

INTERNATIONAL JOURNAL OF RESEARCH IN COMMERCE, IT & MANAGEMENT

I
J
R
C
M



A Monthly Double-Blind Peer Reviewed (Refereed/Juried) Open Access International e-Journal - Included in the International Serial Directories

Indexed & Listed at:

Ulrich's Periodicals Directory ©, ProQuest, U.S.A., EBSCO Publishing, U.S.A., Cabell's Directories of Publishing Opportunities, U.S.A.,

Open J-Gate, India [link of the same is duly available at Inlibnet of University Grants Commission (U.G.C.)],

Index Copernicus Publishers Panel, Poland with IC Value of 5.09 & number of libraries all around the world.

Circulated all over the world & Google has verified that scholars of more than 3770 Cities in 175 countries/territories are visiting our journal on regular basis.

Ground Floor, Building No. 1041-C-1, Devi Bhawan Bazar, JAGADHRI – 135 003, Yamunanagar, Haryana, INDIA

<http://ijrcm.org.in/>

CONTENTS

Sr. No.	TITLE & NAME OF THE AUTHOR (S)	Page No.
1.	AN EMERGING OPPORTUNITY IN ORGANISED RETAIL SECTOR IN INDIA <i>AJAY KUMAR & YASHWANT SINGH THAKUR</i>	1
2.	ATHEISM OR RELIGIOSITY: WHAT DRIVES NEW AGE ADMINISTRATORS AND ENTREPRENEURS <i>DR. ANU SINGH LATHER, DR. SHILPA JAIN & DEEPTI PRAKASH</i>	5
3.	THE RELATIONSHIP BETWEEN PERSONALITY AND SHOPPING ORIENTATION: AN EMPIRICAL STUDY WITH SPECIAL REFERENCE TO APPAREL CUSTOMERS IN COIMBATORE CITY <i>DR. R. SELLAPPAN & P.RADHIKA</i>	9
4.	CRACKING THE NEURAL CODE OF RURAL PEOPLE REGARDING MOBILE PHONE USAGE PATTERNS IN KARNATAKA: A CASE STUDY OF HASSAN DISTRICT <i>KRISHNA KISHORE SV & DR. ALOYSIUS HENRY SEQUEIRA</i>	16
5.	ROLE OF CLUSTER DEVELOPMENT ACTIVITIES IN ENHANCING COMPETITIVENESS OF HANDLOOM CO-OPERATIVES IN KANNUR DISTRICT <i>DR. PREMAVALLI P.V</i>	24
6.	A CASE STUDY ON ONLINE SHOPPING OF ACCORD BUSINESS SCHOOL, CHIGURUWADA, TIRUPATI <i>DR. S. SHAHINA BEGUM</i>	29
7.	AWARENESS OF QUALITY MANAGEMENT IN HIGHER EDUCATION <i>DR. FISSEHA GIRMA & DR. ARAVIND.S.</i>	33
8.	FINANCIAL AND OPERATING PERFORMANCE OF DISINVESTED CENTRAL PUBLIC SECTOR ENTERPRISES OF MANUFACTURING SECTOR IN INDIA <i>DR. A. VIJAYAKUMAR & S. JAYACHITRA</i>	38
9.	GOVERNMENT REVENUE AND EXPENDITURE NEXUS IN SINGAPORE: STRUCTURAL STABILITY AND CAUSALITY ANALYSIS <i>SUBRATA SAHA</i>	47
10.	A STUDY TO DETERMINE THE FACTORS AFFECTING THE PRESCRIPTION PREFERENCE OF DOCTORS IN GOA <i>CEDRIC THOMAS SILVEIRA</i>	54
11.	THE QUALITY PRACTICES AND ITS IMPACT ON QUALITY IN ENGINEERING INSTITUTIONS IN KARNATAKA <i>DR. MAHESHA KEMPEGOWDA, NALINA. R & NETHRAVATHI. N</i>	57
12.	RECRUITMENT THROUGH SOCIAL MEDIA: CHALLENGES AND OPPORTUNITIES <i>AANCHAL JAIN & ARUN KUMAR</i>	62
13.	A STUDY ON QUALITY WORK LIFE BALANCE AMONG THE DEVELOPMENT OFFICERS OF LIC OF INDIA IN CHENNAI CITY <i>SHENBAGAM KANNAPPAN & DR. S. BAMA</i>	65
14.	SUSTAINABLE FINANCIAL INCLUSION: A NEED OF THE HOUR: STUDY OF RECENT INITIATIVES OF RBI & GOVERNMENT OF INDIA <i>AVINASH BN, CHAITHRA M.S, PRIYANKA R & PUJA BHATT</i>	68
15.	THE IMPACT OF ADVANCED TECHNOLOGIES AND TELECOMMUNICATION: IMPLICATIONS FOR DEVELOPMENT OF NIGERIAN PORT INDUSTRY <i>DR. OBED B. C. NDIKOM</i>	73
16.	NEXUS BETWEEN CORPORATE GOVERNANCE REGIME AND INTERNAL CONTROL SCHEME IN BUSINESS ORGANIZATIONS <i>ABDULLAHI SHEHU ARAGA</i>	86
17.	ADOPTION OF MOBILE COMMERCE IN HIMACHAL PRADESH <i>PANKAJ YADAV</i>	93
18.	GREEN WASHING: DECEPTIVE BUSINESS CLAIMS TO BILK THE BUYER <i>SACHIN KUMAR</i>	98
19.	GLOBAL EXPERIENCE OF FOREIGN DIRECT INVESTMENT IN MULTI-BRAND RETAILING <i>ITISHA ROHATGI</i>	102
20.	HIGHER EDUCATION: EXPLORATION OF OPPORTUNITIES AND CHALLENGES <i>MENKA</i>	107
	REQUEST FOR FEEDBACK & DISCLAIMER	111

CHIEF PATRON

PROF. K. K. AGGARWAL

Chairman, Malaviya National Institute of Technology, Jaipur
(An institute of National Importance & fully funded by Ministry of Human Resource Development, Government of India)
Chancellor, K. R. Mangalam University, Gurgaon
Chancellor, Lingaya's University, Faridabad
Founder Vice-Chancellor (1998-2008), Guru Gobind Singh Indraprastha University, Delhi
Ex. Pro Vice-Chancellor, Guru Jambheshwar University, Hisar

FOUNDER PATRON

LATE SH. RAM BHAJAN AGGARWAL

Former State Minister for Home & Tourism, Government of Haryana
Former Vice-President, Dadri Education Society, Charkhi Dadri
Former President, Chinar Syntex Ltd. (Textile Mills), Bhiwani

CO-ORDINATOR

AMITA

Faculty, Government M. S., Mohali

ADVISORS

DR. PRIYA RANJAN TRIVEDI

Chancellor, The Global Open University, Nagaland

PROF. M. S. SENAM RAJU

Director A. C. D., School of Management Studies, I.G.N.O.U., New Delhi

PROF. M. N. SHARMA

Chairman, M.B.A., Haryana College of Technology & Management, Kaithal

PROF. S. L. MAHANDRU

Principal (Retd.), Maharaja Agrasen College, Jagadhri

EDITOR

PROF. R. K. SHARMA

Professor, Bharti Vidyapeeth University Institute of Management & Research, New Delhi

CO-EDITOR

DR. BHAVET

Faculty, Shree Ram Institute of Business & Management, Urjani

EDITORIAL ADVISORY BOARD

DR. RAJESH MODI

Faculty, Yanbu Industrial College, Kingdom of Saudi Arabia

PROF. SANJIV MITTAL

University School of Management Studies, Guru Gobind Singh I. P. University, Delhi

PROF. ANIL K. SAINI

Chairperson (CRC), Guru Gobind Singh I. P. University, Delhi

DR. SAMBHAVNA

Faculty, I.I.T.M., Delhi

DR. MOHENDER KUMAR GUPTA

Associate Professor, P. J. L. N. Government College, Faridabad

DR. SHIVAKUMAR DEENE

Asst. Professor, Dept. of Commerce, School of Business Studies, Central University of Karnataka, Gulbarga

ASSOCIATE EDITORS

PROF. NAWAB ALI KHAN

Department of Commerce, Aligarh Muslim University, Aligarh, U.P.

PROF. ABHAY BANSAL

Head, Department of Information Technology, Amity School of Engineering & Technology, Amity University, Noida

PROF. A. SURYANARAYANA

Department of Business Management, Osmania University, Hyderabad

DR. SAMBHAV GARG

Faculty, Shree Ram Institute of Business & Management, Urjani

PROF. V. SELVAM

SSL, VIT University, Vellore

DR. PARDEEP AHLAWAT

Associate Professor, Institute of Management Studies & Research, Maharshi Dayanand University, Rohtak

DR. S. TABASSUM SULTANA

Associate Professor, Department of Business Management, Matrusri Institute of P.G. Studies, Hyderabad

SURJEET SINGH

Asst. Professor, Department of Computer Science, G. M. N. (P.G.) College, Ambala Cantt.

TECHNICAL ADVISOR

AMITA

Faculty, Government M. S., Mohali

FINANCIAL ADVISORS

DICKIN GOYAL

Advocate & Tax Adviser, Panchkula

NEENA

Investment Consultant, Chambaghat, Solan, Himachal Pradesh

LEGAL ADVISORS

JITENDER S. CHAHAL

Advocate, Punjab & Haryana High Court, Chandigarh U.T.

CHANDER BHUSHAN SHARMA

Advocate & Consultant, District Courts, Yamunanagar at Jagadhri

SUPERINTENDENT

SURENDER KUMAR POONIA

CALL FOR MANUSCRIPTS

We invite unpublished novel, original, empirical and high quality research work pertaining to recent developments & practices in the areas of Computer Science & Applications; Commerce; Business; Finance; Marketing; Human Resource Management; General Management; Banking; Economics; Tourism Administration & Management; Education; Law; Library & Information Science; Defence & Strategic Studies; Electronic Science; Corporate Governance; Industrial Relations; and emerging paradigms in allied subjects like Accounting; Accounting Information Systems; Accounting Theory & Practice; Auditing; Behavioral Accounting; Behavioral Economics; Corporate Finance; Cost Accounting; Econometrics; Economic Development; Economic History; Financial Institutions & Markets; Financial Services; Fiscal Policy; Government & Non Profit Accounting; Industrial Organization; International Economics & Trade; International Finance; Macro Economics; Micro Economics; Rural Economics; Co-operation; Demography; Development Planning; Development Studies; Applied Economics; Development Economics; Business Economics; Monetary Policy; Public Policy Economics; Real Estate; Regional Economics; Political Science; Continuing Education; Labour Welfare; Philosophy; Psychology; Sociology; Tax Accounting; Advertising & Promotion Management; Management Information Systems (MIS); Business Law; Public Responsibility & Ethics; Communication; Direct Marketing; E-Commerce; Global Business; Health Care Administration; Labour Relations & Human Resource Management; Marketing Research; Marketing Theory & Applications; Non-Profit Organizations; Office Administration/Management; Operations Research/Statistics; Organizational Behavior & Theory; Organizational Development; Production/Operations; International Relations; Human Rights & Duties; Public Administration; Population Studies; Purchasing/Materials Management; Retailing; Sales/Selling; Services; Small Business Entrepreneurship; Strategic Management Policy; Technology/Innovation; Tourism & Hospitality; Transportation Distribution; Algorithms; Artificial Intelligence; Compilers & Translation; Computer Aided Design (CAD); Computer Aided Manufacturing; Computer Graphics; Computer Organization & Architecture; Database Structures & Systems; Discrete Structures; Internet; Management Information Systems; Modeling & Simulation; Neural Systems/Neural Networks; Numerical Analysis/Scientific Computing; Object Oriented Programming; Operating Systems; Programming Languages; Robotics; Symbolic & Formal Logic; Web Design and emerging paradigms in allied subjects.

Anybody can submit the **soft copy** of unpublished novel; original; empirical and high quality **research work/manuscript** **anytime** in **M.S. Word format** after preparing the same as per our **GUIDELINES FOR SUBMISSION**; at our email address i.e. infoijrcm@gmail.com or online by clicking the link **online submission** as given on our website ([FOR ONLINE SUBMISSION, CLICK HERE](#)).

GUIDELINES FOR SUBMISSION OF MANUSCRIPT

1. **COVERING LETTER FOR SUBMISSION:**

DATED: _____

THE EDITOR
IJRCM

Subject: **SUBMISSION OF MANUSCRIPT IN THE AREA OF.**

(e.g. Finance/Marketing/HRM/General Management/Economics/Psychology/Law/Computer/IT/Engineering/Mathematics/other, please specify)

DEAR SIR/MADAM

Please find my submission of manuscript entitled ' _____ ' for possible publication in your journals.

I hereby affirm that the contents of this manuscript are original. Furthermore, it has neither been published elsewhere in any language fully or partly, nor is it under review for publication elsewhere.

I affirm that all the author (s) have seen and agreed to the submitted version of the manuscript and their inclusion of name (s) as co-author (s).

Also, if my/our manuscript is accepted, I/We agree to comply with the formalities as given on the website of the journal & you are free to publish our contribution in any of your journals.

NAME OF CORRESPONDING AUTHOR:

Designation:
Affiliation with full address, contact numbers & Pin Code:
Residential address with Pin Code:
Mobile Number (s):
Landline Number (s):
E-mail Address:
Alternate E-mail Address:

NOTES:

- a) The whole manuscript is required to be in **ONE MS WORD FILE** only (pdf. version is liable to be rejected without any consideration), which will start from the covering letter, inside the manuscript.
- b) The sender is required to mention the following in the **SUBJECT COLUMN** of the mail:
New Manuscript for Review in the area of (Finance/Marketing/HRM/General Management/Economics/Psychology/Law/Computer/IT/Engineering/Mathematics/other, please specify)
- c) There is no need to give any text in the body of mail, except the cases where the author wishes to give any specific message w.r.t. to the manuscript.
- d) The total size of the file containing the manuscript is required to be below **500 KB**.
- e) Abstract alone will not be considered for review, and the author is required to submit the complete manuscript in the first instance.
- f) The journal gives acknowledgement w.r.t. the receipt of every email and in case of non-receipt of acknowledgment from the journal, w.r.t. the submission of manuscript, within two days of submission, the corresponding author is required to demand for the same by sending separate mail to the journal.

2. **MANUSCRIPT TITLE:** The title of the paper should be in a 12 point Calibri Font. It should be bold typed, centered and fully capitalised.

3. **AUTHOR NAME (S) & AFFILIATIONS:** The author (s) **full name, designation, affiliation (s), address, mobile/landline numbers, and email/alternate email address** should be in italic & 11-point Calibri Font. It must be centered underneath the title.

4. **ABSTRACT:** Abstract should be in fully italicized text, not exceeding 250 words. The abstract must be informative and explain the background, aims, methods, results & conclusion in a single para. Abbreviations must be mentioned in full.

5. **KEYWORDS:** Abstract must be followed by a list of keywords, subject to the maximum of five. These should be arranged in alphabetic order separated by commas and full stops at the end.
6. **MANUSCRIPT:** Manuscript must be in **BRITISH ENGLISH** prepared on a standard A4 size **PORTRAIT SETTING PAPER**. It must be prepared on a single space and single column with 1" margin set for top, bottom, left and right. It should be typed in 8 point Calibri Font with page numbers at the bottom and centre of every page. It should be free from grammatical, spelling and punctuation errors and must be thoroughly edited.
7. **HEADINGS:** All the headings should be in a 10 point Calibri Font. These must be bold-faced, aligned left and fully capitalised. Leave a blank line before each heading.
8. **SUB-HEADINGS:** All the sub-headings should be in a 8 point Calibri Font. These must be bold-faced, aligned left and fully capitalised.
9. **MAIN TEXT:** The main text should follow the following sequence:

INTRODUCTION**REVIEW OF LITERATURE****NEED/IMPORTANCE OF THE STUDY****STATEMENT OF THE PROBLEM****OBJECTIVES****HYPOTHESES****RESEARCH METHODOLOGY****RESULTS & DISCUSSION****FINDINGS****RECOMMENDATIONS/SUGGESTIONS****CONCLUSIONS****SCOPE FOR FURTHER RESEARCH****ACKNOWLEDGMENTS****REFERENCES****APPENDIX/ANNEXURE**

It should be in a 8 point Calibri Font, single spaced and justified. The manuscript should preferably not exceed **5000 WORDS**.

10. **FIGURES & TABLES:** These should be simple, crystal clear, centered, separately numbered & self explained, and **titles must be above the table/figure**. **Sources of data should be mentioned below the table/figure**. It should be ensured that the tables/figures are referred to from the main text.
11. **EQUATIONS:** These should be consecutively numbered in parentheses, horizontally centered with equation number placed at the right.
12. **REFERENCES:** The list of all references should be alphabetically arranged. The author (s) should mention only the actually utilised references in the preparation of manuscript and they are supposed to follow **Harvard Style of Referencing**. The author (s) are supposed to follow the references as per the following:
 - All works cited in the text (including sources for tables and figures) should be listed alphabetically.
 - Use (ed.) for one editor, and (ed.s) for multiple editors.
 - When listing two or more works by one author, use --- (20xx), such as after Kohl (1997), use --- (2001), etc, in chronologically ascending order.
 - Indicate (opening and closing) page numbers for articles in journals and for chapters in books.
 - The title of books and journals should be in italics. Double quotation marks are used for titles of journal articles, book chapters, dissertations, reports, working papers, unpublished material, etc.
 - For titles in a language other than English, provide an English translation in parentheses.
 - The location of endnotes within the text should be indicated by superscript numbers.

PLEASE USE THE FOLLOWING FOR STYLE AND PUNCTUATION IN REFERENCES:**BOOKS**

- Bowersox, Donald J., Closs, David J., (1996), "Logistical Management." Tata McGraw, Hill, New Delhi.
- Hunker, H.L. and A.J. Wright (1963), "Factors of Industrial Location in Ohio" Ohio State University, Nigeria.

CONTRIBUTIONS TO BOOKS

- Sharma T., Kwatra, G. (2008) Effectiveness of Social Advertising: A Study of Selected Campaigns, Corporate Social Responsibility, Edited by David Crowther & Nicholas Capaldi, Ashgate Research Companion to Corporate Social Responsibility, Chapter 15, pp 287-303.

JOURNAL AND OTHER ARTICLES

- Schemenner, R.W., Huber, J.C. and Cook, R.L. (1987), "Geographic Differences and the Location of New Manufacturing Facilities," Journal of Urban Economics, Vol. 21, No. 1, pp. 83-104.

CONFERENCE PAPERS

- Garg, Sambhav (2011): "Business Ethics" Paper presented at the Annual International Conference for the All India Management Association, New Delhi, India, 19-22 June.

UNPUBLISHED DISSERTATIONS AND THESES

- Kumar S. (2011): "Customer Value: A Comparative Study of Rural and Urban Customers," Thesis, Kurukshetra University, Kurukshetra.

ONLINE RESOURCES

- Always indicate the date that the source was accessed, as online resources are frequently updated or removed.

