). Kuruville & Ranjan (2008), Wakefield & Baker (1998) and Bellenger et al (1997) contributed in providing the items related to shopping behavior and loyalty strategies. Necessary alterations have been made in context with Indian malls.

The five-point Likert Scales ranging from Strongly Agree (5 points) to Strongly Disagree (1 point) was used to measure items on this scale.

The shopping motivation constructs showed Cronbach's alpha coefficients to be 0.89. This indicated the scale to be highly reliable. The composite reliability, variance extracted, and Cronbach alpha coefficient values for all shopping motivation factors, greatly exceeded the minimum acceptable values. This indicated that measures were free from error and yielded very consistent results (Zikmund, 2003).

Sampling Design: The survey population consisted of all shoppers above 18 years of age residing in Delhi and NCR approached at the point of exit in the select shopping mall on the day of administering the schedule. The non-probability convenience sampling design has been employed.

Description of Sample: The data was collected from adult male and female shoppers who appear to be at least 18 years of age. They were approached with a request to respond to queries made by researcher regarding the descriptive: 'Education', one of the major demographic variables.

361 active mall shoppers visiting shopping malls constituted the final sample (Table 1):

TABLE – 1: OVERALL MALL SHOPPERS' SAMPLE FREQUENCIES

Descriptive	Code	Frequency	Percentage
Education			
Undergraduate	1	163	45.15
Graduate	2	126	34.90
Post Graduate	3	54	14.96
Research Scholar	4	18	4.99
Total		361	

In response to the question on educational qualifications, maximum respondents indicated they were undergraduates (45.15 %), followed by 34.9 % indicating they were graduates, 14.96 % were post graduates and the balance (of those surveyed) 4.99 % were research scholars.

In summary, the typical sample respondent profile can be described as: The mall shoppers included in the sample were mainly students in the young-age group.

Statistical Analysis: The study conducted statistically tested the motives of shoppers towards shopping in malls. The statistical significance was set at a level of 0.05. Cluster analysis via Ward's method was used. One case was assigned only to one cluster (Malhotra and Dash 2009). An attempt has been made to identify relatively homogeneous groups of cases (or variables) based on selected characteristics.

RESULTS AND FINDINGS OF THE STUDY

SPSS Statistics (originally, Statistical Package for the Social Sciences, later modified to read Statistical Product and Service Solutions), 16.0.1 version, was used for performing Cluster Analysis. Factors were clustered by Ward's method, and distance was calculated using squared Euclidean distance. The study was designed to go for an 'a priori' solution by asking for a 2-cluster solution. The reason being the need of the study, the *bi-polar* shopping orientation concept based on demographic variables such as Teenagers, Adult Customers (Chebat et al., 2008) based on age group and Male Shoppers, Female Shoppers (Kuruville & Ranjan, 2008) based on gender and so on.

Cluster Analysis of the Mall Shoppers Sample: With 3.08 as mean score in cluster 1 and 3.53 as mean score in cluster 2 5 on 5-point hedonic shopping motivation scale, the respondents were found to be less positive in cluster 1 and those in cluster 2 were found to be positive towards shopping. A new shopper typology, named as Mall Shopping Avoiders and Mall Shopping Goers. Mall shopping scenario based on profiling of shoppers types was created.

Mall Shopping Scenario: Profiling of mall shoppers clusters based on shoppers' loyalty was done. A significant association between loyalty and shopping motives was checked using Pearson Correlation Coefficient. A significant association (positive correlation) was based on results was found between mall shoppers' loyalty and their mall shopping motive levels. This indicates that shopping motivation is directly proportional to shopping mall loyalty. The next stage of profiling included demographics and shopping behavior variables.

Cross Tabs and Chi-Square Tests of Mall Shoppers' Responses: For cross-tabulating the data, a Chi-Square Test has been administered in order to profile the two segments. The statistically significant differences were found. To test the hypothesis that two categorical variables are independent of each other, the Chi-Square Test of Independence is used (Refer Table 2).

TABLE 2: MALL SHOPPERS' FREQUENCIES

Descriptive	Shopping Mall Avoiders (Cluster I)	Shopping Mall Goers (Cluster II)	Total Sample Frequency
Education			
Undergraduate	35	94	129
Graduate	25	73	98
Post Graduate	26	33	59
Research Scholar	12	7	19
Total	98	207	305

The Calculated Chi-Square Static (χ^2_{cal}) with a value less than the Critical (Tabulated) Value (χ^2_{tab}) indicated that the Null Hypothesis (Ho) of association/ relationship (or no association/ relationship) could not be rejected, indicating that the association was found to be statistically significant (or not statistically significant) at or greater than the 0.05 level of p-value (probability value or significant value), Malhotra and Dash 2009 (Refer Table 3).

TABLE 3: EDUCATION* MALL SHOPPER CLUSTERS
Crosstab

		Cluster			Total
		1	2		
Education	1	Count	90	39	129
		Expected Count	91.8	37.2	129.0
		% within Education	69.8%	30.2%	100.0%
		% within Cluster	41.5%	44.3%	42.3%
	% of Total	29.5%	12.8%	42.3%	
2	Count	66	32	98	
	Expected Count	69.7	28.3	98.0	
	% within Education	67.3%	32.7%	100.0%	
	% within Cluster	30.4%	36.4%	32.1%	
	% of Total	21.6%	10.5%	32.1%	
3	Count	44	15	59	
	Expected Count	42.0	17.0	59.0	
	% within Education	74.6%	25.4%	100.0%	
	% within Cluster	20.3%	17.0%	19.3%	
	% of Total	14.4%	4.9%	19.3%	
4	Count	17	2	19	
	Expected Count	13.5	5.5	19.0	
	% within Education	89.5%	10.5%	100.0%	
	% within Cluster	7.8%	2.3%	6.2%	
	% of Total	5.6%	.7%	6.2%	
Total	Count	217	88	305	
	Expected Count	217.0	88.0	305.0	
	% within Education	71.1%	28.9%	100.0%	
	% within Cluster	100.0%	100.0%	100.0%	
	% of Total	71.1%	28.9%	100.0%	

(Education: 1- Undergraduate, 2-Graduate, 3-Post Graduate, 4-Research Scholar; Cluster 1: Shopping Shirkers, 2-Shopping Visitors)

Result of Chi-Square Test: The null hypothesis cannot be rejected. There is significant relationship between educational qualifications and shopping motives-based clusters ($\chi^2_{cal} = 4.256$, $\chi^2_{tab} = 7.815$, $df = 3$, $p\text{-value} = 0.235$)

Summary of Results of Chi-Square Tests of Independence on Mall Shopper Shoppers Clusters

In summary, we can say that there is a statistically significant relationship between the shopping motives-based clusters (Shopping Avoiders & Shopping Goers) and the select demographic variable: Education.

DISCUSSIONS

The findings of this research are bi-polar shopping orientation concept in line with the study of Barnes, 1998 who classified shoppers into two categories as Traditional Mall Shoppers and Manufacturer's Outlet Shoppers. The Manufacturer's Outlet Shoppers were attracted towards branded designer wear and that too at a discount. They are convinced of hunting for such offers and of getting bargains. They represent the target market of choice for the apparel industry. The Traditional Mall Shoppers were older; more educated, and have a higher income. It is expected that continued growth of outlet centers might attract Traditional Mall Shoppers as shoppers prefer branded products at the lowest prices. The findings of this research indicated those shoppers who have positive motivation towards shopping value adventure, gratification, social and idea shopping.

Segmentation Profiles of Mall Shoppers: The findings of the study are in line with that of Patel (2008) that the average Indian shopper in our sample was price and quality conscious. Shopping is funny activity for Indian consumers (Refer Table 4).

TABLE 4: SEGMENTATION PROFILES OF THE MALL SHOPPERS CLUSTERS

Characteristics	Mall Shopping Shirkers	Mall Shopping Visitors
Shopping motives	Avoid shopping	Enjoy shopping
Education	27.1% Undergraduate	72.9% Undergraduate
	25.5% Graduate	74.5% Graduate
	44.1% Post Graduate	55.9% Post Graduate
	63.2% Research Scholar	36.8% Research Scholar

Shopping Mall Marketing Strategies for Building Shopping Mall Loyalty among Shoppers: Suitable marketing strategies to meet the retail marketing objectives should be designed at Retailer level as well as Shopping Mall Management level keeping in view important shopping mall clusters. These could be focused on the major dimensions of entertainment, specialty, value, one stop shop and convenience. A balance between these dimensions and mall retail space is essential as it might influence mall selection decision of shoppers. Children, attracted more by gaming zone, are major influencers in mall selection. Parents prefer to visit such secured places where children enjoy and entire family can spend together whether it is watching movie, dining and shopping. This acts as a pull strategy motivating prospects for first visit. To retain them and to encourage them for repeat visits, mall managers need to focus on mall loyalty strategies such as Specialty Strategies, Value-oriented Strategies, One Stop Shop Strategies and Convenience Strategies.

CONCLUSION

The education level of mall shoppers might contribute to devising effective strategies enhancing long-term customer loyalty, besides other demographic, behavioural and other variables. Accordingly, mall managers could focus on promoting and positioning the respective mall strategically. This might contribute to help them understand their customers in a better way. The malls might vary in terms of the demographic groups they attract (Jarboe and McDaniel, 1987).

FURTHER SCOPE OF STUDY

Customers loyalty strategies based on educational background of customers might be successfully implemented in other functional areas focusing long-term relationship. Other demographic, behavioural, psychological and other variable might be analysed with the objective to boost value-cum-entertainment based mall shopping.

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THE NETWORK CONFIGURATION OF AN OBJECT RELATIONAL DATABASE MANAGEMENT SYSTEM: A REVIEW

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ABSTRACT

By using distributed processing, processes are split up between the database server and client application programs. The server is an object relational database management system (DBMS). The DBMS handles all the responsibilities of the server. The networking and implementation of the Oracle Database Management System (ODBMS) requires developers to have knowledge of the UNIX operating system as well as all the features of the Oracle Server. Oracle combines the data physically located on different computers into one logical database that can be accessed by all network users. The software is developed to work under different operating systems. The workstations running the database application concentrate on the interpretation and display of data.

KEYWORDS

network configuration, database management.

INTRODUCTION

 Database management systems have evolved from hierarchical to Network to Relational models. Oracle extends the relational model to an object-relational model. The Internal Level, Conceptual Level and External Level form the architecture of a DBMS.

A) ARCHITECTURE OF A DATABASE MANAGEMENT SYSTEM

Internal Level: The internal level describes the physical storage structure of database.

Conceptual Level: The conceptual level describes the entire database for a community of users. It hides the details of physical storage structures and concentrates on describing entities, data types, relationships, user operations, and constraints.

External Level: The external level describes how users view the data of the database.

B) THE RELATIONAL MODEL HAS THREE MAJOR ASPECTS

1. Structures are well-defined objects (such as tables, views, indexes) that store or access the data of a database. Structures and the data contained within them can be manipulated by operations.
2. Operations are clearly defined actions that allow users to manipulate the data and structures of a database. The operations on a database must comply to a predefined set of integrity rules.
3. Integrity rules are the laws that govern which operations are allowed on the data and structures of a database. Integrity rules protect the data and the structures of a database.

C) BENEFITS OF RELATIONAL DATABASE MANAGEMENT

1. Independence of physical data storage and logical database structure.
2. Easy access to all data.
3. Flexibility in database design.
4. Reduced data storage and redundancy.

The Object-Relational model allows users to define object-types. Object types specify the structure of the data and the methods of operating on the data.

D) AN OBJECT TYPE HAS THREE FEATURES

1. A name, which serves to identify the object type uniquely.
2. Attributes, which are built-in data-types or other user-defined types.
3. Methods, which implement specific operations that an application can perform on the data. Every object type has a constructor method that makes a new object according to the data-type's specification.

CLIENT/SERVER ARCHITECTURE AND SQL

The DBMS is divided into two parts: a front-end (client) and a back-end (server) portion. The advantage of this division is the distribution of processes over multiple processors. This reduces the processing load and improves the system as a whole. The client supports database applications; its focus is making requests and viewing data managed by the server. SQL (Structured Query Language) is the standard language for a DBMS. The server portion receives and processes the SQL statements that originate from client applications. SQL statements execute all operations on the information in an Oracle database. SQL statements are divided into the following categories:

- a) Data Definition Language (DDL): DDL commands set up the data. They allow the programmer to create and alter databases and tables.
- b) Data Manipulation Language (DML): The DML consists of those executable statements that transfer information to and from the database. You can update, insert, delete, and retrieve data in a table with these commands.
- c) Data Sub Language (DSL): The end user uses a query language such as SQL or some application program. These languages include a data sub-language (DSL). A DSL is a subset of the total language that specifically deals with database objects and operations. The DSL is a combination of the DDL and the DML.

The database server must reliably manage large amounts of data in a multi-user environment so that users can collectively access the same data. The server instance is a combination of background process and memory buffers. The Oracle Server consists of a database and server instance. The purpose of the database is to store and retrieve related information. The System Global Area (SGA) is an area of memory used for database information shared by database users. When a database starts up, a SGA is allocated and background processes are started. Net8 is the mechanism the DBMS uses for interfacing with the communication protocols used by the networks that utilize distributed processing. Communication protocols define the way that data is transmitted and received on a network. In a network environment, the database server communicates with the client workstations using the Net8 software.

OVERVIEW OF NETWORK CONNECTION

To successfully connect the Oracle Server to a Local Area Network (LAN) it must meet the standards of the Optimal Flexible Architecture (OFA). The OFA is the recommended scheme for configuring Oracle. A node is any computer that provides a service on a network. The node is configured so it can be identified on the network. The OFA employs a directory and configuration structure that can support the multiple components of the Server on a single node. Connecting the Oracle Server involves the following steps:

A) LAYOUT OF OPERATING SYSTEM

I configured the operating system to satisfy the hardware, software, memory, and disk space requirements. I created four mount points to comply with the OFA standard. These mount points are created for the installation of the Oracle Server. The first mount point is for where the software is to be downloaded. The second through the fourth mount points are for database files. I used File Transfer Protocol (FTP) commands to connect to Netscape's web-site. I transferred files from their web sight to the local system. Once these files were transferred to the local system, I was able to install a web-browser on the local system, thus enabling it with access to the Internet. Through the web-browser, I downloaded JAVA and C compilers onto the local system. These compilers will be used to develop Oracle applications.

B) SET UNIX ENVIRONMENT

I configured the Kernel parameters to accommodate the SGA structure of the Oracle Server. They control the allocation of shared memory and enable the database to startup.

I created environment variables to the local system's **.profile** (pronounced dot profile) file. Directory paths are assigned to these variables. The Oracle Installer program downloads its files to these paths.

I created UNIX accounts for a Database Administration (DBA) group and a database user group. Users assigned to the DBA group have access to all components of the Server. Only the DBA can startup the database instance. The DBA creates user accounts to the Server and sets the permissions for the individual users. The DBA also can create programs. Users assigned to the database user account can create programs and view the tables that the DBA grants permission.

C) INSTALLATION

All the previous steps must be completed successfully in order for the Oracle Server to be correctly installed. The Installer program downloads the software into the paths defined in the local system's **.profile** file. The Oracle Server has been successfully connected to the LAN. An Internet Protocol (IP) address has been assigned to the local system. The IP address affords users the ability to Telnet to the local system.

D) CLIENT CONFIGURATION

Clients for the DBMS network were configured on Windows NT, 95, and 98 operating systems. Service names are aliases for the database server. The service name file contains the IP address of the server; the protocol to be used for client connection, in this case TCP/IP, and the name of the database instance the client will connect to. The Net8 software allows clients to communicate with the server through service names. Using FTP, a copy of the service name file is sent to the workstations running the client applications.

E) THE CLIENT/SERVER ARCHITECTURE PROCESS

The DBA starts up the database instance. A client workstation runs an application. A user process is initiated through the application. The client connects to the server using the proper Net8 driver. The server detects the connection request from the application and creates a server process on behalf of the user process. The user executes an SQL statement and commits the transaction. The server process receives the statement and checks the shared pool for any shared SQL area that contains an identical SQL statement. If the area is found, the server process checks the users' access privileges to the requested data and the previously existing shared SQL area is used to process the statement. The server process retrieves any necessary data values from the actual data file. The server process modifies data in the SGA. The Database Writer (DBWn) writes modified blocks from the database buffer cache to the data files. The Log Writer writes redo log entries to disk (LGWR). If the transaction is successful, the server process sends a message across the network to the application. If it is not successful, an error message is transmitted. Throughout this entire procedure, the other background processes run. The server manages other users and transactions.

RESULTS

The DBMS server and a Windows 98 client is located in the Physical Science, Environmental Science and Computer Science Advanced Computer Research Laboratory. Windows 95 clients are located in the Physical Science, Environmental Science and Computer Science LSAMP/ Learning Center Computer Laboratory and the Medgar Evers College Computer Laboratory. The successful network configuration of the DBMS has allowed the Introduction to Database Systems course to take place in a professional environment. I created user accounts for the students and implemented a backup and recovery system for the database.

CONCLUSION

The object approach in relation to a DBMS is a way to frame solutions to problems. It is an approach of abstraction that allows developers to represent entities with particular states and behaviors. Objects are manipulated according to specific protocol: this process is known as the object's interface. The result of this allows developers to reuse code in different applications or databases. It models the application or database as a set of objects collaborating with one another to fulfill their responsibilities.

The DBMS supports multi-users executing a variety of database applications operating on the same data and do not suffer from slow processing performance. The DBA can selectively control the availability of data. The DBA has the ability to provide fail-safe security features to limit and monitor data access. These features enforce rules of data integrity. The result of this eliminates the need of coding and managing checks in developing database applications.

Oracle combines the data physically located on different computers into one logical database that can be accessed by all network users. The software is developed to work under different operating systems. The applications developed for Oracle can be transferred to any operating system with little or no modification. This feature allows different types of computers to share information across networks.

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ISLAMIC BANKING: AWARENESS AND PERCEPTIONS (A STUDY WITH SPECIAL REFERENCE TO SOUTH INDIA, INDIA)

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ABSTRACT

Islamic Banks almost non-existent 30 years ago, has risen to become a trillion dollar industry to-day. The sector, though small in global terms, appears to have held up well in the present crisis, with the Asian Development Bank putting annual growth at more than 50% over the next 5-10 years. Long focused on a Potential global market of 2 billion Muslims, Islamic Banking is now drawing drastic attention from players all over the world. Now- a-days major establishments such as Al Rajhi Bank of Saudi Arabia, the Quwait Finance House and Malaysia's Islamic Bank may compete with western financial institutions such as Barclays, HSBC and Deutsche Bank. Islamic banking has been on the rise in the Asia – Pacific region which now accounts for 60% of the global Islamic banking market. It is no longer a novel experiment. They come in all shapes and forms. If London, Singapore, Hank Kong, Tokyo and Paris can become hub and house of Islamic finance and banking, why not Mumbai and Cochin? The success of Islamic banking in India lies in the awareness and perceptions of the people in India about this system, despite its proven utility in the present global scenario. The present study is an earnest attempt in this direction.

KEYWORDS

Islamic banking, Shari'ah, Shari'ah index, Shari'ah compliant.

INTRODUCTION

Islamic Banks almost non-existent 30 years ago, has risen to become a trillion dollar industry to-day. The sector, though small in global terms, appears to have held up well in the present crisis, with the Asian Development Bank putting annual growth at more than 50% over the next 5-10 years. Long focused on a potential global market of 2 billion Muslims, Islamic Banking is now drawing drastic attention from players all over the world. Now- a-days major establishments such as Al Rajhi Bank of Saudi Arabia, the Quwait Finance House and Malaysia's Islamic Bank may compete with western financial institutions such as Barclays, HSBC and Deutsche Bank.

Several banks have setup separate Islamic financial services departments in their home markets as well. In the UK, The Financial Services Authority has introduced regulatory standards for Islamic financial products and has a separate department dealing with Islamic Financial Institutions. Moreover, non-Muslims make up as much as half of Islamic banking customers in some cases. Similar developments have taken place in Singapore, Japan, Hong Kong and France. Recently, France has amended its laws to issue SUKUK – Islamic bonds based on assets of one billion Euros. Even Vatican has offered Islamic finance principles to western banks as a solution for worldwide economic crisis. 'The ethical principles, on which Islamic finance is based, may bring banks closer to their clients and to the true spirit which should mark every financial service'. (The Vatican's Official Newspaper 'L' Osservatore Romano).

Islamic banking has been on the rise in the Asia – Pacific region which now accounts for 60% of the global Islamic banking market. They are allowed mostly to operate in the form of Non-Banking Financial Corporation (NBFC).

Islamic banking is no longer a novel experiment. They come in all shapes and forms- banks and non-banks, successful and unsuccessful, prudent and reckless, strictly regulated and free-wheeling etc.

If London, Singapore, Hank Kong, Tokyo and Paris can become hub and house of Islamic finance and banking, why not Mumbai and Cochin?

The success of Islamic banking in India lies in the acceptability of people which largely depends upon their awareness and perceptions about this system, despite its proven utility in the present global scenario. The present study is an earnest attempt in this direction.

ISLAMIC BANKING – CONCEPTS AND MISCONCEPTION

Islamic banking refers to a system of banking or banking activity that is consistent with the principles of the Shari'ah (Islamic ruling) and its practical application through the development of Islamic economics. The principles emphasis moral and ethical values in all dealings have wide universal appeal. The Shari'ah prohibits the payment or acceptance of interest charges (Riba – An Arabic term for interest) for the lending and accepting of money, as well as carrying out trade and other activities that provide goods or services considered contrary to its principles. Islamic banks were formed to provide an alternative basis to Muslims although it is not restricted to Muslims.

Western bankers have argued that savings and investments would soon dry up if interest is not paid. But this is due to identifying "Rate of Interest" and "Rate of Return". In Islamic financial system, it is only the fixed, predetermined return on savings or capital that is forbidden, not an uncertain rate of return, such as making profit. The only difference between Islamic banking and Interest based banking is that the cost of capital in Interest based is pre-determined fixed rate, while in Islamic banking, it is expressed as a ratio of profit.

Thus, under an Islamic banking system, the cost of capital is not analogous to a 'Zero-Interest' as some people wrongly assume it to be.

ISLAMIC BANKING IN INDIA – OPPORTUNITIES AND CHALLENGES

Islamic Banking may be a non-starter in India, it has been gaining momentum after the recent global economic meltdown, and many countries, including India, are opening their doors for it. The first Islamic bank in the country is about to be set up in Kerala with the active involvement of the Kerala Government through the Kerala State Industrial Development Corporation (KSIDC), which is the designated agency for the formation of the bank, would hold an 11% stake in the proposed bank.

There are also moves in Jammu and Kashmir State, where Jamat Ahladith is planning to launch, Islamic banking and seeking permission of the Central Government.

Indian may soon get its first foreign Islamic bank with the RBI seeking Government approval to allow Turkey's Bank Asya to offer Shari'ah complaint lending in the country.

By eyeing scores of rich and religious Muslims who do not invest in interest yielding instruments, Tagwaa Advisory and Shari'ah Investment Solutions (TASIS) had launched a Shari'ah Index with 50 Shari'ah Compliant companies within the BSE 500. The index will be known as BSE TASIS Shari'ah 50. The four asset management companies – Reliance Mutual Fund, UTI Asset Management, Way & Wealth and Edelweis Mutual Fund have already launched Shari'ah-compliant Mutual funds and others are also planning to do so.

With a good financial structure and a strong presence of 150 millions Muslims, Islamic banking has a tremendous scope in India. Despite its rise in the rest of the region, however, the penetration of Islamic banking in India has been low. There is no doubt that a huge potential for Islamic banking in India exists, but will need some strong policy decisions to make it a reality. There is also a fear that Muslims may come to dominate the Islamic banking industry in India. Islamic banking, however, requires a professional expertise beyond religious belief, because it deals with commercial projects not just monetary credit and debit transactions. While Indian Muslims may have an edge in terms of Islamic ethics, they lack the professional expertise to manage modern commercial banking based on Islamic ethics, so perhaps this fear is misplaced.

Now, the ball is in Government's court and it is up to come up with appropriate measures to introduce Islamic banking in the country. In addition to regulations, some experts feel that the infrastructure for Islamic banking is not yet in place and steps must be taken in this regard. Last but not least, considering the pluralistic nature of the Indian society, the Islamic banking has to be positioned as professional banking and not religion-based banking, which can have serious socio-religious and political ruptures which will be much more difficult to address.

LITERATURE REVIEW

Joseph Divanna & Antoine Sreith (2009) stated in their book that Corporations such as Tesco (UK) and Toyota (Japan) had met their capital requirements through Islamic financial instruments mostly subscribed by non-Muslims. David Testa (2010), CEO of Gatehouse Bank (one of the famous Islamic banks in UK) said that the current global market conditions had generated a great interest among non-Muslims especially Christians believed that Islamic Banks could do – help to fill the liquidity gap. Abdur Raqeeb (2011) stated that as trust in conventional markets continued to erode, Islamic finance as an industry was rapidly evolving into a viable alternative conventional sources and forms of capital for Muslims and non-Muslims business. A Euro money Publication (1997) observed that the propaganda by Western banks and media that savings and investments would soon dry up if interest not paid, had adversely affect the sentiments of the people of 21st century, as a result majority of them were not even care about knowing what Islamic banks could offer to them. Yusuf Talal Datorengo (2011), a well-known and respected Shari'ah advisor, cautioned the clients of Islamic banks that it was their responsibility to determine whether the banking products complied with the principles of Shari'ah till a competent Shari'ah Supervisory Board took its shape at global level. A Study undertaken among the customers of Islamic banks in UK (2010) revealed that the major drawback of Islamic banking system was the lack of uniformity in their practices and further, a majority of respondents doubted its ability of integrating its operations into to-day's world financial information and technology. AAOIFI (Accounting and Auditing Organisations of Islamic Financial Institutions) (2011) observed that unless the Islamic banks come out with clear cut ideas on banking products, securitization of assets, recovery/payment system, standards and risk management tools to hedge against high volatility in markets and on alternatives for public debts and tools of monetary management, they could not stand as a potential alternative to conventional banking.

RESEARCH OBJECTIVES

1. To study the awareness and knowledge of people about Islamic banking in India.
2. To know the challenges and opportunities of Islamic banking in India.
3. To know the perception of people in terms of advantages, disadvantages, apprehensions and expectations over Islamic banking.
4. To analyze the willingness of people in India to use Islamic Banking.

METHODOLOGY

Sample selection and date collection that followed had become a rocky road for the present study. The study is restricted to south India and based on both primary and secondary data.

A sample of 500 respondents from the 16 major cities of south India was selected using a 'Purposive Convenience Sampling Method'. The sample comprises of 168 on line and 332 direct respondents. For the online selection of respondents, initially over 1000 email addresses of prominent personalities in Business and Industry, Politics, Education and different professions were collected by visiting the following websites.

<http://www.niir.org/books/book-pdf/272/niir-business-directory-southindia-andhrapradesh-karnataka-kerala-tamilnadu>.

<http://www.4shared.com/document/ZATe3rtte/company-email-id-list.htm>

<http://www.4shared.com/get/b6a5tg/n/emai.mailing-list-10000000-men.html>

The contact yielded responses only from 168 respondents and a further 332 were contacted in person by paid interviewers. As the online respondents are scattered throughout south India, they are classified based on the nearness of their locations to the cities selected for the study. A structured questionnaire/schedule was used for eliciting information from the respondents. The Survey was conducted during the period of January - June 2013.

Statistical tools like percentage analysis and Chi-Square test were used for analyzing the data. To find the socio demographic characteristics of respondents and their awareness and perception on Islamic banking, percentage analysis was used.

To study the association between theselect socio demographic characteristics of the respondents' andtheir willingness to use Islamic banking, relevant null hypotheses were framed and tested with the help of Chi-Square Test. The formula used for the study is,

$$\chi^2 = \sum \left(\frac{(O-E)^2}{E} \right)$$

Chi-square Value =

With (c-1) (r -1) degrees of freedom

Where,

O = Observed Value

E = Expected Value

$$E = \frac{\text{Row Total} \times \text{Column Total}}{\text{Grand Total}}$$

DATA ANALYSIS AND FINDINGS

The Socio – Economic background of Survey participants was analyzed and presented in Table.1.

TABLE – 1: SOCIO – ECONOMIC BACKGROUND OF SURVEY PARTICIPANTS

Attributes	Number	Percentage
Age		
Upto 35	168	33.6
35 and 50	187	37.4
Above 50	145	29.0
Gender		
Male	364	72.8
Female	136	27.2
Educational Qualification		
Undergraduates	182	36.4
Graduates	113	22.6
Post graduates	145	29.0
Others	060	12.0
Religion		
Hindus	287	57.4
Muslims	143	28.6
Christians	070	14.0
Income		
Less than Rs.5 lakh	087	17.4
Between Rs. 5 lakh and 10 lakh	201	40.2
Above Rs. 10 lakh	212	42.4
Occupation		
Business and Industry	191	38.2
Professional	084	16.8
Academicians	156	31.2
Others	069	13.8

Source : Primary data

TABLE 1A: DISTRIBUTION OF SAMPLE RESPONDENTS ACCORDING TO THEIR PLACE

Cities selected for the study	Direct	Online	Total
Chennai	48	13	61
Coimbatore	33	7	40
Madurai	26	6	32
Trinelveli	15	5	20
Thiruvanthapuram	212	13	35
Kottayam	22	16	38
Cochin	16	18	34
Calicut	15	12	27
Bangaluru	22	16	38
Mysore	33	7	40
Mangalore	14	18	32
Hubli	13	4	18
Hyderabad	17	15	32
Kurnool	12	7	19
udappah	12	8	20
Kammam	11	3	14
Total	332	168	500

Source: Primary data

The results of descriptive and multi- dimensional analysis used to measure the respondents' awareness, knowledge, perception of Islamic banking are furnished in Tables 2, 3 and 4.

TABLE – 2: RESPONDENTS’ AWARENESS OF ISLAMIC BANKING

Descriptive Variable	Percentage Response
1. General awareness of Islamic banking	
Fully Aware of	17
Somewhat	74
Very a little	09
2. Source of information about Islamic banking	
Print Media	54
Online	32
Muslim Friends	11
Others	03
3. Years of knowing the existence of Islamic Banking	
Long years	16
Past Few years	53
Very Recently	31
4. Presence of Islamic banking	
Muslim Countries only	67
All over the world	24
Do not know	09
5. Viability of Islamic banking in India	
Viable	21
Doubtful	40
Do not know	39
6. Liking to use Islamic banking	
Yes	25
No	31
Do not know	44

Source: Primary data

TABLE -3: KNOWLEDGE OF RESPONDENTS ABOUT ISLAMIC BANKING

Descriptive variable	Yes	%	No	%	Do not know	%
a) Interest free banking system	385	(77)	56	(11.2)	59	(11.8)
b) Based on Islamic principles	401	(80.2)	80	(2.0)	89	(17.8)
c) Based on profit sharing model	47	(9.4)	167	(33.40)	286	(57.2)
d) Moral and ethical way of banking	62	(12.4)	183	(33.6)	255	(54.0)
e) Depositors treated as providers of funds and banks as managers of such funds	49	(9.8)	281	(56.2)	170	(34)
f) Only in experimental stage	231	(46.2)	47	(9.4)	222	(44.4)
g) Customers base is very limited	308	(61.6)	176	(35.2)	16	(3.2)
h) Potential alternative to conventional Banking	282	(56.4)	153	(30.6)	65	(13)
i) Loss if any, many reduce principal	33	(6.6)	403	(80.6)	64	(12.8)
j) Mostly functioning as Non-banking form	21	(4.2)	183	(33.6)	296	(59.2)

Source: Primary data

TABLE 4: RESPONDENTS’ PERCEPTION OF ISLAMIC BANKING

Descriptive Variable	Percentage Response
1. Advantages of Islamic banking	
Free from interest and speculation	56
Making finance available at free of cost	10
No reward without risk – taking	28
Value based socio – economic system	06
2. Disadvantages of Islamic banking	
Ethical banking is an utopian concept	25
Fixed return not guaranteed on deposits	33
In sufficient local expertise to sustain the industry	22
More statutory and regulatory problems	20
3. Apprehensions over Islamic banking	
Dominated by Muslims	48
Opposed by people of other faiths	17
Savings and Investments would soon dry up, if interest not paid	32
More dependence on integrity and honesty of borrowers	14
4. Expectations of the respondents	
Arabic words be suitably presented in the prevailing banking terms	25
Awareness programmes to remove misconception	40
Success stories be given wide publicity	29
More literature be made available	16

Source: Primary data

The respondents’ perception of Islamic banking presented in Table – 4, is discussed below:

1. ADVANTAGES OF ISLAMIC BANKING

56% of survey participants were of the opinion that the ‘Free from interest and speculation’ is the main advantage that Islamic banking can offer to them. 28% viewed that ‘no return without risk taking’ is another major advantage of this system.

2. DISADVANTAGES OF ISLAMIC BANKING

When respondents were asked to select the disadvantages, 33% considered the 'no fixed return guaranteed on deposits' was one of the major disadvantages of the system. It is closely by other three disadvantages, which are 'Ethical banking is an utopian concept' (25%), 'insufficient local expertise to sustain the industry' (22%) and 'more statutory and regulatory problems' (20%). As all the four disadvantages received more or less equal opinion, it could be concluded that all of them are the major drawbacks of this system. They require serious consideration and rectification.

3. APPREHENSIONS OVER ISLAMIC BANKING

47% respondents fear that the banks may be 'dominated by Muslims' indicated that these banks may become more religion based. Another major concern of the 32% respondents is that 'the savings and investments would soon dry up, if interest not paid' raised a serious doubt over the very existence of Islamic banks. It is the responsibility of experts who advocate this system, to allay these major apprehensions of the people.

4. EXPECTATIONS OF THE RESPONDENTS

40% of respondents expected that 'more awareness programmes be undertaken to remove misconception among non-Muslims'. It clearly indicates that the acceptance of Islamic banking in India lies in fulfilling this expectation of the people. 'Success stories be given wide publicity (29%) and 'Arabic words be suitably presented in prevailing banking terms' (25%) are another two major expectations, for which series of steps satisfying the people to be undertaken. **Statistical ANALYSIS**

Statistical analysis using Pearson's chi-square test was carried out at 5% significance level to check the willingness of respondents to use Islamic Banking by framing relevant null hypotheses for the socio-economic attributes of respondents. The results are given in Table 5.

TABLE -5: THE RESULTS OF CHI-SQUARE TEST

Attribute	Chi-square Value	Table Value	Remarks
Age	5.428	5.99	Accepted
Gender	3.40	3.84	Accepted
Religion	88.55	5.99	Rejected
Educational Qualification	8.474	12.6	Accepted
Income	4.124	5.99	Accepted
Occupation	8.474	12.6	Accepted

Source: Computed data

Except 'Religion', the null hypotheses for the remaining attributes were accepted, leading to conclude that the attributes like age, gender, educational qualification, income and occupation of respondents did not influence their willingness to use Islamic banking.

RECOMMENDATIONS

To bring interest free Islamic banking, misunderstanding and misinformation among the Muslims as well as non-Muslims have to be removed, for which awareness programmes have to be undertaken on a mass – scale. Further, Islamic banks like Al Barakah, an Islamic Investment company in Kerala is allowed to function under Non-Banking Finance Corporation (NBFC) banner. As an initial step towards starting Islamic Banks in the country, conventional banks may be allowed to have Islamic windows. To make Islamic banking a reality the recommendations given by the Committee on Financial Sector Reforms (CFSR) headed by Dr. Raghuram Rajan and the Committee headed by Deputy Governor Dr. K. C. C Chakrabarthy, regarding interest-free banking a suitable legislative amendment in the Banking Regulations Act, has to be made by the Central government.

CONCLUSION

We need to offer an alternative in the form of Islamic finance free of interest and speculation, as all other strategies to promote world prosperity and peace are likely to fail if adequate finance is not available free of cost. It is the need of the hour to develop a practical mechanism to implement Islamic banking in the country. For which, the impediments and obstacles on the way to Islamic banking have to overcome ensuring the 21st century a worth living.

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A STUDY ON COMPETENCY MAPPING OF THE EXECUTIVES AND ITS IMPLICATION ON THEIR PERFORMANCE WITH SPECIAL REFERENCE TO MNC, CHENNAI, INDIA

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ABSTRACT

Competency mapping is the process of identification of the competencies required to perform successfully a given job or role or a set of tasks, at a given point of time. Basic competencies required to do the job, which do not differentiate between high and low performers. Performance competencies are those that differentiate between high and low performers. The professional competencies are equal to the occupational competencies described below. They are usually the competencies you have to show in an interview for a job. The research studies focus on competencies which help organization to increase the effectiveness of executives. This study helps in increasing HR activity. Even performance appraisal can also be increased. Also executives can identify themselves where they stand in level of competencies. It also emphasis on providing with more training program. This study is conducted at MNC's in Chennai, India to map various levels of competencies which is required for the executives. Identifying and development of the competencies in organization enable better performance management as well as reward and recognition systems leading to career and succession planning programmes. Also competency mapping is a strategic HR frame work for monitoring the performance.

KEYWORDS

Competency mapping, Competence, Occupational competencies, Professional competencies.

INTRODUCTION

The competency mapping identifies the distinction between knowledge and skill competencies and behavioral competencies. As this process is only used with executives and high potential professionals, it uses a unique process where the focus is on clearly defining the individual competencies. The competencies are structured around a 4-level approach to understanding the current level of expertise that exists within each of the areas and determine which areas are targeted for developmental growth. Competence is a standardized requirement for an individual to properly perform a specific job. It encompasses a combination of knowledge, skills and behavior utilized to improve performance. Competencies are critical behaviors demonstrated on the job and are often part of performance management. They provide expectations for "how" the job is performed, not just what gets done. Competencies are one way of conveying organizational expectations of behaviors to be effective, rewards and recognition need to be consistent with organizational expectations and linked to organizational goals. Competency is a capacity of an individual that leads to the behavior, which meets the job demands within the parameters of the organizational environment and in turn brings about desired results. The competency mix comprises of Knowledge, Skills and Attitude. Competency mapping is a strategic HR framework for monitoring the performance and development of human resource in organizations. Regardless of whatever happens to the future of manufacturing in India, the people who are outstanding in their performance will continue to be in demand and will keep rising and for this the human resource of each organization should develop the competencies which they have in order to compete with the highly competitive market. In this paper the researcher has collected data from 100 MNC employees

Human Resources Management adds value when it helps individuals and organizations do better than their present level of performance. Both functional and behavioral Competencies have acquired major significance in achieving exemplary job performance within an individual's roles, responsibilities and relationship in an organization and its internal and external environment. Competency Model is one around which the process of selection, placement, redeployment, development and separation can be knit.

REASON FOR COMPETENCY MODEL

In the modern competitive world, business managers require to improve the efficiency and effectiveness of operations. Manpower is the most important resource for any organization and also most difficult to manage as the level of competence in all employees vary according to the background, experience and intellect of the person. Every person has different qualities, attitudes, motives, personality traits, skill, knowledge etc. which affects their performance at work. Organizations, in order to facilitate excellence in the performance of the people are required to identify the right person for every job and improve the performance of their people. It needs a clear and cohesive performance management framework that is understood by all across the organization. For effective implementation of strategy, competencies constitute a crucial link as they bind business objectives with that of the people capabilities. Dhananjay Ghokale (2000) in his article states that a number of organizations try to define and document project manager competencies. Many factors like understanding of competencies, competency grades, Interviewing and other skills play very important role in such an exercise. The exercise must aim at bringing the best out of a project manager with honest effort to help him to achieve success. The key beyond is to be more processes and create a mapping exercise based on action oriented competency statements. John Flanagan (1954) grounded Critical Incidents Technique as a precursor to the key methodology used in rigorous competency studies. The idea of testing the competencies, required for efficient performance at a position, was proposed by David McClelland in the early 1970's. The term competency has been interpreted by various authors/researchers with their unique way of giving meaning to it. Some of the definitions are given below. Boyatzis (1982) described competencies as underlying characteristic of an individual, which are causally (change in one variable cause change in another) related to effective job performance.

The processes in Multinational companies involve a lot of technicalities and a majority of its workforce is engaged in technical and non technical jobs. The companies have been taking up lots of new projects to increase their productivity and improve their position in the competitive market and achieve their objective of growth and globalization. To fulfill the vision and achieve the goals, there is a need to have an efficient workforce. While it is important to evaluate

the results attained by an employee, it is also essential for the organization to emphasize on the means adopted to achieve those results. When we are able to assess and help develop the competencies of employees, the capability of the entire organization gets enhanced and this is how the losses are minimized and the entire process of production becomes cost effective. The initiative of technical Competency Mapping of the employees encompasses a large number of employees for assessment and improvement. Organizations believe in development of their employees in the best way possible so that a competitive edge can be achieved over other organizations.

OBJECTIVES

1. To analyze the knowledge of executives towards the organization policies and practices and their ability to plan and organize their work
2. To determine the personal competencies such as problem solving, communication, leadership qualities, empathy and job related competencies of executives
3. To identify the knowledge level towards Management principles, Organization vision and purpose
4. To analyze the capability of executives to develop the people, value and ethics of executives

HYPOTHESIS

Ho = There is no significant relationship between the executives stress level & the Knowledge about the organizational policies and practices

Ho = There is no significant relationship between the perception of executives about promotional activities and industry

Ho = There is no significant difference between aligning with company values and assigning responsibilities

The researchers have taken up the project of Competency Mapping for its executives mainly to assess the knowledge and skills present in the employees and their required level. The exercise would enable cost reduction for the companies. The motive is to understand the gap that exists between the required and the present level and then train the employees to bring them to a desired level of proficiency required for their job. Also the exercise would help the company identify the number of employees who might be over skilled for a particular position and hence promoting them to a higher level and not training them unnecessarily.

The entire exercise of Competency Mapping of the employees would require in-depth generic knowledge about the work such as:

- a) Operational knowledge: know each and every detail of production process
- b) Knowledge on production concepts, standards and specifications
- c) Job related skills and competencies
- d) Technical expertise: technology used
- e) Detailed knowledge of tools and equipments used
- f) Awareness about effort requirement
- g) Awareness of the process
- h) Awareness of manpower requirement of the processes
- i) Awareness of safety measures
- j) Awareness of factors affecting quality and productivity

These are the kind of knowledge and skills that the employees would be tested and trained for. More or less, these are the parameters on which each employee will be checked unless his/her work purview does not include any of the factors. So, the task is to bring the employee to the level from where he would have his fundamental concepts clear and would know its applicability in the right manner in different work situations. He would know why a particular job is being done. Basically he/she would be aware of the how's and why's of his/her work. He would be trained in a manner that he would be competent enough to perform well and the entire workforce of the organization would be technically sound to make the company achieve its objectives effectively. A system for assessment of employees has to be developed which can be uniformly followed throughout the organization. The procedures and steps have to be made in establishment of such a system. It would include all the steps that would be followed for assessment of positions and assessment of individuals in order to determine the talent pool to which the employees belong.

Broadly the objectives can be stated as follows:

- a) To maintain database of skill inventories so as to best utilize the skills and knowledge of employees when and where needed.
- b) Develop a method where the management can differentiate between superior and average employees.
- c) Talent segmentation through talent matrix in order to best use their talent in future to fulfill the organizations needs and promote the deserving employee to fill the vacant positions within the organization.

EMOTIONAL COMPETENCIES MAKES THE STAR OUT OF THE ORDINARY METEOR

It is the emotional competencies like adaptability, optimism, assertiveness, persuasiveness, ability to influence others, customer orientation etc. that make stars, more so in an environment where effective team behavior is important.

GENERAL COMPETENCE

In a specific organization or community you need to have the professional competence of the profession or industry. The professional competencies are equal to the occupational competencies described below. They are usually the competencies you have to show in an interview for a job. But today there are a set of General competencies which is required if you want to keep the job or get a promotion.

REVIEW OF LITERATURE

Calhoun JG, Rowney R, Eng E, Hoffman Y (2001) in his article mentions that competency based education and assessment initiatives have been completed in a number of health care and health management professions during the past decade. In addition several competency specification endeavors have been similarly undertaken in relation to the field of public health, including the development of the Council of Linkages between Academia and Public Health Practice competency model and the initial competency modeling Delphi survey completed by the Association of Schools of Public Health. All of these organizations have subsequently addressed the many challenges and barriers to the dissemination and integration of their models into specific educational and professional development practices.

As previously addressed by many researches in the field of competency modeling and deployment, understanding and acceptance of competency-based systems are formidable goals, often rife with controversy. This article describes the processes undertaken by The University of Michigan Center for Public Health Preparedness to integrate competency based learning and assessment in educational and training initiatives with its many community partners. Rao T.V, Juneja Mohit observed that both assessment centers and 360-degree feedback have become popular new era HR tools. With human resources gaining strategic importance combined with raising costs of talented managers and their scarce availability, organizations are left with no alternatives than identifying and grooming talent from within. This has led to the increased use of assessment centers and 360-degree tools for developing leadership competencies.

RESEARCH METHODOLOGY

In this study, applied research is used. The first step is, the researcher interviewed the representative number of executives working in Multi national company, Chennai, to get an assessment of competency mapping. Next, the findings are shared with them and management and jointly evaluated. Out of such meetings, proposals for future actions are taken. Relational Hypothesis is used by the researcher where in the relationship between two variables are stated. The independent variable and dependent variable are considered. The hypothesis in this research is generally expressed in the form of Null Hypothesis. Exploratory research analyzes the data, and explores the relationship of variables in the study. The researcher explores the possibility of using the findings in future. The

researcher used two types of exploratory research. Population is drawn from the list of Executives in Multinational companies. The sampling unit is the basic unit containing the elements of the population. It is the executives; it was drawn from the frame. **Sampling method:** Non-probability method is used. In this research, **purposive sampling** is used. It is otherwise called judgment sample. This term indicate selection by design by choice, not by chance. This sampling is often used in exploratory investigations. **Sample size:** The sample size is 100 executives of MNC, Chennai in India. The researcher considered Interview Schedule while collecting primary data. In this, field study was done, which aims at discovering the relations and interactions among variables. Secondary data are the published data from Books, Online journals, Publications, magazines, websites, etc. The researcher used interview method. Standardized, structured, formal interview was conducted among 100 executives. Statistical techniques used are Chi-square, ANOVA

ANALYSIS AND INTERPRETATION
CHISQUARE

TABLE 1

Stress level	Always	Sometimes	Rarely	Never	Total
Knowledge about policies and practices					
Doesn't have	8	0	0	0	8
Need to develop	0	12	0	0	12
Has competence	0	2	32	5	39
Has adequate competence	0	0	0	41	41
Total	8	14	32	46	100

$$\chi^2 = \frac{(O_{ij} - E_{ij})^2}{E_{ij}}$$

O = Observed frequency

E = Expected frequency

H₀ = There is no significant relationship between the executives stress level & the knowledge about the organizational policies and practices

H_a = There is a significant relationship between the executives stress level & the knowledge about the organizational policies and practices

TABLE 2

Oij	Eij	Oij-Eij	(oij-Eij) ²	(Oij-Eij) ² /Eij
8	0.64	7.36	54.16	84.64
12	1.68	10.32	106.50	63.39
2	5.46	-3.46	11.97	2.192
32	12.48	19.52	381.03	30.531
5	17.94	-12.94	167.44	9.33
41	18.86	22.14	490.17	25.99

$$E (O_{ij} - E_{ij})^2 / E_{ij} = 216.08$$

Degree of freedom V = n - 1

$$= 6 - 1$$

$$= 5$$

Table value at 5% level of significant = 11.071

Calculated value = 216.08

$$216.08 > 11.071$$

INTERPRETATION

Since the calculated value is greater than the table value null hypothesis is rejected and alternative hypothesis is accepted. There is significant relationship between the executive's stress level & the knowledge about the organizational policies and practices

ANOVA TWO WAY CLASSIFICATION

Table Showing executives opinion about the relationship between training people and motivating others

H₀ = There is no significance between training people and motivating others

H_a = There is significance between training people and motivating others

TABLE 3

Empower & train people	OP	VGP	QAP	NGAP	FMAP	Total
Inspire motivate others						
OP	34	6	0	0	0	40
VGP	0	25	0	0	0	25
QAP	0	1	20	0	0	21
NQAP	0	0	2	10	0	12
FMAP	0	0	0	1	1	2
Total	34	32	22	11	1	100

$$\text{Correction Factor: } T^2/n = 440$$

Sum of square between empower and train people (SSC) =157.2

Degree of freedom=(c-1)=(5-1)=4

Sum of square between inspire and motivate others (SSR) =162.8

Degree of freedom=(r-1)=(5-1)=4

Total sum of square (SST)=1924

Sum of square error=(SSE)=1604

Degree of freedom=(r-1)(c-1)=16

TABLE 4

Source of Variation	Sum of square	Degree of freedom	Mean square	F ratio	5% f limit
Between training people	157.2	4	39.3	0.392	F(4,16)=3.01
Between Motivating others	162.8	4	40.7	0.405	F(4,16)=3.01
Residual error	1604	16	100.25		
Total	1924	24			

DISCUSSION

From the analysis we infer that 39 percentages of executives have knowledge about organizational policies and they need to develop and improve more about policies. Only 16 % of executives have adequate leadership competence. The Leadership Competency Assessment can be used to identify your strengths and weakness as a leader. Education scholars Joe F. Donaldson

and Paul Jay Edelson have noted that "trait theory was developed in the first part of the twentieth century and took a psychological approach to specifying the personality traits of effective leaders. Although research has shown no relationship between individual traits and effectiveness, this approach still finds modern expression. We should be very circumspect of our ability to identify an adequate, much less complete, list of competencies applicable to a rapidly changing operational environment. As the competencies are mapped to skills, then to behaviors, and to intermediate, enabling, and terminal learning objectives in the training and education base, they could drive us to a place we do not want to be. The paradox is that more is actually less. The more we try to describe and prescribe a list of defined, specific competencies, the more we lead away from the agile, adaptive, self-aware leader we want. The danger of prescriptive lists is that they create the impression that success can be assured by mastering specific competencies. Even the progenitor of the skills-based approach, noted social psychologist Robert L. Katz, limited the list to three personal skills: technical, human, and conceptual. A military study in the early 1990s developed a model of leadership comprising five components: competencies, individual attributes, leadership outcomes, career experiences, and environmental influences. Northouse notes that problem-solving, social judgment and knowledge are at the heart of the skills model of leadership. Such broad and ill-defined categories are not satisfying to bureaucracies seeking to eliminate ambiguity and achieve compliance via standardization and routinization. Yet, high-performing professions thrive within this kind of ambiguity because it allows for creativity and adaptation.

HYPOTHESIS 1

Ho = There is no significant difference between training people and motivating others.

Ha = There is a significant difference between training people and motivating others

Between column the calculated value of F is 0.392 which is less than table value of 3.01 at 5% significant level with degree of freedom V1= 4 and V2 = 16. So, Ho is

Accepted.

Thus, it can be referred that there is **no significant difference** between training people and motivating others. Between row the calculated value of F is 0.405 which is less than table value of 3.01 at 5% significant level with degree of freedom V1 = 4 and V2 = 16. So Ho is **accepted**. Thus, it can be referred that there is **no significant difference** between training people and motivating others.

HYPOTHESIS 2

Ho = There is no significant difference between aligning with company values and assigning responsibilities.

Ha = There is a significant difference between aligning with company values and assigning responsibilities.

Between column the calculated value of F is 0.565 which is less than table value of 3.01 at 5% significant level with degree of freedom V1= 4 and V2 = 16. So, Ho is **accepted**. Thus, it can be referred that there is **no significant difference** between aligning with company values and assigning responsibilities. Between row the calculated value of F is 2.167 which is less than table value of 3.01 at 5% significant level with degree of freedom V1 = 4 and V2 = 16. So Ho is **accepted**. Thus, it can be referred that there is **no significant difference** between aligning with company values and assigning responsibilities.

CONCLUSION

As noted above, with certain exceptions considered, competency models are a viable tool that can be utilized to prepare the current and future workforce and retain skilled incumbent workers to meet the job requirements and other needs of employers. Furthermore, for career exploration and development purposes and during times of job change, whether by choice or due to market changes, competency models are an assistive device for individuals to focus on their current competencies and refocus or enhance their competencies as necessary. With the knowledge and use of the information contained within a competency model and awareness of their individual competency strengths and weaknesses, individuals may manage their future job or career success, navigate their current chosen career pathway, or apply the information to examine new career opportunities, considering the utilization of transferable competencies

The research study helps the organization to

- Establishes expectations for performance excellence
- Improved job satisfaction and better employee retention
- Increase in the effectiveness of training and professional development programs because of their link to success criteria.
- Provides a common understanding of scope and requirements of a specific role
- Provides a common, organization wide standard for career levels that enable employees to move across business boundaries.
- Help companies "raise the bar" of performance expectations
- Help teams and individuals align their behaviors with key organizational strategies

It helps the executives to

- Identify performance criteria to improve the accuracy and ease of the selection process
- Easier communication of performance expectations
- Provide a clear foundation for dialogue to occur between the managers and employees and performance, development and career-oriented issues

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QUALITY MANAGEMENT PRACTICES IN HIGHER EDUCATION

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ABSTRACT

Education services are often intangible and difficult to measure, since the outcome is reflected in the transformation of individuals in their knowledge, their characteristics, and their behavior. Therefore, there is no commonly accepted definition of quality that applies specifically to the higher education sector. Quality means fitness for use. Fitness in Management education means education according to corporate need, or education which can produce entrepreneurs. In many countries and many cultures, the issue of quality management is firmly on the agenda for higher education institutions. Whether a result of a growing climate of increasing accountability or an expansion in the size and diversity of student populations (Oldfield and Baron, 1998), both quality assurance and quality enhancement are now considered essential components of any QMPs (Brookes and Downie, 2002). Despite the abundance of research on the subject, there is no universal consensus on how best to measure quality in higher education. Thus a variety of approaches have been adopted. This paper presents a review of current quality management practices within HEIs. This paper provides an analytical review of the different quality approaches adopted or tested in management education. This paper highlights the important factors considered for maintain quality in an institution.

KEYWORDS

Education Services, quality education, HEIs, QMPs, corporate.

INTRODUCTION

The concept of quality is hard to define precisely in the present era where education institutions have broad autonomy to decide on their own visions and missions. Various concepts have evolved to suit different contexts ranging from quality as a measure for excellence to quality as perfection, quality as value for money, quality as customer satisfaction, quality as fitness for purpose, and quality as transformation. Previous research reveals that quality in Higher Education can be (and is) interpreted and measured in a number of different ways (Cheng and Tam, 1997; Ponder, 1999). Quality has become the defining element of education in the 21st Century in the context of new social realities. Quality, as all of us are aware, makes education as much socially relevant as it is personally indispensable to the individual. In this sense quality becomes the defining element of education. In this context quality and excellence should be the vision of every Management institution. Acquisition of quality and excellence is the great challenge faced by all higher education institutions. The importance of education for the development of excellence, expertise and knowledge leading to overall development cannot be undermined. This has necessitated a sound strategy for the development of higher education in almost all countries of the world. The World Bank's recent study of 190 countries reveals that it is higher education that helps in enriching the quality of manpower. Thus higher education is a basic investment necessary to improve the overall quality of life.

REVIEW OF LITERATURE

Cheng and Tam, (1997); Introduces seven models of quality in education: the goals and specifications model; the resources input model; the process model; the satisfaction model; the legitimacy model; the absence of problems model; and the organizational learning model and concludes that these models can form a comprehensive framework for understanding and conceptualizing quality in education from different perspectives and facilitating development of management strategies for achieving quality in Higher Education.

Martens and Prosser, (1998) studied the evaluation and continuous improvement of the quality of teaching and learning in higher education and the focus is on ensuring that those teaching the subject, reflect on and make recommendations for further improvement of the subject.

Ponder, (1999), their response has been to borrow the quality concept from industry and place it at the centre of institutional performance assessment in higher education. The study highlighted the shortcomings of the quality concept particularly as a basis for the comparative assessment of institutional performance and also indicated a methodology for identifying concepts which may provide a firmer base than quality for such comparisons.

In addition, Avdjieva and Wilson (2002) suggest that HEIs are now also required to become learning organizations, where internal stakeholders also interpret and assess the quality of Higher Education provision. The emphasis for internal stakeholders is not only on quality assurance, but also on quality enhancement which aims for an overall increase in the actual quality of teaching and learning, often through more innovative practices.

Andaleeb (2003) analyzed seven issues crucial for effectively fostering higher education in Bangladesh, namely, teaching quality, method, content, peer quality, direct facilities, indirect facilities and political climate.

According to Aminuzzaman (2007) Quality education in universities will be achieved through changing the method of teaching and learning as well as assessment methods, renewing the curriculum continually, updating and upgrading professional knowledge and skills and improving the broader educational, administrative and resource environments.

Quinn et.al;(2009) This paper focuses on identifying and evaluating techniques used to take on the challenges of quality improvement in higher education and also examines two primary difficulties: first, definition of the customer; and second, measuring customer quality perceptions. An examination of representative historical applications of quality techniques was conducted as well as identification of the differences and similarities surrounding quality improvement efforts in each of three service areas typically found in higher education: academic, administrative, and auxiliary functions.

QUALITY MANAGEMENT AND IMPROVEMENT METHODS

TQM	A comprehensive management approach which requires contribution from all participants in the organisation to work towards long-term benefits for those involved and society as a whole.
EFQM excellence model	Non-prescriptive framework that establishes nine criteria (divided between enablers and results), suitable for any organisation to use to assess progress towards excellence.
Balanced scorecard	Performance/strategic management system which utilises four measurement perspectives: financial; customer; internal process; and learning and growth.
Malcolm Baldrige award	Based on a framework of performance excellence which can be used by organisations to improve performance. Seven categories of criteria: leadership; strategic planning; customer and market focus; measurement, analysis, and knowledge management; human resource focus; process management; and results.
ISO 9000 series	International standard for generic quality assurance systems. Concerned with continuous improvement through preventative action. Elements are customer quality and regulatory requirements, and efforts made to enhance customer satisfaction and achieve continuous improvement.