WEBSITES

- Garg, Bhavet (2011): Towards a New Natural Gas Policy, Political Weekly, Viewed on January 01, 2012 <http://epw.in/user/viewabstract.jsp>

AN EMERGING OPPORTUNITY IN ORGANISED RETAIL SECTOR IN INDIA

AJAY KUMAR
RESEARCH SCHOLAR
DEPARTMENT OF BUSINESS MANAGEMENT
DR. HARI SINGH GOUR CENTRAL UNIVERSITY
SAGAR

YASHWANT SINGH THAKUR
DEAN & HEAD
DEPARTMENT OF BUSINESS MANAGEMENT
DR. HARI SINGH GOUR CENTRAL UNIVERSITY
SAGAR

ABSTRACT

The retail sector is one of the fastest growing in India over the last few years. The Indian retail industry, which comprises organised and unorganised retail, is currently estimated at US\$ 490 billion. It has experienced high growth over the last decade with a noticeable shift towards organised retailing formats. The industry is moving towards a modern concept of retailing. "Demand from international and domestic brands as well as retailers. Modern retailing is capable of generating employment opportunities. It offers huge potential for growth in coming years. India is becoming most favoured retail destination in the world. This paper attempts to explore opportunities in the organised India retail sector and evaluate the extent of impact of organised retailing on Indian economy with special to FDI.

KEYWORDS

Retailing, emerging opportunities, modern concept of retailing, organised and unorganised retail sector, FDI.

1. INTRODUCTION

The word "retail" means the sale of goods or commodities in small quantities directly to consumers. Retailing can be defined as a distribution channel function, where an organization, buying the products from supplying firms or manufacturing the products themselves, sells these directly to consumers. Many a times, consumers buy from an organization who is not the manufacturer of the products, rather it is a reseller of the products obtained from others. However, in some cases we may find the product manufacturers operating their own retail outlets in a corporate channel arrangement. Retailing is beneficial to both consumers and sellers. On the one hand it enables the consumers to purchase small quantities of an assortment of products at a reasonably affordable price; on the other it offers an opportunity to suppliers to reach their target market.

The Indian retail landscape is evolved from the brick-and-mortar model to adopt technology for connecting with consumers. India is a nation of shopkeepers. We can see more than 12 million retail outlets in India, and India has highest density of retail outlets in the world, which is unorganised. Unorganised Indian retailing changing rapidly in organised modern retailing concepts. This organised modern retailing concepts providing opportunities to foreign investors as well as local. The Indian retail sector accounts for 14 to 15 percentage of country's gross domestic product (GDP) and contributes 8% to total employment. The cumulative foreign direct investment (FDI) inflows in single-brand retail trading, during April 2000 to June 2011, stood at 69.26 million USD. The current estimated value of the Indian retail sector is about 500 billion USD and is pegged to reach 1.3 trillion USD by 2020

2. OBJECTIVES

1. To study the emerging opportunity in organised retailing in Indian.
2. To study the future of Modern concept of retailing in India.

3. RESEARCH METHODOLOGY

This paper is the outcome of a theoretical study on retailing in India with special reference to organized retailing in India. To complete this, secondary data is used from journals and periodicals have been consulted, reports of various organizations like IBEF, ministry of external affairs, government of India investment & technology promotion (ITP) division, Mc Kinsey have been considered. Internet searching has also been done for the purpose.

4. RETAIL SCENARIO IN INDIA

Retailing is one of the important pillars among the different pillars of Indian economy and it accounts for 14 to 15 percent of its GDP. The Indian retail market is estimated to be US\$ 500 billion and one of the top five retail markets in the world by economic value. India is one of the fastest growing retail markets in the world, with 1.2 billion people.

As of 2013, India's retailing industry was essentially owner manned small shops. In 2010, larger format convenience stores and supermarkets accounted for about 4 percent of the industry, and these were present only in large urban centres. India's retail and logistics industry employs about 40 million Indians (3.3% of Indian population).

"The Indian retail market is poised to reach USD 1.3 trillion by 2020 and therefore it will provide a tremendous growth opportunity for retail and FMCG players alike. With all multinational brands coming to India, there is going to be explosion of jobs in the retail sector.

Until 2011, Indian central government denied foreign direct investment (FDI) in multi-brand retail, forbidding foreign groups from any ownership in supermarkets, convenience stores or any retail outlets. Even single-brand retail was limited to 51% ownership and a bureaucratic process. In November 2011, India's central government announced retail reforms for both multi-brand stores and single-brand stores. These market reforms paved the way for retail innovation and competition with multi-brand retailers such as Walmart, Carrefour and Tesco, as well single brand majors such as IKEA, Nike, and Apple. The announcement sparked intense activism, both in opposition and in support of the reforms. In December 2011, under pressure from the opposition, Indian government placed the retail reforms on hold till it reaches a consensus. In January 2012, India approved reforms for single-brand stores welcoming anyone in the world to innovate in Indian retail market with 100% ownership, but imposed the requirement that the single brand retailer source 30 percent of its goods from India. Indian government continues the hold on retail reforms for multi-brand stores.

In June 2012, IKEA announced it had applied for permission to invest \$1.9 billion in India and set up 25 retail stores. An analyst from Fitch Group stated that the 30 percent requirement was likely to significantly delay if not prevent most single brand majors from Europe, USA and Japan from opening stores and creating associated jobs in India.

On 14 September 2012, the government of India announced the opening of FDI in multi-brand retail, subject to approvals by individual states. This decision was welcomed by economists and the markets, but caused protests and an upheaval in India's central government's political coalition structure. On 20 September 2012, the Government of India formally notified the FDI reforms for single and multi brand retail, thereby making it effective under Indian law.

On 7 December 2012, the Federal Government of India allowed 51% FDI in multi-brand retail in India. The government managed to get the approval of multi-brand retail in the parliament despite heavy uproar from the opposition (the NDA and leftist parties). Some states will allow foreign supermarkets like Walmart, Tesco and Carrefour to open while other states will not.

TABLE 1: INDIAN RETAIL MARKET (ORGANIZED & TRADITIONAL) PERCENTAGE SHARE

Year	Organized	Traditional
2005	3.6	96.4
2007	4.1	95.9
2010	5.0	95.0
2012	8.0	92.0
2015E	21.0	79.0
2020E	24.0	76.0

E – Expected

Sources:

1. Deloitte (2011), "Indian Retail Market: Embracing a new trajectory", September, [12] (For 2005 and 2015)

2. FICCI (2011), "Sector Profile", 2 December, [7] (For 2010 and 2020)

3. Deloitte (2013), "Indian Retail Market Opening more doors", January, [13] (For 2012)

4. ASA (2012), "A Brief Report on Retail Sector in India", August, ASA and Associates chartered accountants, [15] (For 2007)

"International retail giants entering into Indian atmosphere may bring a massive change in increasing the pie of organized in coming years"

5. RETAIL OPPORTUNITY

- India's large and aspiring middle class of 75 million households or 300 million individuals want products that are value-driven. The country's 500 million people under the age of 25 have access to more money that has additionally resulted in independence, aspiration and a demand for products.
- India's changing FDI climate provides an interesting dynamic to several International retailers' entry and expansion plan Companies such as Gap, IKEA, and Abercrombie & Fitch are stepping up inquiries to enter the market, while others are seeking local partners.
- Hypermarkets and supermarkets continue to dominate, but cash-and-carry is growing fast, with significant expansion from Bharti Wal-Mart, Metro Group, Carrefour etc.
- The average size of malls is likely to increase in the coming years as developers are focusing on project sizes that allow for a critical mass in terms of various formats and categories under one roof. In 2014, the average size of malls is estimated at around 3.8 lakh square feet, which is expected to increase to 4.7 lakh square feet in 2015 and further to 6.6 lakh square feet in 2017.
- The Indian home and furnishing market is pegged at about \$20 billion (Rs 1.2 lakh crore), of which the furniture segment accounts for about half.(business standard, march19, 2014)

TABLE 2: KEY PLAYERS OF RETAIL IN INDIA

S. No.	Company	Size
1	Pantaloon Retail Ltd (Future Group venture)	Over 2 million sq ft of retail space spread over 35 cities with 65 stores and 21 factory outlets
2	Shoppers Stop (K Raheja Group venture)	Over 3.21 million sq ft of retail space spread over 23 cities with 51 stores
3	Spencer Retail (part of RP-SG Group)	Retail footage of close to 1 million sq ft across 45 cities with 200 stores
4	Lifestyle Retail (Landmark Group venture)	Approximately 15 lifestyle and eight Home Centre stores
5	Bharti Retail	74 Easyday stores with plans to invest about 2.5 billion USD over the next five years to add about 10 million sq ft of retail space in the country
6	Reliance Retail	700 stores with a revenue of 7,600 crore INR
7	Aditya Birla 'More'	575 stores with approximate revenue of 2,000 crore INR. Recently, purchased stake in Pantaloon Retail
8	Tata Trent	59 Westside stores, 13 Starbazaar hypermarkets and 26 Landmark bookstores

TABLE 3: MODERN RETAIL FORMAT IN INDIA

Format	Features	Retail players
Hypermarket	Large stores with 50,000 to 1, 00,000 square feet space; offer large basket product from grocery, fresh & processed food, beauty & household products clothing & appliances.	Pantaloon, Hyper City, Trent, Spencer's Hypermarket, Big Bazaar
Cash and Carry	Very large store with over 75,000 square feet space carrying thousands of stock keeping units; B2B focus for bulk buying & selling; legally restricted to sell fresh produce & liquor.	Metro
Departments store	Large layout with 10,000 to 60,000 square feet retail space; wide range of merchandise across cohesive categories; mainly in garments along with fashion accessories, gifts, home furnishing; wider consumer audience catchment & in-store service are major differentiators.	Pantaloons, Trent, Shoppers Stop, Westside, Ebony, Lifestyle, Globus
Supermarket	High growth format (Shenoy, Sequeira, & Devaraj, 2012), large in size with typical layout; offers household products & food.	Aditya Birla Retail, Reliance Fresh, 6-ten, Nilgiri's, Spencers, Food Bazaar, Apna Bazaar, Sabka Bazaar
Shop in shop	Presence within large formats, departments or supermarkets; efficiently managed through supply chain & fast stock replenishment with scaled down store space.	Infinity (Jewellery); Revlon, Chambor (Cosmetics); Nina Ricci (Perfumes); Cross(Pens)
Speciality Store	Single category store with focus on individual & group clusters of the same class with high product loyalty; includes focused apparel chains and brand shops	Titan, Tanishq, The Mobile Store (Mobile Phones & Accessories); Archies (Gift Store); Fab India (Apparel)
Category Killers	Large Specialty Stores with an average size of 18,000 square feet; focus on wide range within particular segment at affordable prices.	Nallis (Sarees); The Loft (Footwear); Haldiram Food City (Food)
Discount store	Offers wide range of branded products at discounted prices; average size is 1,000 square feet; includes factory outlets.	Subiksha (discontinued) (Sathyanarayanan, 2012), Margin Free (Food & Grocery); Koutons, Brand Factory (Apparel); Nike/Levis factory outlets
Convenience store	Small (average 800 square feet) residential area retail stores; open long hours 7 days a week; carrying limited range of staple & grocery.	In and Out, Safal

Source: compiled from (Basu, 2013) (Joseph et al., 2008), and Google Resources (as cited by Hafiz Wasim Akram, et al., 2014)

6. KEY DEVELOPMENTS AND INVESTMENTS

- Reliance Retail plans to enter the e-commerce segment in six to eight months, a move that will pitch it against established players such as Amazon, for a share of India's fast growing online retail market. The company currently operates over 1,500 stores, including hypermarkets, digital stores, jewellery outlets and apparel stores, in 136 cities nationwide. For the quarter ended September 2013, the company's sales jumped 31 per cent from a year ago to Rs 3,456 crore (US\$ 557.76 million).
- Swedish furniture retailer IKEA had proposed setting up 10 furnishing and home ware stores as well as allied infrastructure in India, over the next 10 years. The company also plans to open 15 more stores. It has already identified Haryana, Andhra Pradesh, Maharashtra and Karnataka as possible states to set up its stores.
- Myntra has entered into an exclusive partnership with UK-based apparel manufacturer, Raised on Denim. The UK brand will manufacture its premium youth apparel range, Stanley Kane, locally and sell it on Myntra, aiming to reach the fashion-conscious clientele who are increasingly shopping online.
- Shoemaker Johnston & Murphy, which is known for having made shoes for several US Presidents, plans to open 15 stores across Indian metros in the next four–five years, and leverage the wholesale channel. It is expecting business of Rs 50 crore (US\$ 8.06 million) in the initial three–four years.
- Tesco Plc, the UK's largest supermarket company, plans to be the first foreign multi-brand chain to enter the Indian market. Extending its back-end and wholesale support franchise agreement with the Tata Group's Trent, Tesco will invest US\$ 110 million in the Indian market for front-end multi-brand retail stores.
- Apollo Tyres Ltd has opened its first branded outlet in Sri Lanka strengthening its presence in the island country. The outlet deals in both passenger and commercial vehicle tyres.
- Ezeego1.com has launched a new franchise store in Gurgaon, Haryana to reach out to a wider mass of audience who prefers the conventional method of travel booking.
- Galderma, a Switzerland-based pharmaceutical company, owned by food and beverage giant Nestle, plans to tap the Rs 30,000 crore (US\$ 4.99 billion) skincare and beauty market in India.
- Fast-food brand Subway plans to expand its presence across IT parks, highways, hospitals and food courts. "We plan to have about 650 outlets by 2015," said Mr Gurpreet Gulri, Country Head, Subway India.
- Big Bazaar plans to use a Rs 100 crore (US\$ 16.64 million) marketing campaign, which will play on mass media as well as social media, to reposition itself as a change agent rather than a player who provides the deepest discounts in the business.
- Tanishq has celebrated another landmark in jewellery retailing by opening its new showroom in Bengaluru. It is the 162nd showroom in Tanishq's network.
- Aditya Birla Group plans to open about 100 supermarkets and 10 hypermarkets by mid-2011. Spencer's is expected to add up to 25 hypermarkets through 2012.

7. ADVANTAGE OF MODERN RETAILING

7.1. Employment Generation: Modern retailing has the potential for generating employment of 2.5 millions people by 2010 in various retail operations and more than 10 millions in indirect retail activities including contract production and processing, supply chain and logistics, retail real estate development and management.

7.2. Increasing efficiency in Agriculture: The concept of middleman in food supply chain is matter of yesterday. Farmers are cultivating crops as per the demand of retailers. Customers are getting benefits of reduced pricing while the farmers are receiving higher returns for their produce. Only organized retail provides mass marketing of processed and package foods.

7.3. Enhanced shopping experience for consumers: Trends of shopping with entertainment is gaining momentum because of time and traffic congestion. An organised retail offers one stop shopping with many product baskets at single location. These formats add experience of large scale purchase, consumer preference, excellent ambience and choice of merchandising.

7.4. Creating Positive Social Change: Retailing leads to improvement in local infrastructure by providing adequate parking facilities, ATM, a safe and secure environment which encourages the setting up of 24 hrs. Convenience stores, a hygienic ambience to the consumer's etc. This is enabling positive social change in the industry.

Foreign knowledge is critical in modernizing India's retail sector and enhance its efficiency.. With foreign expertise on such best practices, Indian companies can learn fast and actually out-innovate the foreign companies using their more in-depth knowledge of local markets—be it in consumer tastes or the unique features of the logistics and regulatory environment in India.

8. CONCLUSION

In Indian Retail Sector is almost say 92% of the Retail Sector is unorganized sector and remaining only 8% is organized sector that give opportunity to foreign investors in multi-brand and single brand as well as local partners to invest in retail sector. Indian organised sector increasing year wise years and it will reached 24 percentage (expected) by 2020. And maximum foreign companies retail shops are more operating in India, domestic retail shops are only few in organised retail sector. The arrival of private brands are generating demand and sourcing tie-ups with manufacturers across products. Since organised retail sector is fearful about price and competitive pressure, there is a need for some mechanism so that both traditional and modern retail can continue to grow in harmony eventually closing the gap between the organised and modern retail sector

The modern retail sector is benefiting the society in terms of better product, choices, price and employment generation. It is also creating an atmosphere of investment. The phenomenal growth of organised and modern retail has a favourable multiplier effect on the Indian economy. At present it is already considered to be India's backbone in terms of employment generation after agriculture.

REFERENCES

1. Akram, H. W., Anwar, M. and Khan, M. A., (2014). Organized and Modern Retailing in India: A Bird's Eye View. *Journal of Business Dimensions*, Vol.1 (2), 113-170
2. Manocha, S. and Pandey, A., (2012). Organized Retailing in India: Challenges and Opportunities. *VSRD International Journal of Business & Management Research*, Vol. 2 (3), 65-80
3. Siddappa, (2014). Indian retail sector: an overview. *International Interdisciplinary Research Journal*, Vol.2 (3), 81-86

WEBSITES

4. http://indianbusiness.nic.in/newdesign/index.php?param=industryservices_landing/383/3
5. <http://webcache.googleusercontent.com/search?q=cache:http://rajeshthambala.blogspot.com/2013/02/indian-retail-industry-2012-2013.html>
6. <http://www.chitkara.in/retail-scenario-in-india>
7. <http://www.ibef.org/research/reports/furniture-category-set-to-expand-in-e-commerce-19-march-14>
8. <http://www.ibef.org/research/reports/shopping-malls-to-grow-in-size-numbers-in-2014-report>
9. <http://www.indianbusiness.nic.in/industry-infrastructure/service-sectors/retailing1.htm>



ATHEISM OR RELIGIOSITY: WHAT DRIVES NEW AGE ADMINISTRATORS AND ENTREPRENEURS

DR. ANU SINGH LATHER
PROFESSOR & DIRECTOR (INTERNATIONAL AFFAIRS)
UNIVERSITY SCHOOL OF MANAGEMENT STUDIES
GURU GOBIND SINGH INDRAPRASTHA UNIVERSITY
DELHI

DR. SHILPA JAIN
ASST. PROFESSOR
UNIVERSITY SCHOOL OF MANAGEMENT STUDIES
GURU GOBIND SINGH INDRAPRASTHA UNIVERSITY
DELHI

DEEPTI PRAKASH
ASST. PROFESSOR
UNIVERSITY SCHOOL OF MANAGEMENT STUDIES
GURU GOBIND SINGH INDRAPRASTHA UNIVERSITY
DELHI

ABSTRACT

Religiosity or Atheism: What drives the administrators and entrepreneurs today? The scriptures across the world have discussed the issue of religiosity and atheism in details but it is relatively a new and interesting concern to understand that whether this religiosity and atheism relates to administrative and entrepreneurial activities. The present study is also such an attempt to understand relationship between religious vs atheist orientation and entrepreneurial vs administrative inclination of new age managers. A sample of 80 such managers was taken. The results show that the managers with atheist orientation are high on entrepreneurial inclination. Males are found to be higher on atheism as compared to females. Also the study presents interesting results that males with entrepreneurial inclination are higher on atheism.

KEYWORDS

Atheism, Religiosity, Entrepreneurial Interest, Administrative Interest.