QUALITY MANAGEMENT MODELS IN HIGHER EDUCATION

A number of HEIs have tested quality management models originally developed for industry. A key benefit of all the models is reported to be the requirement for institutions or departments to adopt a strategic approach to quality measurement and management. Though there is continued debate on the role of the student as customer or co-producer in the higher education system this has an impact on the measurement and management of quality in higher education when using these industrially developed models. When assessing the outputs, the models are reported to have far greater applicability in measuring administrative or service functions within the Higher education rather than the quality of research or teaching and learning. The management of quality needs to focus on the student learning experience. Researchers are also reporting on the corporatisation and managerialist cultures infiltrating Higher education institutes --This approach encourages academics to 'do more with less' to meet the growing demand for higher education and the accountability agenda, it fails to address the learning experience of an increasingly diversified student body. Current study argues that the quality of teaching and learning is actually decreasing under current approaches. Unless the quality of learning for students is maintained, the economic imperatives of many national governments will not be realised.

CONCLUSION

The key impacts of above discussion includes a drive for increased access to higher education resulting in diversified student populations and mystification, this is taking place in conjunction with increased accountability requirements and the necessity for enhanced efficiency. Many higher education institutes are testing or implementing quality management models developed for industry. Benefits to be gained from using these models, such as engagement in self-assessment by academic departments and a greater focus on a strategic approach to quality management, these are related predominantly to the efficiency and effectiveness of non-academic functions. Various concern has been reported regarding use of these models in that they may encourage a culture of managerialism in higher education institutes. It may be time to further rethink current approaches to quality management in higher education to ensure that the quality of teaching and learning is not neglected.

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A STUDY ON IMPACT OF PROMOTIONAL STRATEGIES ON BRAND AWARENESS IN DAIRY INDUSTRY

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ABSTRACT

Milk production is an integral part of the food consumption and it contains many nutrients and provides a quick and easy way of supplying these nutrients to the diet within relatively few calories. Milk, the most suitable food for young mammals, provides both energy and the building materials necessary for growth. The main objective of this study is to examine the relationship between the promotional strategies and brand awareness and find out to what extent the promotional strategy mostly impact on brand awareness of milk powder brands in Kadapa district. Questionnaire survey and interviews were used to collect primary data from a cross section of dairy consumers and the researcher obtained response from 100 households in Kadapa district through random sampling method. Promotional strategies such as advertising, sales promotions, personal selling, and direct marketing were considered as the independent variable and the brand awareness was considered as the dependent variables of this study. Data were analyzed using the SPSS 17 Package. The results of the study indicated that there is a positive relationship between the promotional strategies on brand awareness such as advertising, sales promotion, personal selling, direct marketing and brand awareness ($\beta = 0.769, p < 0.01$ and $\beta = 0.673, p < 0.01$, $\beta = 0.561, p < 0.01$ and $\beta = 0.468, p < 0.01$ respectively). Co-efficient of determination (R square) is 0.774. It express that promotional strategies have the strong positive impact of 77.4% on brand awareness of the milk powder. This study concluded that advertising and sales promotion mostly impact on brand awareness of milk powder rather than personal selling and direct marketing. Finally the present study indicated that the strong positive relationship obtained between the promotional strategies and brand awareness of milk powder brand in Kadapa district.

KEYWORDS

Advertising, Sales promotion, Personal selling, Direct marketing, Brand awareness.

1. INTRODUCTION

The dairy industry has the potential to contribute Indian economic development. Dairy products are usually high energy-yielding food products. Milk production plays an important role in alleviating nutritional poverty in all age groups. The consumption of dairy products has increased dramatically since the 1970s when the Government adopted open economic policies. Currently, India is a self-sufficient with its milk products, though that level has been achieved mostly with milk powder.

In the current commercial world, every organization gives high priority to satisfy their customer expectations. Satisfied customers will stay with organization for a long period of time. Organizations give promises or create expectations through their marketing mix. If the customers feel that the product is quality, they will consistently buy the product or they will be loyal to the brand. Promotion is one of the key factors in the marketing mix and plays a key role towards market success. Promotions is a tool to inform, persuade, remind and communicating with customers, make awareness on product, stimulate interest to purchase the product and give feedback to providers about their experience. It is the combination of the different channels that can be used to communicate the promotional message to the customers. The channels to be used are advertising, sales promotion, direct marketing, public relation and personal selling. There are number of factors influencing the choice of a brand. According to marketing literature, the brand choice is the function of 4 P's (Product, place, promotion and price) as well as buyers' characteristics. It is obviously that most of the promotional efforts designed for consumers as to consider them as target market. The scope of the study is to identify the relationship and the impact of promotional strategies on brand awareness of milk powder in Kadapa district.

Normally consumers are not purchase or interest in some of the branded milk powder due to the following causes such as poor brand positioning strategies, poor advertising program, package is not effective (flexible), higher price of the brand. To overcome from this failure marketer should create brand awareness of milk powder product in consumers' mind. Based on the issue the research developed the research question.

To what extent the promotional strategies impact on brand awareness of milk powder in Kadapa District?

2. OBJECTIVES OF THE STUDY

In accordance with the research question, the following objectives are set out to achieve through this study.

1. To study the relationship between the promotional strategies and brand awareness.
2. To find out what promotional strategy mostly affect on brand awareness.
3. To recommend alternative actions to make to increase brand awareness of milk powder product.

Since the significance of the study is to understand to what extent the promotional strategies impact on brand awareness of milk powder. Further this study could enable product provider to maintain the high level of brand awareness, also this study will help the marketer to maintain better brand awareness through promotional strategies activities to improve their market performance and customer satisfaction of the branded milk powder of Kadapa district. It will help the marketer to understand customers' knowledge patterns, in order to better stimulate purchase through creation of wants and satisfaction of needs through the use of various aspects of promotion. The marketers and more specifically brand managers understand the ways to make better use of channel promotion and point of sale materials as stimuli. Advertising agencies create advertising campaigns which the factors identified in this research that help customer recall of advertisements brands. This study could help to improve the present awareness level and could also be valuable in considering any future changes in the promotional strategies and awareness levels of the products.

3. LITERATURE REVIEW

Chris (2000) find out Brand equity increasing importance of marketing accountability and metrics and the push to link marketing activity and measurement to corporate measures as shareholders value. Brand equity is positioned as a key performance measure of Brand Awareness. Chandon, et al. (2000) indicated that sales promotion may be attractive to highly promotion prone consumers for reasons beyond price savings. These highly promotion prone consumers may switch brands to receive "special" deals that reflect and reinforce their smart shopper self-perception. Nigel K.I.pope and Kevin E.voges (2000) in their studies find out sports sponsorship is used to support marketing and corporate objectives such as improving a company or brand image and increasing consumer intentions to purchase a company's product or services. This suggests a relationship between sport sponsorship activities brand exposure and attitudes towards the brand itself. Lisa S. Mc Neill their studies discuss the chinese consumer preference for price based sales promotion techniques-the impact of gender, income and product type. Few studies consider personal consumption factors such as income, cost, nature of the item and gender in regard to impact on acquisitions and transaction utility. This study explores these factors in regard to satisfaction and pleasure with and resultant preference for, price-based sales promotion in china. Simon kwok & mork uncles (2002) in their study explore and extend the congruency framework by analyzing the impact of culture at an ethnic group level. The purpose is to investigate the popular assumption that cultural differences exist at this level and to see whether these differences have an impact on sales promotion effectiveness. According to Gilbert and Jackaria (2002), packs with "buy-one-get-one-free" may not increase brand awareness before trial purchase because the customer will only come across the product once in the store (unlike samples or coupons), however, if the promotion is noticeable it will

facilitate brand recognition and brand recall for future purchases. Since an additional amount is given for free, consumers may be persuaded to buy the product if they feel it represents a fair deal that provides value for money.

Nelson Oly Ndubisi (2005) This study is to evaluate the effectiveness of sales promotional strategies namely, coupon, price discount, free sample, bonus pack and in store display in the purchase of low involvement products by Malaysian consumers. The paper also recognizes that certain demographic factors such as education and income of consumers could potentially confound the observed relationships hence, these factors were controlled. The results show that price discounts, free sample, bonus pack, and in store display are associated with product trail. Coupon does not have any significant effect on product trail. Details of the findings and their implication are discussed. The perception of the consumers and the attitude of the retailers have no doubt added a new dimension to the existing advertising strategy in use by the company, the various models explained the core branding elements of the proposed brand study(The Indian Institute of Planning and Management-Newdelhi,2006)

Woodside, Jane summers, Melissa Johnson Morgan (2006)"Sponsorships of fast moving consumer goods-Does packing endorsement contribute brand attitude. In their study considering sponsorship effect with particular attention being paid to outcomes of consumer attitudes towards sponsoring and sponsored brand and purchase intention.F.Villarejo, J.Rondan, J.scachez they find out the relationship between brand awareness and brand image. They set out a model of direct and indirect effects of the marketing effort-as the brands antecedents-on brand awareness and brand image. They try to find out how the marketing efforts of companies affect its brand and how brand awareness level influence the Angel (2006) said that the marketing effort oriented towards strengthening the brands means to increase the degree of knowledge of the Brand name. Direct and indirect effects of the marketing effort as the brands antecedents-on brand awareness and brand image. The empirical support used a questionnaire 200 samples of consumers. Marketing efforts of companies affect its brands and brand awareness level influences the associations linked to from its image.

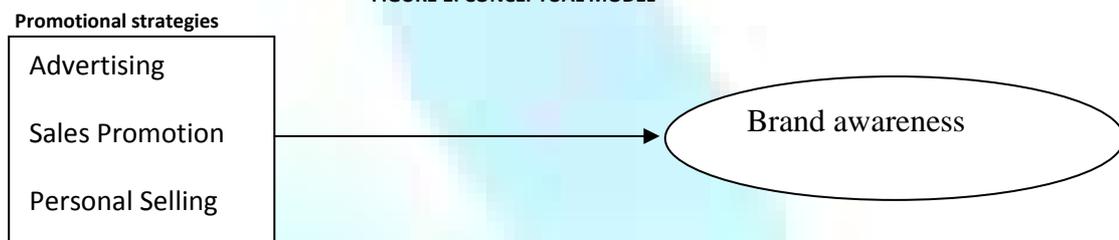
Associations linked to it and how they form its image. C.Robert clarky et al. (2009) they use a panel data set that combines annual brand-level advertising expenditures for over three hundred brands with measures of brand awareness and perceived quality from a large-scale consumer survey to study the effect of advertising. In their study find that advertising has consistently a significant positive effect on brand awareness but no significant effect on perceived quality.

Taun et al. (2013) investigated that product brand, advertisement, and country of origin are significant predictors of consumer-buying behaviors towards imported powdered milk. Sponsorship turned out to be insignificant factor in predicting the dependent variable. Among demographic characteristics only income was found to affect the consumer-buying behavior.

4. METHODOLOGY

The conceptual model of the present study was developed based on the research theme and the literature review. It is illustrated in figure 01.It shows the impact of promotional strategies on brand awareness on milk powder brands in Kadapa district. The research identified that the promotional strategies were considered as independent variable and brand awareness was considered as depended variables.

FIGURE 1: CONCEPTUAL MODEL



Source: Develop for the Study

DEFINITION OF KEY CONCEPT

Promotion can influence the consumers at any stage of the consumer buying process. It is the term given to the collection of methods by which an organization attempts to communicate either directly or indirectly with its market. Promotion refers advertising, sales promotion, sponsorship, packaging etc.

Amler(2000) said that Advertising creates Awareness communicates attributes and benefits, reminds and refreshes to ensure top of mind awareness and that a brand is in consumers consideration set, therefore generates repeat purchase and over time contributes to loyalty and the franchise of a brand.

Alvarez& Casielles (2005) say that sales promotion is a stimulus that is offered from time to time and encourage publicity that will lead to action for purchase of a certain product. Sales promotion techniques are techniques that immediately try to affect customers buying behaviour. Research is telling that sales promotion activities should be done infrequently, when the customers do not expect it.

According to Brassington & Pettitt (2000) the essence of public relations (PR) is to look after the nature and quality of the relationship between the organization and its different publics, and to create a mutual understanding. PR covers a range of activities, for example the creation and maintenance of corporate identity and image; charitable involvement, such as sponsorship, and community initiatives; media relation for the spreading of good news, as well as for crisis management, such as damage limitation.

Moreover, an organization can attend trade exhibitions to create stronger relationships with key suppliers and customers as well as enhancing the organization's presence and reputation within the market.

According to Brassington & Pettitt (2000), direct marketing is an interactive system of marketing, using one or more advertising media to achieve measurable response anywhere, forming a basis for creating and further developing an on-going direct relationship between an organization and its customers. To be able to create and sustain quality relationships with sometimes hundreds or even thousands of individual customers, an organization needs to have as much information as possible about each one, and needs to be able to access, manipulate and analyze that information. Thus, the database is crucial to the process of building the relationship.

Brand Awareness is the capacity of consumers to recognize or remember a brand, and there is a linkage between the brand and the product class, but the link does not have to be strong. Brand Awareness is a process from where the consumers have put the brand on a higher rank, the brand has become the "top of mind" (Aakar, 1991)

HYPOTHESIS

Based on the theory and conceptual frame work the following hypothesis was developed.

H1: There is positive relationship between promotional strategies and brand awareness.

POPULATION AND SAMPLE

The study was conducted in Kadapa district to understand the impact of promotional strategies on brand awareness towards the milk powder. 100 customers were selected randomly in Kadapa district for this study. Majority of working population depends on agriculture.

DATA COLLECTION

The data required for this study was collected from primary and secondary source. The structured questionnaire was developed to collect the data for this study. Questionnaire pre-testing was conducted through consulting with experts and some modifications were made to the original questions. The original questionnaire was written in English, and then was translated to Sinhala and Tamil. The questions in the questionnaire were based upon the theoretical framework and divided into following Categories: demographic characteristics, brand, advertisement, sponsorship, Sales promotion. Likert-format items were presented with 5-point scales, where 1 = "strongly disagree," 2 = "disagree" 3 = "neither disagree nor agree," 4 = "agree" and 5 = "strongly agree". The data was analyzed by using the SPSS 17 Package in this study.

5. RESULTS AND DISCUSSION

Correlation and coefficient of independent and dependent variables are discussed in this study in order to find out the relationship between the promotional strategies and brand awareness of milk powder brand in Kadapa District. In addition to confirm accuracy of the results, regression analysis is also used.

TABLE 1: CORRELATION BETWEEN PROMOTIONAL STRATEGIES AND BRAND AWARENESS CONCEPT

Promotional strategies	Brand Awareness
Promotional strategies	0.888**
Advertising	0.769**
Sales promotion	0.673**
Personal selling	0.561**
Direct marketing	0.468**

The value of correlation between promotional strategies and brand awareness is about 0.883. since this value is strong positive relationship seems to be direct between the promotional strategies and brand awareness. Based on the above table, that there is a positive relationship between Promotional strategies and brand awareness in milk powder industries in Kadapa District.

TABLE 2: DIMENSIONS OF PROMOTIONAL STRATEGIES ON BRAND AWARENESS

Hypothesis	Independent variable	Dependent variable	Unstandardized Coefficient Beta	Standardized Coefficient Beta	Sig.	Adjusted R2
H1	Constant	Brand awareness	0.728	0.779	.000	0.774
	Advertising		0.698	0.667	.000	
	Sales Promotion		0.637	0.359	.000	
	Personal selling		0.343	0.252	.000	
	Direct marketing		0.234			

It indicates that there is a positive relationship these two variables. Co-efficient of determination (R square) is 0.774. It express that a promotional strategy has the strong positive impact of 77.4% on brand awareness of the milk powder.

Based on that, the first hypothesis (H1) has been accepted. Further advertising have the strong positive effects on brand awareness (78%), and sales promotion also have the positive effects on brand awareness (67%), at the same time personal selling and direct marketing also have the impact on brand awareness, 36% and 25% respectively. But both (personal selling and direct marketing) don't have the strong impact on brand awareness.

6. CONCLUSIONS AND RECOMMENDATIONS

Milk powder product companies faced intense competition in the market place so each companies should concerned to increase better awareness of their products. Brand awareness is different from person to person and place to place, different consumers look different type of features of the product, benefits they get from those products and so on. Promotional strategies strongly related to the brand awareness. So each marketer must concern their promotional strategies programme to create better awareness of their products in the market place.

In today's competitive world it is necessary for every organization to build brand awareness. These companies can improve advertising intensity, maintaining quality packaging make with distribution channels and discount allows the purchases which should be used as a tool for increase better awareness of their product.

The following process should be adopted to increase the awareness of milk powder product. Level of Brand Awareness derived through consumer's attitude. So the marketers can develop brand awareness by using appropriate attitude changing strategies. Marketers should identify the segment and develop most appropriate brand for that particular segment. Marketers need to continually improve their marketing programs to attract and retain consumers. Marketers have to launch consumer retention program because the cost of recruiting a new customer is high. Promotion is the most efficient strategy in attracting brand switchers. So, marketers have to implement the efficient promotion strategy Marketer should evaluate the current situation in regular period to ensure the efficient use of promotional strategies. Marketer should keep the customer first and switching the customer from its competitors as well as changing non users as users.

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AMERICAN AND CHINESE CULTURES: A COMPARATIVE STUDY

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ABSTRACT

Culture is a complex term to define precisely. As such, it has a long and complicated history. In most disciplines, the historical tendency has been to connect culture to nationality and ethnic origin. Culture will be defined as acquired behaviors, perspectives, and values characteristic of a particular group or community. There are many differences between Eastern cultures (Chinese and most Asian cultures) and Western cultures (America and most European cultures), ranging from the type of logic that is used for self-expression to the sense of time during meetings. These differences do not make either culture better or worse than the other one. It just shows their differences which has been created through centuries of history and development. The present study focuses on the determination of significant differences in the American cultures and the Chinese cultures. The study found that there are large differences in thinking pattern, value view, group consciousness, negotiation style, benefit consciousness and law consciousness between western and eastern cultures, and these differences largely influence the process and result of negotiation and they are important factors we should consider in the negotiation.

KEYWORDS

Cultures, Culture Difference, American Culture, Chinese Culture.

INTRODUCTION

Culture is a complex term to define precisely. As such, it has a long and complicated history. In most disciplines, the historical tendency has been to connect culture to nationality and ethnic origin. Grounded in the influential work of Hofstede (1980), the inclination has been to assume national groups as having the same patterns of thought, action, and values.

More recently, however, culture has been seen as an entity that transcends ethnic and national boundaries. Viewed from this perspective, culture encompasses "the patterns shaped by ethnicity, religion, socio-economic status, geography, profession, ideology, gender, and lifestyle" (Branch, 1993). This more recent definition of culture embraces the idea that every person and human group is both cultural and multicultural.

For the purposes of this review, culture will be defined as acquired behaviors, perspectives, and values characteristic of a particular group or community.

SOURCES OF THINKING AND BEHAVIOR

The sources of influence on thinking and behavior can be seen as existing at several levels, including *human nature*, *culture*, and *personality* (Hofstede & Hofstede, 2005). When people demonstrate differences or similarities, it is easy to confuse these levels because their influences combine, making them difficult to distinguish. The resulting uncertainty can lead to false assumptions and difficulties in interactions with others. This is just as true in education and training as it is in other life situations.

Hofstede and Hofstede (2005) present these levels as a pyramid, with human nature as the base all people share, and personality as the peak, being unique to the individual. Culture forms an expansive middle portion of the pyramid, reflecting its multiple layers of group interactions (e.g., from national to local community). The authors have chosen to represent these influences differently in Figure 1 to highlight an increased complexity and to emphasize the nature of these constructs as mutually influencing sources of thought and behavior.

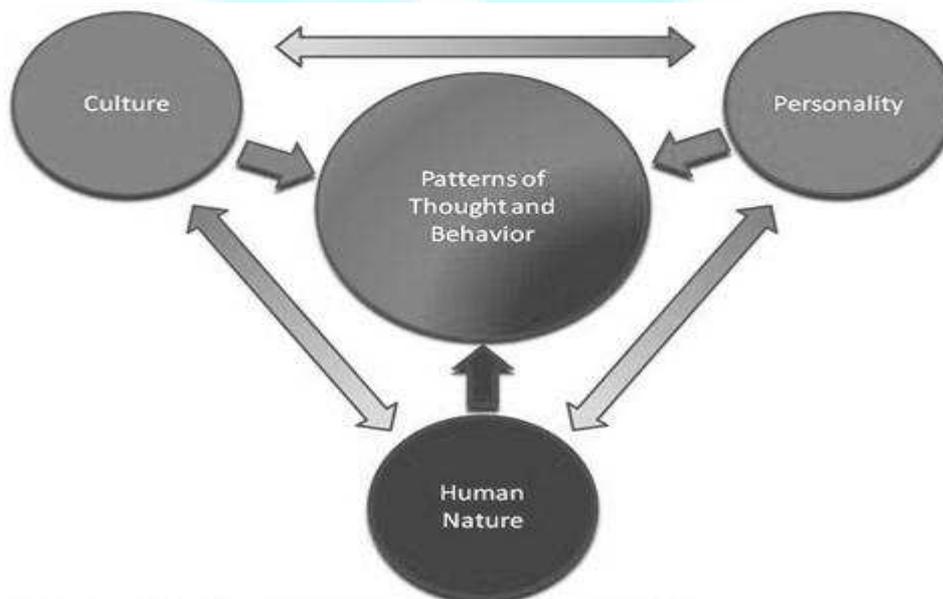


Figure 1. Sources of thought and behavior and their interactions.

CULTURES DIFFERENCES

There are many differences between Eastern cultures (Chinese and most Asian cultures) and Western cultures (America and most European cultures), ranging from the type of logic that is used for self-expression to the sense of time during meetings. Western cultures use a linear type of logic, while Eastern cultures have a spiral type of logic for thought processes and self-expression. In China this is attributed to the pictorial characters of Chinese language, because, words are pictures rather than the sequences of letters found in Western languages. Chinese thinking tends to be more holistic than the linear processing of

information. Members of Eastern cultures have a more subtle form of self-expression which is often nonverbal, while members of Western cultures use direct language and are told to "speak their mind."

Eastern cultures are "we/us"-oriented and collectivistic, while Western cultures are "I/me"-oriented and individualistic. As a result, collectivistic societies value the goals and success of groups over those of individuals, which are typically more important in individualistic societies. For meetings in Eastern cultures, it is important that employees arrive prior to their employers or anyone in upper management. Eastern cultures are less concerned with time constraints, while Western cultures consider it very important to start and end appointments on time. One of the biggest mistakes Western businesses can make is rushing into a relationship with Eastern businesses. Eastern cultures take time in developing relationships, but once the relationship is developed, it is not broken. When Western businesses rush to make a deal with Eastern businesses, they usually fail because they did not invest the time to build a strong relationship. (Jaehee Jung, 2009)

These differences do not make either culture better or worse than the other one. It just shows their differences which has been created through centuries of history and development. China can trace their traditions and customs for thousands of years. America is still a small babe of a nation that has had very few traditions of its own but has become such a melting pot of cultures that there is almost no specific American culture that can be said is applied across the board. This makes both cultures unique and worthy of study and respect.

- **Social Structure** – In China the social structure is formal and hierarchical. You know where you fit in the structure and you abide by the rules there. There is no crossing into other areas. In America, it is much more loose and informal. It is not uncommon to see those of various social levels socializing and knowing each other. There are very few lines that socially are not allowed to be crossed. This can cause problems in business relationships if the visiting culture is unaware of it.
- **Confrontation/Conflict** – If you are planning on conducting business in China or expecting an extended stay, it might be useful to know that the direct way that most Americans approach issues is not the way to go in China. Direct conflict or confrontation over issues is highly frowned upon. Doesn't matter that the "truth" needs to be spoken, respect and honor to each person supersedes that. To prove a point and show yourself in the right even over business issues is considered shameful and should be avoided.
- **Self** – The Chinese looks more at the group collective than at individualism. America has become known for its push of individualism which has been a source of conflict with other cultures that look collectively. A person from China is more prone to look at how their acts affect the whole instead of how it affects them personally. They are more willing to give up and sacrifice for the greater good. America's individualism has been its backbone and the reason for its success as a world power, but when visiting China it needs to be reined in.
- **Face/Reputation** – Reputation of the individual is very important in China. If an action will humiliate someone or ruin a reputation, it is avoided. When shame occurs, the person sacrifices their job or whatever it is that will heal the shame. In America, reputations come and go overnight and in the end usually does not matter. The end result is more of the focus. A person is more likely to overlook a reputation to get the job done.
- **Business Relations** – When doing business in China, be prepared for much socializing. Business becomes secondary as the parties get to know each better. If it delays a contract that is perfectly acceptable as long as the correct social time is allotted for. In America, business associates are usually more aloof. There might be some social gathering but the business is more important and the socializing will be sacrificed to get the job done if needed. Though there seems to be shift in America regarding this. The recognition of networking is becoming more pronounced.
- **Morals** – Chinese society places high values on the morals of their people. Marriage is not encouraged until the late twenties. In fact, dating is discouraged early in a young adult's life and proprieties are expected to be held up. The American culture is much more relaxed and some could even argue that there needs to be more moral emphasize.
- **Recognition of the Dead** – One of the time honored traditions of the Chinese is the recognition of the dead. Once a year, all members of a family visit the gravesites of each ancestor and pay their respects. Honoring ancestors is very important in Chinese culture. This is in direct contrast to most Americans who rarely know where the majority of their ancestors are laid to rest. This might be due to the fact that most Americans are immigrants who either have lost the information on grave locations or the locations are in foreign countries. China's culture is much older and the percentage of immigration is far less.
- **Humility** – Humility is a revered virtue in Chinese culture. The success of one's business or personal life is downplayed while in America the successes are lauded. Most Americans in the fast business world consider humility a sign of weakness. This can be an issue that hurts inter-cultural relations. Be very sensitive to comments and actions in the presence of another culture.
- **Time Sensitivity** – Crossing cultures for business can be frustrating when it interferes with getting the job done. Most Americans are very time sensitive when it comes to meetings and deadlines. If the meeting was to commence at 2:00, then all parties are to be present at that time. The Chinese do not view time as an absolute but more as a suggestion. Concern is not expressed for a meeting starting late or ending at a different time. The same can be applied to deadlines. If a report is due on Friday, an American would be waiting for that report to be received before end of business day. The Chinese would not worry if it showed up several days later.
- **Respect** – Being sensitive to another person's needs is very important in Chinese culture. It is expected that you will respect the other person and treat them well. Their needs are met at each encounter. This is a characteristic that unfortunately has fallen on the wayside in most American circles.

TABLE 1: SOME GENERAL DIFFERENCES BETWEEN CHINESE AND AMERICAN CULTURES

	CHINESE	AMERICANS
Conception Of the Self	<i>Collectivist:</i> Higher value placed on group cooperation and individual modesty.	<i>Individualist:</i> Higher value placed on self-reliance. Self-promotion is more accepted. High value placed on "freedom" from externally imposed constraints.
Social Relationships	Formal, hierarchical. People most comfortable in the presence of a hierarchy in which they know their position and the customs/rules for behavior in the situation.	Informal, egalitarian. People most comfortable with their social equals; importance of social rankings minimized.
Friendship	Small number of close, lifelong friends who feel deeply obligated to give each other whatever help might seem required.	Large collection of "friends" and acquaintances which changes over time and involves only limited mutual obligations.
Obligation	Relationships with other people involve reciprocal obligations.	People avoid interdependent relationships and situations that might entail long-term obligations.
Task vs. Relationship Orientation	Relationship-oriented: Maintaining a harmonious relationship has priority over accomplishing tasks.	Task-oriented. Relationships are less important than getting the work done.
Harmony vs. "Truth"	Avoid direct confrontation, open criticism, and controversial topics. Concern maintaining harmony and with "face."	Willing to confront directly, criticize, discuss controversial topics, press personal opinions about what they consider "the truth." Little concern with "face."
Role of laws, rules, and regulations	More faith in personal relationships than in written rules and procedures for structuring interactions.	Written rules presumably apply to everyone and are assumed to produce fair, reasonable procedures and decisions.
Time Consciousness	Relatively more attention to the past and to the longer-term future.	Less interested in the past; eye on near-term future.
Ascribed vs. Achieved Status	Traditionally, a person's status in the society was based importantly on inherited characteristics such as age, gender, and family. This is changing.	People's status is based mainly on their own achievements, including education obtained and level of success realized in their line of work.