INTRODUCTION

Religion and spirituality are amongst those few important issues which pervade every stage of human development and provides meaning to the mysteries of existence. Religion not only brings out the best in people in the form of mystics, saints, cathedrals, music and literature, but has also been used throughout human existence to rationalize and justify inhumane treatment of others, persecution, intolerance of different belief systems, exploitative labour relations and political systems (Belzen, 1996, p 23). Religion is viewed as one of the most stable social forces in shaping and controlling an individual's life and behavior (Chen & Liu, 2009; Kennedy & Lawton, 1998). Even the scholars dating back to Adam Smith and Max Weber assert that religion plays a fundamental role in shaping economics. But literature also affirm that the biggest entrepreneurs of the world like Warren Buffett, Bill Gates, Mark Zuckerberg, and Richard Branson are all atheist. It is argued that charitable behavior gets big perks in the afterlife, according to Indian, Christian and Islamic theology. But what about atheists? Atheists have no faith, no expectation of benefit afterlife. Atheists, non-believers, and secular humanists the whole gamut of the godless have emerged in recent years as inarguably the most generous benefactors on the globe. Warren Buffett an atheist donated \$40.785 billion to health, education, humanitarian causes. Bill & Melinda Gates; both atheists, donated \$27.602 billion to global health and development, education. Facebook CEO Mark Zuckerberg and his wife, Priscilla Chan donated \$120 million to public schools in the San Francisco Bay Area in 2013. The British business mogul and founder of Virgin Records and Virgin Atlantic Airways, Richard Branson has vowed to give at least half of his \$4 billion wealth away to charity. In contrast, Pew Research Forum (2009) reported that a comprehensive study by Harvard University professor Robert Putnam found that religious people are more charitable than their irreligious counterparts. This research paper is not about who is donating how much, but an endeavour to understand the relationship between religious orientation, atheism, administrative inclination and entrepreneurship amongst new age managers. Above quoted people are all big names in entrepreneurship and their religious orientation should have some connection to what they are today. The Journal of Institutional Economics recently published a study by two economists, Travis Wiseman of Mississippi State University and Andrew Young of West Virginia University titled Religion: productive or unproductive? The paper claims to have found evidence for negative correlations between religious belief commitments and some macro economic activity. Religiosity was determined by four factors: regular attendance at religious services, strong belief in God, regular prayer, and viewing one's religion as "very important." They found that the percent of individuals reporting as atheist/agnostic is positively associated with productive entrepreneurship.

REVIEW OF LITERATURE

Allport (1954, 1960) observed that for some people religion is chiefly a means to their own ends. It is useful because it provides comfort in sorrow, security, social interaction, status, and a means of self-justification. This is the extrinsic religious orientation or ERO. Persons with an intrinsic religious orientation (IRO) are interested in the internal and personal aspects of faith; they find "their master motivation in religion" (Allport & Ross, 1967, p. 434). The person with this orientation seeks to bring the rest of life into harmony with their beliefs. It has been found that the IRO is strongly correlated with intrinsic motivation (Kahoe, 1974). With regard to the relationship between religious orientation and entrepreneurial behavior, Research on the relationship between religious orientation, entrepreneurial behaviour, and economic development remains fuzzy partly due to the complexity of underlying interactions – the critical mess of entrepreneurship (Gartner, 2006). McClelland (1961) found that primitive tribes with a high nAch (Achievement Motivation) believed a person could come into contact with the gods without the use of priestly intermediaries. Such tribes tended also to have many entrepreneurs and to be making comparatively rapid economic progress.

Audretsch et al. (2007) consider the influence of religion on individual decisions to undertake entrepreneurial activity (measured by self-employment) in a cross-country study. They find that certain religions – e.g., Islam and Christianity – tend to encourage entrepreneurship, while others – e.g., Hinduism – discourage it. In a similar study, Carswell and Rolland (2007) find (for a New Zealand panel) that non-Christian groups tend to be more entrepreneurial than Christians. While the relationship between religion and entrepreneurship has received attention in the literature (Dana, 2010; Candland, 2001), few studies in Britain (Rafiq, 1992)

specifically focused the effects of religion on ethnic entrepreneurship. Weber's (2002) theory of religious beliefs emphasises the effect of religious ideas on economic activities. It highlights the interaction between various religious thoughts and entrepreneurial culture. Key aspects of the Weberian theory include "spirit of capitalism" and "adventurous spirit". Associations, whether social, cultural or religious, in a community tend to generate business opportunities and linkages; shared networks and in-group familiarity that spawns the high level of trust embodied in social capital for business start-ups (Light et al., 1999). Social networks are vital to the development of ethnic enterprises largely because of the tendency to grant network access to members but deny same to non-members, thus giving the former some operational advantages over the latter (Waldinger et al., 1990). At the core of ethnic entrepreneurship social networks are the family and the community. Fukuyama (1999) argues that it is shared norms or values that foster social cooperation, as represented in social relationships (e.g. religious sects, village associations and clans) and goes further to suggest that it is a necessary precondition for strong economic growth. Anderson and Miller (2003) argued; the social space is mediated by the environment thus making entrepreneurship a socially constructed notion. It has been established that social capital (Waldinger et al., 1990), social network and embedded-ness (Cope et al., 2007; Jack et al., 2008) are seen to play a contributory role in entrepreneurship. Connections between religion and spirituality (Mitroff and Denton, 1999) and religion as a source of social capital (Aldrich, 1999) have been confirmed (Fornaciari and Lund Dean, 2001). A study by Noble et.al. (2007) concluded that immigrants' religious orientation significantly contributes to both economic achievement and entrepreneurial activity. For example, in one large-scale study of religion and entrepreneurship among Japanese immigrants, Woodrum (1985) found that both an individual's participation in religion and their familial religiosity were positively associated with self-employment. In an attempt to authenticate the harmony between faith and entrepreneurship, Nwankwo and Gbadamosi (2009) suggest that the platform of religion and faith-based organisations are used by many African-Caribbean individuals to validate their entrepreneurial pursuits and also to define their entrepreneurship orientation and identity. Some churches regularly arrange seminars and workshops as a means of encouraging members towards entrepreneurship and developing proactive sensitivity to entrepreneurial opportunities existing in the community.

Agnosticism and/or atheism may be associated with more self-interested behaviour. These are individuals who, more than simply not attaching themselves to a particular religious sect, explicitly express a general lack of belief, or even disbelief. A recent academic study shows that atheists are more likely to be entrepreneurs than either Protestants or Catholics. Travis Wiseman, an economics instructor at Mississippi State University, says his results rule out one popular theory: That being active in a church takes up time, which otherwise might be spent on entrepreneurial activities, and that therefore, those who don't go to church have more time to spend building a business. A case in point is Kazakhstan (Teal et.al). In just under twenty years as an independent country, Kazakhstan has made great progress in the transformation of a Soviet-command economy into a market-based economy. The support of entrepreneurship has been a strong contributor to this development. Compared to other emerging market economies, has been seen as being relatively supportive of new businesses (Doing Business, 2010). The impact of seventy-four years of official atheism has left many without religious beliefs (BBC News, 2010). People from over one hundred nations live in Kazakhstan and enjoy equal protection from the government and relative peace among ethnic groups (BBC News, 2010).

This debate on atheism and religious orientation prompted the authors to conduct the present research in order to understand this relationship of atheism and religious orientation to entrepreneurship and administrative inclination amongst New age Indian managers.

OBJECTIVES OF THE STUDY

- To find the relationship between the religious orientation of new age managers with entrepreneurial and administrative inclination.
- To find the relationship between the atheism of new age managers with entrepreneurial and administrative inclination.

HYPOTHESES

- H1. There will be no relationship in religious orientation of new age managers with entrepreneurial and administrative inclination.
H2. There will be no relationship in atheist orientation of new age managers with entrepreneurial and administrative inclination.

RESEARCH METHODOLOGY

For the study a sample of 100 was targeted out of which 80 valid responses were received with a response rate of 80%. The sample distribution is given below:

TABLE 1: SHOWING DISTRIBUTION OF SAMPLE

	Value Label	N
Gender	Male	40
	Female	40
Family Occupation	Business Family	33
	Service Family	47
Family Background	Nuclear	57
	Joint	23

SURVEY TOOLS

A three – part questionnaire was used for data collection.

- Socio-demographic data concerning name, gender, family type (Nuclear, Joint, and Extended), family occupation (Business, Service and Both) and graduation background (Commerce, Science and Humanities).
- Religious Orientation Questionnaire was designed to measure Religious vs. Atheist orientation of individuals.
- Entrepreneurial and Administrative inclination was picked up from Comprehensive Interest Schedule designed by Psycrom

RESULTS AND DISCUSSIONS

The data was subjected to Pearson correlation to find out the relationship between religious orientation, atheism, administrative and entrepreneurial inclination. The results show that there is a significant positive correlation ($r = .31$, $p = .006$) between the atheism and entrepreneurial inclination (Table 2). However there is no significant relationship between atheism and administrative inclination, religious orientation and entrepreneurial inclination, and religious orientation and administrative inclination (Table 2). Therefore Hypothesis (H1) is partially accepted and partially rejected and Hypothesis (H2) is accepted. The results are in line with many studies showing that entrepreneurs mostly have atheist orientation. As is evident from the fact that even few of the business stalwarts like Warren Buffet, Bill Gates, Mark Zuckerberg are also atheist.

The possible explanation of these results could be that atheism concentrates on service of humanity in contrast to service of God in religiosity. In their quest to serve humanity, atheist tries to find means and ways for this service. They therefore generate opportunities for the growth of humanity by being entrepreneurs and as is evident from studies act more philanthropically as compared to people with religious orientation.

Analysis of variance was applied to see the significant differences amongst males and females and managers with entrepreneurial and administrative inclination on religious orientation and atheism. The results revealed that males are significantly higher than females on atheism ($F = 4.46$, $p = .038$; Table 3, Table 4), however there is no difference in their religious orientation. The results confirm the studies pertaining to atheism being higher amongst males. Zukerman (2010) in his edited work on atheism and secularity reported that as a group, compared to believers, atheists and agnostics are represented by a majority of men. The atheists and agnostics are usually educated atleast up to graduation or post graduation. Atheist enjoy a higher socioeconomic status compared to believers and

dwell mostly in urban areas. Almost all atheists embrace liberal politics. In his article "Women more religious than men"; Britt (2009) mentioned the results of a survey revealing that women pray more often than men, are more likely to believe in God, and are more religious than men. Britt in his article further referred to numerous surveys of Gallup organization which again establishes that women are more religious than men, holds their beliefs more firmly, and practice their faith more consistently. The reasons quoted for such results ranges from women raising kids as mothers, to women majorly being homemakers in past (Gallup, 2002). This provided them more involvement in religious activities. Another reason for men being less religious than women is presented by Stark (2002). He argued that studies of biochemistry imply that underdeveloped ability to inhibit impulses is the prime reason for both male irreligiosity and male lawlessness. The results further revealed that managers with entrepreneurial inclination are significantly higher on atheism than those with administrative inclination or no inclination (Table 3, Table 5). However, no significant differences were found in the religious orientation of managers with administrative, entrepreneurial and none inclination. These results are also in line with the results of previous studies as mentioned in literature review. Also it is interesting to note that together gender and entrepreneurial inclination contributes up to 10% to atheism (Adjusted $R^2 = .103$, Table 3). This means that the males with entrepreneurial inclination are higher on atheism. The managers do not differ on their atheist or religious orientation with respect to their family background (business/ service) and family type (nuclear/joint).

CONCLUSION

The literature provides contradicting views of religion being the most stable social forces in shaping and controlling an individual's life and behaviour and to be a facilitator of economic growth on one hand while atheism as preferred way of many stalwart entrepreneurs who are examples to the world. Numerous studies have examined religiosity as a predictor of health and psychological well-being. However, people with no religious affiliation now make up the third-largest global group in a new study of the world's faiths - coming after Christians and Muslims but just before Hindus (Daily Mail, 2012). Research has also shown that more atheists tend to be entrepreneurs and philanthropists as compared to people who believe in religions. The results of the present study also show that the managers with atheist orientation are high on entrepreneurial inclination. Males are found to be higher on atheism as compared to females. Also the study presents interesting results that males with entrepreneurial inclination are higher on atheism.

REFERENCES

1. Aldrich, H. (1999), *Organizations Evolving*, Sage, Thousand Oaks, CA.
2. Allport, G.W. (1954). *The nature of prejudice*. Reading, MA: Addison-Wesley.
3. Allport, G.W. (1960). *Personality and social encounter: Selected essays*. Boston: Beacon Press.
4. Allport, G.W., & Ross, J.M. (1967). Personal religious orientation and prejudice. *Journal of Personality and Social Psychology*, 5, 432-433.
5. Anderson, A.R. and Miller, C.J. (2003), "'Class matters': human and social capital in the entrepreneurial process", *Journal of Socio-Economics*, Vol. 32 No. 1, pp. 17-36.
6. Audretsch, D., W. Boente, and J. Tamvada (2007), 'Religion and Entrepreneurship', Centre for Economic Policy Research (CEPR), Discussion Paper No. DP6378.
7. Britt, R.R.(2009). Women more religious than men. Retrieved from <http://www.livescience.com/7689-women-religious-men.html>
8. Candland, C. (2001), "Faith as social capital: religion and community development in Southern Asia", *Policy Sciences*, Vol. 33 Nos 3/4, pp. 355-74.
9. Carswell, P. and D. Rolland (2007), 'Religion and Entrepreneurship in New Zealand', *Journal of Enterprising Communities: People and Places in the Global Economy*, 1(2): 162-174.
10. Cope, J., Jack, S. and Rose, M.B. (2007), "Social capital and entrepreneurship: an introduction", *International Small Business Journal*, Vol. 25 No. 3, pp. 213-19.
11. Daily Mail (2012). <http://www.dailymail.co.uk/news/article-2250096/You-wouldnt-believe-atheism-worlds-biggest-faith-Christianity-Islam.html#ixzz3Gha2iubt>
12. Dana, L.P. (2010), *Entrepreneurship & Religion*, Edward Elgar, Cheltenham.
13. Fornaciari, C. and Lund Dean, K. (2001), "Making the quantum leap: lessons from physics on studying spirituality and religion in organizations", *Journal of Organizational Change Management*, Vol. 14 No. 4, pp. 335-51.
14. Fukuyama, F. (1999), "Social capital and civil society", paper prepared for delivery at the IMF Conference on Second Generation Reforms, October 1, available at: www.imf.org/external/pubs/ft/seminar/1999/reforms/fukuyama.htm (accessed February 26, 2011).
15. Gallup, G. H. (2002). Why are women more religious?, *Religion and Social Trends*. Retrieved from <http://www.gallup.com/poll/7432/why-women-more-religious.aspx>
16. Gartner, W. (2006), "A 'critical mess' approach to entrepreneurship scholarship", in Lundstrom, A. and Harvarsson, G. (Eds), *Entrepreneurship Research: Past Perspectives and Future Prospects, Foundations and Trends in Entrepreneurship*, Hanova, MA, pp. 213-22, Vol. 2 No. 3.
17. Harold B. Jones Jr, Adrian Furnham & Andrew J. Deile (2010) Religious orientation and the Protestant Work Ethic, *Mental Health, Religion & Culture*, 13:7-8, 697-706
18. <http://explicit-atheist.blogspot.in/2014/03/atheism-linked-to-economic-innovation.html> (accessed on 19.10.14)
19. <http://old.richarddawkins.net/articles/643999-atheists-are-the-most-generous-even-without-heavenly-reward> (accessed on 19.10.14)
20. http://www.conservapedia.com/Atheism_and_charity (accessed on 19.10.14)
21. <http://www.huffingtonpost.com/tag/mark-zuckerberg-charity/> (accessed on 19.10.14)
22. <http://www.inc.com/kimberly-weisul/study-atheists-are-more-entrepreneurial.html> (accessed on 19.10.14)
23. Jack, S., Dodd, S.D. and Anderson, A.R. (2008), "Change and the development of entrepreneurial networks over time: a processual perspective", *Entrepreneurship & Regional Development*, Vol. 20 No. 2, pp. 125-59.
24. Kahoe, R.D. (1974). Personality and achievement correlates of intrinsic and extrinsic religious orientations. *Journal of Personality and Social Psychology*, 29, 812-818.
25. Light, I., Bernard, R. and Kim, R. (1999), "Immigrant incorporation in the garment industry of Los Angeles", *International Migration Review*, Vol. 33 No. 1, pp. 5-25.
26. McClelland, D. (1961). *The achieving society*. New York: Free Press.
27. Mitroff, I. and Denton, E. (1999), *A Spiritual Audit of Corporate America: A Hard Look at Spirituality, Religion, and Values in the Workplace*, Jossey-Bass, San Francisco, CA.
28. Noble A D, Galbraith C S, Singh G and Stiles C H (2007), "Market justice, religious orientation, and entrepreneurial attitudes", *Journal of Enterprising Communities: People and Places in the Global Economy*, Vol. 1 Iss 2 pp. 121 - 134
29. Nwankwo S, Gbadamosi A and Ojo S, (2012), "Religion, spirituality and entrepreneurship", *Society and Business Review*, Vol. 7 Iss 2 pp. 149 - 167
30. Nwankwo, S. and Gbadamosi, A. (2009), "Mediating effects of black Pentecostalism on entrepreneurial orientations", paper presented at Institute for Small Business and Entrepreneurship Annual Conference, The Novas Centre, Liverpool, UK, November 3-6.
31. Rafiq, M. (1992), "Ethnicity and enterprise: a comparison of Muslim and non-Muslim owned Asian businesses in Britain", *New Community*, Vol. 19, pp. 43-60.
32. Stark, R. (2002), Physiology and Faith: Addressing the "Universal" Gender Difference in Religious Commitment. *Journal for the Scientific Study of Religion*, 41: 495-507. doi: 10.1111/1468-5906.00133
33. Teal E J, Toxanova A N and Izzo G M, "Entrepreneurial development in Kazakhstan", *Journal of International Business and Cultural Studies*. Pp 1-10. (<http://www.aabri.com/manuscripts/10743.pdf> accessed on 19.10.14)

- 34. Waldinger, R., Aldrich, H. and Ward, R. (1990), *Ethnic Entrepreneurs: Immigrant Businesses in Industrial Societies*, Sage, London.
- 35. Weber, M. (2002), *The Protestant Sects and the Spirit of Capitalism*, Roxbury Publishing Company, Los Angeles, CA.
- 36. Wiseman T and Young A (2014). Religion: productive or unproductive? *Journal of Institutional Economics*, 10, pp 21-45
- 37. Woodrum, E. (1985), "Religion and economics among Japanese Americans: a Weberian study", *Social Forces*, Vol. 64 No. 1, pp. 191-203.
- 38. Zuckerman, P (2010) ed. *Atheism and Secularity*. Vol.2 Santa Barbara, CA.: Praeger Perspectives

TABLES

TABLE 2: SHOWING THE CORRELATIONS BETWEEN RELIGIOUS ORIENTATION, ATHEIST ORIENTATION, ENTREPRENEURIAL INCLINATION AND ADMINISTRATIVE INCLINATION

		Entrepreneurial Inclination	Administrative Inclination
Atheist orientation	Pearson Correlation	.31	.11
	Sig. (2-tailed)	.006	.321
	N	80	80
Religious orientation	Pearson Correlation	-.026	.014
	Sig. (2-tailed)	.82	.90
	N	80	80

TABLE 3: SHOWING ANALYSIS OF VARIANCE OF ATHEISM WITH RESPECT TO GENDER AND ADMINISTRATIVE VS ENTREPRENEURIAL INCLINATION

Source	Type III Sum of Squares	df	Mean Square	F	Sig.
Corrected Model	2.341a	5	.468	2.816	.022
Intercept	576.267	1	576.267	3.466E3	.000
Gender	.742	1	.742	4.461	.038
AD_ENT	1.383	2	.691	4.159	.019
Gender * AD_ENT	.053	2	.027	.160	.852
a. R Squared = .160 (Adjusted R Squared = .103)					

TABLE 4: SHOWING MEAN SCORES OF MALES AND FEMALES ON ATHEISM

Gender	Mean
Male	2.811
Female	2.616

TABLE 5: SHOWING SIGNIFICANT MEAN DIFFERENCES OF MANAGERS WITH ADMINISTRATIVE VS. ENTREPRENEURIAL INCLINATION ON ATHEISM

Administrative Vs. Entrepreneurial Inclination	N	Subset	
		1	2
None	24	2.59	
Administrative Inclination	26	2.63	
Entrepreneurial Inclination	30		2.90



THE RELATIONSHIP BETWEEN PERSONALITY AND SHOPPING ORIENTATION: AN EMPIRICAL STUDY WITH SPECIAL REFERENCE TO APPAREL CUSTOMERS IN COIMBATORE CITY

DR. R. SELLAPPAN
PRINCIPAL
GObI ARTS & SCIENCE COLLEGE (AUTONOMOUS)
GObI

P.RADHIKA
RESEARCH SCHOLAR (MANAGEMENT)
GObI ARTS & SCIENCE COLLEGE (AUTONOMOUS)
GObI

ABSTRACT

Since the field of retailing is gaining momentum in the recent years, this research work will be of great use and may contribute to retail managers in devising an effective marketing strategy to sustain in the competitive arena. The primary objective of this empirical paper is to explore the significant relationship between personality and shopping orientations of the customers purchasing apparels in Coimbatore city. The descriptive study involves both primary and secondary data. Primary data was collected through structured questionnaire using store intercept technique to capture the recency effect of the respondents. Three stage area sampling method were adopted to select the samples. In a total of 232 apparel stores registered with the Coimbatore Cloth Merchant's Association, only 30 stores were randomly selected on the basis of its store image and reputation. Responses were elicited from 50 customers from each store. The hypotheses were tested using multivariate technique (MANOVA) followed by ANOVA, if the result of MANOVA turns out to be significant. Findings proved the relationship between various personality dimensions and shopping orientations. Managerial implications and recommendations for future research were also reported.