TABLE 2: SOCIETAL AND INSTITUTIONAL DIFFERENCES

("Bridging US-China" Cross-Cultural Differences Using Internet and Groupware Technologies", Zhouying Jin, Robert M. Mason, and Peter P. Yum)

ASPECTS	CHINA	UNITED STATES
Ethnic Culture	<ul style="list-style-type: none"> Centered around "relationships" "Reclusive", each minding his/her own business (especially with "strangers" and people outside of the relationship network) 	<ul style="list-style-type: none"> Centered around "individuals" "Messianic": "let's save the world"
Source of Trust	Trust those around you; don't "lose face" and credibility by failing to live up to written or oral agreements	Trust the contract; don't get into legal hassles by not fulfilling the agreement
Business Culture	Quiet and reserved; clumsy communicators	Outspoken; eloquent; effective communicators
Negotiation Style	Group decision; final say by the "boss"	More individual authority and distributed decision making
Dealing with Business Counterparts	Indirect; courteous; take things personally; long memory for both favors and humiliations	Direct; more matter-of-factly; memory for conflict superceded by business objective
Ability to Make Immediate Response	Weak	Strong

TABLE 3: VALUE DIFFERENCES

("Bridging US-China" Cross-Cultural Differences Using Internet and Groupware Technologies", Zhouying Jin, Robert M. Mason, and Peter P. Yum)

Aspects	China	United States
Interpersonal	"Relationship" comes first	"Economics" comes first
On "Humility"	"Humility" viewed as a virtue	"Humility" is a sign of weakness; there is every reason for the able to be proud
Time Horizon	Accountable by the generation (~30 years)	Accountable by the quarter (~3 months)
What Commands Respect	Respect for seniority, wisdom, ability	Respect for success, achievement, wealth
On "Family"	Children should learn to respect the elder, love the young, and rely on the "extended family"	Children should learn to be independent
On "the Strong" and "the Weak"	It is not righteous to bully	It is an honor to win; business is all a competition; it is only natural that the weak is preyed on by the strong
Discipline (in following procedures and schedules)	Strong	Depends on the individual
Tolerance of Diversity / Openness to Alternative (possibly opposing) Ideas	Openly - very receptive; but actually, less so	More open
Shame or Humiliation	Long memory; need and urge to exonerate	Tends to be superceded by business priorities
Priorities	Mixed: business, individual, factional, nationalistic, and political	Almost strictly business

When arriving for a scheduled meeting in the United States, the business person should be sure to be punctual or even a few minutes early. If a guest arrives late, Americans perceive them as being rude or highly disorganized (Gesteland, 1999). An action plan or agenda with a clear cut schedule is provided at almost all formal business meetings, and contracts are written out ahead of time. That way time is not wasted in the drafting of new contracts and previously contracts may be easily modified (Kenna and Lacy, 1994). In negotiating, American business people are more likely to be very open and direct, and normally do not enjoy haggling. The United States produces the fastest negotiators in the world. Although they are competitive, Americans value flexibility and spontaneity, and these characteristics play key roles when trying to close out a deal. Often Americans will accept subpar deals towards the end of a negotiation, due simply to an impatient desire to complete the transaction (Kenna and Lacy, 1994). Americans tend not to be comfortable with silence and will make every effort to maintain constant communication. Interruptions are not always welcomed either; in presentations all questions and comments should be held to the end of a gathering unless otherwise specified (Gesteland, 1999). In less formal business settings, Americans are more relaxed and place great emphasis on personal achievement. Fairness and the ability for a person to move up and down the business ladder are highly valued; however, businesses in the United States also value teamwork. Unlike many other countries, business in the United States is based on personal power rather than class, status or seniority. Hiring family or friends solely based on favoritism is completely unethical in the United States (Kenna and Lacy, 1994). Americans are not as reserved about their personal opinions and express themselves freely in the work environment, including giving input on important decisions. Managers tend to delegate many of their responsibilities, and it is not uncommon to see lower ranked employees questioning superiors. Decisions are made on all levels (Kenna and Lacy, 1994b). Americans think big and are constantly planning for and anticipating the future. A job description is appreciated when interviewing because clear cut roles are preferred in a business environment. Once at a job, all employees are expected to be immediately loyal. Changing jobs is very common. A person does not usually stay at one job his or her entire career. Americans are risk takers; they are likely to take chances to achieve goals. In this environment, money equals power and status (Kenna and Lacy, 1994b)

Negotiating business in China is very different from American practices. It is good practice to send the same representative to do business in China every time. This builds the strong, solid relationship that the Chinese prefer. While in a meeting, the Chinese will be very vague in their propositions so that those propositions may be adjusted in the future if needed. It would not be unusual to ask the same question in many different ways in order to test a potential partner for consistency, although this practice tries the patience of the other negotiating party (Kenna and Lacy, 1994). Losing face is an important issue in Chinese culture, so that confrontation and direct questioning should be avoided at all costs. It is considered rude to question authority, speak loudly, or to give a negative answer (Kenna and Lacy, 1994). In a negotiation only a leader should be singled out; it is important not to single out others. It is easy to spot the leader because he or she will be the only person speaking, and the one to make the final decisions (Martin and Chaney, 2006). As the Chinese behave in a modest manner, a business partner, client, or employee should act accordingly. As an example, if one is selling something, it is preferable to solicit the opinions of others on the sale item, in addition to those of the seller. This will be appreciated much more (Gesteland, 1999). People of the Chinese culture are very reserved and hardworking, and it is vital that visiting business people remain modest and polite while conducting business there.

Research Study:-Cultural Difference and Adaptation of Communication Styles in Computer-Mediated Group Brainstorming, Hao-Chuan Wang, Susan R. Fussell, Leslie D. Setlock, 2009)

Supporting creativity via collaborative group brainstorming is a prevalent practice in organizations. Today's technology makes it easy for international and intercultural group members to brainstorm together remotely, but surprisingly little is known about how culture and medium shape the underlying brainstorming process. In a laboratory study, it was examined the influences of individual cultural background (American versus Chinese), group cultural composition (same- versus mixed-culture groups), and communication medium (text-only versus video-enabled chatrooms) on group brainstorming conversations. Cultural differences and adaptation in conversational talkativeness and responsiveness were identified. The text-only medium reduced cultural differences in talkativeness. Working in a mixed-culture group led to cultural adaptation in the communication style of Chinese but not American participants.

CONCLUSION

Culture is a complex term to define precisely. As such, it has a long and complicated history. In most disciplines, the historical tendency has been to connect culture to nationality and ethnic origin. There are many differences between Eastern cultures (Chinese and most Asian cultures) and Western cultures (America and most European cultures), ranging from the type of logic that is used for self-expression to the sense of time during meetings. These differences do not make either culture better or worse than the other one. It just shows their differences which has been created through centuries of history and development. The study found that there are large differences in thinking pattern, value view, group consciousness, negotiation style, benefit consciousness and law consciousness between western and eastern cultures, and these differences largely influence the process and result of negotiation and they are important factors we should consider in the negotiation.

Today, globalization is the norm, and it is important that people go to different countries prepared to do business and behave in a socially acceptable manner. This includes having a sense of communication styles, being aware of body language, learning meeting and negotiation skills, dressing appropriately, giving proper greetings, and learning how social events are conducted. It is best to be sensitive to other cultures and always treat people with respect. Goethe once said, "There is nothing more frightful than ignorance in action." This applies to international business and business people should be aware that informed actions will be appreciated by all.

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PERCEPTION OF THE POLICYHOLDERS TOWARDS SERVICE QUALITY OF THE LIFE INSURANCE CORPORATION OF INDIA IN BANGALORE DIVISION

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ABSTRACT

The life insurance industry in India is one of the hard-core parts of the service sector. It not only provides safety against risk for individuals, but also creates the savings and investment habits among the individuals. The life insurance sector by its nature attracts long-term funds, which are invested in productive heads of the development of the Indian economy. In spite of its greater importance, the awareness and penetration of life insurance is very low. After opening up of the insurance sector to the private players, the GDP from life insurance and its penetration have increased, which reveal that the insurable population is more and there would be more opportunities for any new entrant. In the globalization regime, insurance companies face a dynamic global business environment. Radical changes are taking place owing to the internationalization of activities, the appearance of new risks, new types of covers to match with new risk situations and unconventional and innovative ideas on customer service. In my study, there is no significant relationship among the acceptance level of the respondents belong to different genders, age groups, occupations and income groups towards perceived service quality in LIC of India. The policyholders state that the LIC of India has not been able to provide quick service. A long delay in making available the services to the policyholders may erode the credibility and goodwill as well as policyholders' confidence. Therefore, the business continuity planning should be an integral part of services offerings of the LIC of India.

KEYWORDS

Policyholders, LIC, Insurance, Globalization, Technology, Marketing, Perception.

INTRODUCTION

Today's businesses are facing fierce and aggressive competition while operating in both a domestic and a global market. Most managers and marketers would of course agree that establishing long-term business relationship is essential for development and survival. According to Lewis, the world has never been so interdependent.¹ All trends point to co-operation as a fundamental, growing force in business.² Today marketing is not just developing, delivering and selling, it is moving towards developing and maintaining mutually long-term relationships with customers.³ This new business philosophy is called "relationship marketing", which has attracted considerable interest both from marketing academics and practitioners.⁴ Service quality can be defined as the personal experience of the customer with the service provider. Service quality is playing an increasingly important role in the present environment where there is no further scope for companies to differentiate themselves other than the quality of the service provided by them. Delivering superior service quality than the competitors is the key for the success of any organization. But, the companies face difficulties in measuring the quality of services offered to the customers. Because unlike measuring the quality of goods, the measurement of the quality of services offered by the companies is difficult due to the unique features of the services, viz. intangibility, heterogeneity, and inseparability. Hence, the only way of measuring the quality of services offered by the service provider is the measurement of the customer's perception of the quality of service they are experiencing from their service providers. Academicians and researchers have proposed several approaches to service quality. Some of them are dimensions of service quality, gap analysis, the design approaches and direct application of quality know-how from goods to services. The life insurance industry in India is one of the hard-core parts of the service sector. It not only provides safety against risk for individuals, but also creates the savings and investment habits among the individuals. The life insurance sector by its nature attracts long-term funds, which are invested in productive heads of the development of the Indian economy. In spite of its greater importance, the awareness and penetration of life insurance is very low. After opening up of the insurance sector to the private players, the GDP from life insurance and its penetration have increased, which reveal that the insurable population is more and there would be more opportunities for any new entrant. Life insurance policies and annuities are admirably adopted as accumulation devices and, with careful selection, can be reasonable, long-term savings instruments. Certain selected policies accord life insurance values, special protection against the claims of the creditors of policyholders and beneficiaries. Life insurance can constitute an excellent means of encouraging thrift for many persons. Life insurance may not be regarded as a producer of wealth, but definitely considered a mechanism for distributing funds from the fortunate to the unfortunate few. In fact, life insurance can be an important force in the production of wealth, in that it can relieve the policyholder of worry and increase his or her efficiency. Constant worry can inhibit productivity. The outcomes of life insurance purchase are often delayed, and thus do not allow immediate post-purchase valuation. As such, the consequences of a purchase do not produce an immediate reaction towards overall satisfaction. This situation is more apparent as the future benefits of the "product" purchased are difficult to foresee and take a long time to "prove" its effects.⁵ Infrequent purchase and "usage" of such credence products by consumers would mean an inability or difficulty in forming service expectations due to limited understanding of and familiarity with the service.⁶ A different study by the National Association of Life Underwriters found other important factors such as financial stability of the company, reputation of the insurer, agent integrity and the quality of information and guidance from the agent. Clearly, understanding consumers' expectations of life insurance agent's service is crucial as expectations serve as standards against which service performance is assessed.⁷ Research has shown that the quality of services and the achievement of customer satisfaction and loyalty are fundamental for the survival of insurers. The quality of after sales services, in particular, can lead to very positive results through customer loyalty, positive WOM, repetitive sales and cross-selling.⁸ It is therefore not surprising that measurement of

¹ Lewis, J.D (1991). Competitive Alliances Redefine Companies, Management Review, Vol.80, No.4, pp.14-19.

² Mosad Zineldin (2005). Quality and Customer Relationship Management (CRM) as Competitive Strategy in the Swedish Banking Industry, The TQM Magazine, Vol.17, No.4, pp.329-344.

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⁸ Taylor, S. A (2001). Assessing the Use of Regression Analysis in Examining Service Recovery in the Insurance Industry: Relating Service Quality, Customer Satisfaction and Customer Trust, Journal of Insurance Issues, Vol.24, Nos.1 and 2, pp.30-57.

service quality has generated, and continues to generate, a lot of interest in the industry.⁹ Thus, the service quality requires examination in context of life insurance services.

STATEMENT OF THE PROBLEM

The Indian insurance industry has moved into a more competitive arena with the arrival of private players in the market. In the globalization regime, insurance companies face a dynamic global business environment. Radical changes are taking place owing to the internationalization of activities, the appearance of new risks, new types of covers to match with new risk situations and unconventional and innovative ideas on customer service. The existing insurers are facing difficulties from non-traditional competitors that are entering the retail market with new approaches and through new channels. Quality of service is the main influencing factor in the market but in the insurance market, product attributes are the main factors that influence the success of insurance companies. The service of the life insurance policy effectively takes place when the promise has to be redeemed. In India, insurance started with life insurance. It was in the early 19th century. In 1956, life insurance business was nationalized and LIC of India came into business and enjoyed monopoly till 1999 as private insurance companies started their operation in India. Private players captured a significant market share. But still the insurers had behaved, more as retail seller; target small investors, salaried people and others who wanted to satisfy individual's future goal.

OBJECTIVES OF THE STUDY

The main objective of this study is to examine the perception of the policyholders towards service quality of the LIC of India in Bangalore City. Besides, the study has the following secondary objectives:

1. To study the need and importance of service quality in life insurance in general.
2. To review the various life insurance plans and services of the Life Insurance Corporation of India.
3. To study the perception of the policyholders towards service quality of the Life Insurance Corporation of India in Bangalore City.

RESEARCH METHODOLOGY

TESTING OF HYPOTHESES

The study is based on the formulation of the following null hypotheses.

H₀₁: There is no significant association in the satisfaction level of the policyholders belonging to different socio-economic profiles towards the services of the Life Insurance Corporation of India.

H₀₂: There is no significant relationship among the acceptance level of the respondents belonging to different demographic profiles towards the perceived level of service quality in LIC of India.

SCOPE OF THE STUDY

The scope of the study is assessing the service quality of the Life Insurance Corporation of India in Bangalore City. 25 branches are functioning under two divisional offices of the LIC of India in Bangalore City, namely, Divisional Office, J.C. Road; and Divisional Office, Indira Nagar. Therefore, this study is restricted to these two divisional offices only.

SAMPLING DESIGN

This study is confined to the policyholders of Life Insurance Corporation of India in Bangalore city.

SAMPLING DISTRIBUTION

Place of the Branch	No. of Samples
Basavanagudi	100
Jayanagar	100
Vijaya Nagar	100
M.G. Road	100
Richmond Town	100
Total	500

TOOLS FOR DATA COLLECTION

This study is empirical in nature based on survey method. The first-hand information for this study was collected from the Divisional Offices of the Life Insurance Corporation of India in Bangalore city. As an essential part of the study, the primary data were collected from 500 policyholders. A pilot study was conducted with 25 policyholders. In the light of the experience gained from the pilot study, few changes were incorporated in the revised questionnaire.

LIMITATIONS OF THE STUDY

The present study is concerned with policyholders' perception towards service quality of the LIC of India, rather than how it is reported by the officials of the LIC of India. The study has the following limitations:

1. In any study having the bearing on attitude, incomplete, and non-responses to some questions could not be avoided. However, the researcher took maximum efforts to minimize such errors.

DISCUSSION AND RESULTS

The service quality is a vast subject consisting of a number of dimensions. The most common dimensions of the service quality namely, assurance, empathy, reliability, responsiveness, and tangibility only were studied in this study.

The make use of service quality has gained importance with the aggressive strategies for customer acquisition and retention being employed by insurance companies in today's competitive milieu. Due to globalization, private insurance companies have entered the market and they have brought with them several innovative products. Innovative strategies can help, to a great extent, in achieving the desired results. With the shift from a transaction-centric to a relationship-centric business approach, leveraging service quality has become sine qua non. Insurance companies are increasingly focusing on the promise that policyholders choose on the service provider who differentiates through quick and efficient service. Insurance companies are adopting service quality to converge people, process and products more effectively to embark on the true relationship with the end result of accelerating the business momentum.

⁹ Wells, B. P and Stafford, M. R (1995). Service Quality in the Insurance Industry: Consumer Perceptions versus Regulatory Perceptions, Journal of Insurance Regulation, Vol.13, pp.462-477.

TABLE 1: FACTORS INFLUENCING THE POLICYHOLDERS FOR OPTING INSURANCE POLICY IN LIC OF INDIA

Factors	Level of Acceptance					Total	Mean Score
	Strongly Agree	Agree	Neither Agree nor Disagree	Disagree	Strongly Disagree		
Reputation of the corporation	129 (25.80)	172 (34.40)	92 (18.40)	72 (14.40)	35 (7.00)	500 (100.00)	3.58
Product attributes	169 (33.80)	209 (41.80)	65 (13.00)	36 (7.20)	21 (4.20)	500 (100.00)	3.94
Customer delight	121 (24.20)	221 (44.20)	95 (19.00)	44 (8.80)	19 (3.80)	500 (100.00)	3.76
Payment mode	311 (62.20)	189 (37.80)	0 (0.00)	0 (0.00)	0 (0.00)	500 (100.00)	4.62
Product flexibility	294 (58.80)	205 (41.00)	1 (0.20)	0 (0.00)	0 (0.00)	500 (100.00)	4.59
Risk coverage	150 (30.00)	149 (29.80)	101 (20.20)	58 (11.60)	42 (8.40)	500 (100.00)	3.61
Grace period	110 (22.00)	200 (40.00)	149 (29.80)	25 (5.00)	16 (3.20)	500 (100.00)	3.73
Professional advisor	101 (20.20)	107 (21.40)	138 (27.60)	103 (20.60)	51 (10.20)	500 (100.00)	3.21
Maturity period	258 (51.60)	201 (40.20)	41 (8.20)	0 (0.00)	0 (0.00)	500 (100.00)	4.43
Loan facility	190 (38.00)	219 (43.80)	74 (14.80)	15 (3.00)	2 (0.40)	500 (100.00)	4.16
Overall	183 (35.60)	187 (37.40)	76 (15.20)	35 (7.00)	19 (3.80)	500 (100.00)	3.22

Source: Primary Data.

Table shows the acceptance levels of respondents towards various factors influencing them to opt life insurance policies in LIC of India. Out of 500 respondents, 35.60%, 37.40%, 15.20%, 7% and 3.80% of the respondents strongly agree, agree, neither agree nor disagree, disagree and strongly disagree respectively about various factors influencing them for opting insurance policies in Lic of India. The average acceptance score reveals that payment mode is the most important factor for the respondents to prefer insurance policies in Lic of India (4.62), followed by product flexibility (4.59). However, with regard to professional advice, the respondents assign least importance (3.21).

GENDER AND SATISFACTION TOWARDS SERVICES OF THE LIC OF INDIA

Gender has always been a distinguishing segmentation variable. As far as insurance is concerned, men had greater idea about the insurance products and their significance. Men are more prone to influencing the joint decisions like purchasing a home, or a car owing to their interaction with the external world in general. Although nobody could be little the contribution and significance of the role the women in making critical decisions in the purchase of products, marketers would do themselves a lot of good, if they appeal to the men directly for insurance products. Therefore, it is pertinent to study the association between gender of the respondents and their satisfaction towards services of the LIC of India. The respondents are requested to state their level of satisfaction towards services of the LIC of India and an attempt was made to find out the association between gender and satisfaction.

TABLE 2: GENDER AND SATISFACTION TOWARDS SERVICES OF THE LIC OF INDIA

Gender	Level of Satisfaction					Total	Mean Score
	Highly Satisfied	Satisfied	Neither Satisfied nor dissatisfied	Dissatisfied	Highly Dissatisfied		
Male	138 (38.54)	157 (43.85)	45 (12.56)	16 (4.46)	2 (0.55)	358 (100.00)	4.15
Female	63 (44.37)	42 (29.57)	25 (17.60)	11 (7.74)	1 (0.70)	142 (100.00)	4.09
Total	201 (40.20)	199 (39.80)	70 (14.00)	27 (5.40)	3 (0.60)	500 (100.00)	4.13

Source: Primary Data.

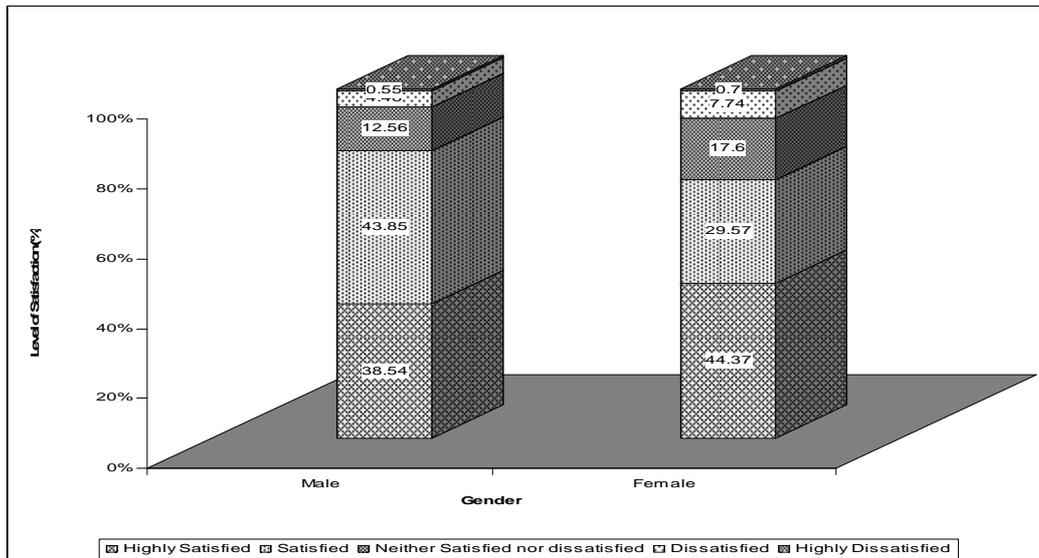
ASSOCIATION BETWEEN GENDER AND SATISFACTION

TABLE 3

Calculated	Chi square value	D.F	Table Value at 5%	Significance
9.963		4	9.488	Significant

The calculated chi square value is (9.963) greater than the table value (9.488) at 5 per cent level of significance. The test is significant. This means that there is a significant association between the satisfaction level of the male and female respondents towards services of the LIC of India in Bangalore City. Therefore, the null hypothesis is (H₀₁) rejected. Further, the average satisfaction score of the male respondents is (4.15) high, followed by the satisfaction score of the female respondents (4.09). Thus, male respondents are more satisfied with the services of the LIC of India in Bangalore City.

FIGURE 1: GENDER AND SATISFACTION TOWARDS SERVICES OF THE LIC OF INDIA



AGE AND SATISFACTION TOWARDS SERVICES OF THE LIC OF INDIA

The relationship between age and satisfaction could be complex. Generally, one would expect that as the person grows older, he would be content with his activities, particularly because of his experience. Age is a very useful demographic variable for distinguishing segment. Therefore, the policyholders from different age groups are requested to state their level of satisfaction towards services of the LIC of India and an attempt was made to find out the association between age and satisfaction.

TABLE 4: AGE AND SATISFACTION TOWARDS SERVICES OF THE LIC OF INDIA

Age (years)	Level of Satisfaction					Total	Mean Score
	Highly Satisfied	Satisfied	Neither Satisfied nor dissatisfied	Dissatisfied	Highly Dissatisfied		
Up to 30	58 (31.18)	89 (47.85)	34 (18.27)	5 (2.68)	0 (0.00)	186 (100.00)	4.07
31-40	93 (46.50)	59 (29.50)	27 (13.50)	18 (9.00)	3 (1.50)	200 (100.00)	4.10
41-50	40 (48.78)	32 (39.02)	6 (7.31)	4 (4.87)	0 (0.00)	82 (100.00)	4.31
Above 50	10 (31.25)	19 (59.37)	3 (9.37)	0 (0.00)	0 (0.00)	32 (100.00)	4.21
Total	201 (40.20)	199 (39.80)	70 (14.00)	27 (5.40)	3 (0.60)	500 (100.00)	4.13

Source: Primary Data.

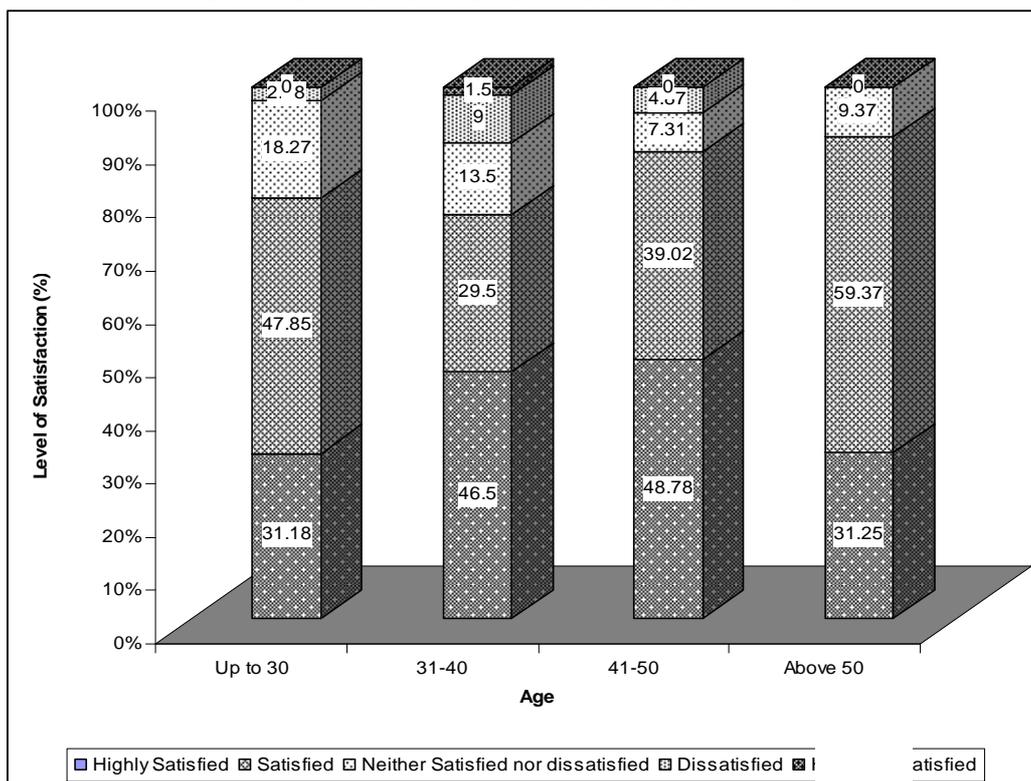
ASSOCIATION BETWEEN AGE AND SATISFACTION

TABLE 5

Calculated	Chi square value	D.F	Table Value at 5%	Significance
38.505		12	21.03	Significant

The calculated chi square value is (38.505) greater than the table value (21.03) at 5 per cent level of significance. The test is significant. This means that there is a significant association among the satisfactions levels of the respondents belong to different age groups towards services of the LIC of India. Therefore, the null hypothesis is (H_{01}) rejected. The mean satisfaction score of the respondents in the age group 41-50 years is (4.31) high, followed by the respondents in the age group above 50 years (4.21). Thus, the respondents in the age group 41-50 years are more satisfied with the services of the LIC of India.

FIGURE 2: AGE AND SATISFACTION TOWARDS SERVICES OF THE LIC OF INDIA



EDUCATION AND SATISFACTION TOWARDS SERVICES OF THE LIC OF INDIA

The predominant literacy group of the sample policyholders is (41.60 per cent) degree qualification. It becomes important to examine how the educational status of the policyholders influences their satisfaction towards services of the LIC of India. Therefore, the respondents from different educational status are requested to state their level of satisfaction towards services of the LIC of India and an attempt was made to find out the association between educational status and satisfaction.

SUMMARY OF FINDINGS, SUGGESTIONS AND CONCLUSION

FINDINGS

- Acceptance levels of respondents towards various factors influencing them to opt life insurance policies in LIC of India. Out of 500 respondents, 35.60%, 37.40%, 15.20%, 7% and 3.80% of the respondents strongly agree, agree, neither agree nor disagree, disagree and strongly disagree respectively about various factors influencing them for opting insurance policies in Lic of India. The average acceptance score reveals that payment mode is the most important factor for the respondents to prefer insurance policies in Lic of India (4.62), followed by product flexibility (4.59). However, with regard to professional advice, the respondents assign least importance (3.21).
- The calculated chi square value is (38.505) greater than the table value (21.03) at 5 per cent level of significance. The test is significant. This means that there is a significant association among the satisfactions levels of the respondents belong to different age groups towards services of the LIC of India. Therefore, the null hypothesis is (H_{01}) rejected. The mean satisfaction score of the respondents in the age group 41-50 years is (4.31) high, followed by the respondents in the age group above 50 years (4.21). Thus, the respondents in the age group 41-50 years are more satisfied with the services of the LIC of India.
- The calculated chi square value is (38.505) greater than the table value (21.03) at 5 per cent level of significance. The test is significant. This means that there is a significant association among the satisfactions levels of the respondents belong to different age groups towards services of the LIC of India. Therefore, the null hypothesis is (H_{01}) rejected. The mean satisfaction score of the respondents in the age group 41-50 years is (4.31) high, followed by the respondents in the age group above 50 years (4.21). Thus, the respondents in the age group 41-50 years are more satisfied with the services of the LIC of India.
- A significant difference is found in the acceptance level of the policyholders between expected and perceived levels towards empathy service quality dimension. The average acceptance score of the policyholders towards empathy is high compared with perceived level. Hence, there exists gap between the expected and perceived levels with respect empathy service quality dimension.
- No significant difference is found in the acceptance level of the policyholders between expected and perceived levels towards responsiveness dimension of the service quality. The average acceptance score of the policyholders with respect to expected level of responsiveness is high compared with perceived level. Thus, there exists gap between the expected and perceived levels of the responsiveness dimension of the service quality in LIC of India.
- There is no significant relationship among the acceptance level of the respondents belong to different age groups, educational status, occupations and number of policies hold towards loyalty with the LIC of India. However, a significant relationship is found among the acceptance level of the respondents belong to different genders, income groups, branches belong to and types of life insurance policies towards loyalty with the LIC of India.

SUGGESTIONS

On the basis of detailed study of the perception of the policyholders towards service quality of the LIC of India, it is clear that service quality plays a vital role in the insurance industry. The various suggestions for improving the service quality of the LIC of India are follows:

1. Policyholder needs and requirements are very much volatile. In changing environment, it is good to look forward by anticipating future. Since the policyholders look for insurance companies with convenience, flexibility having innovative ideas, changing their offerings according to the needs of the policyholders, the LIC of India must know and prepare offers according to the changing environment.
2. There is a need for the insurance services to reaffirm themselves in view of the stiff competition. Therefore, the LIC of India shall have to reorient them in terms of the customer service parameters to instill the concept of quality service in the mind of the policyholders and further in terms of growth.
3. The policyholders state that the LIC of India has not been able to provide quick service. A long delay in making available the services to the policyholders may erode the credibility and goodwill as well as policyholders' confidence. Therefore, the business continuity planning should be an integral part of services offerings of the LIC of India.

4. The LIC of India should focus more on improving the infrastructure. The infrastructure not only involves the information technology input in the branches, regional officers and head office, but also the physical evidence, ambience and layout. This is due to the fact that like in other service organizations, in insurance services also, the internal ambience of the organization has a positive impact on the policyholders.
5. Every one working in the LIC of India must have a clear goal in mind. It is not affordable that the top management is looking towards service quality and middle management looking towards personal interactions and so on. The employees of the LIC of India should never turn their back on the policyholders. They should suggest alternative insurance products to the policyholders' benefit. This can be one way of ensuring "policyholders delight".
6. The policyholders trust the LIC of India since it has existed in the market for a longer period than the private sector insurance companies. The reliability factor is a positive factor for the LIC of India. Therefore, the LIC of India should position them in the market on the basis of this dimension and promote them aggressively. This step will not only help them survive the present onslaught from private sector insurance companies, but also be able to compete in the market.
7. Policyholders are loyal only when the insurance company has a through understanding of their requirements. If the insurance company don't have enough information about policyholders, it is impossible to understand Policyholders' problems. It is recommended that the LIC of India shall keep on tracing the policyholder and get through knowledge about policyholders' problems. Database on various aspects of policyholders' profile such as the type of policy, the period of their association with the LIC of India and the purpose of holding the policy should be crated by the customer care department which should function in every branch and it must develop an excellent total policyholder care programme to suit the specific requirements of its target policyholder. Therefore, it is imperative for the LIC of India to have adequate information about the policyholders, in order to ensure them proper and suitable services.
8. Since, the customer base of the LIC of India is very large, it is important to retain and satisfy those policyholders with the LIC of India. It has become dire need of the hour for the LIC of India to train their employees to treat the policyholders with empathy. This can give the required leading edge and finally, lend competitive advantage to the LIC of India.
9. The LIC of India should establish a separate 'Customer Compliant Monitoring Cell' in each branch. The function of the cell must be to receive, register and classify policyholder complaints and forward them to the respective sections to initiate action, and follow up until the compliant is attended to the satisfaction of the policyholders concerned. Moreover, regular "policyholder satisfaction audit" is to be carried out in each branch of LIC of India to find areas of discrepancies and try to improve the policyholder' perception level. Besides, the LIC of India can appoint young, well educated, dedicated, highly trained and motivated "relationship managers" to improve service quality.

CONCLUSION

In the increasing competition in insurance industry, companies want to differentiate themselves from the competitors and stay ahead in the race. The oldest and leading public sector insurance company i.e. LIC in India has facing very stiff competition from the new players entering the market. LIC of India is facing increased competition on one front and a decline in the market share on the other hand. LIC has always been in the forefront of utilizing its recourses effectively. It has been striving to achieve effectiveness and excellence in its business operations. In case of insurance sector, word of mouth plays a vital role, so keeping this aspect into consideration; insurance player should focus on the service quality. The researcher suggest measures such as special events for policyholders, provisions of prompt service, improvement in infrastructure, improving reliability, creativity and innovativeness, understanding the customers, customer contact programmes, providing up date information, staff involvement, user friendly skills, customer compliant monitoring cell and quality improvement strategy will improve service quality of the LIC of India. If the study provokes the authority concerned to take some positive measures for improving it, the researcher will feel amply rewarded.

SCOPE FOR FURTHER RESEARCH

In the present study, an attempt has been made to examine the perception of the policyholders towards service quality of LIC of India in Bangalore City. Based on the experience, the researcher has suggested a few areas for pursuing further research in future. While conducting this research, some interesting subjects for further research popped-up. There is a lot of scope for the further research to present new ideas concerning service quality of the private sector insurance companies. A further research could focus on expanding the study to other non-life insurance companies and also by expanding the geographic reach of the study. A comparative study on service quality can be done among private and public sector insurance companies. A study can be done to measure the gap between expectation and perception of service quality for public and private sector insurance companies. Studies similar to this, if conducted on a large scale at regular intervals by the researchers, will help insurance companies to improve their service quality in the forthcoming days.

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INTERPERSONAL COMMUNICATION SKILLS OF INDUSTRIAL ENGINEERS: A CASE STUDY

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ABSTRACT

Various studies have been carried out to find the need of Interpersonal Communication Skills in across several professions and how it is impacting individual's performance but these studies did not put much light on its requirement for Industrial Engineers. Therefore it triggers the need for studying the role of Interpersonal communication Skills in Industrial Engineer's profession. To investigate the interpersonal communication skills of industrial engineers, the subjects varying across the fields of IT, Marketing and Operations were given Spitzberg & Cupach's questionnaire that comprises of 18 items on Interpersonal Communication Competence; evaluated on 5 point Likert scale. Factor Analysis was conducted to divide the responses into significant factors. ANOVA was done to differentiate Industrial Engineers coming from several sectors, on the accountability of identified factors. From the study it has been found that Industrial Engineers in SCM/Operations and Marketing firms behave in similar fashion most of the times with above average (4 points on Likert scale of 5) competence in all aspects of Interpersonal Communication Skills but IT Industrial Engineers scored average (3 points on Likert scale of 5) competence level in it. There is a scope of improvement in Interpersonal communication competence of IT Industrial Engineers and further studies can be carried out on how Interpersonal communication competence is impacting Industrial Engineer's performance across various sectors.

KEYWORDS

Interpersonal Communication Competence, Industrial Engineers, Spitzberg & Cupach's questionnaire, Likert scale, ANOVA.

1. INTRODUCTION

Interpersonal Communication Skills is defined as ability of an individual to communicate with others. This requires effective listening, paraphrasing and exchange of information between two or more people. There are several studies which have been reported with reference to Interpersonal Communication skills. My objective of study was to study the Interpersonal Communication competence of Industrial Engineers. For this study was conducted in which Factor Analysis was carried out. It resulted into 4 factors which are in line with what mentioned in Spitzberg & Cupach's Competence model. Furthermore, to strengthen the study Descriptive Analysis and to statistically evaluate it ANOVA is carried out.

Industrial Engineering is Human Effort Engineering and System Efficiency Engineering which is an engineering based management discipline that deals with design of human effort and system efficiency in all occupations: agricultural, manufacturing and service(Rao,2009) .It is concerned with the useful coordination of men, materials and machines in order to achieve desired results in an optimum manner (Lehrer, 1954).As the work has to be carried out by people so engineering knowledge needs to be supplemented by knowledge derived from biological and social sciences(Urwick,1963).

All the above definitions of Industrial Engineering talk about the need of Human effort in various occupations. It stresses on useful coordination of men, material and machines which needs to be supplemented by social sciences.

Interpersonal Communication Skills, being the integral part of social sciences plays a great role in the coordination of men and design of human effort .It is referred to as people skills and the ability to communicate effectively, to handle difficult conversation in such a manner that problems are resolved easily (Roble's Formulation).It is a systematic, unique and a continuous process of interaction between individuals and by individuals who make reflections and build personal knowledge of each other while creating and sharing meanings and forming relationships(Trenholm and Jensen,1992;Fisher and Adams, 1994; Wood 2002).

The above arguments state that there is a need of Interpersonal communication Skills in Industrial engineering field.

2. LITERATURE REVIEW

The purpose of literature review is to explore the need of Interpersonal communication Skills in Industrial engineering and how it is impacting individual's performance. The insights of literature review may be helpful in bringing information that could help in increasing system/organization efficiency. Classic research by Herzberg (1968) demonstrated that a worker's motivation to do excellent work is not tied to pay or benefits. Instead, Herzberg found that motivation is the result of having interesting, challenging work that allows an employee to achieve and to feel recognized. In 1978 a Fortune magazine survey of the top 500 corporate leaders, identified communication as most noted problem. According to monthly newsletter entitled Communication Briefing, ineffective communication results in poor cooperation and coordination, lower productivity, undercurrents of tension, gossip and rumours, increased turnover and absenteeism. There is a potential for conflict, divisiveness, destructiveness, creativity, task accomplishment and friendship when people are brought together to work in a common environment and for a common purpose (Jerry Johnson, 1984). Thomas Swan states that effective communication must have two things happening simultaneously, information must be accurately presented and second, it must be accurately received and interpreted by the listener. Swan also discusses two primary barriers to communications; people sometimes fail to understand the message because they daydream instead of listening to the message. Second, people do not agree with the listener's attitude or beliefs, which may cause dissonance (Swan, 1992, pg.79). Steven Mihelic in his research project Changing Organizational Culture (1995) states that communication is a vital part in the changing of process and culture. He also emphasizes that communication must be meaningful and sincere. He goes on to say that people must be listened to and believe that their input is of value (Mihelic, 1995 pg.13).An organization with constant interpersonal relationship failures, will have trouble meeting basic department goals and objectives (Ozog, 1996, p.14). Ozog goes on to state there are situations that hampers or create friction in interpersonal relationships, and he lists several causes:

- Unclear performance standards can create an atmosphere destined for trouble.
- The ability to maintain effective relationships will be difficult if individuals have had past problems.
- Employee stress is increased when the department has no clear mission; no one knows what other team members are doing.
- Top down management philosophy destroys trust needed for good interpersonal communication.
- Unclear communication process creates miscommunications, which hamper completion of projects.

- Ozog goes on to explain most managers that they must communicate on a daily basis and it is essential that they plan and practice responses prior to specific situations. He offers the following guidelines to assist in planning your response.
- It is essential to take the time to gather your thoughts before you respond.
- Never attempt to communicate when you are angry.
- Be prepared to give specific and honest feedback in interactions, which may be difficult, if the information is not favourable to the receiver.
- Avoid scare or pressure tactics in interactions.
- Be consistent when dealing with people, it is essential for building interpersonal relationships.
- Follow through on all commitments and admit when you make a mistake.
- When providing discipline, constructive criticism, do it in private and respect confidentiality (Ozog, 1996, pg.15).

Poor communication results into poor morale and incomplete work assignment (Metcalf, 1999). (Sandelands and Boudens, 2000) demonstrated that “the meaning of work derives from the connections with co-workers, not from the work itself”. They concluded that workers perform better when they are happily engaged in what they do. It has been found that employees who energized co-workers with better performance evaluations got promoted faster (Cross and Parker, 2004). (Lim, Cortina, and Magley, 2008), taking a different track in their research, found that incivility and feelings of disrespect negatively affected job satisfaction and attitude toward work. Beyond effecting workers’ emotions, interpersonal relationships can affect career paths. That is, companies often reward employees who have positive influences on co-workers’ attitude toward work. (Reinsch and Gardener, 2011) reported the results of a national survey of senior business executives citing that employees with strong interpersonal skills are most likely to be considered for promotions. The work environment has long been recognized as having a profound effect on employee performance. Workers’ attitudes toward their managers, co-workers, and organizations are usually reflected in their output. In *The Progress Principle: Using Small Wins to Ignite Joy, Engagement, and Creativity at Work*, (Amabile and Kramer, 2011) describe the effects of employee engagement in detail. They studied 238 professionals in seven different companies in three industries, charting the employees’ psychological state each day for 2 years, as reflected in electronic diary entries. Their analysis revealed the subject’s “inner work lives” - perceptions, emotions, and motivations that they experienced as they made sense of their work-day. The study found that employees’ inner work lives influenced performance on four dimensions: creativity, productivity, work commitment, and collegiality.

3. NEED OF STUDY

Interpersonal Communication skills are relevant in various professions but these studies did not put much light on its requirement for Industrial Engineers. Therefore it triggers the need for studying the role of Interpersonal communication Skills in Industrial Engineer’s profession.

4. OBJECTIVES OF STUDY

1. To study Interpersonal Communication Skills among Industrial Engineers working in different sectors.
2. To factor analyse and validate the tool used for the above study.
3. To make appropriate recommendations in lieu of above findings.

FIGURE 1: YEAR WISE SEGMENTATION OF RESEARCH INSIGHTS ON INTERPERSONAL COMMUNICATION SKILLS

Year	Author	Research Insights
1968	Herzberg	Motivation is the result of having interesting, challenging work that allows an employee to achieve and to feel recognized and is not tied up to pay and benefits
1978	Fortune Magazine survey	Among top 500 corporate leaders, communication was identified as most noted problem.
1984	Jerry Johnson	There is a potential for conflict, divisiveness, destructiveness, creativity, task accomplishment and friendship when people are brought together to work in a common environment and for a common purpose
1992	Swan	Effective communications must have two things: information must be accurately presented and it must be accurately received and interpreted by the listener
1995	Steven Mihelic	Communication is a vital part in the changing of process and culture
1996	Ozog	An organization with constant interpersonal relationship failures, will have trouble meeting basic department goals and objectives
1999	Metcalf	Poor communication results into poor morale and incomplete work assignment
2000	Sandelands and Boudens	The meaning of work derives from the connections with co-workers, not from the work itself
2004	Cross and Parker	Employees who energized co-workers were given better performance evaluations and were promoted faster
2008	Lim, Cortina, and Magley	Incivility and feelings of disrespect negatively affected job satisfaction and attitude toward work
2011	Reinsch and Gardener	Employees with strong interpersonal skills are most likely to be considered for promotions
2011	Amabile and Kramer	Employees inner work lives influenced performance on 4 dimensions: creativity, productivity, work commitment, and collegiality.

5. RESEARCH METHODOLOGY

For the purpose of Interpersonal Communication Competence, *Spitzberg & Cupach’s* presented a tool that comprises of 18 items evaluated on 5 point Likert scale. The scale is presented below:

FIGURE 2: LIKERT SCALE

1	2	3	4	5
Strongly Disagree	Slightly Disagree	Unsure	Slightly Agree	Strongly Agree

Study was conducted using *Spitzberg & Cupach’s* questionnaire. For the purpose of collecting the data personal mails were sent to more than 50 Industrial Engineers. Also effort was done to communicate with respondents through Facebook groups. Hard Copy of Questionnaire was sent to NITIE faculties who are Industrial Engineers. Only 45 responses were collected and 30 qualified for the purpose of our evaluation, remaining 15 were rejected on the grounds of inadequacy of data or incomplete information.

Factor Analysis was conducted using SPSS 16. ANOVA was done to differentiate Industrial Engineers coming from several sectors, on the accountability of identified factors.

6. RESULTS AND DISCUSSIONS

Factor Analysis on 30*18 respondents was conducted using Principal Component method and varimax with Kaiser Normalized Rotation using SPSS 16. The KMO measure of sample inadequacy was found to be 0.578 and is significant. The cumulative total variance explained was found to be 72.94% indicative of having 4 factors out of 16 eligible items. Out of 18 items only 16 items were retained and 2 items were rejected due to cross loadings.

Extraction value ranges from 0.827 to 0.515. The adequate internal consistency of the 4 factors with Cronbach Alpha was 0.83, 0.79, 0.79 and 0.74 respectively. These factors were named as:

1. Involvement in Conversation
2. Reflection
3. Openness and Adaptability
4. Ability to Communicate

1. **Involvement in Conversation:** Items (4, 6, 18, 11, and 7) are included under it which describes involvement and explains one’s choice of being involved with others and showing empathy towards others.
2. **Reflection:** Items(12, 16, and 5) are included under it which describes understanding of others by reflecting their thoughts and feelings to them and one’s appropriateness in communication
3. **Openness and Adaptability:** Items (10, 2, 8, 9, and 7) are included under it which describes enough knowledge and experiences to adapt to others’ expectations, understanding other people’s viewpoints and to manage the tone of conversation.
4. **Ability to Communicate:** Items (14, 13, and 3) are included under it which describes wide range of behaviours, including self-disclosure and wit, to adapt to others and one’s motivation to obtain the conversational goals.

All the above 4 factors extracted from our study are aligned with what explained in *Spitzberg & Cupach’s* Competence model.

The rotated component matrix is presented in figure 1 below:

FIGURE 1: ROTATED COMPONENT MATRIX

		Rotated Component Matrix(a)					
		Component					
SN	Items	1	2	3	4	5	Cronbach Alpha
1	VAR00004	0.827	0.131	-0.129	0.125	0.128	0.83
	VAR00018	0.773	0.12	0.259	0.139	-0.17	
	VAR00006	0.768	0.315	0.244	-0.012	-0.046	
	VAR00011	0.648	0.355	0.408	0.117	-0.013	
	VAR00007	0.604	0.571	0.122	0.212	-0.154	
2	VAR00012	0.168	0.8	0.063	0.116	0.131	0.79
	VAR00016	0.404	0.771	0.173	-0.054	0.003	
	VAR00005	0.364	0.542	0.321	0.195	0.339	
3	VAR00010	0.26	0.35	0.768	-0.052	-0.084	0.79
	VAR00002	0.076	-0.065	0.666	0.313	0.17	
	VAR00008	-0.013	0.262	0.665	0.317	-0.11	
	VAR00009	0.485	-0.489	0.618	-0.033	0.181	
	VAR00017	0.409	0.199	0.515	0.437	0.16	
4	VAR00014	0.125	0.048	0.077	0.883	0.054	0.74
	VAR00013	-0.022	0.05	0.298	0.784	-0.037	
	VAR00003	0.435	0.181	0.07	0.612	0.312	
5	VAR00015	-0.008	0.193	0.095	0.212	0.793	DROPPED
	VAR00001	0.216	0.476	0.136	0.306	-0.579	
Extraction Method: Principal Component Analysis.							
Rotation Method: Varimax with Kaiser Normalization.							
a. Rotation converged in 11 iterations.							

The component factor matrix shows negative correlations or weak positive correlations in most of the cases explaining independence from each other. The details are presented in figure 2.

FIGURE 2: COMPONENT TRANSFORMATION MATRIX

		Component Transformation Matrix			
Component	Involvement	Reflection	Openness and Adaptability	Ability to communicate	
Involvement	0.638	0.48	0.468	0.374	
Reflection	-0.321	-0.493	0.417	0.321	
Openness and Adaptability	-0.44	0.596	-0.429	0.515	
Ability to communicate	0.4	-0.153	-0.502	0.032	
Extraction Method: Principal Component Analysis.					
Rotation Method: Varimax with Kaiser Normalization.					

To strengthen our findings the descriptive analysis has been presented in figure 3 below:

FIGURE 3: DESCRIPTIVE ANALYSIS

		N	Mean	Minimum	Maximum
INVOLVEMENT	SCM/OP's	17	3.8588	1.4	4.8
	IT	9	3.2	1	4.2
	Marketing	3	4.4	4	5
	Others	1	3.4	3.4	3.4
	Total	30	3.7	1	5
REFLECTION	SCM/OP's	17	3.7843	1.33	4.67
	IT	9	3.4815	1.33	4.67
	Marketing	3	3.8889	3.33	4.33
	Others	1	4.6667	4.67	4.67
	Total	30	3.7333	1.33	4.67
OPENNESS AND ADAPTABILITY	SCM/OP's	17	3.6588	2.6	4.8
	IT	9	3.1778	1.6	4.6
	Marketing	3	4.0667	3.4	4.4
	Others	1	3.6	3.6	3.6
	Total	30	3.5533	1.6	4.8
ABILITY TO COMMUNICATE	SCM/OP's	17	3.6471	1.67	5
	IT	9	3.1111	2	4.67
	Marketing	3	4.1111	3	4.67
	Others	1	3.3333	3.33	3.33
	Total	30	3.5222	1.67	5

All Industrial Engineers in SCM/Op's and Marketing firms slightly agree in terms of their involvement in communication whereas Industrial Engineers in IT firms are unsure about their involvement in communication.

All Industrial Engineers in SCM/Op's and Marketing firms slightly agree in terms of their Reflection whereas Industrial Engineers in IT firms are unsure about their Reflection factor of communication.

All Industrial Engineers in SCM/Op's and Marketing firms slightly agree in terms of their Openness and Adaptability whereas Industrial Engineers in IT firms are unsure about their Openness and Adaptability factor of communication.

All Industrial Engineers in SCM/Op's and Marketing firms slightly agree in terms of their Communicational Ability whereas Industrial Engineers in IT firms are unsure about their Communicational Ability factor of communication.

From all the above discussion it has been found that Industrial Engineers in SCM/Operations and Marketing firms behave in similar fashion most of the times with above average (4 points on Likert scale of 5) competence in all aspects of Interpersonal Communication Skills but IT Industrial Engineers scored average (3 points on Likert scale of 5) competence level in it.

For the purpose of statistical evaluation ANOVA was conducted as shown in figure 4 below:

FIGURE 4: ANOVA

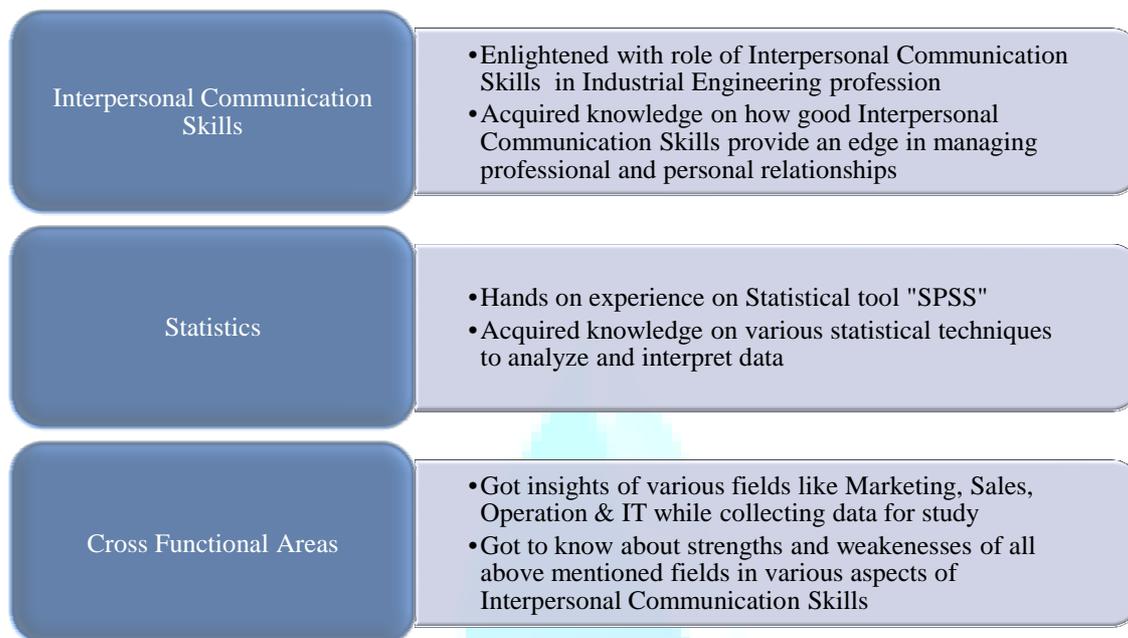
		Sum of Squares	df	Mean Square	F
INVOLVEMENT	Between Groups	4.239	3	1.413	1.665
	Within Groups	22.061	26	0.849	
	Total	26.3	29		
REFLECTION	Between Groups	1.559	3	0.52	0.514
	Within Groups	26.308	26	1.012	
	Total	27.867	29		
OPENNESS AND ADAPTABILITY	Between Groups	2.251	3	0.75	1.397
	Within Groups	13.963	26	0.537	
	Total	16.215	29		
ABILITY TO COMMUNICATE	Between Groups	2.862	3	0.954	1.141
	Within Groups	21.734	26	0.836	
	Total	24.596	29		

The value of *f* for Involvement, Reflection, Openness and Adaptability and Communicational Ability were found to be 1.665, 0.514, 1.397 and 1.141 respectively and is insignificant. Hence it is inferred that Interpersonal Communication skills does not affect the Industrial Engineers working in different sectors. However, it is because of inadequate sample size. Therefore, in future we shall repeat same studies with increased sample size.

7. FINDINGS

The learning from this case study covered various fields which are described below in figure 5:

FIGURE 5: FINDINGS



8. SCOPE FOR FUTURE RESEARCH

1. Interpersonal Communication Competence of Industrial Engineers can be studied in detail with more division in terms of gender, age and sector. Then these competences can be further compared to figure out which particular sector, age group, gender requires more attention towards improvement.
2. Study can bring better results if carried out on a large data set.

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APPENDIX

APPENDIX

Spitzberg & Cupach's Questionnaire consisting of 18 items is given below:

1. I want to adapt my communication behaviour to meet others' expectations.
2. I have enough knowledge and experiences to adapt to others' expectations.
3. I use a wide range of behaviours, including self-disclosure and wit, to adapt to others.
4. I want to be involved in the conversations I have with other people.
5. I know how to respond because I am perceptive and attentive to others' behaviours.
6. I show my involvement in conversation both nonverbally and verbally.
7. I want to make my conversations with others go smoothly.
8. I know how to change topics and control the tone of my conversations.
9. It is easy for me to manage conversations the way I want them to proceed.
10. I want to understand other people's viewpoints and emotions.
11. I know that empathy means to try to see it through their eyes and feel what they feel.
12. I show my understanding of others by reflecting their thoughts and feelings to them.
13. I am motivated to obtain the conversational goals I set for myself.
14. Once I set an interpersonal goal for myself, I know the steps to take to achieve it.
15. I successfully achieve my interpersonal goals.
16. I want to communicate with others in an appropriate manner.
17. I am aware of the rules that guide social behaviour.

18. I act in ways that meet situational demands for appropriateness.

It then finds out Interpersonal Communication Competence of Industrial Engineers through following parameters:

1. **Adaptability:** Examine your scores on items 1, 2, 3.
These scores reflect your ability to change behaviours and goals to meet the needs of the interaction, also known as "flexibility".
2. **Conversational Involvement:** Examine your scores on items 4, 5, 6.
These scores reflect your ability to become cognitively involved in the conversation and demonstrate involvement through interaction behaviours like head nods, vocal cues, etc.
3. **Conversational Management:** Examine your scores on items 7, 8, 9.
These scores reflect your ability to regulate conversation through controlling the topic, adjusting to a change in topic, interrupting, and asking questions.
4. **Empathy:** Examine your scores on items 10, 11, 12.
These scores reflect your ability to show your conversational partner that you understand his/her situation or that you share his/her emotional reactions to the situation.
5. **Effectiveness:** Examine your scores on items 13, 14, 15.
These scores reflect your ability to achieve the objectives you have for conversation.
6. **Appropriateness:** Examine your scores on items 16, 17, 18.
These scores reflect your ability to uphold the expectations for a given situation by behaving in ways other people expect of you. If you achieve your goals, but violate the expectations the other has for you and your relationship, then you are less than competent.

ADDITIONAL PARAMETERS

1. **Motivation:** It is desire to approach or avoid conversation and social situations. Your goals (what you want and with whom) motivate you to act. Your confidence or lack of confidence that you will be successful affects your motivation, as well.
2. **Knowledge:** It involves knowing how to act. Once you decide to pursue a conversational goal, you construct plans to obtain it. Previous experience and/or observing others inform your knowledge of what constitutes a workable plan.
3. **Skill:** It involves the behaviours actually performed. You might be motivated and knowledgeable about how to act in the particular situation, but lack some basic skills.