KEYWORDS

Apparel, MANOVA, GRDI, Personality, Shopping Orientation.

INTRODUCTION

The etymology of the term 'retail' has derived from French word *retailer* which means 'cutting off, clip and divide'. It was used first time in the year 1365. In commerce, it referred as selling of a product on small quantity to an end user is known as retailing. A retailer is one who stocks the producer's goods and is involving the act of selling it to the individual consumer, at a margin of profit. As such, retailing is the last link that connects the individual consumer with the manufacturing and distribution chain. The retail industry in India, of late, often being hailed as one of the sunrise sectors in the economy. Retail marketing is the India's largest industry, accounting for over 10 percent of the country's Gross Domestic Product (GDP) and around 8 percent of the employment (Lahori, 2010, p.1). According to A T Kearney's Global Retail Development Index (GRDI) 2012, India is the 5th most favorable destination for international retailers. Of the total Indian retail market, 8% constitutes the organized retail segment which is estimated to grow at a rate of almost 30% by 2015, and hence at a much faster pace than the overall retail market which is forecast to grow by 16% in the same period. Clothing & Apparel make up almost a third of the organized retail segment, followed by Food & Grocery and Consumer Electronics. India currently has a small penetration within the organized retail segment as compared to other emerging markets such as China, which has a penetration of more than 20% within organized retail according to the Global Retail Index report by the World Retail Conference. This study considers customer's relationship orientation as a psychological trait. Here the personality concept were used in the field of relationship marketing to explain the impact on consumer behavior. However to the researcher's knowledge, so far no empirical research has yet investigated the relationship between personality and shopping orientation in the Indian context.

LITERATURE REVIEW

Personality is the sum total of an individual's psycho-physical systems that determine his/her behavior in a given environment situation. Personality differs from person to person depending on their varying psycho-physical aspects. Therefore, understanding human/employees behavior in organizations in a better way underlines the need to understand personality in its various aspects (Khanka, 2005, pp.41). Learning about consumer's personality type helps to understand the most effective way to communicate with them, and to know under what conditions they function best (Daisy Chauhan and Chauhan, S.P. (2006 pp.358). Some of the studies on personality type in the Human Resources domain conducted in the Western countries are by Huitt (1992), Keirse (1998) and Keirse and Bates (1984). The present study is therefore an attempt to address and identify the personality type so as to meet the customer's expectations by the apparel retailers.

Apparel is often used for its symbolic value reflecting the personality and status of the user. When the apparel holds a designer or international brand, it may be perceived as an ostentatious display of wealth. Thus consumers are motivated by a desire to impress others with their ability to pay particularly high prices for prestigious products. Such personality dimensions often play critical role in shifting the consumer culture towards branded buying behavior of utilitarian goods (Aniruddha Akarte, 2012).

Arora et al., (2011 pp.55) specified that an individual level, personality inventories have been used for career assessment (Ward, Cunningham & Wakefield 1976). While at the organizational level, personality inventories have been used to explore counterproductive work behaviour and organizational citizenship behaviour (Spector & Fox, 2002), team work (Peeters et al., 2006), and job performance (Tett et al., 2003). Shopping is perhaps one of the oldest activities that the human race has been performing with high level of regularity and involvement. Over the years, however, the shoppers' orientation towards this routine activity has been changing. The innovations brought by retailers and marketers in the practice of retailing have been providing new paradigms in the way shoppers have been disposed towards their act of shopping. This has also led to a body of knowledge that aims to understand the orientation of shoppers towards shopping and utilize it to develop typologies (Piyush Kumar Sinha 2003).

Shopping orientation is one of the most axiomatic concepts in consumer behaviour literature which has been widely used to classify consumers based on their shopping habits and styles. Understanding the target market's shopping orientation has a significant impact on a retailer's success. This is because shopping orientation is regarded as the most influential factor that directly affect patronage choice (Hawkins et al. 2001) or indirectly through consumers' evaluation of relevant attribute of store alternatives, which then become the basis for their store choice (Home 2002). Thus, in order for retailers to maximise customer satisfaction and retail sales, they must understand consumers' shopping orientations that are unique in shopping attributes and patronage behaviour.

In the retailing literature, it has been established that consumers' retail patronage activities are influenced by a variety of personal traits and demographic indicants including personal values, lifestyle, employment, family life cycle, social class, sex, education attainment, marital status, age and income (Darden 1980; Shim and Kotsiopoulos 1992a). Personality, while being recognised as a subset of consumers' personal traits (Sheth 1983), has received relatively scant attention

within consumer behaviour research. Consequently, little is currently known about the impact of personality on shopping orientation in a retail patronage context.

RESEARCH METHODOLOGY

The primary objective of this empirical paper is to explore the significant relationship between personality and shopping orientations of the customers purchasing apparels in Coimbatore city. The study is based on both primary and secondary data. Coimbatore was selected as the area of the study because of the existence of more number of retail formats from local stores to modern formats such as Hypermarket and Malls, which had a total population of 9,59,823 people in late 2010's.

The target population of this survey comprises of all the customers of 232 apparel stores registered with the Coimbatore Cloth Merchant's Association (CCMA) and the members of Retail Association of India (RAI). The sample size was determined by following the rule of thumb proposed by Roscoe, 1975 (in Robert Ho, 2006). In line with the above rule of thumb, it was determined that a sample size of 1050 respondents would allow the appropriate multivariate analysis to be undertaken. Using three-stage area sampling procedure, one thousand five hundred respondents living in the different areas of Coimbatore city were targeted as the sample for this research from which 918 usable responses were retained for statistical analysis with a total response rate of 61.2%.

Primary data was collected through structured questionnaire using store intercept technique to capture the recency effect of the participants. In a total of 232 apparel stores registered with the Coimbatore Cloth Merchant's Association, only 30 stores were randomly selected on the basis of its store image and reputation. Responses were elicited from 50 customers from each store. The data were collected during the period between July 2013 and December 2013 using a structured questionnaire developed based on inventories used in the past similar studies. All variables, with the exception of demography, were measured using the five-point Likert scale.

Personality was determined through BFI-Big five inventory devised by John, 1991 consisting of 44 items where the instrument measures the Core Features of the Big Five with short phrases. This brief inventory was meant to allow efficient and flexible assessment of the five dimensions when there is no need for more differentiated measurement of individual facets (John, O.P. et al., 1991). A 5-point Likert scale was used to measure the dimensions of personality, ranging from strongly disagree (1) to strongly agree (5). Shopping orientations measure containing twenty-six items were employed from Shamdasani, Hean and Lee (2001) which was validated with a Singaporean sample. This scale was adopted because it was thought of as valid to represent the general characteristics of consumers in an Asian environment in general and Indian environment in specific.

The questionnaire was produced in two versions, English and Tamil. The pilot test was carried out with fifty participants, in a nearby location of the researcher's resident area resulting in minor amendments based on the verbal feedback received from the respondents. The evaluation of the measurements used in this study involved the assessment of the validity and reliability of the instrument. In this study, the content validity of the measurement instrument was assessed by asking a few experts to examine it and provide feedback for revision. Reliability was assessed using Cronbach's alpha with a value of 0.6 as a cut-off point for the acceptance of the measure. The reliability value for personality and shopping orientation were 0.748 and 0.717 respectively.

DATA ANALYSIS

DEMOGRAPHIC PROFILE OF THE RESPONDENTS

Before analysing the data provided by the samples, it is advisable to obtain some insights into the demographic characteristics of respondents participating in this study since it provides a background for the analysis that follows. Only a few demographic characteristics such as gender, age, marital status, education, occupation and income were used in this study, all of which were expected to be important in the interpretation of the results.

The sample consisted of slightly more male respondents (55.9%) as compared to female respondents (44.1%). Respondents spanned the range of age categories from 18 to 51 or over, with the majority (50.6%) of the respondents included in the survey sample being between the ages of 21-30, followed by the 31-40 group at 23.3%. The next largest age group was found to be age between 41-50 constituting 11.8% followed by above 50 group at 8.2%. The least age group was below 20 years of age with 6.1%.

Respondents were also asked to provide information regarding their marital status. The analysis revealed that more than half of the total sample, or 52.5% of the 918 respondents included were married while 45.7% were single and 1.8% were divorcee/ widow. Statistics on occupation showed that a large proportion of the respondents (31.8%) were employees working in the private sector while 18.8% of the respondents were students. Home makers constituted 16.9% and 13.2% of the respondents were self-employed. Out of the remaining sample, 9.7% were professionals, 5.3% were public sector employees, 3.2% were retired and 1.1% belonged to the others category. Findings were also inconclusive on the importance of occupation as a component of patronage (Bellenger & Korgaonkar, 1980; Shim & Kotsiopoulos, 1993; Kopp, et al, 1989; Shim & Bickle, 1994).

Considering the educational level of the respondents, the largest percentage of them (39.8%) possessed under graduation degree while 26.3% earned a postgraduate degree. 11.4% had obtained primary school. 10.8% of the total respondents had attained professional degree and 8.5% had completed certificate/ diploma. In the remaining samples, 1.7% belonged to other category and 1.5% had no formal education. The high proportion of the respondents having a high education level was due to the urban nature of the sample.

As far as the family income was concerned, the largest percentage of the respondents (28%) were belonging to the income category of 5-10 lakhs, while (24%) fall under the category of 10-15 lakhs, (19%) belonged to the income group of 15-20 lakhs, (18%) belonged to the income group ranging between 0-5 lakhs and finally (11%) had an income above 20 lakhs. Some studies (Crask and Reynolds, 1978; Shim & Kotsiopoulos, 1993; Shim & Bickle, 1994; Kopp, et al, 1989) found that income was helpful in distinguishing patronage while several other studies showed that income did not influence store patronage (Korgaonkar et al, 1985; Williams et al, 1978; Morganosky, 1995). These differences may be attributed to the geographic location where the survey was conducted. Table 1 presents the key demographic characteristics of the sample in the study.

TABLE 1: DEMOGRAPHIC PROFILE OF THE RESPONDENTS (n = 918)

Characteristics	Category	Frequency	Percentage
1. Gender	Male	513	55.9
	Female	405	44.1
2. Age	Below 20	56	6.1
	21 - 30	465	50.6
	31 – 40	214	23.3
	41 – 50	108	11.8
	Above 50	75	8.2
3. Marital Status	Married	482	52.5
	Single	420	45.7
	Divorcee/Widow	16	1.8
4. Educational Qualification	No formal Education	13	1.5
	Primary School	105	11.4
	Certificate/ Diploma	79	8.5
	Under graduate	367	39.8
	Post graduate	240	26.3
	Professional Degree	99	10.8
	Others	15	1.7
5. Occupation	Private sector	292	31.8
	Public Sector	49	5.3
	Self employed	121	13.2
	Professional	89	9.7
	Retired	29	3.2
	Homemaker	155	16.9
	Students	173	18.8
	Others	10	1.1
6. Family Income	0-5 lakhs	165	18
	5-10 lakhs	266	28
	10-15 lakhs	216	24
	15-20 lakhs	174	19
	Above 20 lakhs	97	11

Source : Primary Data

RESULT AND DISCUSSION OF THE DEMOGRAPHIC PROFILE

The demographic characteristics in summary, presented that **the sample included in this study appeared to be middle aged between 21 and 30, married, more educated and includes more males working in the private sector with an average annual family income ranging between 5 to 10 lakhs.** This finding goes in parallel with the population statistics of Coimbatore city. According to population census data of 2011, Coimbatore had a population of 3,458,045 of which male and female were 1,729,297 and 1,728,748 respectively. Average literacy rate of Coimbatore in 2011 was 83.98 compared to 78.50 of 2001 having male and female literacy rates of 89.06 and 78.92 respectively (www.census2011.co.in). This finding was contradictory to the finding of **O' Cass (2004)** which stated that female customers are more involved with fashions than male customers. This is due to the reason that the female customers were mostly engaged in shopping activity during the survey and the males who accompanied them responded to the survey more willingly than females.

ANALYSIS OF PERSONALITY AND SHOPPING ORIENTATION

In this study, parametric tests (MANOVA & ANOVA) were used to analyse the data. It is important to check for the normality of data, because parametric tests can be applied only when the data is normal. Normality of data is ensured using the Central Limit Theorem. The normal distribution has the remarkable property stated in the Central Limit Theorem which asserts that certain statistics, most important of which is the sample mean and sample variance, tends to be normally distributed as the sample size becomes large (**Gupta & Gupta, 2013, p.467**).

Before proceeding with the hypothesis testing using MANOVA, the total of 26 shopping orientation statements were condensed into six latent factors (**brand, shopping enjoyment, fashion, quality, impulse and price**) using factor analysis. The extracted six factors were used in this analysis. In this section, the significant differences between personality dimensions such as Agreeableness, Conscientiousness, Extroversion, Neuroticism, Openness and shopping orientation were tested using MANOVA and ANOVA.

H1: There is no significant difference between shopping orientation and customers affiliated with Agreeableness personality.

To test Hypothesis H1, multivariate analysis of variance (MANOVA) was performed using the six shopping orientation factors (brand conscious, shopping enjoyment, fashion conscious, quality conscious, impulsive shopping and price conscious) as dependent variables and Agreeableness as an independent variable. To check whether the homogeneity of variance/covariance assumption is met, Box's M test was run. The test turned out to be non-significant at 0.05 level (Box's M = 781.550, F = 1.607, p = 0.348), suggesting that the covariance matrices are roughly equal and the homogeneity assumption is not violated.

TABLE 2: MANOVA OF SHOPPING ORIENTATION BY AGREEABLENESS PERSONALITY

	VALUE	F	HYPOTHESIS D.F	ERROR D.F	SIG.
PILLAI'S TRACE	.437	1.811	228.000	5256.000	.000*
WILKS' LAMBDA	.628	1.854	228.000	5179.000	.000*

Source : Primary Data

Note : * = Significant at 5%

Pillai's trace and Wilks' lambda were used to assess the overall multivariate relationship. The results indicated that the tests were significant (Pillai's trace = 0.437, F (228, 5256) = 1.811, p < 0.05; Wilks' lambda = 0.628, F (228, 5179) = 1.854, p < 0.05). Since the "p" value is significant, the null hypothesis was rejected. Hence, the hypothesis that there is no significant difference between shopping orientation and customers affiliated with agreeableness personality was rejected. **Decision was made that significant difference exists between shopping orientation and customers affiliated with agreeableness personality.** Hence further test was needed.

TABLE 3: ANOVA OF SHOPPING ORIENTATION BY AGREEABLENESS PERSONALITY

Factors	F	Sig.
brand	2.065	.000*
shopping	1.107	.304
fashion	2.178	.000*
quality	1.990	.000*
impulse	1.238	.156
price	1.592	.014*

Source : Primary Data

Note : * = Significant at 5%

The results of one-way ANOVA are displayed in Table 3. Statistically there exists differences between the four shopping orientations and agreeableness personality. Those four orientations of significant difference are brand (F (37, 877) = 2.065, p < 0.05), fashion (F (37, 877) = 2.178, p < 0.05), quality (F (37, 877) = 1.990, p < 0.05) and price (F (37, 877) = 1.592, p < 0.05). Hence, it may be concluded that the four shopping orientations namely brand, fashion, quality and price conscious have significant impact on customers with agreeableness personality.

H2: There is no significant difference between shopping orientation and customers affiliated with Conscientiousness personality.

To test Hypothesis H2, multivariate analysis of variance (MANOVA) was performed using the six shopping orientation factors (brand conscious, shopping enjoyment, fashion conscious, quality conscious, impulsive shopping and price conscious) as dependent variables and Conscientiousness as an independent variable. To check whether the homogeneity of variance-covariance assumption is met, Box's M test was run. The test produced non-significant result at 0.05 level (Box's M = 884.363, F = 1.704, p = 0.420), suggesting that the covariance matrices are roughly equal and the homogeneity assumption is tenable.

TABLE 4: MANOVA OF SHOPPING ORIENTATION BY CONSCIENTIOUSNESS PERSONALITY

	Value	F	Hypothesis d.f	Error d.f	Sig.
Pillai's Trace	.364	1.448	234.000	5250.000	.000*
Wilks' Lambda	.683	1.469	234.000	5176.000	.000*

Source : Primary Data

Note : * = Significant at 5%

Pillai's trace and Wilks' lambda were used to assess the overall multivariate relationship. The MANOVA results are displayed in Table 4. The results indicated that the tests were significant (Pillai's trace = 0.364, F (234, 5250) = 1.448, p < 0.05; Wilks' lambda = 0.683, F (234, 5176) = 1.469, p < 0.05). Since the "p" value is significant, the null hypothesis was rejected. Hence, the hypothesis that there is no significant difference between shopping orientation and customers affiliated with conscientiousness personality was rejected. Decision was made that there existed significant differences between shopping orientation and customers affiliated with Conscientiousness personalities. Since significant results were produced by the MANOVA, further testing was made.

TABLE 5: ANOVA OF SHOPPING ORIENTATION BY CONSCIENTIOUSNESS PERSONALITY

Factors	F	Sig.
brand	2.084	.000*
shopping	1.090	.328
fashion	1.289	.113
quality	1.959	.000*
impulse	1.365	.070
price	1.157	.238

Source : Primary Data

Note : * = Significant at 5%

The results of one-way ANOVA are displayed in Table 5. Statistically significant differences existed between Conscientiousness personality and two shopping orientations. Those two orientations of significant difference included are brand (F (37, 877) = 2.084, p < 0.05), and quality (F (37, 877) = 1.959, p < 0.05). From the result of ANOVA, it was inferred that the two shopping orientations namely brand and quality conscious have significant impact on customers with conscientiousness personality.

H3: There is no significant difference between shopping orientation and customers affiliated with Extroversion personality.

To test Hypothesis H3, multivariate analysis of variance (MANOVA) was performed using the six shopping orientation factors (brand conscious, shopping enjoyment, fashion conscious, quality conscious, impulsive shopping and price conscious) as dependent variables and Extroversion as an independent variable. To check whether the homogeneity of variance covariance assumption is met, Box's M test was run. The test produced non-significant result at 0.05 level (Box's M = 345.07, F = 1.584, p = 0.43), suggesting that the covariance matrices are roughly equal and the homogeneity assumption is tenable.