AN INVESTIGATION INTO DEFICIENCIES IN STRATEGIES OF MANAGING EMPLOYEE DIVERSITY IN THE HOSPITALITY INDUSTRY IN KENYA: A SURVEY OF SELECTED HOTELS IN MOMBASA COUNTY

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ABSTRACT

This study looks into the existing strategies of managing diversity in the Hotel Industry. Workforce diversity means the extent of heterogeneity of workforce demographics of visible characteristics like race, religion, gender, disability, age, education, skills and ethnic composition of the workforce. Organizations have revitalized the concept of diversity to specifically focus on the intangible aspects of the organization. Diversity in an organization's context is the extent to which a firm values and tolerates differences, recognizes, evaluates and rewards individual's different viewpoints, which in turn, contribute to a rich cognitive pool of ideas, experience and knowledge. Diversity in the hotel industry is by no means an exception. This study was conducted through a purposive sampling of 3-star rated hotels within Mombasa County. The study aimed at establishing the existing strategies and how effective they are adhered to besides establishing the challenges experienced by employees and management in the course of managing diversity. Data was collected using a questionnaire whose analysis was done using descriptive statistics of frequency distribution and percentages as well as inferential statistics involving correlation. It was found that employees are aware of diversity strategies. The study also showed that most of the respondents agreed being content with strategies of managing diversity.

KEYWORDS/ABBREVIATIONS USED

IBM	:	International Business Machine
HRM	:	Human Resource Manager
USA	:	United States of America
UK	:	United Kingdom
IT	:	Information Technology
WW II	:	World War Two

1. INTRODUCTION

1.1 BACKGROUND OF THE STUDY

Teicher and Spearitt (1996) demonstrate how diversity promoting initiatives that have traditionally sought and supported equal opportunities are being replaced with those advocating practices associated with the new diversity management. Organizations that learn to accommodate and manage diversity can accrue a variety of benefits. Cox (1991) argues that the successful management diversity can have positive impact on both tangible measures of organizational effectiveness, for example cost and resource acquisition and intangible dimensions such as creativity and problem solving capabilities. Workforce diversity is often measured by Blau's (1977) index of heterogeneity of selected workforce demographics (Richard 2000). These demographics make it clear that predicting social category processes are important determinants of co-operation and competition simply knowing that a person belongs to one's own demographic group is sufficient to trigger inn group categorization and co-operation (Oakes et al 1994). Robinson and Dechant (1997) have shown not only that making room for diversity is politically correct or ethically commendable, but that it is possible to build a compellingly rationale case for the effective accommodation of diversity at work. This leads to a more managerially focused set of ideas that are articulated in a variety of broadly similar ways such as learning to work with different people (Iles, 1995). Therefore, organizations need to put in place sound management of diversity strategies. Mombasa County is at the heart of hospitality industry; therefore it enjoys the existence of well-established network of different categories of hotels. It is in this background that five three star hotels have been purposively sampled in this survey.

2. REVIEW OF LITERATURE

This discusses both the theoretical and empirical reviews regarding issues of diversity at work place.

2.1 THEORETICAL REVIEW

According to social identity theory, it is predictable that people will exhibit a favourable bias toward others who are viewed as members of their in group and they will view themselves as being in conflict with out – group members (Turner and Haslam, 2001). Social identity theory is clear in predicting that social categories processes are important determinants of co-operation and competition simply knowing that a person belongs to one's own demographic group is sufficient to trigger inn group categorization and co-operation (Oakes et al 1994).

Heuristics theory involves stereotypes, prejudice and bias resulting from demands to process vast quantities of information essentially the categorization from attributes like the demographic characteristics (Falkenberg 1990), are often based on perceived stereotypes individuals manage their limited capacities for cognitive processes by deriving stereotypes as a heuristic or rule of thumb (Frisky and Taylor, 1991). Therefore stereotypes are often used to define group membership and to predict behaviour.

Park's theories of race relations illustrate the doctrine off obstacles and the criticism existing among generational groups. It touches on cycle of contact beyond race and gender; unleashing the power by one's total workforce by managing diversity.

2.2 EMPIRICAL REVIEW

De Cenzo and Robinson (2007) posit that many organizations today have workforce diversity programs. They tend to hire, promote, and retain minorities; and provide diversity training for employees. Some like Coca-cola, Motorola and Mars actually conduct cultural audits to ensure that diversity is pervasive in the organization. They continue to elucidate their position by asserting that to waste assets, and that is not bad business, it is the kind of thinking that today, in our competitive marketplace, will put a business out of business.

Equal opportunity is providing level playing field on which all can compete on equal terms (Torrington and Taylor, 2005). The equal opportunities approach seeks to influence behaviour through legislation so that discrimination is prevented. It has been characterized by a moral and ethical stance promoting the rights of all members of society (Jewson and Mason, 1986).

Culture is basically reviewed on the basis of nationality, but given the polyglot nature of many countries, Hofstede (1980) a Dutch social psychologist, noted that people from different cultures are different. It is on the basis of such differences, which build the rationale for investigating into the strategies of managing diversity. Cultural bias includes both prejudice and discrimination.

2.3 CRITIQUE OF THE EXISTING LITERATURE

As can be observed from the literature review, Turner and Haslam, (2001) noted that people see those that have some aspects of similar semblance as emerging from one group. They however did not show cause how diversity strategies played a role in persons not having similar characteristics. Equally, while Falkenberg (1990) expressed opinion on diversity strategies and the existence of stereotypes, he failed to shed light on how diversity could be made sweeping given differences in prejudice among individuals.

Insofar as the empirical literature was concerned, De Cenzo and Robinson (2007) alluded to the realism of diversity strategy programs in the workforce. But they did not explicitly denote what and how attributes of diversity led to this. The purpose of this study was thus to investigate deficiencies in strategies of managing employee diversity in the hospitality industry in Kenya.

3. IMPORTANCE OF THE STUDY

The findings would help provoke HRMs to do more in ensuring diversity. The Human Resources Department in particular will aid adopt strategies that would work well for managing diversity. Service providers in hospitality sector will benefit by appreciating the values, customs different opinions and expectations of their customers. They will revive diversity strategies and make them part of their business profitability.

4. STATEMENT OF THE PROBLEM

Globalization has made the world a global village hence making management of human diversity more dynamic. This internalization has made organizations to have workforce from different cultural backgrounds hence a need to have efficient strategies of managing diversity (Francis, 2012).

But managing these strategies has not been easy (Alfred, 2011). Similar scenarios have emerged with the revival of the East African Community that has opened doors to nationals from the region. This has brought people with different cultures, religion, and expectations into the melting pot of the firm. Consequently, strategies advocated to accommodate diversity has not been without hurdle (Onyango, 2012).

While much discussion has been devoted to organizational diversity, less attention has been given to issues associated with strategy deficiencies of managing diversity within organizations (Guire et.al., 2007). Managers globally are experiencing problems managing workers of different generations with different approaches to work. In Kenya for instance, women seem to continue being marginalized even with government legislation of gender equality (Mukhongo, 2013). There appears lack of information or research on adherence to the regulation hence the information gap. There was need therefore to investigate efficiency in strategies of managing diversity issues in the beach hotels in Mombasa County.

5. OBJECTIVES OF THE STUDY

5.1 GENERAL OBJECTIVE

The broad objective of this study was to assess strategies used in managing diversity in the corporate setting.

5.2 SPECIFIC OBJECTIVES

The specific objectives of this study were:

1. To identify the efficiency of the existing strategies of managing diversity in hotels.
2. To determine the challenges that institutions face in managing diversity.
3. To identify the best practices applied in managing diversity at hotels in Mombasa County.

6. RESEARCH METHODOLOGY

6.1 INTRODUCTION

The research methodology adopted guided the conduct and procedure of this study. It covered inter alia the research design, target population, data collection method and data analysis and presentation.

6.2 RESEARCH DESIGN

The exploratory descriptive survey was used in the study. This design involved studying issues of diversity and inefficiencies in the strategy of managing diversity. This research design targeted employers and employees. They were able to respond to the items in the questionnaires in their places of work and had an opportunity to give the views on the different strategies of managing diversity as applied in their organization.

6.3 TARGET POPULATION

The target population of the study comprised five three-star rated beach hotels, both private and public within Mombasa County. The following sufficed:-

TABLE 6.1: TARGET POPULATION

Name of Hotel	No of Employees Available	No. of Managers Available	Total
Mombasa Beach	130	9	139
Bahari Beach	119	7	126
Reef Hotel	100	6	106
Indiana Beach	110	6	116
Voyager Beach	260	7	267
Total	719	35	754

SOURCE: Kenya Union of Domestic Hotels, Educational Institutions, Hospitals and Allied Workers (2014)

6.4 SAMPLE SIZE

The sample was purposively selected to include seven hundred and nineteen workers and thirty five managers. The sample size was then be compelled to ten percent of each category to give seventy two workers and five managers.

TABLE 6.2: SAMPLE SIZE

Name of Hotel	Population of employees	Ratio	Sample Employees (n)	Population of Managers	Ratio	Sample Managers (n)
Mombasa Beach	130	0.10	13	9	0.10	1
Bahari Beach	119	0.10	12	7	0.10	1
Reef Hotel	100	0.10	10	6	0.10	1
Indiana Beach	110	0.10	11	6	0.10	1
Voyager Beach	260	0.10	26	7	0.10	1
Total	719	0.10	72	35	0.10	5

6.5 DATA COLLECTION

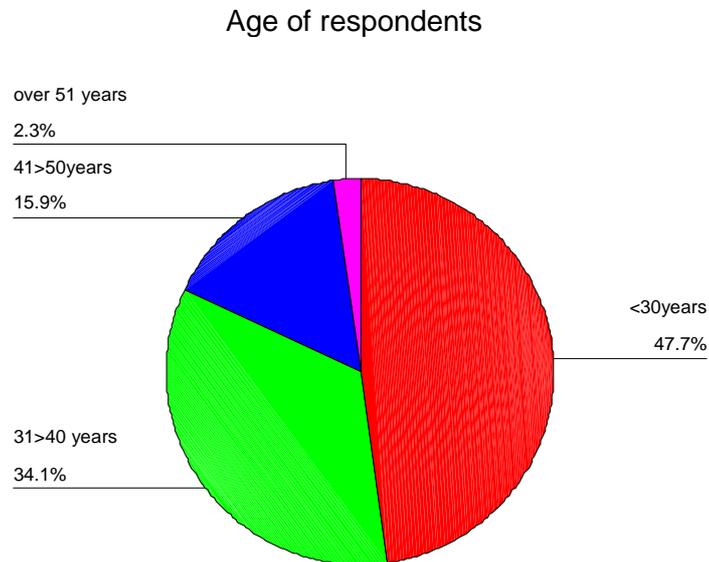
Data was collected from each of the respondent from the purposively selected hotels by use of two questionnaires; one for managers and another one for employees. Each of the Questionnaires had both close ended and open questions on existing strategies of managing diversity.

7. RESULTS AND DISCUSSION

7.1 GENDER

The gender of the respondents was 66% males and 34% females. Out of these, almost half of the respondents fell in the category of 30 years and below.

FIG. 7.1: AGE DISTRIBUTION



7.2 GENERAL DEMOGRAPHICS

FIG. 7.2: DISTRIBUTION OF MALE ACADEMIC QUALIFICATIONS BY AGE

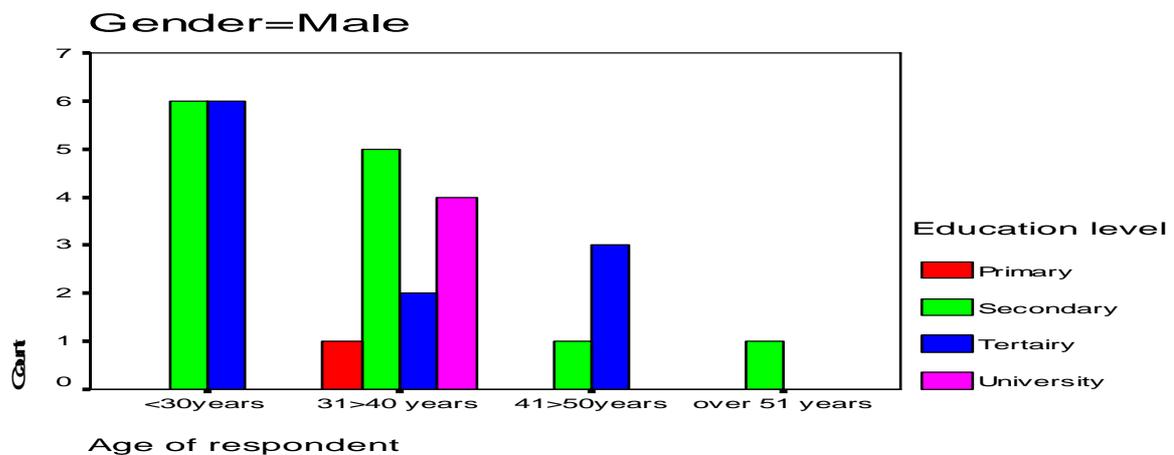
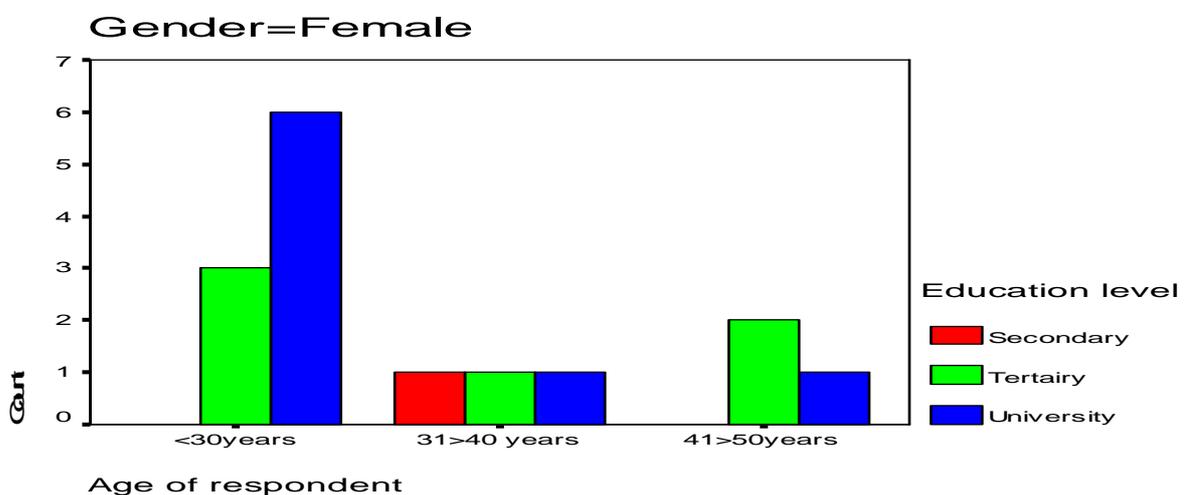


FIG. 7.3: DISTRIBUTION OF FEMALE ACADEMIC QUALIFICATIONS BY AGE



Apparently, the only group that had had a university education is that between 31 and 40 years. It is the same group that had respondents who only reached primary level of education. A negligible number of the females had university education and none was of primary level of education.

TABLE 7.1: INFERENTIALS FOR THE VARIABLES OF AGE, GENDER, EDUCATION LEVEL AND JOB CATEGORY OF RESPONDENTS

	Mean	Std. Deviation
	Statistic	Statistic
Age of respondent	1.73	0.85
Gender of the respondent	1.34	0.48
Education Level of respondent	2.93	0.79
Respondent's Job Category	3.16	1.02

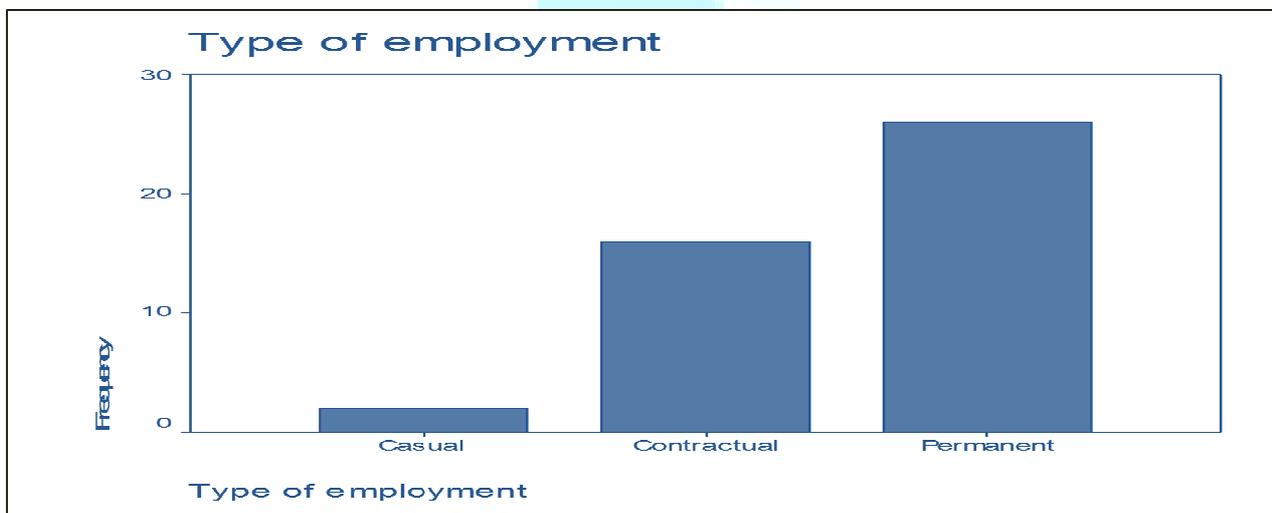
Most respondents are of a mean age of between 31 and 40 years. The gender of respondents was predominantly female with a mean of 1.34. As for the education level, the mean of 2.93 indicates that most of the respondents had reached tertiary level of education. Most respondents also came from among the middle level management with a mean of 3.16.

TABLE 7.2: YEARS OF SERVICE IN CURRENT HOTEL

Years of service in current hotel	Total
Mean number of working years	5.43
Median	3.00
Std. Deviation	4.66

The table reveals the mean number of years served as 5.43. This mean had a particularly high deviation of 4.66 years, perhaps due to the fact that 66% of respondents had worked for 5 years and below yet a few had clocked huge periods of service with the highest doing 21 years.

TABLE 7.4: TYPE OF EMPLOYMENT



From the study, the type of employment agreement that the respondents fall under are Casuals 5%, those on Contract 36% and those on Permanent employment 59%. This is a positive connotation since the hotel industry has been assumed to have more staff who are not permanent given the seasonal nature of operations.

7.3 DIVERSITY AND PERFORMANCE

TABLE 7.3: DIVERSITY AND RECRUITMENT

Diversity and recruitment statements	Mean	Std. Dev.
Top management support minority recruitment	3.57	1.02
Current job description and selection processes reflect minority's needs	3.39	1.28
Minority employees are present on selection committees	3.05	1.45
The hotel policies aimed at attracting minority employees	3.34	1.41
Presence of minority employees in HR department	3.25	1.26
Special consideration for minority employees	3.20	1.53

From the results, it is evident that the senior managers to a large extent are in agreement with all assertions of the presence and support of diversity practices in their organizations. 'Top management support minority recruitment' and 'Current job description and selection processes reflect minority's needs' with both cases cumulatively pegged at 75%.

TABLE 7.4: DIVERSITY MANAGEMENT STRATEGIES

Diversity management strategies statements	mean	Std. Dev.
Equal opportunities	3.27	1.23
Recruitment practices	3.16	1.26
Racial / Ethnic balance	3.05	1.33
Promotion practices	2.98	1.19
Cultural diversity	2.84	1.18
Gender balance	3.32	1.33
Age balance	3.36	1.16

The respondents seem to have a positive view as regards 'Equal opportunities', 'Recruitment practices', 'Gender balance' as well as 'Age balance'. The same cannot be said of 'Promotion practices'. Opinion on 'management strategies', 'Racial/ Ethnic balance' and 'Cultural diversity' were not significant as to affect performance in relation to diversity.

TABLE 7.5: MANAGERIAL STRATEGIES

Managerial challenges		High	Moderate	Low
Challenges impacting on Managerial function due to workforce diversity	Rate of absenteeism	25%	50%	25%
	Level of conflicts	0	75%	25%
	Increase in Training costs	25%	25%	50%

The results indicate that 'Rate of absenteeism' does not pose a major challenge to those at the managerial level in managing their workforce just as the case with 'Level of conflicts'. However, it seems that those at the management level do not see a significant impact towards their work as the 'Increase in Training costs' of the workforce is rather low. This phenomenon could be as a result of the organizations not focusing on training their staff on matters related to diversity at the workplace.

8. FINDINGS

8.1 SUMMARY

In the growing globalization and changing legislation, hotel industry needs to be proactive in the strategies of managing diversity. Hotels studied seemed to be within the legislative requirement of thirty percent female adherence in recruitment though some departments like Accounts had no single female employee in the five hotels studied.

Respondents seemed to agree with the diversity strategies namely 'minority representation' in which respondents who 'Agreed' with the statements were all above the majority, while those who 'Disagreed' were in the minority, which translated to a ratio of four to one in favour of those who supported the view.

From the data analyzed the results indicated that a majority of the respondents are Christians with those professing Islam and African Traditional religion comprising of negligible numbers. This perhaps requires further investigation since the area within which the study was carried out is predominantly occupied by Muslims.

9. RECOMMENDATIONS

- There is need for diversity awareness and training in diversity management issues which are lacking in the hotel organizations.
- Existing gains need to be consolidated and reinforced through affirmative action so as to fortify the concept and practice of diversity management preferably through articulating and putting in place diversity management policies inter alia to maintain staff and advocate for loyalty to their employers.
- Both senior management and subordinate staff at various levels in hierarchy need to undergo team building exercises every once in a while to curtail any simmering tensions that could emanate from misgivings, misunderstanding and stereotypical tendencies arising out of hotchpotch misapprehension and misconception.

10. CONCLUSION

There are numerous benefits that emerge when diversity is exhibited in firms and institutions. These do not preclude benefits to humanity apart from the organisations themselves. Unity needs to be cultured in the face of diversity for performance and productivity to increase to expectations. This is a certain affair but that requires time, effort and patience.

11. LIMITATIONS

The following limitations were faced during the study.

1. While the number of respondents was adequate, generalizability is limited to only respondents in three star rated hotels within Mombasa County.
2. The study excluded other stakeholders in different parts of the country.

12. SCOPE FOR FURTHER RESEARCH

More research needs to be carried out on reasons hindering the implementation of diversity policies.

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APPENDICES

APPENDIX I: QUESTIONNAIRE TO EMPLOYEES

A: BACKGROUND INFORMATION

Please tick or fill in the most appropriate responses.

1. Age of respondent:
 <30 years 31>40 years 41>50 years over 51 years
2. Gender:
 Male Female
3. Education level:
 Primary Secondary Tertiary University
4. Job Category:
 Senior Manager Middle Level Manager Supervisor Staff
5. Department:
 Front Office Marketing Human Resource Maintenance Food and Beverage Housekeeping Accounts
 Other, please specify
6. Years of service in this Hotel
7. Type of employment:
 Part Time Contractual Permanent
8. Religion:
9. Nationality:
 Kenyan Other
10. Origin of your county:
 Mombasa Other County (Please specify)

Please circle one number on a scale of 1-5 that best approximate the extent to which you agree with each statement regarding your organization.

Strongly Disagree Moderately Disagree Neutral Moderately Agree Strongly Agree
 1 2 3 4 5

B: MINORITY REPRESENTATION

Minorities are proportionately represented among this organization’s senior management	1	2	3	4	5
Minorities are proportionately represented in this organization’s managerial positions	1	2	3	4	5
Minorities are proportionately represented in this organization’s non –managerial positions	1	2	3	4	5

Please specify any other minority representation

Please circle one number on a scale of 1-5 that best approximate the extent to which you agree with each statement regarding your organization.

Strongly Disagree Moderately Disagree Neutral Moderately Agree Strongly Agree
 1 2 3 4 5

C: DIVERSITY PRACTICES

I believe this organization has a diverse workforce	1	2	3	4	5
My team / unit is composed of diverse employees	1	2	3	4	5
I believe that my organization encourages diversity in my workplace	1	2	3	4	5
I feel included in my organization	1	2	3	4	5

Please specify any other existing diversity practices

Please circle one number on a scale of 1-5 that best approximate the extent to which you agree with each statement regarding your organization.

Strongly Disagree Moderately Disagree Neutral Moderately Agree Strongly Agree
 1 2 3 4 5

D: DIVERSITY AND RECRUITMENT

Top management supports minority recruitment	1	2	3	4	5
Current job description and selection processes reflect minority’s needs	1	2	3	4	5
Minority employees are present on selection committee	1	2	3	4	5
The hotel has policies aimed at attracting minority employees	1	2	3	4	5
Presence of minority employees in HRM department	1	2	3	4	5
Special consideration for minority employees	1	2	3	4	5

Please highlight any other existing aspects of recruitment

Please circle one number on a scale of 1-5 that best approximate the extent to which you agree with each statement regarding your organization.

E: Diversity Management Strategies

To what extent are each of the strategies used to manage workforce diversity at your hotel?

1= Never; 2=Rarely; 3= Neutral; 4= Frequently; 5= Always

Equal opportunities for all	1	2	3	4	5
Recruitment practices	1	2	3	4	5
Racial / Ethnic Balance	1	2	3	4	5
Promotion practices	1	2	3	4	5
Cultural diversity	1	2	3	4	5
Gender balance	1	2	3	4	5
Age balance	1	2	3	4	5

Please identify any other preferred strategies of managing diversity

Please circle one number on a scale of 1-5 that best approximate the extent to which you agree with each statement regarding your organization.

APPENDIX II: QUESTIONNAIRE TO MANAGERS

A: BACKGROUND INFORMATION

Please tick or fill in the most appropriate responses.

11. Age of respondent:
 <30 years 31>40 years 41>50 years over 51 years
12. Gender:
 Male Female

13. Education level:
 Primary Secondary Tertiary University
 14. Job Category:
 Senior Manager Middle Level Manager Supervisor Staff
 15. Department:
 Front Office Marketing Human Resource Maintenance Food and Beverage Housekeeping Accounts
 Other, please specify _____
 16. Years of service in this Hotel: _____
 17. Type of employment:
 Part Time Contractual Permanent
 18. Religion: _____
 19. Nationality:
 Kenyan Other
 20. Origin of your county:
 Mombasa Other County (Please specify) _____

Please circle one number on a scale of 1-5 that best approximate the extent to which you agree with each statement regarding your organization.

Strongly Disagree Moderately Disagree Neutral Moderately Agree Strongly Agree
 1 2 3 4 5

B: MINORITY REPRESENTATION

Minorities are proportionately represented among this organization’s senior management	1	2	3	4	5
Minorities are proportionately represented in this organization’s managerial positions	1	2	3	4	5
Minorities are proportionately represented in this organization’s non –managerial positions	1	2	3	4	5

Please specify any other minority representation

Please circle one number on a scale of 1-5 that best approximate the extent to which you agree with each statement regarding your organization.

Strongly Disagree Moderately Disagree Neutral Moderately Agree Strongly Agree
 1 2 3 4 5

C: DIVERSITY PRACTICES

I believe this organization has a diverse workforce	1	2	3	4	5
My team / unit is composed of diverse employees	1	2	3	4	5
I believe that my organization encourages diversity in my workplace	1	2	3	4	5
I feel included in my organization	1	2	3	4	5

Please specify any other existing diversity practices

Please circle one number on a scale of 1-5 that best approximate the extent to which you agree with each statement regarding your organization.

Strongly Disagree Moderately Disagree Neutral Moderately Agree Strongly Agree
 1 2 3 4 5

D: DIVERSITY AND RECRUITMENT

Top management supports minority recruitment	1	2	3	4	5
Current job description and selection processes reflect minority’s needs	1	2	3	4	5
Minority employees are present on selection committee	1	2	3	4	5
The hotel has policies aimed at attracting minority employees	1	2	3	4	5
Presence of minority employees in HRM department	1	2	3	4	5
Special consideration for minority employees	1	2	3	4	5

Please highlight any other existing aspects of recruitment

Please circle one number on a scale of 1-5 that best approximate the extent to which you agree with each statement regarding your organization.

Strongly Disagree Moderately Disagree Neutral Moderately Agree Strongly Agree
 1 2 3 4 5

E: DIVERSITY AND PERFORMANCE APPRAISAL

Appraisal ratings are focused on the individuals’ performance, not personality	1	2	3	4	5
Are you using similar appraisal tools for all	1	2	3	4	5
The background of the appraiser does not influence the performance ratings of the appraise	1	2	3	4	5
Diverse employees are included on appraisal panels	1	2	3	4	5

Please specify any other preferred way of ensuring fairness.

Please circle one number on a scale of 1-5 that best approximate the extent to which you agree with each statement regarding your organization.

F: Diversity Management Strategies

To what extent are each of the strategies used to manage workforce diversity at your hotel?

1= Never; 2 =Rarely; 3 = Neutral; 4= Frequently; 5= Always

Equal opportunities for all	1	2	3	4	5
Recruitment practices	1	2	3	4	5
Racial / Ethnic Balance	1	2	3	4	5
Promotion practices	1	2	3	4	5
Cultural diversity	1	2	3	4	5
Gender balance	1	2	3	4	5
Age balance	1	2	3	4	5

Please identify any other preferred strategies of managing diversity

Please circle one number on a scale of 1-5 that best approximate the extent to which you agree with each statement regarding your organization.

Strongly Disagree Moderately Disagree Neutral Moderately Agree Strongly Agree
 1 2 3 4 5

G: Challenges facing your organization from workforce diversity

5= low; 3= moderate; 1= high;

Adaption by minorities to the organization’s culture	1	3	5
Degree of communication	1	3	5
Cross –cultural interaction	1	3	5
Complying with equal opportunity legislation	1	3	5

H: Challenges impacting on managerial function due to workforce diversity

1= high; 3= moderate; 5= low;

Rate of absenteeism	1	3	5
Level of conflicts	1	3	5
Increase in training costs	1	3	5

Please highlight any other challenges



TPAS: A CURE FOR THE INDIAN HEALTH INSURANCE SECTOR

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ABSTRACT

Despite ample natural and significant infrastructural endowments, the Indian health sector projects a dismal scenario. Third Party Administrator (TPA) sounds like an antigen that is expected to have the efficacy to bridge this gap. However, the insurance sector still faces challenge of effectively institutionalizing the services of the TPA. A lot needs to be done in this direction. The present article provides a fair idea about TPAs, cashless services, core activities and their present status in India. This article provides a platform to understand the TPA, cashless services and claim settlement procedure in India.

KEYWORDS

Health insurance, Third party Administrator.

INTRODUCTION

India has a very poor health insurance penetration, in a country where only about 10% of the population has health insurance, most of the Indians pay their healthcare expenses from their pocket. Despite ample natural and significant infrastructural endowments, the Indian health sector projects a dismal scenario. Third Party Administrator (TPA) sound like an antigen that is expected to have the efficacy to bridge this gap. However, the insurance sector still faces challenge of effectively institutionalizing the services of the TPA. A lot needs to be done in this direction.

A **Third Party Administrator** is an organization which processes claims or provides cashless facilities as a separate entity. Seen as an outsourcing of claim processing, TPA processes claims for both retail and corporate policies. The risk of loss incurred remains with the insurance company. The insurance company usually contracts a reinsurance company to share its risk. An insurance company hires TPA to manage its claims processing, provider network and utilization review. While some TPA operates as units of insurance companies, most are often independent. TPA is also involved in handling employee benefit plans such as processing retirement plans. Handling healthcare or employee benefit claims requires using a specialized set of manpower and technology, therefore hiring a TPA for the same is a more cost effective method. Being one of the prominent players in the managed care industry, it has the expertise and capability to administer all or a portion of the claims process. The services include claims processing, premium collection, enrollment and cashless processing

The Insurance Regulatory and Development Authority of India (IRDA) defines **TPA** as a Third Party Administrator who, for the time being, is licensed by the Authority, and is engaged, for a fee or remuneration, in the agreement with an insurance company, for the provision of health services. TPA was introduced by the IRDA in 2001.

TPA FOR CLAIMS AND CASHLESS HEALTH INSURANCE

Third Party Administrator handles claims processing, collection of premiums, manages workers' compensation, and wellness programs. Insurance companies use third party administrators as a way to save money and time. Some insurance companies outsource compete administrative work related to health insurance whereas others choose to outsource only part of the program.

TPAs are remunerated by insurers and remuneration is fixed on a mutually agreeable terms. However Insurance Regulatory and Development Authority of India (IRDA) plays down a maximum ceiling on the commission that can be given to a TPA, which stands at 15 percent of premium amount. Each TPA may tie up with many numbers of insurers and likewise each insurance company can empanel any number of TPAs.

From the time the policyholder informs the TPA about issuance of policy, the records will be transferred to the TPA. The TPA will issue identity cards to all policyholders, which they have to show to the hospital authorities before availing any hospitalization services. In case of a claim, policyholder has to inform the TPA on a 24-hour toll-free line about the treatment and hospital. In case of cashless, he will be directed to a hospital where the TPA has a tied up network. However, the policyholder will have the option to join any other hospital of their choice, but in such case payment shall be on reimbursement basis.

TABLE 1: NUMBER OF CLAIMS RECEIVED DURING THE FINANCIAL YEAR

Sl no	Name of TPA	2007-2008	2008-2009	2009-2010	2010-2011
1	Alankit Health Care	17961	55308	85987	104332
2	Anmol Medicare	18	4186	13036	6615
3	Anyuta Medinet Healthcare	-	49	76	82
4	Bhaichand Amoluk	-	-	-	82
5	Dedicated Healthcare Services	29356	-	157109	139255
6	Dawn Services	-	-	---	-
7	E Meditek Services	217799	259635	319807	331278
8	East West Assist	2894	-	51110	49015
9	Family Health Plan	215396	94013	13014	163163
10	Focus Healthcare	-	338	1469	1741
11	Genins India	106543	81651	78476	82832
12	Good Health plan	14017	24886	36709	42461
13	Grand Healthcare Services	-	-	-	-
14	Health India Services	80464	190859	234058	147458
15	Health India Services	36684	65674	75440	98387
16	I Care Health Management	-	-	5479	16541
17	MD India Healthcare Services	108730	208331	405852	876693
18	Med Save Health Care	81740	327640	118426	105654
19	Medi Assist India	210089	327640	376000	411308
20	Medicare Services	64238	75250	74307	71530
21	Paramount Health Services	325176	185643	148527	182395
22	Parekh Health Management	14305	35229	81989	93141
23	Park Mediclaim	17064	20671	9257	33773
24	Raksha	95451	250211	394606	159758
25	Rothshield Healthcare Services	-	20	529	1332
26	Safeway Services	209	8101	13856	10035
27	Spurthi Meditech Solutions	-	-	-	-
28	Sri Gokulam Health Services	-	-	-	-
29	TTK Healthcare	289709	313948	305017	272223
30	Universal Medi-Aid Services	1232	-	-	NA
31	Vipul Med Corp	57784	109119	248790	240582
	Total	1986859	2446713	3365940	3641584

Sources: IRDA annual report 2010-2011

TABLE 2: NUMBER OF CLAIM SETTLED WITHIN 1 MONTH DURING THE FINANCIAL YEAR

Sl no	Name of the TPA	2007-2008	2008-2009	2009-2010	2010-2011
1	Alankit Health Care	11559	24282	28099	93708
2	Anmol Medicare	4	2218	8926	3935
3	Anyuta Medinet Healthcare	-	49	76	76
4	Bhaichand Amoluk	-	-	-	-
5	Dedicated Healthcare Services	21018	-	93376	92685
6	Dawn Services	-	-	-	-
7	E Meditek Services	189659	227036	25586	267332
8	East West Assist	1693	-	29879	33870
9	Family Health Plan	147064	75907	52525	58588
10	Focus Healthcare	-	151	109	886
11	Genins India	72316	63827	52605	70662
12	Good Healthplan	12584	20598	10912	10790
13	Grand Healthcare Services	-	-	-	-
14	Health India Services	60393	129603	118807	125941
15	Health India Services	21329	27990	30427	52306
16	I Care Health Management	-	-	3099	11525
17	MD India Healthcare Services	93026	185144	373118	631694
18	Med Save Health Care	41777	80068	70909	70039
19	Medi Assist India	117984	202631	308818	344845
20	Medicare Services	43039	52004	49085	40577
21	Paramount Health Services	319173	167612	117013	144164
22	Parekh Health Management	9490	19769	47357	57680
23	Park Mediclaim	9595	8671	8164	9874
24	Raksha	76745	242082	325415	156455
25	Rothshield Healthcare Services	-	12	363	639
26	Safeway Services	125	3782	9679	6631
27	Spurthi Meditech Solutions	-	-	-	-
28	Sri Gokulam Health Services	-	-	-	-
29	TTK Healthcare	246766	262397	162303	225040
30	Universal Medi-Aid Services	855	-	-	NA
31	Vipul Med Corp	17181	51379	191293	234819
	Total	1513375	1847163	2348137	2745661

Sources: IRDA annual Report 2010-2011

TABLE 3: NUMBER OF CLAIMS SETTLED BETWEEN 1-3 MONTHS DURING THE FINANCIAL YEAR

Sl no	Name of TPA	2007-2008	2008-2009	2009-2010	2010-2011
1	Alankit Health Care	5813	22247	35661	15055
2	Anmol Medicare	4	581	3390	839
3	Anyuta Medinet Healthcare	-	-	-	3
4	Bhaichand Amoluk	-	-	-	-
5	Dedicated Healthcare Services	2498	-	59626	32722
6	Dawn Services	-	-	-	-
7	E Meditek Services	16220	18578	31984	19906
8	East West Assist	527	-	18454	9281
9	Family Health Plan	61129	17851	36166	46118
10	Focus Healthcare	-	-	604	290
11	Genins India	24145	12583	23332	7862
12	Good Healthplan	6	2477	16518	16497
13	Grand Healthcare Services	-	-	-	-
14	Health India Services	14710	39384	72889	26480
15	Health India Services	11697	26030	36248	34725
16	I Care Health Management	-	-	744	1845
17	MD India Healthcare Services	2356	6942	19692	141432
18	Med Save Health Care	25488	36950	36859	29233
19	Medi Assist India	57024	72555	18019	12313
20	Medicare Services	7332	7755	8137	10911
21	Paramount Health Services	8376	364	12546	11924
22	Parekh Health Management	3592	11103	22366	27569
23	Park Medclaim	5397	7042	201	11400
24	Raksha	10806	8129	35412	972
25	Rothshield Healthcare Services	-	3	117	464
26	Safeway Services	23	2280	2667	1061
27	Spurthi Meditech Solutions	-	-	-	-
28	Sri Gokulam Health Services	-	-	-	-
29	TTK Healthcare	22607	29359	94294	38046
30	Universal Medi-Aid Services	295	-	-	NA
31	Vipul Med Corp	22785	37960	11484	20121
	Total	302820	360173	597408	517069

TABLE 4: NUMBER OF CLAIMS

Sl no	Name of the TPA	2007-2008	2008-2009	2009-2010	2010-2011
1	Alankit Health Care	2397	4744	11241	1663
2	Anmol Medicare	-	249	415	53
3	Anyuta Medinet Healthcare	-	-	-	3
4	Bhaichand Amoluk	-	-	-	-
5	Dedicated Healthcare Services	636	-	6880	4935
6	Dawn Services	-	-	-	-
7	E Meditek Services	4969	4543	7803	10058
8	East West Assist	86	-	1742	5401
9	Family Health Plan	-	-	11055	17329
10	Focus Healthcare	-	-	638	-
11	Genins India	9828	4387	7162	2409
12	Good Healthplan	1	93	5787	6995
13	Grand Healthcare Services	-	-	-	-
14	Health India Services	2370	5305	24667.00	3594
15	Health India Services	2144	6227	9355	5807
16	I Care Health Management	-	-	14	198
17	MD India Healthcare Services	410	773	1538	38864
18	Med Save Health Care	2916	2833	6422	5786
19	Medi Assist India	8141	8952	865	763
20	Medicare Services	156	240	208	3172
21	Paramount Health Services	593	58	1248	3372
22	Parekh Health Management	160	847	1184	2126
23	Park Medclaim	500	3939	53	13208
24	Raksha	2519	-	0	-
25	Rothshield Healthcare Services	-	-	24	143
26	Safeway Services	2	1474	935	884
27	Spurthi Meditech Solutions	-	-	-	-
28	Sri Gokulam Health Services	-	-	-	-
29	TTK Healthcare	3840	8020	21343	6231
30	Universal Medi-Aid Services	117	-	-	NA
31	Vipul Med Corp	7130	8338	906	2814
	Total	48908	61022	121485	135808

SETTLED BETWEEN 3-6 MONTHS DURING THE FINANCIAL YEAR

Sources: IRDA annual report 2010-2011

TABLE 5: NUMBER OF CLAIM SETTLED AFTER 6 MONTH

Sl no	Name of the TPA	2007-2008	2008-2009	2009-2010	2010-2011
1	Alankit Health Care	1460	1446	3143	521
2	Anmol Medicare	-	-	-	4827
3	Anyuta Medinet Healthcare	-	-	-	-
4	Bhaichand Amoluk	-	-	-	-
5	Dedicated Healthcare Services	-	-	1679	734
6	Dawn Services	-	-	-	-
7	E Meditek Services	-	-	-	-
8	East West Assist	11	-	265	265
9	Family Health Plan	-	-	3807	6788
10	Focus Healthcare	-	-	24	415
11	Genins India	1889	2064	2190	388
12	Good Healthplan	-	-	1302	1835
13	Grand Healthcare Services	-	-	-	-
14	Health India Services	-	-	5231	-
15	Health India Services	279	1191	1769	1259
16	I Care Health Management	-	-	-	7
17	MD India Healthcare Services	-	-	-	6968
18	Med Save Health Care	258	350	1613	1841
19	Medi Assist India	2358	2245	276	312
20	Medicare Services	58	66	111	963
21	Paramount Health Services	88	125	749	909
22	Parekh Health Management	13	41	183	297
23	Park Medclaim	98	125	6	-
24	Raksha	-	-	-	-
25	Rothshield Healthcare Services	-	-	5	25
26	Safeway Services	-	215	-	265
27	Spurthi Meditech Solutions	-	-	-	-
28	Sri Gokulam Health Services	-	-	-	-
29	TTK Healthcare	2987	3101	6857	1544
30	Universal Medi-Aid Services	-	-	-	NA
31	Vipul Med Corp	3156	1965	152	9696
	Total	12660	12934	29362	39859

Third Party Administrators is an important link between Insurance companies, policyholders & healthcare providers in servicing health insurance.

CORE ACTIVITIES OF TPA

1. Record maintenance of policies of an insurer
2. Issuing identity cards to all the policy holders
3. 24 hour toll free line
4. Building up a provider network
5. Tracking fraudulent claim cases
6. Issues cashless facility to insured
7. Handling reimbursement claims

STEPS FOLLOWED IN THE BASIC FUNCTIONS OF TPAS

1 Cashless Facilitation Procedure

- a) Receipt and record of member enrollment
- b) Issuance of unique ID card
- c) Providing with the reference list of network hospitals offering cashless facility
- d) Receipt and securitization of pre-authorization request
- e) Pre-admission authorization after checking doctor prescriptions ,admission form hospital information
- f) Claim form should be submitted with original bills along with prescription, diagnostic report and discharge summary.

2 Claim Reimbursements

When the insured goes to a network hospital and makes the payment for all hospital expenses all by himself, then he needs to submit all the original documents of treatment viz:

- a) ID/policy card number
- b) Policy copy
- c) Dare of hospitalization
- d) Reasons for hospitalization
- e) Date of discharge

Claim form duly filled and signed by the claimant policy holder

- f) Medical certificate form duly filled by the treating doctor
- g) All original diagnostic test report performed patient during hospitalization
- h) All medical bills accompanied by the prescription

3 Claim Control

- a) Original bills are scrutinized against standard discounted tariff rates
- b) Cost containment by medical procedure audit and bill scrutiny
- c) Medical opinion Taken for complicated cases
- d) Eliminates reimbursement frauds
- e) Medical procedure audits.

BENEFITS OF TPA TO THE INSURANCE WORLD

1. Faster and focused claims management
2. Lower overhead cost and reduced cost of claim management
3. Immediate access to highly trained claim administrators
4. Improved control over claims outcomes
5. Safeguarding of customer relationship
6. Protection of brand reputation
7. Control of possible frauds by the private healthcare providers.

CONCLUSION

Third party administration the much hyped system for improving health care and spreading health insurance in India, but still in the nascent stage to comment on their efficacy. Presently there are around 31 licensed TPAs in India. The authorities must recognize the growing necessity of TPAs and should enhance the number of licensed TPAs around the country. It is prudent on the part of IRDA that they have allowed the them presently only for the health services, which is need of the hour in India. They should continue the moratorium on the TPAs for the rest of the insurance services so that the concentration may be on health insurance.

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2011 CONTINENTAL ECONOMIC COMPARISON: AN EMPIRICAL INVESTIGATION

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KUJE

ABSTRACT

This paper intends to economically compare countries within the same continent using four major economic indicators of Gross Domestic Product (purchasing power parity), Per capita income, Human Development Index and Unemployment rate. The study airs the seven different continents in the world with their land mass, total population and percentage to world population. After comparing top economies in each continent, the economic largest country and the economic best country are brought out, using the economic indicators in question, as the economic giant and/or the best economy of its continent. The study, at the tail end, compares economic largest and economic best countries of continents. Thus, the economic giant and/or the best economy of the world emerge within the 2011 year of comparison. Data was gotten majorly from CIE World Factbook and World Bank Indicator (2011). The data was analysed using simple bar charts. The result shows that South Africa and Australia emerged the largest and best economy in African and Pacific continent. Germany came up the largest economy and Norway the best in Europe. China was the economic giant of Asia while Qatar emerged the best economy. In North America, the USA topped the continent as the largest economy and Canada as the best. Brazil came up as the largest economy in South America while Argentina was the best. Overall comparison shows that over the 2011 year, the USA was the world's largest economy and Qatar emerged the economic best country using the parameters in question.

KEYWORDS

Economic comparison, economic indicators.

INTRODUCTION

An economy is a system which attempts to resolve the basic economic problems of scarce resources in a world of infinite wants. An economic system is a mechanism for deciding what is to be produced, how production is to take place and who is to receive the benefit of that production. (Anderton 2010) Against the backdrop of people's mouth say that the United State (US) and United Kingdom (UK) are the best economies (living mostly well) so far and economic standards are extracted from these colossal economies. Also, against the common parlance that a particular country claims to be the giant of its continent like Nigeria, they say, is the giant of Africa. On what basis is a country giant empirically? Is it based on land mass, population or economy (economic well-being)?

CONTINENTS IN THE WORLD

Continent means one of the larger continuous masses of land, namely, Asia, Africa, North America, South America, Antarctica, Europe, and Australia, listed in order of size (Europe and Asia are sometimes considered a single continent, Eurasia). In the word of Cambridge Advanced Learner's Dictionary, it is one of the seven large land masses on the Earth's surface, surrounded, or mainly surrounded, by sea and usually consisting of various countries. (New Encyclopedia Britannica, 2007)

Thus, there are currently seven continents in the world, they are:

- Asia
- North America
- South America`
- Antarctica
- Europe
- Australia
- Africa

ASIA

Asia is located in eastern and northern hemispheres. It is the world's largest and most diverse continent. It occupies the eastern four-fifths of the giant Eurasian landmass. Asia is more a geographic term than a homogeneous continent, and the use of the term to describe this vast area always carries the potential of obscuring the enormous diversity among the regions it encompasses. Asia has both the highest and the lowest points on the surface of the Earth, has the longest coastline of any continent, is subject overall to the world's widest climatic extremes, and, consequently, produces the most varied forms of vegetation and animal life on Earth. In addition, the people of Asia have established the broadest variety of human adaptation found on any of the continents.

It is the world largest and most populous continent. Asia occupies 8.7% of the Earth's total surface area with the population of 3.879 billion people. Some of the most developed countries in Asia are Japan, China, Korea and Singapore.

NORTH AMERICA

North America is located in between Northern Hemisphere and Western Hemisphere. It is also considered to be northern subcontinent of the Americas. North America occupies approximately 4.8% of the earth surface. The population is estimated to be 529 million people. Some of the most developed countries in North America are United State of America and Canada.

SOUTH AMERICA

South America is a subcontinent located in Western Hemisphere, mostly in Southern Hemisphere, with a small portion in the Northern Hemisphere. The continent is also considered a subcontinent of the Americas. South America ranks fourth in area, with the population of 371,090,000. Some of the most developed countries in South America are Brazil and Argentina.

ANTARCTICA

Antarctica is located in the Antarctic region of the Southern Hemisphere, surrounded by the Southern Ocean. It is the world fifth largest continent. Approximately 98% of Antarctica is covered by ice. It covers about 5.5 million square miles (14.2 million square km), and would be essentially circular except for the outflaring Antarctic Peninsula, which reaches toward the southern tip of South America (some 600 miles [970 km] away), and for two principal embayments, the Ross Sea and the Weddell Sea. Because of this vast ice, the continent supports only a primitive indigenous population of cold-adapted land plants and animals. The surrounding sea is as rich in life as the land is barren.

EUROPE

Europe is located in the northern hemisphere, separated from Africa on the south by the Mediterranean Sea and from Asia on the east. Europe is the world second smallest continent by surface area, composed of the westward-projecting peninsulas of Eurasia (the great landmass that it shares with Asia) and occupying nearly one-fifteenth of the world's total land area. It is bordered on the north by the Arctic Ocean, on the west by the Atlantic Ocean, and on the south (west to east) by the Mediterranean Sea, the Black Sea, the Kuma-Manych Depression, and the Caspian Sea.

AUSTRALIA

Australia is located in the southern hemisphere. It has a population of 31.26 Million people. Australia covers the area of 8,468,300 km². The smallest continent and one of the largest countries on Earth, lying between the Pacific and Indian oceans in the Southern Hemisphere. Australia's capital is Canberra, located in the southeast between the larger and more important economic and cultural centres of Sydney and Melbourne. The most striking characteristics of the vast country are its global isolation, its low relief, and the aridity of much of its surface.

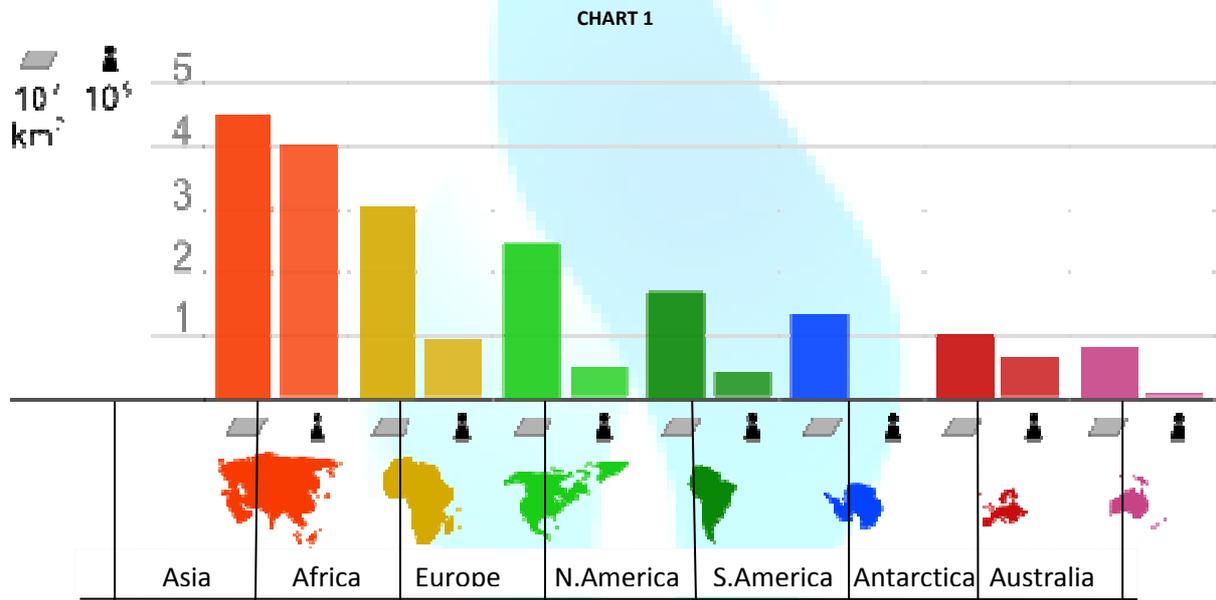
AFRICA

Africa is the world second largest continent. With area of about 30.2 million km², it covers 6% of the earth's total surface area, with population estimate of about 1 billion people (as of 2009). Some of the most developed countries in Africa are South Africa, Egypt, Morocco and Libya. In antiquity the Greeks are said to have called the continent Libya and the Romans to have called it Africa, perhaps from the Latin *aprica* ("sunny") or the Greek *aphrike* ("without cold"). The name Africa, however, was chiefly applied to the northern coast of the continent, which was, in effect, regarded as a southern extension of Europe. The Romans, who for a time ruled the North African coast, are also said to have called the area south of their settlements Afriga, or the Land of the Afrigs—the name of a Berber community south of Carthage.

POPULATION OF THE 7 CONTINENTS

TABLE 1

Continent	Area (km ²)	Area (mi ²)	Percent of total landmass	Total population	Percent of total population
Asia	43,820,000	16,920,000	29.5%	4,164,252,000	60%
Africa	30,370,000	11,730,000	20.4%	1,022,234,000	15%
North America	24,490,000	9,460,000	16.5%	542,056,000	8%
South America	17,840,000	6,890,000	12.0%	392,555,000	6%
Antarctica	13,720,000	5,300,000	9.2	1000	0.00002
Europe	10,180,000	3,930,000	6.8%	738,199,000	11%
Australia	9,008,500	3,478,200	5.9%	29,127,000	0.4%



Source: <http://en.wikipedia.org/wiki/File:ContinentStatistics.svg> (as at 24th March, 2012)

HOW COUNTRIES COULD BE ECONOMICALLY COMPARED

When comparing economies to know the economies that are the largest, one uses indicator measured by total gross domestic product (GDP). However, the most commonly accepted definition of the best and wealthiest countries is to determine how rich the average resident of a country is. For this reason, the best method is to use GDP data per capita. (Global Finance, 2013)

When comparing the performance of economies, one major criterion to consider is how much is being produced. The more the production, the better the economy (*ceteris paribus*). The primary indicator for production level is the Gross Domestic Product (GDP). However, GDP does not take population into consideration. One could not compare China with Japan using GDP alone. Else, one will blatantly conclude that China is better. Hence, the need to use *Per Capita Income* at purchasing power parities.

According to Global Finance (2013), to measure the real size of the world's economy and to compare costs of living across countries, we need to adjust for differences in purchasing power. Finding a way to adjust for those differences has given rise to the efforts to measure purchasing power parities (PPPs), which convert local currencies to a common currency, such as the U.S. dollar. Purchasing power parities are needed because similar goods and services have widely varying prices across countries when converted to a common currency using market exchange rates. Differences are greatest in sectors not commonly traded internationally, such as housing, construction and health and education services. Price differences are smaller for widely traded products, such as machinery and equipment, after allowing for taxes, distributor margins and transport costs. PPPs include the prices of tradable and nontradable goods, using weights that reflect their relative importance in total GDP.

The level of resource utilisation is very vital. If there is high level of unemployment, the economy is underutilising its potential resulting to negative output gap. Unemployment brings poverty to those who could not find job, which will in turn affect their living standards.

The United Nation measure of economic performance and development called Human Development Index (HDI) is wide and covers to a large extent a vast aspect of the economy. Thus the best measure of economic development.

Gross Domestic Product (GDP) is the total money value of all the good and services produced within a country during a specified period of time usually a year. However, comparing national income (GDP) between economies is fraught with difficulties. Income distribution may be different. GDP is quite useful in measuring the growth rate of an economy and to determine how large an economy is irrespective of the population. National income statistics or accounts would have various degrees of inaccuracy which could be caused by different sizes of the underground economy in each country. Population differs and therefore it is vital to compare per capita income.

Per capital income is a measure of the amount of money that is earned per- person (individually) in a country. Income per capita can apply to the average person in an economy; it is mainly used as a method of evaluating the living conditions and quality of life in different areas.

Per capita income is measured using the country's national income deflated by its population. This shows the living standards of the people and their well-being averagely, though it is silent on income disparity.

Unemployment rate: This is the total amount of workforce who is currently unemployed and is looking for a paid job. Unemployment rate is one of the most closely watched statistics because an increase or rise in the rate is seen as a sign of depression in the Economy and may cause a fall in interest rate. A fall in unemployment is one of the government's macroeconomic objectives, indicating a growing economy increasing the amount of GDP. Unemployment can be calculated using, Number of Unemployed divided Total Labor Force.

Human Development Index (HDI): A tool developed by the United Nations to measure and rank countries' levels of social and economic development. The HDI makes it possible to track changes in development levels over time and to compare development levels in different countries. HDI is made up of three main aspects which are:

1. Life Expectancy

2. Adult Literacy

3. GDP per capita (PPP\$)

Life Expectancy is the expected number of years to be lived by a group of people born in the same year. This indicates how developed the health sector of an economy is. Adult Literacy is the percentage of people between the ages of 18-60 who did not finished school successfully. GDP per capita (PPP\$) is the value of all final goods and services produced within a country in a given year divided by the average (or mid-year) population for the same year.