TABLE 6: MANOVA OF SHOPPING ORIENTATION BY EXTROVERSION PERSONALITY

	Value	F	Hypothesis df	Error df	Sig.
Pillai's Trace	.241	1.278	174.000	5310.000	.009*
Wilks' Lambda	.780	1.286	174.000	5193.227	.007*

Source : Primary Data

Note : * = Significant at 5%

Pillai's trace and Wilks' lambda were used to assess the overall multivariate relationship. The results indicated that the tests were significant (Pillai's trace = 0.241, F (174, 5310) = 1.278, p < 0.05; Wilks' lambda = 0.780, F (174, 5193) = 1.286, p < 0.05). Since the "p" value is significant, the null hypothesis was rejected. Hence, the hypothesis that there is no significant difference in shopping orientation and customers affiliated with extroversion personality was rejected. Decision was made that there is significant difference between shopping orientation and customers affiliated with extroversion personalities. Since significant results were produced by the MANOVA, further testing was made.

TABLE 7: ANOVA OF SHOPPING ORIENTATION BY EXTROVERSION PERSONALITY

Factors	F	Sig.
brand	1.998	.001*
shopping	.984	.491
fashion	.678	.901
quality	1.897	.003*
impulse	1.172	.245
price	1.886	.003*

Source : Primary Data

Note : * = Significant at 5%

The results of one-way ANOVA are displayed in Table 7. Statistically significant differences existed between extroversion personality and three shopping orientations. Those three shopping orientations of significant difference included are brand (F (37, 877) =1.998, p < 0.05), quality (F (37, 877) =1.897, p < 0.05) and price (F (37, 877) =1.886, p < 0.05). **The outcome of ANOVA reported that the three shopping orientations namely brand, quality and price conscious have significant impact on customers with extroversion personality.**

H4: There is no significant difference in shopping orientation among customers affiliated with Neuroticism personality.

To test Hypothesis H4, multivariate analysis of variance (MANOVA) was performed using the six shopping orientation factors (brand conscious, shopping enjoyment, fashion conscious, quality conscious, impulsive shopping and price conscious) as dependent variables and Neuroticism as an independent variable. To check whether the homogeneity of variance covariance assumption is met, Box's M test was run. The test produced non-significant result at 0.05 level (Box's M = 774.455, F = 1.727, p = 0.340), suggesting that the covariance matrices are roughly equal and the homogeneity assumption is tenable.

TABLE 8: MANOVA OF SHOPPING ORIENTATION BY NEUROTICISM PERSONALITY

	Value	F	Hypothesis d.f	Error d.f	Sig.
Pillai's Trace	.293	1.291	210.000	5274.000	.003*
Wilks' Lambda	.738	1.298	210.000	5187.000	.003*

Source: Primary Data

Note : * = Significant at 5%

Pillai's trace and Wilks' lambda were used to assess the overall multivariate relationship. The MANOVA results are displayed in Table 8. The results indicated that the tests were significant (Pillai's trace = 0.293, F (210, 5274) = 1.291, p > 0.05; Wilks' lambda = 0.738, F (210, 5187) = 1.298, p > 0.05). Since the test produced significant result, the null hypothesis was rejected. Hence, the hypothesis that there is no significant difference in shopping orientation and customers affiliated with neuroticism personality was rejected. **Decision was made that significant differences existed between shopping orientation and customers affiliated with neuroticism personality.** Since significant results were produced by the MANOVA, further testing was made.

TABLE 9: ANOVA OF SHOPPING ORIENTATION BY NEUROTICISM PERSONALITY

Factors	F	Sig.
brand	1.267	.140
shopping	1.438	.050
fashion	1.301	.115
quality	1.772	.004*
impulse	.787	.808
price	1.454	.045*

Source : Primary Data

Note : * = Significant at 5%

The results of one-way ANOVA are displayed in Table 9. Statistically significant differences existed between neuroticism personality and two shopping orientations. Those two shopping orientations of significant difference are quality (F (37, 877) =1.772, p < 0.05) and price (F (37, 877) =1.454, p < 0.05). **From the result of ANOVA, it was inferred that the two shopping orientations namely quality and price conscious have significant impact on customers with neuroticism personality.**

H5: There is no significant difference in shopping orientation among customers affiliated with Openness personality.

To test Hypothesis H5, multivariate analysis of variance (MANOVA) was performed using the six shopping orientation factors (brand conscious, shopping enjoyment, fashion conscious, quality conscious, impulsive shopping and price conscious) as dependent variables and Openness as an independent variable. To check whether the homogeneity of variance covariance assumption is met, Box's M test was run. The test produced non-significant result at 0.05 level (Box's M = 761.260, F = 1.728, p = 0.05), suggesting that the covariance matrices are roughly equal and the homogeneity assumption is tenable.

TABLE 10: MANOVA OF SHOPPING ORIENTATION BY OPENNESS PERSONALITY

	Value	F	Hypothesis d.f	Error d.f	Sig.
Pillai's Trace	.308	1.444	198.000	5286.000	.000*
Wilks' Lambda	.726	1.458	198.000	5190.000	.000*

Source : Primary Data

Data Note : * = Significant at 5%

Pillai's trace and Wilks' lambda were used to assess the overall multivariate relationship. The MANOVA results are displayed in Table 10. The results indicated that the tests were significant (Pillai's trace = 0.308, F (198, 5286) = 1.444, p < 0.05; Wilks' lambda = 0.726, F (198, 5190) = 1.458, p < 0.05). Since the test produced significant result, the null hypothesis was rejected. Hence, the hypothesis that there is no significant difference in shopping orientation and customers affiliated with openness personality was rejected. **Decision was made that significant differences existed between shopping orientation and customers affiliated with Openness personalities.** Since significant results were produced by the MANOVA, further testing was made as a follow-up analysis.

TABLE 11: ANOVA OF SHOPPING ORIENTATION BY OPENNESS PERSONALITY

Factors	F	Sig.
brand	2.934	.000*
shopping	1.134	.278
fashion	1.297	.124
quality	2.592	.000*
impulse	1.547	.026*
price	1.217	.188

Source : Primary Data

Note : * = Significant at 5%

The results of one-way ANOVA are displayed in Table 11. Statistically differences existed among customers with openness personality and three shopping orientations. Those three shopping orientations of significant difference included are brand (F (37, 877) =2.934, p < 0.05), quality (F (37, 877) =2.592, p < 0.05) and impulse (F (37, 877) =1.547, p < 0.05). **From the result of ANOVA, it was inferred that the three shopping orientations namely brand, quality and impulse shopping orientations have significant impact on customers with agreeableness personality.**

RESULTS AND DISCUSSION

The overall results of MANOVA and ANOVA suggests that significant differences exist in shopping orientation among consumers with different personality dimensions. All the hypotheses (H1, H2, H3, H4, H5) were rejected. All of the personality dimensions have a very strong impact on Shopping Orientation. The

result reported that personality plays a vital role in determining their shopping orientation. Individuals who score high in this aspect are generally brand conscious, enjoys shopping, fashion oriented, quality conscious, impulsive and price oriented shoppers.

To be very specific, consumers with agreeableness personality tend to be more brand and fashion conscious, give importance to quality and very much price oriented. Conscientious personality consumers ranked high in brand and quality consumers. Consumers who score high on extraversion personality dimensions are brand conscious, quality conscious and price conscious. Neuroticism personalities exhibits quality conscious and price – conscious shopping orientation. Openness personality consumers were found to be an impulsive shopper giving importance to brand and quality. Overall findings indicated that by considering all the five personality dimensions, consumers gave top priority to quality followed by brand. Hence retailers should seriously concentrate on this issue and take necessary steps to delight the customers by providing them with different types of branded products with high quality.

Findings from previous studies by **Yang He (2013) and Mokhlis(2006)** corroborated with this finding which stated that the six dimensions viz (Brand conscious, Fashion conscious/Appearances, Local store oriented, Price conscious, Shopping mall oriented time/ Convenience conscious) of shopping orientations had significant influence on changes in patronage preferences, both in store and brand preferences.

All of the personality dimensions have a very strong impact on Shopping Orientation. The result reported that personality plays a vital role in determining their shopping orientation. The effect of quality conscious were present in all the personality dimensions followed by brand conscious.

MANAGERIAL IMPLICATIONS

The results of this study are valuable because there exists strong links between personality construct and shopping orientation. To the researcher's knowledge, there has been no report to date (or not that the researcher's were aware of) of empirical study that explored the influence of personality on shopping orientation in the Indian context. The present research may lead international consumer researchers to a better understanding of the relevancy between personality and patronage behaviour. Since differences based on various personality variables were found to be significant in predicting certain behavioural orientations such as information usage, shopping and the importance attached on store attributes, it follows that understanding personality of the consumers can provides the marketers with a very practical tool for market segmentation. Once the markets are segmented based on personality, marketing tactics may then be designed which reflect and are better suited to the characteristics of consumer behaviour (**Essoo and Dibb 2004**).

Most of the customers were found to be more quality, brand, fashion conscious and price-oriented. Hence to attract this segment, retailers are recommended to emphasize on brand, price and high quality appeals in their promotional strategies to enhance the reputation of the store. Hence the apparel retailers should take initiatives in providing the value-added service to its customers, as a part of customer-retender strategy.

RECOMMENDATIONS FOR FURTHER RESEARCH

It is also important to recognize the inherent limitation associated with generalizing the findings beyond the sample utilised and its geographical scope. The sample for this study was limited to the Coimbatore city and the distribution of the sample on the select demographic characteristics does not necessarily follow the characteristics of the general population of Coimbatore District in specific and TamilNadu in general. It is possible that the behaviour patterns of consumers in other regions would differ from those uncovered in this study. Therefore, the researchers may conduct in other regions in the future.

The scope of the present study was strictly limited to only one product category (i.e. shopping for clothing in general) and therefore the findings may or may not be generalised to other products. In addition, different types of clothing items were not specified (e.g. formal, informal) nor were specific clothing categories (e.g. sportswear, activewear, undergarment). This is another dimension to be taken into consideration. Other potential relevant areas for investigation include the effect of personality on online shopping orientation and website evaluative criteria since online marketing is gaining momentum in the recent days.

Since personality is a multi-faceted dimension, qualitative research method such as depth interview is recommended as a powerful tool for discovering consumers' personality type in more depth.

REFERENCES

1. Aniruddha Akarte, Bharat Meghe & Amishi Arora(2012), "A Study of Consumer Buying Behavior In Organized Retail Apparel Sector (With Reference To Men's Wear)", International Journal Of Marketing, Financial Services & Management Research, Vol.1 No.9, pp.1-17. ISSN. 2277 3622.
2. Arora Ridhi and Bhavana Adhikari(2011), "A Study On Personality As Predictor Of Dedication Component Of Work Engagement", International Journal Of Development and Social Research, Vol.2, No.1, Pp.53- 60. ISSN : 2249 – 7293.
3. Bellenger, D.N. & Korganonkar, P.K. (1980), "Profiling the recreational shopper", Journal of Retailing, 56 (3), 77-92.
4. Crask, M.R. & Reynolds, F.D. (1978), "An indepth profile of the department store shopper", Journal of Retailing, 54 (2), 23-32.
5. Daisy Chauhan and Chauhan, S.P.(2006), "Personality At Workplace, Indian Journal Of Industrial Relations", Vol.41.No.3, pp. 357- 375. ISSN : 0019 – 5286.
6. Essoo, N. and Dibb, S. (2004), "Religious Influences on Shopping Behaviour: An Exploratory Study", Journal of Marketing Management 20 (7/8): 683-712.
7. Gupta., S.P., and Gupta., M.P.(2013), "Business Statistics", Seventeenth Enlarged Edition, Sultan Chand & Sons Publishers, New Delhi. ISBN: 978-8054-945-8.
8. Hawkins, D. I., Best, R. J. And Coney, K. A. (2001), "Consumer Behavior: Building Marketing Strategy", 8th Ed. Burr Ridge, IL: Irwin Inc.
9. Home, N. (2002), "Rural Consumers' Patronage Behaviour in Finland", International Review Of Retail, Distribution And Consumer Research 12 (2), pp. 149-164.
10. <http://www.census2011.co.in/city.php> accessed on 16.04.2014 at 11.30 pm.
11. http://www.raii.net.in/Event_landscape.aspx accessed on 17.04.2014 at 4.30 pm.
12. Huitt, W.(1992), "Problem Solving And Decision Making : Consideration Of Individual Differences Using Myers-Briggs Type Indicator", Journal Of Psychological Type, Vol.24, pp.33-44.
13. John, O. P., Donahue, E. M., & Kentle, R. L. (1991), "The Big Five Inventory--Versions 4a And 54". Berkeley, CA: University Of California, Berkeley, Institute Of Personality and Social Research.
14. Keirse, D.(1998), "Please Understand Me II : Character And Temperament Types", Del Mar, 5th Ed., Prometheus Nemesis Book Company, California.
15. Keirse, D., and Baters, M.(1984), "Please Understand Me : Character And Temperament Types", Del Mar, 5th Ed., Prometheus Nemesis Book Company, California.
16. Khanka, S.S(2005), "Organisational Behaviour-Text And Cases", S.Chand & Company Ltd, New Delhi. ISBN:81-219-2014-0.
17. Kopp, R.J., Eng, R.J., & Tigert, D.J. (1989), "A competitive structure and segmentation analysis of the Chicago fashion market", Journal of Retailing, 65 (4), 496-515.
18. Lahori, M.A.,(2010), "Retail Formats in India", JM International Journal of Service Marketing, pp.1-9. ISSN: 2229-6131.
19. Mokhlis Safiek (2006), "The Influence Of Religion On Retail Patronage Behaviour In Malaysia", Unpublished PhD Dissertation, University of Stirling, United Kingdom.
20. O' Cass, A.,(2004), "Fashion Clothing Consumption: Antecedents and Consequences of Fashion Clothing Involvement", European Journal of Marketing, 38(7), pp.869-882.
21. Peeters, M.A.G., Van Tuijl, H.F.J.M., Rutte, G., & Reymen, I.M.M.J.(2006), "Personal and Team Performance: A Meta- Analysis", European Journal of Personality, 20(5), pp.379-396.
22. Piyush Kumar Sinha.(2003), "Shopping Orientation In The Evolving Indian Market", Vikalpa, 28(2):13-22.
23. Robert Ho(2006), "Handbook Of Univariate And Multivariate Data Analysis and Interpretation With SPSS", Chapman & Hall/CRC Taylor & Francis Group, 6000 Broken Sound Parkway NW, Suite 300 Boca Raton, FL 33487-2742, ISBN: 978-1-58488-602-0.

24. Shamdasani, P. N., Hean, T. K. And Lee, E. Z. C. (2001), "Influences on Store Patronage Behavior: A Comparison Of Department and Discount Stores In Singapore", *Journal Of Asian Business* 17 (2): 63-84.
25. Shim S. And Kotsiopoulos A. (1993), "A Typology Of Apparel Shopping Orientation Segments Among Female Consumers", *Clothing And Textile Research Journal*, Vol.12, No.1, pp.75-85.
26. Shim, S. & Bickle, M.C. (1994), "Benefit Segments Of The Female Apparel Market: Psychographics, Shopping Orientations, And Demographics", *Clothing And Textiles Research Journal*, 12 (2), 1-12.
27. Shim, S. & Kotsiopoulos, A. (1992a), "Patronage behavior of apparel shopping: Part I. shopping orientations, store attributes, information sources, and personal characteristics", *Clothing and Textiles Research Journal*, 10 (2), 48- 57.
28. Shim, S. & Kotsiopoulos, A. (1992b), "Patronage behavior of apparel shopping: Part II. Testing a patronage model of consumer behavior ", *Clothing and Textiles Research Journal*, 10 (2), 58-64.
29. Spector, P.E., & Fox, S.(2002), " An Emotion Centered Model of Voluntary Work Behavior: Some Parallels between Counterproductive Work Behavior and Organizational Citizenship Behavior", *Human Resource Management Review*,12(2),269-292.
30. Tett, R.P., Steele, J.R., & Beauregard, R.S.(2003), " Broad and Narrow Measures on Both Sides of the Personality – Job Performance Relationship", *Journal of Organizational Behavior*, 24(3), 335- 356.
31. Ward, G.R., Cunningham, C.H., & Wakefield, J.A.(1976), " Relationships between Holland's V PF and Cattell's 16PF", *Journal of Vocational Behavior*, 8(3), 307-312.
32. Welker,S. Kelly(2004)," A Patronage Study of Small, Retail Apparel Firms", Unpublished PhD Dissertation, Department of Textiles and Consumer Sciences, The Florida State University.
33. Williams, R. H., Painter, J. J. And Nicholas, H. R. (1978), " A Policy-Oriented Typology Of Grocery Shoppers", *Journal Of Retailing*, 54 (1): 27-42
34. Yang He (2013), "College Students Apparel Shopping Orientation Changes In Relation To Life Events" ,Unpublished Dissertation, Graduate Faculty Of The Louisiana State University And School Of Human Ecology.



CRACKING THE NEURAL CODE OF RURAL PEOPLE REGARDING MOBILE PHONE USAGE PATTERNS IN KARNATAKA: A CASE STUDY OF HASSAN DISTRICT

KRISHNA KISHORE SV
RESEARCH SCHOLAR
HUMANITIES, SOCIAL SCIENCES & MANAGEMENT DEPARTMENT
NATIONAL INSTITUTE OF TECHNOLOGY KARNATAKA
SURATHKAL

DR. ALOYSIUS HENRY SEQUEIRA
PROFESSOR
HUMANITIES, SOCIAL SCIENCES & MANAGEMENT DEPARTMENT
NATIONAL INSTITUTE OF TECHNOLOGY KARNATAKA
SURATHKAL

ABSTRACT

Although there are reports published by various research agencies such as KPMG and AC Nielsen on migration of rural people in India to cities in search of better earning alternatives following real estate boom, still NCAER reiterates that India has 69% of rural population drawing a tag of 'Real India' to rural India. Rangarajan committee (2011) has often emphasized on using technology to speed up financial inclusion campaign and also highlighted the need to include rural people in to socio-economic mainstream. Government of India has been pushing stakeholders such as telecom companies and banks to concentrate on giving mobile services to rural areas. Even developed countries have gone through the issue of technology resistance many times. Government of India is taking financial inclusion seriously. So in order to design a successful campaign, there is a need for clear information on perceptions, opinions and attitudes of rural people on mobile phones. There is a big gap of information regarding usage patterns, perceptions and attitudes towards mobile technology in rural areas. This study adopts survey methodology to meet the objective of find out the mobile phone usage pattern by rural people by using chi-square with the help of SPSS.

KEYWORDS

Mobile Phone, Rural people, Karnataka, Patterns.

1. INTRODUCTION

Technological innovations have given world many gifts. Especially the field information technology and electronic communications have unveiled many new products to the world. There are many examples for electronic miracles and one of the most familiar examples is mobile phones. Modern communications channels are much upgraded with an individual at the one end of planet able to convey his/her message to partner at the other end of the planet. So, undoubtedly the distance in our planet is no more a constraint and virtually the world has shrunk in its size. The first fixed telephone was invented in 19th century and by 21st century world has mastered using the mobile phone technology. There is an interesting revelation about diffusion of mobile phone innovation. Swedish mobile manufacturers used the mobile phone in the 1946. Again in the year 1983 Motorola came up with promising portable mobile phone. After wards mobile phone technology experienced a huge rush of people ready to own it. The table below will give data of time taken to achieve mobile phone technology implementation targets.

TABLE 1.1: TIME TAKEN TO COVER 3.5 BILLION BY TIME SEGMENTS

Stage	Time Taken	People covered
1	20 Years to cover	1 billion mobile subscribers
2	40 Months	To reach 2 Billion mark
3	2 Years	3.5 Billion

Source: Worldwide Mobile Users Survey 2010

Mobile phones have become inseparable part of the human being's life by enabling him to contact, speak, and socialize with many strangers in recent times. Mobile phones after successfully annihilating the trend of pagers were extensively used for talking and texting. Later, as more and more business communities started targeting this attractive market, continuous segmentation of markets as well as battle for market share started. To gain a competitive edge over other competitors many players stepped on augmented services, value pricing, and utilitarian targeted products by enabling internet availability also by adding many features in mobile phones. This again became attraction for many business communities to sell their service as well as brands. Many issues like technological compatibility, reachability, complexity, individual brand strength and perception on brands get included in overall marketing picture. One of the most frequently used utility among mobile users around the world is SMS or texting. According to latest study by mobinet (2007), the intensity of market penetration in many countries has improved. In almost in all the European countries people use SMS atleast once in the month. Millions of users using SMS atleast once a month makes the SMS consistently consumed service. In September 2007, it was predicted that despite emergence of new technologies the SMS service is going to rule the traffic and revenue streams (Forrester, 2008). So this means SMS will be preferred to multimedia, instant messaging and even voice calls. A consumer research agency called Metrics in US, UK, France and Germany have come out with a finding that 60% of the respondents in their survey had camera phones and 30% were frequently involved in image exchanges by their phones (Digital Trends 2006). In Asia alone volume of camera phones sold in the year 2006 increased by whopping 44% and by now it has become a common feature in all mobile phones to sell (Wireless Design & Development Asia 2007). According to latest Mobinet study (2010), people are showing interest to use their mobile phones for small cash transaction such as transit fees in bus, taxi, train. Some services like mobile commerce, mobile banking are also becoming preferred services by business elites who don't have time to go out and physically make the payment. The advantage with mobile banking or mobile commerce is mobility that gives a person liberty to be independent of location constraints and conduct bank transactions. Even teenagers and students who own high end and complex mobile phones are going for mobile commerce and mobile banking to check the balance in their accounts. The mobile phone has bought a great change in the social behavioral patterns of the people.

TABLE 1.2: THE M-COMMERCE USAGE INTENTION IN PERCENTAGE

Countries	Intention in Percentage
Japan	50%
Europe	46%
Rest of Asia	43%
US	38%

Source: Mobinet 2010

After the introduction of email to the cyber space and people's mind space, the texting became even more chief utility that promoted and encouraged individuals to express their expressions. Especially the mobile phones have made every conversation public and slowly the line of difference is getting thin in between the public and private environment. This change has also increased the mobile phones utility in social networking. In case of public transport the speaker may face the feeling of inconvenience and that's where the SMSs have a good makeover. The user can utilize the service to chat with his bystander in a silent or more private manner. Messaging or texting over a period of time has managed to become a habit among many young people world wide. Based on this industry introductory data, we can develop research questions like:

RQ1: Have rural people performed online transaction through their mobile phones?

RQ2: Does online transaction preference have relationship with age?

RQ3: Does different types of online transactions have any association with age and gender?

RQ4: Which the mobile phone feature is largely preferred by rural people?

Young consumers have been open and positively responding to the SMS advertising, SMS-TV integrated marketing communication (Iii and Woodside, 2006). In India the usage rate of mobile text services has reached the stable levels and is still growing with SMS having impressed consumers with participation in many polls, votes and contests. The behavior of texting sets trend has set a perfect impetus for more mobile driven services, marketing tools and to even target a certain segment in case of marketing promotion. Even computers have taken a hit from burgeoning mobile phone market that has come out with different operating systems other than windows with less complications and speedy internet service in mobile phones. The miracle river known as internet has flown to mobile phones and has led to opening of vast number of business nodes by creating opportunities.

2. LITERATURE REVIEW

Many firms in this 21st century believe that information is the key that provide strong edge against all competitors. But what kind of information always matters to gain edge over the others players in the market. Some information like usage patterns of mobile phone technologies are not readily available but are very valuable information. They have to be acquired by designing apt research methodologies. These ground breaking information can help many stakeholders to understand their present position and some generic, specific needs and expectations of consumers and finally gain insight into the operations that are being performed in mobile phones among youth. It is predicted that mobile phones instead of being merely used as products, consumers are looking forward for experience after owning a mobile phone. There is lot of other services launched with a target of evangelizing a consumer from texting services. Based on above literature the possible observation can be:

1. P2T: Push to talk services may turn mobile sets into walkie-talkies. But texters view it as nothing more than a real time voice call which offers limited time, space for self-presentation and P2T cannot replace the hyper-personal advantage that is available with SMS provider (Reid, Fraseer J M; Reid, Donna J 2004)
2. IMPS: Instant messaging and presence services offer a continuous virtual text messaging where the user will be able to update his profile in the mobile phone +and it also allows the other users to check whether the user is available or not. So that if IMPS is enhanced and produced the users might accept it (Reid, Fraseer J M; Reid, Donna J 2004).
3. MMS: The MMS depends on the ratio of multimedia supportive handsets to ordinary handsets. The MMS may survive if there is large number of ordinary mobile phones. In India, over 99% of people use SMS texting and only 13% of people use the MMS to send photos. (Krupa Nathwani; Eason, Ken 2005)

According to (silicon.com, 2005), the Indian male mobile users are most enthusiastic people in using the new services. The service provider should realize that the users should be provided with low complexity level functionality. As female users continue to be dominant users of text messages, the network providers can work towards promoting and offering more services like supporting one-click person-to-person or person to group sociability messages. The network operators should not underestimate the psychological characteristics of text circles and as per the evidence, we can say that when usage pattern among the boys and girls differ in case of information expectation from the service providers. If males are happy with the group wide activities the females will be interested on server-centered network.

There even alternatives such as desktop oriented services like email or online chat. These alternatives help individuals better in projecting their personalities to the other party with emoticons (O'Sullivan, 2000). Then the impressions of the other party communicating with online chat would be deeper, and more intense (Hancock and Dunham, 2001). So the SMS can provide better environment in expressing oneself, and it is not one which opens communications between one to one person but it also results in hyper personal communication (Walther, 1996).

A survey was conducted in 2003 where many people were interviewed to find out whether they are comfortable with SMS or mobile talk to develop deeper relationships. But surprisingly the results showed that most of the people responded that they are comfortable with text messages and also expressed that text messages helped them to develop deeper relationships (Reid and Reid, 2003). Texters also consume more time in rewriting, editing their messages compared to mobile talkers and they also use full texting limit while sending a message. According to Ling (2003), the females are rigorous texters when compared to their male counterparts.

Texters stick to their fewer contacts in the mobile phones and they do not chat with others as happens in case of mobile talkers. The contacting or talking goes more diverse or it cannot be expected whether a person is always going to talk with the people in the contact list. The messaging is done with only selected people in the phone contact list. But if classified into gender groups, the boys indulge in more group oriented activities and girls with relationships (Seeley et. al., 2003). According to nestle social research program in UK it was found that every person used to text atleast five times a day. If observed females are more communicative where they use email for a longer time. According to Nestle social program, 2005, the age also plays a vital factor to work on the intensity of the communication among people. when the relationship happens whatever may be the outcome maybe flirting, chatting the individual will be comfortable and will be matured enough to handle the relationship. At the overall to manage the relationship, the texting medium is preferred by large amount of people. In case of privacy and mobility the mobile phones will be used by young people for texting which gives an individual an unlimited time and space limitations, the young people will have better control on communication leading to the messaging boom. The consumers have mostly used mobile devices mainly for simple services, such as voice services and text messaging. Based on this factor, it is important to understand the driving forces of consumers' intentions to use mobile services and to adapt the services to fulfill consumers' motives for using those (Nysveen et al., 2005).

The main intention of consumers behind mass adoption of mobile telephony technology among young people was to sustain relationships with other (Power & Horstmanshof, 2004) as well as expanding their social networking (Srivastava, 2005). It was also believed that many people when they purchased mobile phones got a sense of security so that they could immediately spread or communicate, explain the event to their nearest ones (Taylor & Harper, 2001; Chapman & Schofield, 1998, Carroll et al. 2002). Especially youth segment expect social enjoyment, access and convenience aspects from the mobile phones (Tjong et al, 2003).

Post globalization, as dual income nuclear families in developing economies are increasing. Couples who were parenting their children found it easy to keep in touch with their siblings through mobile phones (Frissen, 2000 & Matthews, 2004). With these above utilities in the literature, we can clearly observe that there has been significant change in the way mobile phones are used. The main reason for the changing patterns is lifestyles of people across the world following economic development. This includes many domains like peer groups, families and work. When a new product emerges in the market, after smelling its success, people will intend to immediately adopt it. In case of mobile phones increased and abnormal usage of the same has led to opportunity spotting among students as they have turned addictive towards technologies (Ling & Yttri 2002).

→ RESEARCH GAP 1

According to (Madrid 2003), if a normal person feels that he has to use mobile phones overwhelmingly more than one 30 minutes in one hour, he can be called addictive. Many researches have acknowledged that people of all ages have adopted the mobile phones but at the same line they have sighted complexities with younger generation needs, expectations and behavior with mobile phones (Bianchi and Phillips 2005, Paragras, 2003, Monk et al 2004, Palen et al 2001).

→ RESEARCH GAP 2

According to (James & Drennan 2005), the usage rate among students was as high as 1.5 hrs to 5 hrs in a day and interestingly their average bill will amount to \$ 140 per month. In Australia 97% of teenagers were making less than 5 calls and 85 % of the mobile phones usage was done for sending receiving SMS (Mathews 2004). This reminds us of parreto principle. As the market is getting increasingly segmented with competition there is a need to understand specific information and usage patterns of mobile phones among major target market that is teenagers and youth. The challenge for the marketers or designers in different companies is to maintain balance between features addition and complexity. Even certain information like social, cultural and public behaviors of youth with their mobile phones needs to be studied (Karjaluo et al., 2003; Lin, 2005 Aoki and Downes, 2003; McGuigan, 2005; Kim, 2008). As per the general conception, the more features get added, more complex the mobile phone is going to become. This balance has to be maintained and whoever has maintained the balance between these two features has conquered the market. It is also said that there are very little empirical work about gaining insights into mobile phone using and operating behavior of youth (Bar et al., 2007; Lindqvist and Svensson, 2007; Okabe, 2004; Wirth et al., 2008). → Research Gap 3

3. RESEARCH OBJECTIVES

Based on research questions developed and evidences of literature review, the research objectives developed for the study are as follows

- To assess the feature that is frequently used in the mobile phones
- To evaluate whether there is any association between age, gender and discipline with online banking transaction preference.
- To evaluate whether there is any association between age, gender and discipline with online ticket reservation.
- To evaluate whether there is any association between age, gender and discipline with online purchase preference
- To come out with the model that explains associations between age, gender discipline and online banking transaction, online ticket reservation and online purchase.

The methodology, methods and techniques employed to meet above research objectives are stated in the research methodology section.

4. RESEARCH METHODOLOGY & HYPOTHESIS DEVELOPMENT

The study has adopted survey research technique under exploratory research it is very much evident that many constructs have come up to measure adoption and usage but as per the research gap identification in the chapter 2, many studies have indicated that there are some unexplored gaps when it comes to youth mobile phone using behavior. The study starts with exploratory research to come up with a model that tells about association between variables. Inductive method was followed to arrive at a hypothetical model. Primary data was collected through a questionnaire that is a structured tool of measurement. Every questionnaire was administered to the respondents by researcher. Secondary sources were referred from research agencies such as Forrester, Mobinet and Digital Trends to gain industrial overview and for literature review; proquest database was used to gain insight into number of studies done to examine the effect of variables in the category of youth mobile phone using behavior. Measurement scales employed in the study are nominal and ordinal scale of measurements. Reliability test was done to proceed ahead with data analysis. Further, Chi-Square test was done to measure the association of variables by evaluating hypothesis. Based on literature review and research objectives hypothesis developed as follows:

H1: There is an association between Age of rural respondents and Banking transaction preference.

H2: There is an association between Gender of rural respondents and Banking transaction preference.

H3: There is an association between Age of rural respondents and ticket reservation preference.

H4: There is an association between Gender of rural respondents and ticket reservation preference.

H5: There is an association between Age of rural respondents and Online Purchase preference.

H6: There is an association between Gender of rural respondents and Online Purchase preference.

The Sampling method selected for the study is non probabilistic sampling method with judgmental sampling as the sampling technique. The researcher before administering the questionnaire decides whether to add the respondent in the sample are not based on his experience and wisdom. This study doesn't intend to generalize the findings but it wants to gain insight into specific behaviors of the rural at Hassan district. In this study we are focusing on associations and specific online transactions preferences of respondents.

The confidence level for the study is selected at 95% that is widely accepted for management related research and the probability of error allowed is 5% (0.05). The data analysis strategy was more of a quantitative pattern by running tests that measure association between two variables in cross tabulation. Due to enormous time crunch the data that we could get was around 62 responses out of 62, 9 were eliminated after detailed scrutiny of questionnaire because of their ineligibility for inclusion in the data set of SPSS. The total valid responses came to 53. Overall the research philosophy employed in this study was interpretivism.

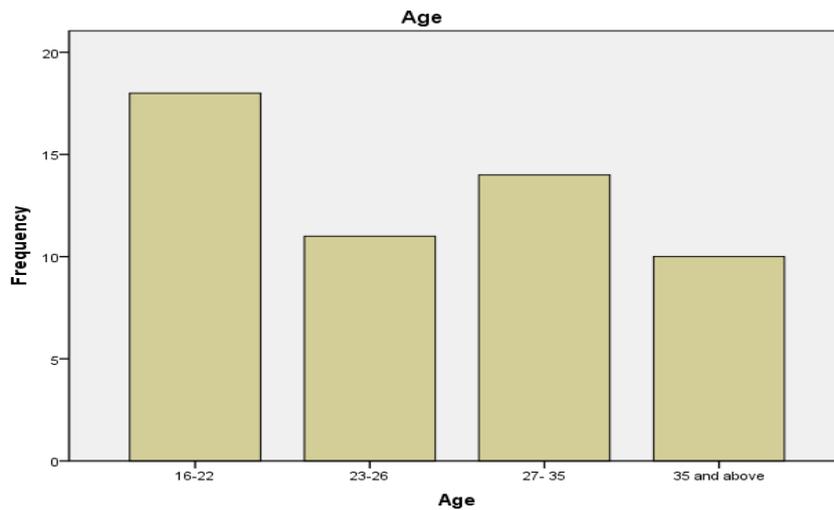
5. DATA ANALYSIS AND INTERPRETATION

The data set was analyzed with the help of IBM SPSS, version 19. The techniques employed to meet the objectives were frequency tabulations, cross tabs, Reliability Analysis and Chi-square test. At first, the demographic details of the respondents as follows

TABLE 5.1: FREQUENCY TABLE OF RESPONDENTS CLASSIFIED BY THEIR AGE

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid 16-22	18	34.0	34.0	34.0
23-26	11	20.8	20.8	54.7
27-35	14	26.4	26.4	81.1
35 and above	10	18.9	18.9	100.0
Total	53	100.0	100.0	

FIGURE 5.1: RESPONDENTS CLASSIFIED BY THEIR AGE

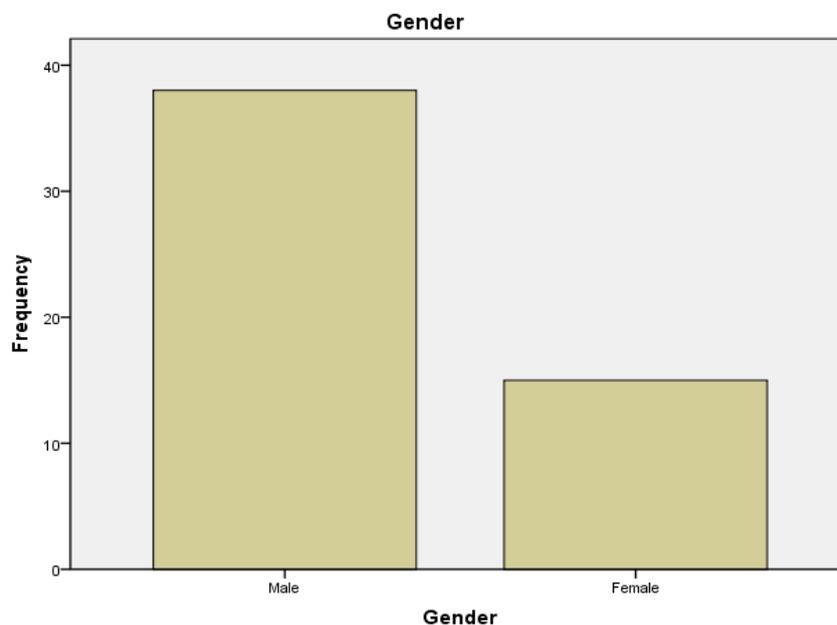


The survey research consisted of 53 respondents out of which it consisted 34% of the respondents were from the age group of 16-22 and next biggest response have come from 27-35 age category. The lowest response has come from 35 and above category.

TABLE 5.2: FREQUENCY TABLE OF RESPONDENTS CLASSIFIED AS PER GENDER

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	38	71.7	71.7	71.7
	Female	15	28.3	28.3	100.0
	Total	53	100.0	100.0	

FIGURE 5.2 RESPONDENTS CLASSIFIED AS PER GENDER



Majority of the respondents from the gender category are males and females covered 28.5% out of 53 respondents in the survey.

5.3 CROSS TABULATIONS

Cross tabulation help in gaining more insights into the different variable behavior and observation can be done by classifying the independent variable in rows and dependent variables in columns.

TABLE 5.3: CROSS TABULATION OF GENDER AND ONLINE TRANSACTION PERFORMED BY RURAL

		Online_transactMP		Total
		Yes	No	
Gender	Male	22	16	38
	Female	4	11	15
Total		26	27	53

When a frequency tabulation of the internet transaction performed among rural people was drawn, it didn't reveal much of information with very less difference in the response. The same was subjected to cross tabulation to get more insight about gender and online transaction preference. Males have overtaken females in their use of online transaction across the internet. This finding falls in the line with literature review.

TABLE 5.4: RELIABILITY ANALYSIS OF THREE ITEMS IN THE QUESTIONNAIRE

Cronbach's Alpha	N of Items
.852	3

The reliability analysis of the items in the questionnaire was done where the output was 0.8 that is much recommended in all the studies and it is certainly more than 0.5 of Cronbach's Alpha value. The three items were targeted to collect ranked preferences towards kind of online transaction performed in the mobile phones of the respondents. The three ordinal scale items were Ticket Reservation, Banking transaction and Online purchase.

5.5. CHI-SQUARE ANALYSIS

Chi-Square Analysis was done to test whether the categorical variables such as age and discipline has some kind of an association with the ranking preference given to all the three items that have undergone reliability tests.