NEED FOR THE STUDY

Comparable measures of economic activity, wealth and standards of living are very useful for many purposes. Foreign investors, businessmen and potential immigrants want to know an economy's market scale, productivity, prices and even the standard of living of the people so as to know the reward for employees when employed.

The globalization of markets for goods, services, finance, labour and ideas reinforces the interdependence of economies and the need to measure them on a common scale. Economies could not share responsibilities for global public goods, security, development assistance and global governance without assessment of the real size of their economies and the wealth of their people.

LITERATURE REVIEW

WHY USE THESE MEASURES?

According to the World Bank (2011) in global economy, the major economic indicators are economic growth, GDP, HDI, inflation, capital investment, savings, external debt and government size.

Legatum Institute's Prosperity Index (2012) assessed global wealth and well-being and benchmarked 142 countries around the world in 2012 in eight categories: economy; education; entrepreneurship and opportunity; governance; health; personal freedom; safety and security; and social capital. Thus, there are many way to compare countries. Global Finance (2013) has also stretched on how largest, best and wealthiest nations could be gotten.

Thus, in this investigation, concentration is focused on those indicators that are economic and are not influenced by population. Indicators like government size, external debt, national income, saving, capital investment and number of unemployment are affected by population and thus will not be used.

But comparing the real size of economies is not easy. Even in an integrated global economy, large differences in the costs of goods and services persist. Exchange rates can be used to convert values in one currency to another, but since they do not fully reflect differences in price levels, they cannot measure the real volume of output. Exchange rates are determined by the demand for and supply of currencies used in international transactions, ignoring domestic economic sectors where prices are set in relative isolation from the rest of the world—thus the familiar experience of international travelers, who discover that they can buy more, or less, of the same goods in different countries when converting their money using the prevailing exchange rates. However, using a PPP (purchasing power parity) basis is arguably more useful when comparing generalized differences in living standards on the whole between nations. This is because PPP takes into account the relative cost of living and the inflation rates of the countries, rather than using just exchange rates, which may distort the real differences in income. This is the measure most economists prefer when looking at per-capita wealth and when comparing economic strength between countries and living conditions or use of resources across countries. (Global Finance, 2013)

It is very vital to note that GDP is not a perfect measure of describing the well being and quality of life of people. There are other indexes that take into consideration other variables like income distribution, literacy rate, life expectancy such as the United Nation Human Development Index. Some said GDP is often considered imperfect even to measure overall economic strength.

Countries develop and decline each year so it would be very inefficient to compare changes in countries for two years or more because the country may decline or increase in certain aspects. So in this study, findings are totally based on 2011 data.

RESEARCH METHODOLOGY

The data used in this investigation are mainly drawn from CIE World Factbook (2011). We have also used some other sources (e.g. World Development Indicators and IMF) to amend and assure the quality of the data. The data (concerning the indicators in question) would be made into table form. Simple bar charts would be employed for the comparison for clarity.

FINDINGS

In order to compare continents in terms of economic measures efficiently i.e. without much influence of population, there are few parameters that need to be found which are: HDI; per capital income; GDP and Unemployment rate. The table below shows top countries in different continents of the world based on the four parameters:

TABLE: 2

	GDP (\$) in Billion	HDI	Per capita Income (\$)	Unemployment rate (%)
Egypt	231.9	0.698	2,970	9.4
Tunisia	48.9	0.644	4,351	13.3
Nigeria	247.1	0.459	2,245	23.9
South Africa	422.0	0.698	8,066	23.9
Algeria	183.4	0.619	5,304	10
Ghana	74.9	0.541	3,083	12.9
Europe	GDP (\$)	HDI	Per capita Income (\$)	Unemployment rate (%)
UK	2,417.6	0.863	38,592	8.3
Germany	3,577.0	0.905	43,741	5.7
France	2,776.3	0.884	44,008	10
Italy	2,198.7	0.874	36,267	9.3
Norway	499.7	0.953	97,607	3.4
Sweden	525.7	0.904	57,638	7.1
Asia	GDP (\$)	HDI	Per capita Income (\$)	Unemployment rate (%)
Singapore	259.8	0.846	49,270	1.9
Japan	5,869.5	0.901	45,920	4.7
Qatar	183.38	0.832	98,144	0.6
Indonesia	845.7	0.617	3,508	6.56
Malaysia	278.7	0.761	9,699	3
China	7,298.1	0.687	5,413	4.1
North America	GDP (\$)	HDI	Per capita Income (\$)	Unemployment rate (%)
USA	14,657.8	0.91	40,541	8.1
Mexico	1,039.1	0.77	10,153	3.1
Canada	1,574.1	0.908	50,436	7.13
Jamaica	13.7	0.688	5,402	6
Pacific	GDP (\$)	HDI	Per capita Income (\$)	Unemployment rate (%)
Australia	914.5	0.929	65,477	4.9
New Zealand	161.9	0.908	36,648	6.7
South America	GDP (\$)	HDI	Per capita Income (\$)	Unemployment rate (%)
Brazil	2,477.0	0.718	12,788	5.4
Argentina	694.96	0.797	17,376	7.8
Chile	281.37	0.805	16,171	7.1
Uruguay	52.11	0.783	15,469	6.7

Source: CIA World Factbook (2011)

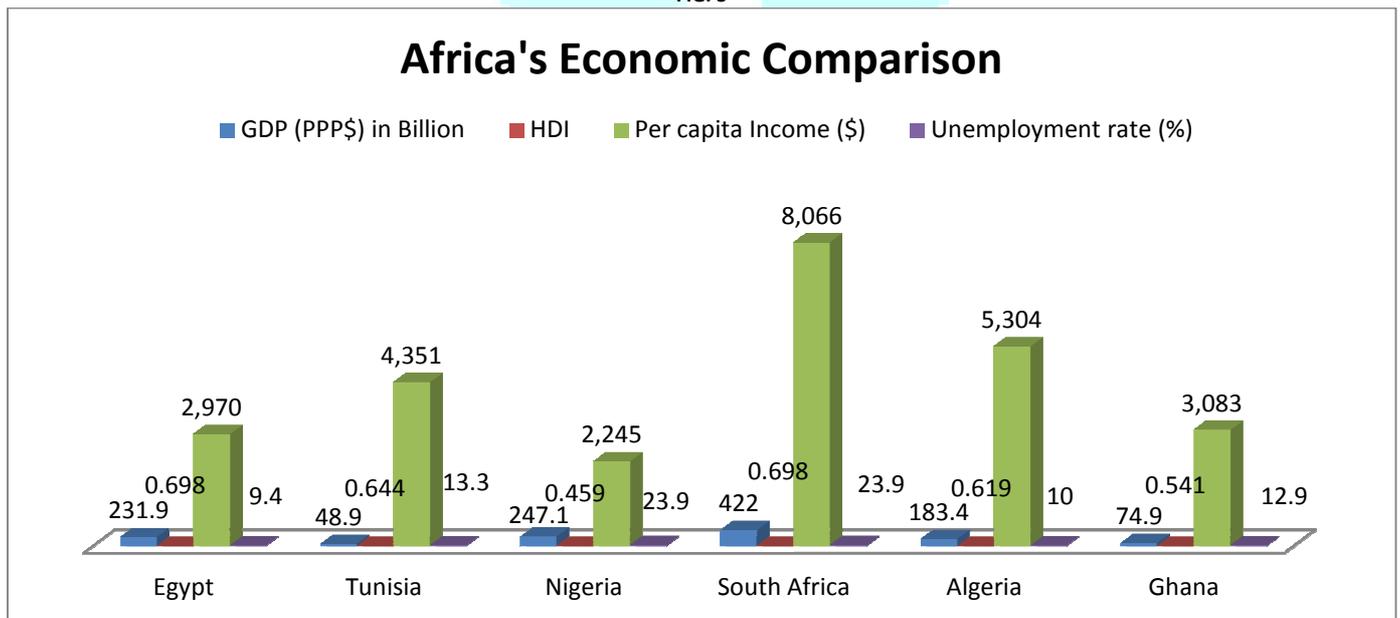
ANALYSIS

AFRICA

The top economies in Africa determined by the measures chosen are:

1. South Africa
2. Egypt
3. Tunisia
4. Algeria
5. Nigeria
6. Ghana

FIG. 3



Source: CIA World Factbook(2011)

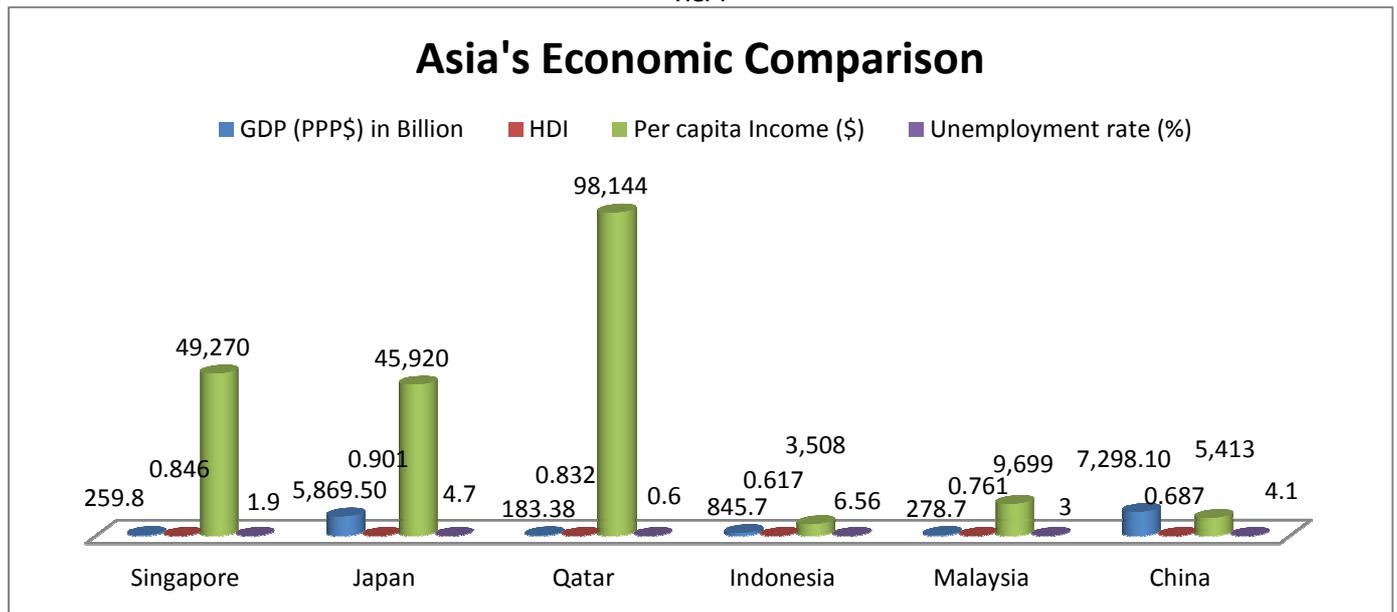
Using these measures, investigation shows that South Africa (SA) had the highest income per person of \$8,066/annum, highest HDI of 0.698 with Egypt. Though SA had the highest unemployment rate with Nigeria, South Africa outweighed Egypt with a very large margin of \$5,096/annum per person. Thus, the people in South Africa have the highest standard of living and well-being in the continent. Also using the GDP as measurement of what is produced. South Africa emerged the largest economy of Africa as its GDP is the highest so far.

ASIA

These are the top economies in Asia:

1. China 2. Japan 3. Singapore 4. Qatar 5. Malaysia 6. Indonesia

FIG. 4



Source: CIA World Factbook (2011)

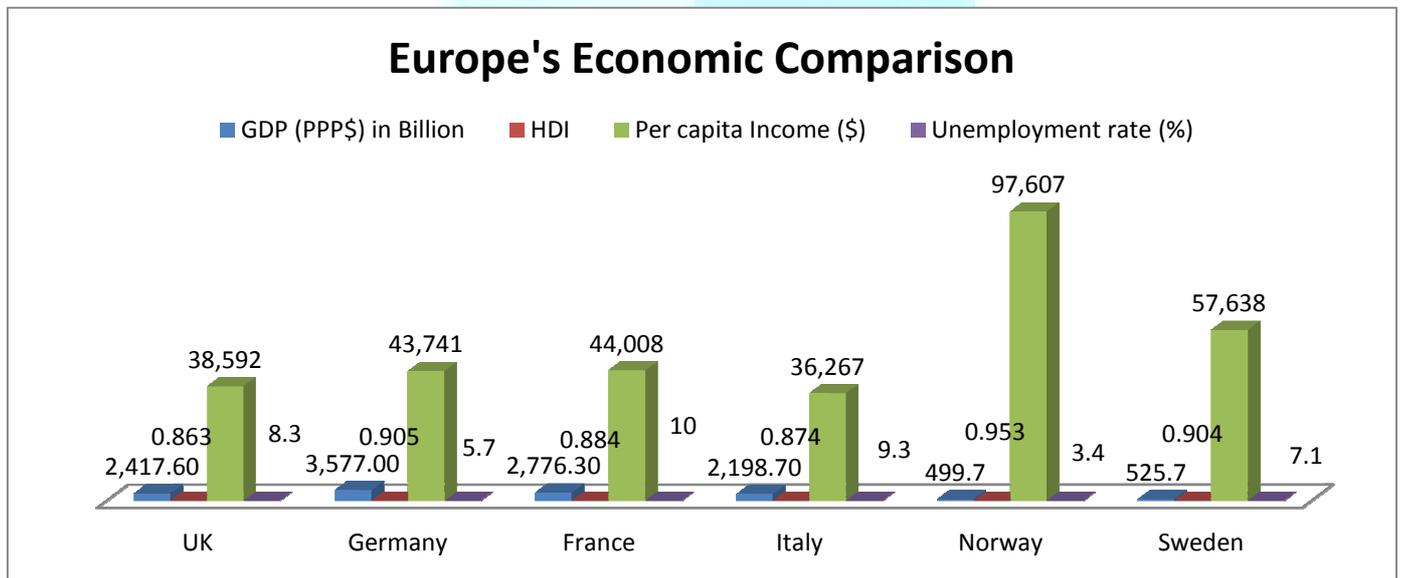
Due to the big nature of the Continent, having 60% of the world population, six top countries were selected for comparison. From the above chart, China had the largest economy in the continent in 2011 because of its highest GDP. Though Japan is slightly better based on HDI measurement than Qatar, the latter emerged the economically best country in Asia because of its being far ahead of Japan with per capita income and having a lowest unemployment rate of 0.6% as against Japan, 4.7%.

EUROPE

The top economies in this continent are:

1. United Kingdom 2. Germany 3. France 4. Norway 5. Sweden

FIG. 5



Source: CIA World Factbook(2011)

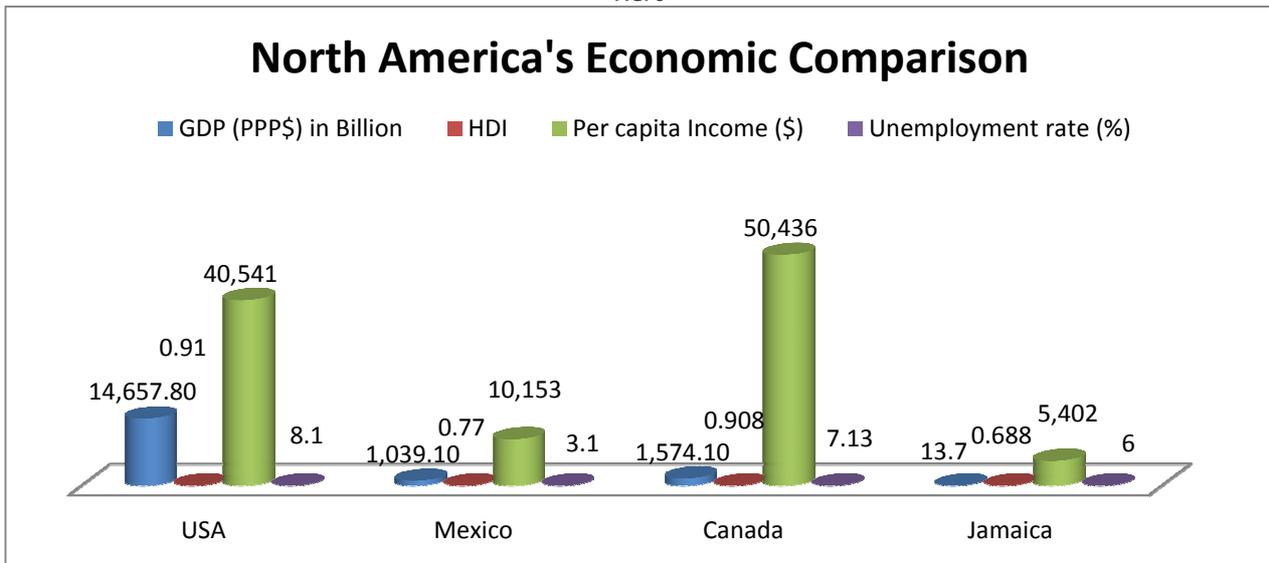
From the above charts, using the GDP (\$) to determine the economic giant of this continent, Germany emerged the largest economy in Europe. However, it is not the best economy. Considering per capita income, HDI and unemployment rate, Norway emerged the best and of the highest standard of living. This is because of the wide and clear gap it gave the rest economies in income/annum and HDI and also been able to maintain a low unemployment rate.

NORTH AMERICA

These are the top developed countries in North America:

1. USA 2. Mexico 3. Canada 4. Jamaica

FIG. 6



Source: CIA World Factbook(2011)

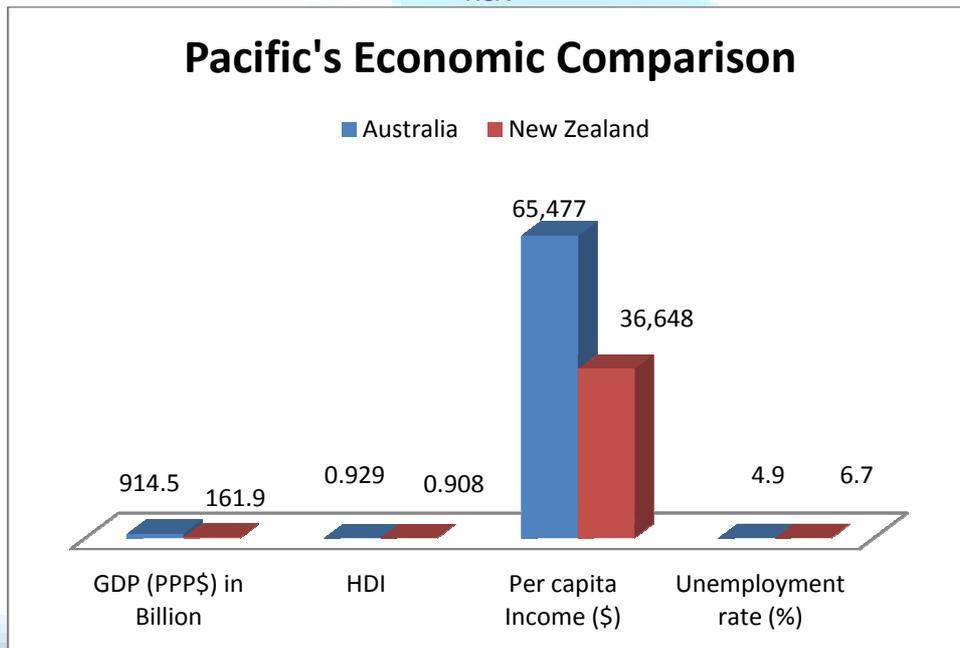
From the above charts, based on 2011 findings, the USA has the highest GDP (\$) which made it the largest economy and the giant of the North American continent. However, considering per capita income, HDI and unemployment rate, Canada performed better than the USA except in HDI that the later was 0.02 ahead of the former. Considering these indicators, the Canadians were living in better condition and living standards than the Americans. Thus Canada emerged the best economy within the year under consideration.

PACIFIC

Only two countries were researched on near the pacific which are:

1. Australia
2. New Zealand

FIG. 7



Source: CIA World Factbook(2011)

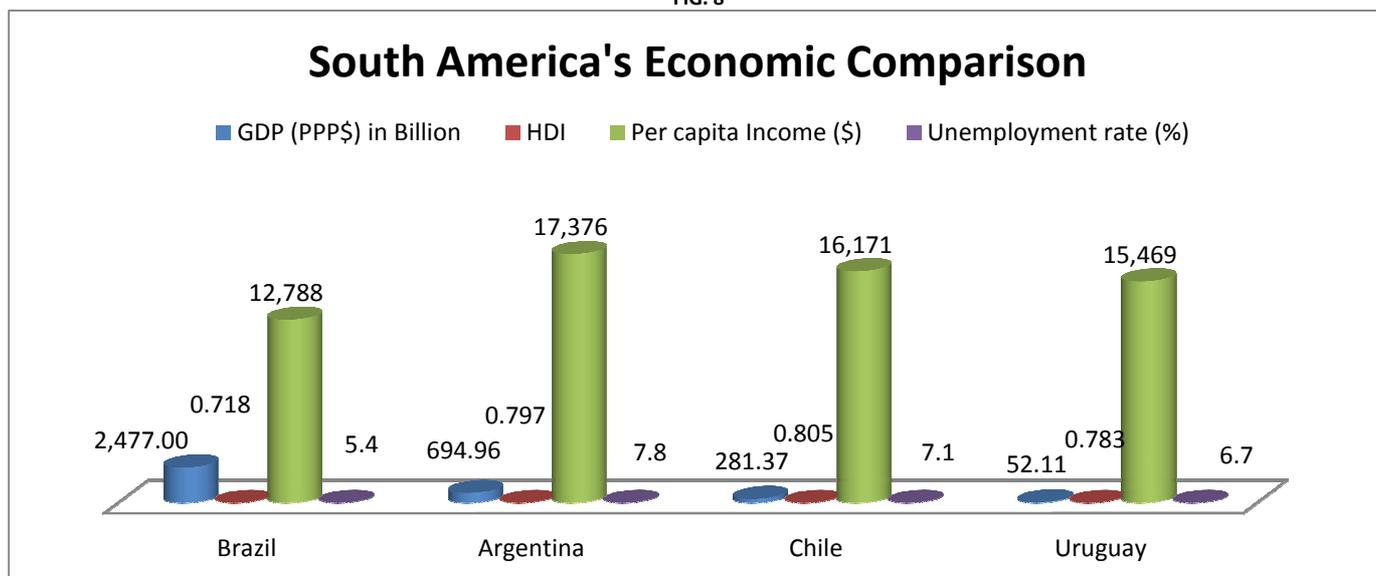
In this continent, only two countries came into limelight. In all the parameters in question, Australia emerged the largest and best in the continent as it outstripped New Zealand obviously.

SOUTH AMERICA

This is a list of some top developed countries located in South America:

1. Brazil
2. Uruguay
3. Chile
4. Argentina

FIG. 8



Source: CIA World Factbook(2011)

From the above charts of South America, Brazil emerged the largest economy in the continent which is in line with the submission of International Monetary Fund (2011). Argentina was the best economy so far as it had the highest per capita income of over \$1000 than Chile that came second. Chile could not top this continent for being highest in HDI and unemployment rate alone because its gap with Argentina was not significant (0.008 and 0.7). International Monetary Fund (2011) also confirmed this result.

WHICH COUNTRY IS THE WORLD'S LARGEST ECONOMY IN 2011?

Picking the largest economies of each continent and comparing them, it revealed the table and chart below:

TABLE 3

Continent	Country	GDP (\$) In Billion	HDI	Per capita Income (\$)	Unemployment rate (%)
Africa	S.Africa	422	0.698	8,066	23.9
Asia	Qatar	183.38	0.832	98,144	0.6
Europe	Norway	499.7	0.953	97,607	3.4
N.America	Canada	1,574.10	0.908	50,436	7.13
S.America	Argentina	694.96	0.797	17,376	7.8
Pacific	Australia	914.5	0.929	65,477	4.9
N.America	USA	\$14,657.8	0.91	40,541	8.1

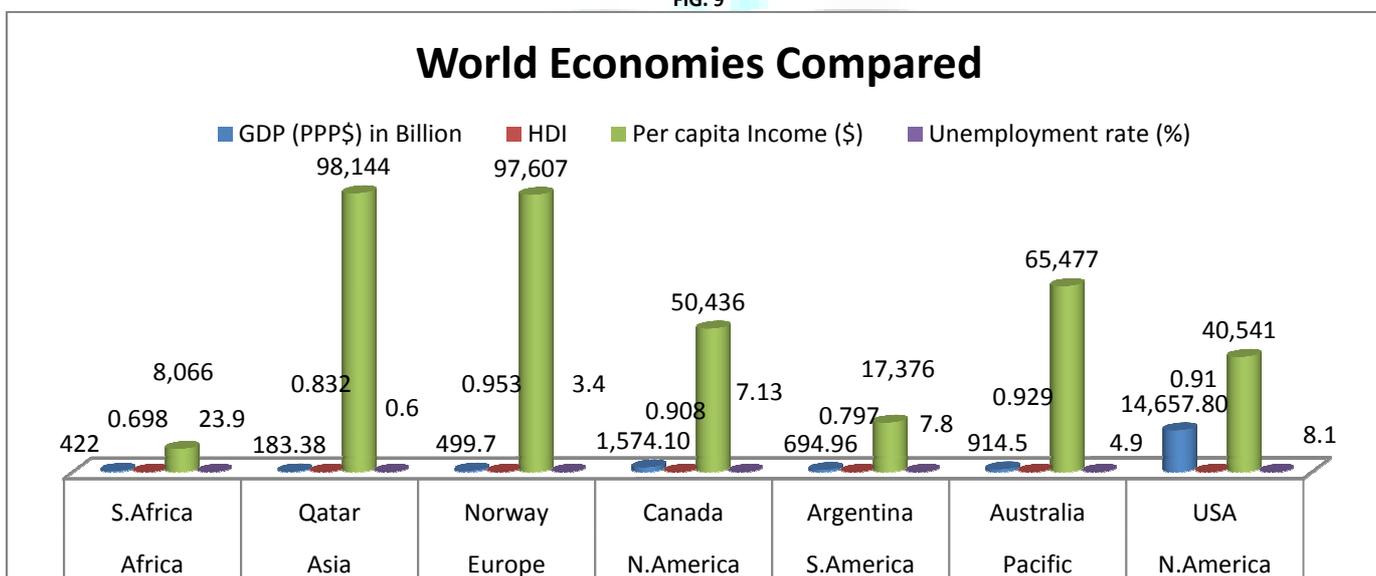
Within the year of comparison, it was crystal clear that the world's largest economy in 2011 was the United States of America (USA). This was confirmed by the World Development Indicators (2011).

WHICH COUNTRY IS THE WORLD'S BEST ECONOMY IN 2011?

To identify the best economy, that is the economy with the highest standard of living, we shall make comparison using the per capita income, HDI and the unemployment rates of countries that top their continents in this aspect.

Therefore the chart below shows these four parameters for final comparison on best economy.

FIG. 9



Source: CIA World Factbook(2011)

From the three main parameters for comparing how well economies are, except for the HDI that Norway outstripped Qatar (though both of them were having high HDI), the later was higher than the former in two other major parameters: per capita income and unemployment rate. In fact, with the less than 1% unemployment rate and very high per capita income in Qatar, it showed that the people are by far living very well and the poverty level would be so reduced than in Norway.

Thus, Qatar emerged the best economy in 2011, that is, the economy whose people were mostly living well. This is in fact in line with the outcome of the World's richest countries according to International Monetary Fund. (Global Finance, 2013). Accordingly, Qatar has been the world's richest economy since 2009.

CONCLUSION

After the analysis, it was observed that Africa is the most underdeveloped continent despite the fact that South Africa is the most developed country in the continent. South Africa is still in the process of developing. There was a rapid increase in the overall development in South Africa after the 2010 world cup that took place there in 2010. GDP increased rapidly and unemployment reduced. South Africa was the largest economy in Africa and also the best so far.

In terms of GDP, Europe as a continent produced the most output compared to any other continent in the world, over the past few years The United Kingdom has dominated in terms of Real GDP and per capita income, Norway had the highest HDI record, almost above 0.9 and it is expected to increase in the near future.

On the other hand Asia as a continent had the largest amount of population and still increasing at the moment, as at 2010 the estimated population of Asia was 3.879 billion and it is expected to still increase, the dense population helped Asia in terms of labour and employment. However the disadvantages of overpopulation outweighed the benefits of population density, a few years back China in specific had a one child policy meaning that every married couple is recommended to have only one child.

South America is manifested with a lot of agricultural activities such as the extraction Sugar cane, wheat and fishing, which is mainly found in Brazil. Chile and Argentina are dominating in HDI while Brazil produces the highest amount of unemployment and also the largest economy.

However North America is one of the world's most developed continent with the likes of two most developed countries in the continent which are Canada and USA. They both produced high levels of Real GDP and per capita income with minimal levels of unemployment.

The US dollar is also one of the world's strongest currencies despite the recent decline in the economy due to a recession in 2008-2010 while Canada has a very high rate of per capita income.

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WORLD

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