TABLE 5.5: CHI SQUARE TABLE FOR THE DEMOGRAPHIC VARIABLES ASSOCIATION WITH ONLINE TRANSACTION PREFERENCES

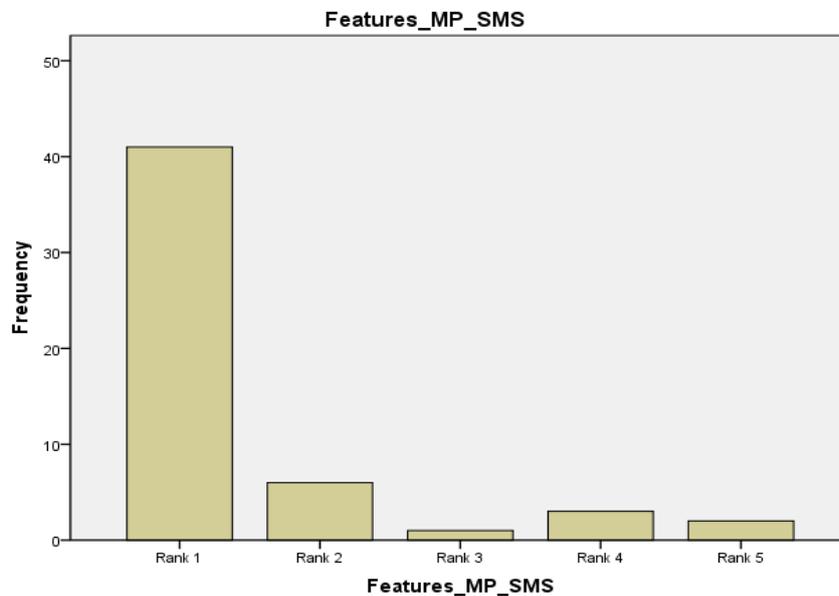
SI No	Variables in Chi Square	Pearson Chi Square Value
1	Age and Banking Transaction	0.71 (H1 Supported)
2	Gender and Banking Transaction	0.15 (H2 Not Supported)
3	Age and Ticket Reservation	0.17 (H3 Not Supported)
4	Gender and Ticket Reservation	0.22 (H4 Not Supported)
5	Age and online Purchase	0.07 (H5 Not Supported)
6	Gender and Online Purchase	0.15 (H6 Not Supported)

The below table 5.6 presents a clear cut view of association between age, Age and gender of students with online transaction preferences. Age has only association with banking transaction preferences and ended having no association with variables ticket reservation and online purchase. Gender has not supported association with any of the three variables. Even the hypothesis that are supported and not supported has been indicated in the table. H1 was supported and remaining other hypothesis was not supported through the test.

TABLE 5.6 FREQUENCY TABLE OF SMS FEATURE RANKINGS

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Rank 1	41	77.4	77.4	77.4
	Rank 2	6	11.3	11.3	88.7
	Rank 3	1	1.9	1.9	90.6
	Rank 4	3	5.7	5.7	96.2
	Rank 5	2	3.8	3.8	100.0
	Total	53	100.0	100.0	

FIGURE 5.6: SMS MOBILE PHONE FEATURE RANKINGS

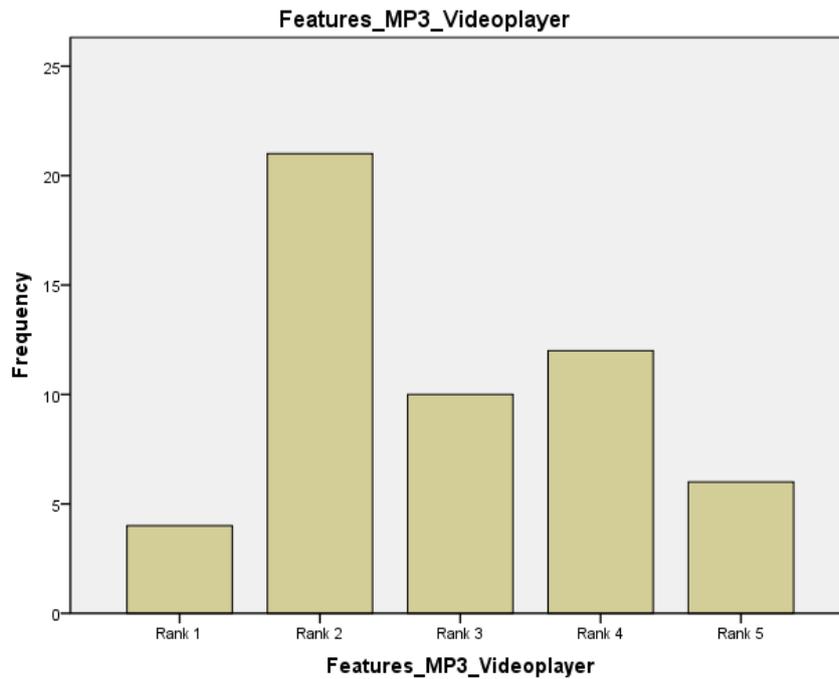


From table 5.6 it can be concluded that SMS is the feature that is largely used among the among the rural people in hassan district with the SMS/MMS feature in the mobile phone being ranked as the first most used feature in the mobile phone compared to other features.

TABLE 5.7: FREQUENCY TABLE OF MP3/VIDEO PLAYER FEATURE RANKINGS

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Rank 1	4	7.5	7.5	7.5
	Rank 2	21	39.6	39.6	47.2
	Rank 3	10	18.9	18.9	66.0
	Rank 4	12	22.6	22.6	88.7
	Rank 5	6	11.3	11.3	100.0
	Total	53	100.0	100.0	

FIGURE 5.7: MP3/VIDEO PLAYER FEATURE RANKINGS

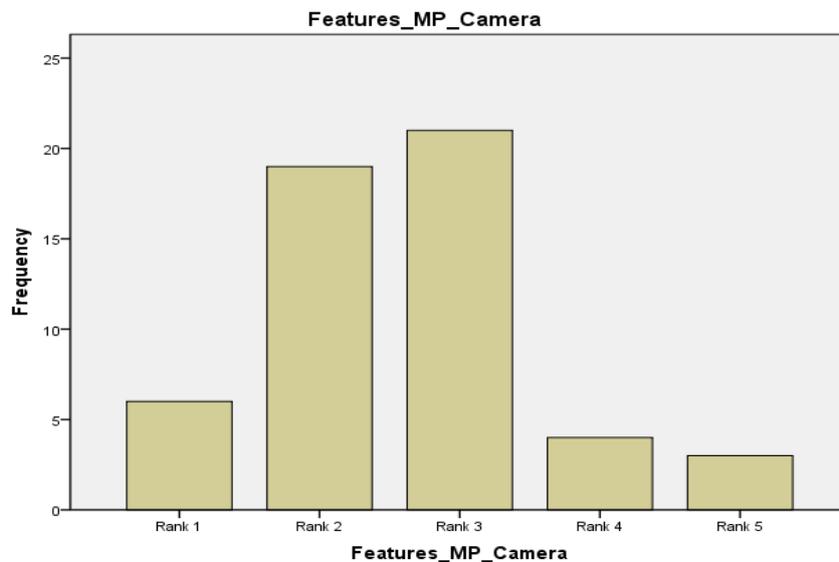


From table 5.7 it can be observed that most of the rural people around Hassan are using Mp3/Video Players in their phones more frequently compared to camera and other features just second to the SMS and MMS feature usage in mobile phones. over 39.6% of the respondents have second ranking to Mp3/Video players.

TABLE 5.8: FREQUENCY TABLE OF CAMERA FEATURE RANKINGS

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Rank 1	6	11.3	11.3	11.3
	Rank 2	19	35.8	35.8	47.2
	Rank 3	21	39.6	39.6	86.8
	Rank 4	4	7.5	7.5	94.3
	Rank 5	3	5.7	5.7	100.0
Total		53	100.0	100.0	

FIGURE 5.8: MOBILE PHONE CAMERA FEATURE RANKINGS



From table 5.8 we can understand that camera has been third most preferred and used feature in the mobile phones among rural community with 39.6 % of respondents giving the same Rank 3. With these frequency tables we can clearly observe the ranked preferences of mobile phones features in the order of rank 1, 2 and 3. The features in the mobile phones help the companies to sell their products and survive in the market.

6. FINDINGS, CONCLUSION AND RECOMMENDATIONS

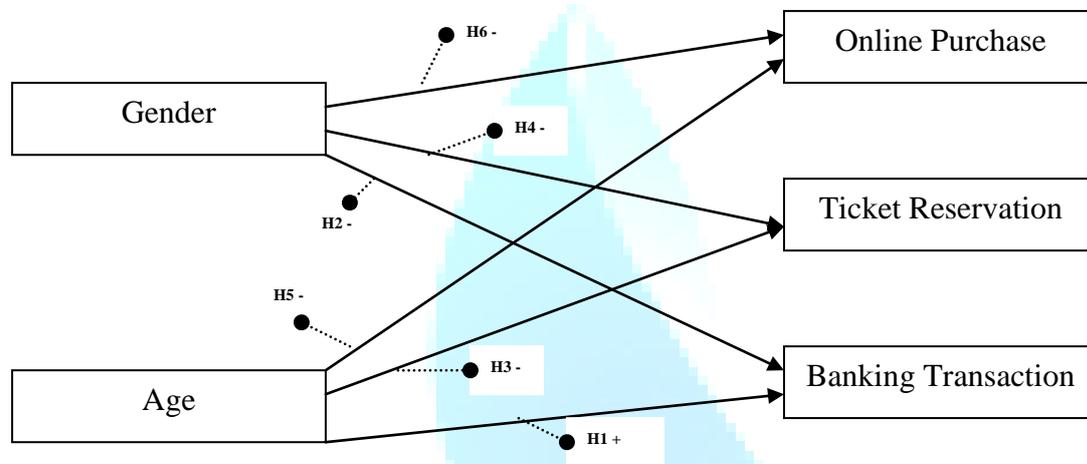
Most of the findings in the study are in synch with the industrial norms and literature review observations. The specific findings from the study are as follows:

1. SMS/MMS features are the most frequently used feature in a mobile phone. (Previously supported by Silicon.com)
2. MP3/ Video Players are the second most frequently used feature in a mobile phone where camera feature follows it.
3. Males have come out as aggressive users of internet than females (Previously supported by Seeley et. al., 2003, Amin et al., 2006).
4. There is a good association between age and online banking transaction done.
5. There is no association between gender and banking transaction done.

6. There is no association between age of rural people and online ticket reservation done.
7. There is no association between gender of rural people and online ticket reservation done.
8. There is no association between age of rural people and online purchases done.
9. There is no association between gender of rural people and online ticket reservation done.

From the above listed findings, conclusion can be drawn that rural people in and around Hassan are robust users of mobile phone with SMS/MMS feature ranked as the most frequently used feature followed by MP3/ video players and camera feature. The survey revealed much more crucial information by scanning and scrutinizing the association between various categorical variables like age gender and discipline with the different types of online transaction conducted. Considerable numbers of rural students are active online through their mobile phones. This defies the overall literature indications that mobile commerce adoption even in developed and developing countries is moving at a snail phase that is supported by (Riivari, 2005).

FIG 6.1: ASSOCIATIONS BETWEEN VARIABLES FROM THE STUDY



The above figure No 6.1 shows the hypothetical relationships that were tested with chi-square analysis to arrive at the association of different variables. This model stands as a basic window opener for many future studies related to association of variables associating variables in this research. Recommendations based on conclusions can be made that companies can go on efficiently targeting youth with their attractive internet package schemes with banking transaction and ticket reservation being done at an increasing rate compared to online purchases. But the online purchases are being made at a lower percentage compared to other two internet transactions. This research helps companies to effectively segment the market by evaluating the association of different variables with the online transacting behavior of youth.

7. LIMITATIONS & FUTURE SCOPE FOR RESEARCH

The sample size could not be largely covered because of time constraint. The findings of the study remains confined to rural people in around of Hassan district. As there was very less sample size regression analysis could not be employed. Any exploratory research should come out with a model that has empirical evidence. But this study forms a basic impetus for further studies to build more and more sophisticated models that clearly depict the relationships especially about the mobile phone usage behavior of youths. Gender has no association with any online transactions but interestingly age has very good association with the banking transaction where mobile banking transaction can be further probed with the age. The findings vary demographically. Future studies can further conduct more critical tests to evaluate the relationships and regression patterns related to the finding of this study by identifying constructs.

8. ACKNOWLEDGEMENT

It was a great pleasure working on an empirical research paper relating to rural innovations. I thank my guru Dr. Aloysius Sequeira for being a guiding light in our tough times. I thank people in Hassan who volunteered to give data and helped us out. Because of less time we could not a cover big sample size. All 53 were very genuine samples. I thank Arun Rajee Urs, Naveen and Mohan for talking to rural people in and around the town.

REFERENCES

1. Aoki, K. and Downes, E.J. (2003), "An analysis of young people's use of and attitudes toward cell phones", *Telematics and Informatics*, Vol. 20, pp. 349-64.
2. Bar, F., Pisani, F. and Weber, M. (2007), "Mobile technology appropriation in a distant mirror: baroque infiltration, creolization and cannibalism", available at: www.arnic.info/Papers/Bar_Pisani_Weber_appropriation April07.pdf (accessed April 2008).
3. Bianchi, A., and Phillips, J. (2005). Psychological predictors of problem mobile phone use. *Cyber Psychology & Behavior*, 8(1): 39-51.
4. Chapman, S., Schofield, W. N., (1998). Lifesavers and Samaritans: emergency use of cellular (mobile) phones in Australia. *Accid. Anal. Prevent.* 30(6): 815-819.
5. Digital Trends. (2006, August 6). Camera phone ownership and usage rising? Retrieved from http://news.digitaltrends.com/news/story/11071/Camera_phone_ownership_and_usage_rising.
6. Frissen, V. (2000). ICT in the rush hour of life. *The Information Society*, 16 (1): 65-75.
7. Green, Nicola, "On the move: Technology, Mobility, and the medication of social time and space", *The information society*, Copyright 2002, pg. 282.
8. Haste, Helen, "Joined-up texting: mobile phones and young people", *Young consumers*, Bradford: 2005, Vol. 6, Iss. 3; pp. 56.
9. James, D. and Drennan, J. (2005), "Exploring addictive consumption of mobile phone technology", paper presented at the Australian and New Zealand Marketing Academy Conference, Perth
10. Karjaluoto, H., Svento, R., Pietila, M. and Pakola, J. (2003), "An investigation of consumer behaviour in mobile phone markets in Finland", paper presented at Submission to the 32nd EMAC Conference, Track: New Technologies and E-Marketing, available at: www.emac03-jp.pdf (accessed February 10, 2008).
11. Kim, S. (2008), "Appropriation of wireless technology: direct impacting factors on youth's adoption intention and usage of the wireless protocol phone", *Information Technology Journal*, Vol. 7 No. 8, pp. 1116-24.
12. Krupa Nathwani; Eason Ken, "Perceptions versus expectations of multimedia messaging service (MMS)", *Personal and Ubiquitous Computing*, 2005, Vol 9, Iss 4, Page No 191-197.

13. Lin, A. (2005), "Gendered, bilingual communication practices: mobile text-messaging among Hong Kong college students", *Fibreculture*, Vol. 6, available at: http://journal.fibreculture.org/issue6/issue6_lin.html (accessed November 22, 2007).
14. Lindqvist, M. and Svensson, J. (2007), "Mobile multimedia service-surveying the preferences of young people", *Proceedings of the 30th Information Systems Research Seminar in Scandinavia, IRIS, Big Island, HI, USA*.
15. Ling, R., & Yttri, B. (2002). Hyper-coordination via mobile phones in Norway. In J. Katz & M. Aakhus (Eds.), *Perpetual contact: Mobile communication, private talk, public performance* (139-169). Cambridge, UK: Cambridge University Press.
16. Madrid. (December 10, 2003). Mobile phones becoming a major addiction. Retrieved January 14, 2011, from Sydney Morning Herald website: <http://www.smh.com.au/articles/2003/12/10/1070732250532.html?from=storyrhs>.
17. McGuigan, J. (2005), "Towards sociology of the mobile phone", *Human Technology*, Vol. 1 No. 1, pp. 45-57, available at: www.humantechnology.jyu.fi (accessed October 28, 2005).
18. Monk, A., Carroll, J., Parker, S., & Blythe, M. (2004). Why are mobile phones annoying? *Behaviour and information technology*, 23(1): 33-41.
19. Okabe, D. (2004), "Emergent social practices, situations and relations through everyday camera phone use", paper presented at *Mobile Communication and Social Change, the 2004 International Conference on Mobile Communication in Seoul*, October pp. 18-19.
20. Palen, L., Salzman, M., & Youngs, E. (2001). Discovery and integration of mobile communications in everyday life. *Personal and Ubiquitous Computing*, 5(2): 109-122.
21. Paragas, F. (2003). Being mobile with the mobile: Cellular telephony and renegotiations of public transport as public sphere. Paper presented at the *Front Stage/Back Stage: Mobile Communication and the Renegotiation of the Social Sphere Conference*, Grimstad, Norway.
22. Power, M. R., and Horstmanshof, L. (2004). "keeping and supporting relationships through SMS text messaging. *Human Communication and Technology Communication*" National Communication Association Annual Convention, Chicago, Illinois.
23. Reid, Fraser J M; Reid, Donna J, "Text appeal: the psychology of SMS texting and its implications for the design of mobile phone interfaces, *Campus-Wide Information Systems*, 2004, Vol 21, Iss 5, Page No 196-200.
24. Reid, JM. Fraseer, Reid J. Donna, "Text appeal: the psychology of SMS texting and its implications for the design for the design of mobile phones interfaces", *Campus – wide information systems*, Bradford: 2004, Vol. 21, Iss. 5; pp. 196.
25. Singh. Jagwinder, "Mobile handset buying behaviour of different age and gender groups", *International Journal of business and management*, May 2009, Vol. 4, No. 5, Pg. 180.
26. Srivastava, L. (2005). Mobile Phones and Evolution of Social Behavior, *Behavior and Information Technology*, 24(2): 111-129
27. Tanakajal. H Geoffrey, Amin. Hanudin, Lajuni., Nelson, Bolongkikit. Jetol, "Mobile devices and communication: An Analysis", *Journal of internet banking and commerce*, Ottawa: Dec 2007, Vol. 12, Iss. 3; p. 1.
28. Taylor, A.S. & Harper, R. (2001). Talking activity: young people and mobile phones. Paper presented at *CHI 2001 Workshop: Mobile Communications: Understanding Users, Adoption and Design*.
29. Tjong, S., Weber, I., and Sternberg, J. (2003). Mobile, youth culture, shaping telephone use in Australia and Singapore. ANZCA03 Australian and New Zealand Communication Association: *Designing communication for diversity*, Brisbane, Queensland.
30. Wirth, W., von Pape, T. and Karnowski, V. (2008), "An integrative model of mobile phone appropriation", *Journal of Computer-Mediated Communication*, Vol. 13, pp. 593-617.
31. Xu. J. David, "The influence of personalization in affecting consumer attitudes toward mobile phones", *The journal of computer information systems*, Stillwater: Winter 2006/2007. Vol 47, Iss. 2; P. 9.



ROLE OF CLUSTER DEVELOPMENT ACTIVITIES IN ENHANCING COMPETITIVENESS OF HANDLOOM CO-OPERATIVES IN KANNUR DISTRICT

DR. PREMAVALLI P.V
ASSOCIATE PROFESSOR & HEAD
DEPARTMENT OF COMMERCE
PAYYANUR COLLEGE
EDAT

ABSTRACT

The Indian Textiles Industry has an overwhelming presence in the economic life of the country and plays a vital role through its contribution to industrial output, employment generation, and the export earnings of the country. It provides direct employment to over 35 million people, which includes a substantial number of SC/ST and women. The textile sector being the second largest provider of employment after agriculture, development of this industry has a direct bearing on the improvement of the economy of the nation. Handloom industry is one of the ancient cottage industries in India and is a part of the great Indian tradition and culture. The handloom industry generates production at low capital cost, mostly using indigenous raw material and utilizing local skills, widens entrepreneurial base, facilitates balanced regional growth and prevents the migration labour to the metropolitan areas. The handloom industry faces a serious crisis, owing to competition from cheap power loom cloth from other states, scarcity of quality yarn, price escalation of yarn, dyes, chemicals and other raw materials, high cost of production, absence of diversified product range, the shrinking market for handlooms in Kerala, non demand based production and inadequacy of new designs, inappropriate technology and incapability of professional marketing and export, global competition in quality and price, pose the threat of massive redundancies in this high employment sector of Kerala, which may result in poverty and social problems. Cluster approach is expected to result in improving the collective efficiency by sharing of costs and pooling of resources. The aim of the researcher is to conduct a detailed study about the role and functioning of clusters for the successful accomplishment of the objectives of the handloom cooperatives in Kannur district.

JEL CODES

L6 - Industry Studies: Manufacturing: L60 – General.

KEYWORDS

cluster, handloom, export, cluster interventions, consortium.

INTRODUCTION

The Indian Textiles Industry has an overwhelming presence in the economic life of the country. Apart from providing one of the basic necessities of life, the textiles industry also plays a vital role through its contribution to industrial output, employment generation, and the export earnings of the country. It provides direct employment to over 35 million people, which includes a substantial number of SC/ST and women. The textile sector is the second largest provider of employment after agriculture. The growth and all round development of this industry has a direct bearing on the improvement of the economy of the nation. The potential size of the Indian textile and apparel industry is expected to reach US\$ 221 billion by 2021, according to Technopak's Textile and Apparel Compendium 2012¹.

Handloom industry is one of the ancient cottage industries in India and is a part of the great Indian tradition and culture. The archaeological surveys and studies discovered fragments of woven cotton and bone needles at Mohen-jo-daro and Harappa. References are there in Rigveda about weaving and spinning materials. The epics of the Mahabharata and the Ramayana dwell upon the craft of weaving at length. This industry seems to have flourished between 5000 and 3000 BC². The handloom industry generates production at low capital cost, mostly using indigenous raw material and utilizing local skills, widens entrepreneurial base, facilitates balanced regional growth and prevents the migration labour to the metropolitan areas. The sector contributes about 14 per cent to industrial production; 4 per cent to the country's gross domestic product (GDP); 17 per cent to export earnings.

SIGNIFICANCE OF THE STUDY

The handloom industry faces a serious crisis, owing to competition from cheap power loom cloth from other states, scarcity of quality yarn, price escalation of yarn, dyes, chemicals and other raw materials, high cost of production, absence of diversified product range, the shrinking market for handlooms in Kerala, non demand based production and inadequacy of new designs, inappropriate technology and incapability of professional marketing and export, global competition in quality and price, pose the threat of massive redundancies in this high employment sector of Kerala, which may result in poverty and social problems.

Cluster approach is expected to result in improving the collective efficiency by sharing of costs and pooling of resources. The aim of the researcher is to conduct a detailed study about the role and functioning of clusters for the successful accomplishment of the objectives of the handloom cooperatives in Kannur district.

SCOPE OF THE STUDY

Contribution of Cluster Development Programme in the growth of different industries is a topic which is of great relevance. Since the implementation CDP from 2005, Govt. of India has been taking much initiative for the growth of MSMEs through clusters. In Kerala, a number of clusters have been formed. Important among them are Rubber cluster, Rice millers' cluster, Furniture cluster, Plastic cluster, Plywood cluster, Terra Tile cluster, Wood cluster, Ethnic food processing cluster, General engineering cluster, Printers cluster, Natural Fibre & allied products cluster, Automobile cluster, Handloom cluster, Note books cluster and so on.

For understanding the different studies that have been undertaken with reference to handloom cluster development programme, a thorough review of the literature on the topic was carried out. But no studies in this regard were seen undertaken. But few studies were undertaken on cluster development in other fields. In this context of the growing significance of cluster development programmes, impact of Handloom Cluster Development Programmes in Kannur district appears to be significant and hence the study is undertaken.

OBJECTIVES OF THE STUDY

1. To study the cluster intervention in Kannur handloom cluster from 2003-2005
2. To examine to what extent the Cluster Development activities helped handloom Co-operatives in enhancing competitiveness in the area of production, design, cost reduction and Marketing
3. To study the present status of handloom clusters in Kannur district

METHODOLOGY AND SAMPLE

This study is based on both primary and secondary data. Primary data was collected from the 25 Handloom co-operative societies, working in Kannur district, included in the cluster, while secondary data are collected from the records of District Industries Centres and different Government publications.

VARIABLES

The change in number of looms, change in the volume of output, change in the sales, change in the exports and change in profitability which are collected from all the 25 units through interview schedule are the variables for the study.

PERIOD OF THE STUDY

The study is undertaken by collecting data for a period of 10 years from 2003-'04 to 2012-'13.

HANDLOOM SECTOR

The handloom sector is known for its heritage and the tradition of excellent craftsmanship. It provides livelihood to millions of weavers and craftspeople. The industry has not only survived but also grown over the decades due to its inherent strengths like flexibility of production in small quantities, openness to innovation, low level of capital investment and immense possibility of designing fabrics.

Kerala's textile industry comprises of traditional handloom sector, power loom sector, weaving and spinning sector. The Handloom Sector in Kerala stands second to the coir sector in providing employment among the traditional industries of the State. Based on the method and varieties of production, the handloom sector in Kerala can be divided into three zones. The southern zone including Thiruvananthapuram, Kollam, Pathanamthitta Alapuzha and Kottayam districts; the central zone including Trissur, Ernakulam, Palakkad and Idukki and the northern zone including Kannur, Kozhikode, Kasargod, Waynad and Malappuram districts. The southern zone is mainly focused on the production of dhoti and the central zone on both sarees and dhoti. But the northern zone specializes in export oriented items.

Handloom Industry is dominated by the Co-operative sector, covering 94 per cent of total looms. The remaining 6 per cent of Handlooms units are owned by Industrial entrepreneurs. The Co-operative sector consists of factory type and cottage type societies. There were 664 registered Primary Handloom Weavers Co-operative Societies in the State as on November, 2013, indicating a 12 per cent increase from March 2012. Of the 664 registered Primary Handloom Weavers Co-operative Societies, 153 are factory type and 511 are Cottage type societies.

HANDLOOM CLUSTER

Cluster development methodology is fast becoming a popular mode of ensuring growth among small-scale enterprises in the country faced with common opportunities and threats. Industrial clusters are increasingly recognised as an effective means of industrial development and promotion of small and medium-sized enterprises. For MSME participants, clusters play an important role in their inclusiveness, technology absorption, efficiency improvement and availability of common resources. The Ministry of Micro, Small and Medium Enterprises (MSMEs) adopted the cluster approach as a key strategy for enhancing the productivity and competitiveness as well as capacity building of small enterprises. The Draft 11th Five Year Plan document states that "A cluster approach can help increase viability by providing these units with infrastructure, information, credit and support services of better quality at lower costs, while also promoting their capacity of effective management of their own collectives emphasis ours" (Planning Commission 2006). It is estimated that 400 modern SSE and 2000 rural and artisan based clusters exist in India.

DEFINITION OF HANDLOOM CLUSTER

Handloom cluster may be defined as a place where there is a large concentration of handlooms producing fabrics of niche varieties on handlooms which are in demand in the market. These handlooms could be located in close proximity in two across two (mostly adjoining) districts. In certain smaller states, where the districts are of smaller size, the number of sub divisions may be increased to ensure the minimum critical size of the cluster.

WHY INTEGRATED HANDLOOMS CLUSTER DEVELOPMENT PROGRAMME?

In the face of growing competitiveness in the textile industry both in the national and international markets and the free trade opportunities emerging in the post MFA environment, a growing need has been felt for adopting a focus, yet flexible and holistic approach in the sector facilitate handloom weavers to meet the challenges of a globalised environment. A need has also been felt to empower weavers to chart out a sustainable path for growth and diversification in line with the emerging market trends. The Integrated Handlooms Cluster Development Programme was an attempt to facilitate the sustainable development of handloom weavers located in identified clusters into cohesive, self managing and competitive socio economic unit. An imperative step has been taken by the office of Development Commissioner – Handlooms, Ministry of Textiles, and Government of India, to promote and develop its exclusiveness for the global market. It was a comprehensive and innovative attempt among others to promote merchandising and marketing both at the domestic and international levels which is central to the success of the handloom sector. The Ministry of Micro Small and Medium Enterprise has been running the Cluster Development Programme since 1998 though the latest comprehensive guidelines have been issued only in 2006. The CDP is being implemented in 90 clusters across different states.

Centrally Sponsored Integrated Handloom Development Scheme aims to focus on formation of weavers group as a viable production unit, developing the handloom Weavers Groups to become self – sustainable, all inclusive approach to cover weavers both within and outside the cooperative fold, skill up-gradation to produce diversified products with improved quality, provision of suitable workplace to produce quality products with improved productivity, facilitate process of credit from financial institutions/banks, and in tying up of marketing of finished products etc. The scheme envisages skill up gradation of the weaver through training; improve productivity through modification/up- gradation of the existing looms, diversification of products through design interventions, create necessary infrastructure for marketing of his products etc and thereby lead to increase in the earnings of the weavers.

In order to get better benefit of the scheme, the societies are clubbed as Consortia and implementation is done. Consortia means a group of people which include Weavers, Master Weavers, Dyers, Exporters, Representative of Cooperative and Handloom Corporations, yarn suppliers etc. and is set up to tie up the linkages with the connected organization like; banks/financial institutions, market institutions/ marketing experts, marketers, legal experts, Government machineries, weavers etc. for collective bargaining.

NODAL AGENCY FOR INTEGRATED HANDLOOM CLUSTER DEVELOPMENT

The Development Commissioner (Hand Loom) shall be the nodal agency who will be responsible for holding and disbursement of funds to the identified implementing agencies and overall monitoring of the project under the supervision of the Apex committee. The nodal agency and Apex committee will be assisted by the National Resource Agency.

ISSUES IN THE HANDLOOM SECTOR – AS IDENTIFIED BY THE 12TH PLAN WORKING GROUP REPORT ON MSME AND TRADITIONAL INDUSTRIES (KERALA)

1. Low productivity due to lack of technology intervention & poor market segmentation
2. Competition from cheap power loom fabrics and dumping of cheap fabric from outside state.
3. Lack of emphasis on quality and innovative designs of handloom products in market.
4. Lack of product diversification in accordance with new trends.
5. Difficulty in getting workers due to low wages & difficulty to avail credit facility.

6. Lack of working capital and fluctuation in hank yarn price.
7. Weak performance of apex societies and organizations.

IMPLEMENTATION OF DDHPY, HES ETC. UNDER CLUSTER APPROACH

When UNIDO introduced cluster approach, the then DHT of Kerala decided to implement DDHPY Scheme in cluster method. Accordingly, a diagnostic study was conducted by the Manager, Handloom who was given CDA training at EDI Ahmadabad. SWOT Analysis was done, problems were identified, critical gap studied and an action plan was made covering the following steps and implemented the plan.

1. Consortium Approach: Four Handloom Consortia were formed in Kannur Cluster
2. Trust Building: For trust building, District level Trust Building Meetings were held participating, all the cluster actors. This was followed by Consortium Level Meetings participating President, Secretary and Director Board members of the societies. Then society level meetings were held participating President, Secretary and Director Board members, workers and staff of the societies. Inter society visits and inter consortium visits were also arranged as a part of trust building. Representatives of the consortia were given a chance for exposure visit to places of other states – Viz Karoor, Salem, Erode and Chennimalai of Tamil Nadu where the textile industry has flourished.

HANDLOOM CLUSTER IN KANNUR

Before implementing Handloom Cluster Development Programme, a SWOT analysis on the Handloom Co operative Societies in Kannur district was carried out by the Cluster Development Agent (now called Cluster Development Executive) in 2003 to make an Action Plan. The study revealed the following weaknesses.

1. Products of Kannur handloom consists of common furnishings, made ups, table linen, fabrics, lungies, dhoties, sarees, bath towels etc
2. Kannur handloom industry cannot sustain itself by depending up on home market selling the old products. There has not been any planning in making new fabrics, new and innovative designs etc in tune with the taste of buyers in the era of changing trend and fashion.
3. Though Kannur handlooms enjoy good reputation overseas, efforts are not taken to develop or sustain the market by changing in tune with the taste of international buyers.
4. Efforts are not made to identify new market when there is competition in the traditional market. The possibilities of internet and modern communication methods are left unused.
5. In most of the societies, quality control system was not practiced properly, though it is must in the post globalised scenario.
6. Most of the handloom societies are running with lower productivity, higher raw material cost, higher conversion cost, over staffing, lower value addition, reluctance to switch to new products etc and are running on loss.
7. No co operation among handloom societies themselves.

STRENGTHS

- Good reputation overseas
- Excellent dyeing
- Skilled workers available
- Good quality of water
- Dynamism of workers
- Sufficient entrepreneurship
- Good infrastructure

SUMMARY OF CLUSTER INTERVENTION IN KANNUR HANDLOOM CLUSTER FROM 2003-2005

1. For Trust building among the societies, District level meetings of President and Secretary of all handloom societies were held. Consortium level meetings of all Board of Directors and secretaries were called to discuss the matter. In addition, society level meetings of the employees, staff and Board of Directors of all the co operative societies were held and inter consortium visits were conducted by the Chairman and Board of Directors.
2. For improving products through design interventions, design development programmes were conducted in two stages. In the first phase,
 - ❖ Engaged NIFT and NID for making new and innovative design to suit international market.
 - ❖ Engaged four freelance designers through IHTT to make innovative design to to all handloom societies.
 - ❖ Engaged handloom technical personnel to help in making fabric in new designs made by designers.
 - ❖ Discussion held with designers, technicians, and society technical people to translate design into fabric.
 In the second phase,
 - ❖ Service of Canadian designer was made available
 - ❖ Service of Australian designer – Sara Thron made available
 - ❖ Application submitted to NMCP (now CBI) for design and market linkage and NMCP consultant visited Azhikkal Weavers' Industrial Co operative Society
 - ❖ Application submitted to SES Germany for getting services of designer
3. For skill up gradation, training in quality control aspect of handloom fabrics and training in dyeing were given through IHTT, Kannur. In addition, training in advanced weaving with Jacquard was also arranged.
4. To create necessary infrastructure for marketing of the products, the following steps were taken by the District Industries, Centre, Kannur, the nodal agency.
 - ✚ Engaged IIMK for creation of common brand image to Kannur handloom home furnishing
 - ✚ Assistance of NMCP and SES sought for exploring market and product up gradation
 - ✚ Consortium participated in the International Trade Fair at Dubai, New Delhi and Brussels
 - ✚ Common show rooms were opened by three consortiums – ICON(Irinave Consortium), KAIRALI (Payyanur Consortium) and HANDLOOM KENDRA (Kannur South Consortium)
 - ✚ Interactions organized with Tirupur Exporters' Association for exploring the possibility of getting export orders.
 - ✚ Participated in the B2B Meet at Cochin
5. A credit of `2.2 crore were made available through DDHPY to all handloom co operative societies for purchasing looms and accessories, design development, advertisement etc. and an amount of 2.15crore made available to five handloom co operatives under Handloom Export Scheme for product up gradation, design development, participation in international fair etc. .

(Deen Dayal Hathkargha Prostahan Yojana (DDHPY) is a comprehensive scheme of the Government of India, covering all inputs required for production of export worthy handloom fabrics like design development, training assistance for machinery purchase, working capital assistance, advertisement, sales promotion etc.)

6. Conducted seminars on International marketing and internet in business development and workshops on ISO 9000&14000, SA 8000 etc.
7. Other measure taken as a part of cluster intervention include:
 - Govt. of India sanctioned 26 crores under Textile Centre Infrastructure Development and work started at Taliparumba, as part of Project implementation by KINFRA. (This integrated apparels park was inaugurated at Nadukani, Taliparumba on 16.4. 2010).
 - Proposed an Apparels park in Kannur (Started functioning at Nadukani, Taliparumba)
 - Started a power loom service centre at Marakkarkandy, Kannur

- New zero-zero finishing plant being erected under District Panchayath Scheme, at Chirakkal, Kannur in the premises of handloom Development Corporation.
- Common Mercerizing Plant, Radio frequency drying ((Couldn't be implemented for want of funds/scheme)

RESULTS OF INTERVENTIONS

- Positive changes in the attitude of employees and Directors
- New designs
- New products
- New colour combinations
- Learned better dyeing methods
- New markets and higher prices
- Common facility zero zero finishing
- Common facility of Yarn Bank
- Common facility of showrooms
- Few societies could get first trial order for export

ANALYSIS OF BUSINESS OPERATION –PRE AND POST CLUSTER APPROACH

- Before introduction of cluster approach, handlooms units were producing lungies, dhoties, bath towels, bed sheets, shirting, fabrics etc. With the introduction of cluster activities, units started producing Furnishings, made-up, table linen, fabrics, linen shirting, mosquito nets, rug, floor mats, organic fabrics, shawls, mats using herbal dyes, churidar, Jaquard bed sheets, satin bed sheets, turkey towel and so on in addition to the traditional products.
- Cluster interventions such as employee motivation programmes, Trust building programmes, design development programmes, market linkage, training in quality control and dyeing, assistance of NMCP and SES for exploring market and product up gradation, opening up of common show rooms, Participation in the B2B Meet, National and International Trade Fair, Government interventions in Infrastructure Development etc improved the confidence of the handloom societies in Kannur district and it resulted in increased domestic production, value addition to products, increased credit facility, new marketing techniques, new markets, diversification in production, improved the quality of products, skill up gradation, improved man days, increased sales and so on.
- Revenue generation of the societies was through direct domestic sales, direct export, and indirect export (doing job work of exporters).
- Quantum of sales during festival seasons like Onam, Vishu and Christmas increased much. With cluster development programmes, societies started organizing trade fairs during Christmas season also from the year 2008. This can be considered as an important positive result of cluster approach. Now they are confident that there is sufficient domestic demand for quality handloom products and decline in exports will not affect the working of the society and their revenue generation.

AGE GROUP, TYPE AND QUALIFICATION OF EMPLOYEES

Majority of the workers are above the age group of 40. Again, majority of the workers are women. Average educational qualification of workers is 10th standard. Wages earned is very much less compared to other sectors. In short, the wage structure in traditional industries like, handloom, khadi, coir, beedi etc. is very much less and not at all attractive as far as younger generation is concerned.

LOOMS AND PRODUCTIVITY

Handloom export from India, particularly from Kerala drastically decreased due to WTO related Agreements and Phase out of quotas in US and EU. So, societies engaged in job works of exporters and direct exporters faced severe problems. All looms were not continuously engaged for want of sufficient orders. Thus productivity per loom decreased considerably.

With decline in the number of looms, total production per loom decreased. Since the remuneration is not attractive, new generation is not attracted to this field. So there is shortage of workers as well, which lead to reduction in the capacity utilization.

COST AND SALES

Cost of production depends on various factors, important being cost of raw materials and labour. Handloom sector is labour oriented and workers are paid better wages in Kerala than other states. So cost of production is higher. The export has a direct bearing on the working of the handloom co-operatives because the export is done by private exporters where as major chunk of the production work is done by societies. Naturally, when the export decreased, the societies had to concentrate on domestic items.

EXPORTS

The exports from Kannur Handloom Cluster crossed `300 crores before the starting of the study period (2003-04) but, after 10 years the export sale couldn't make any significant growth, but decreasing. This is mainly due to a variety of reasons.

1. Competition from Tamil Nadu- Karur Handloom Cluster
2. WTO related rules and stopping of special import incentives extended by several European countries.

FINDINGS AND SUGGESTIONS

- With the introduction of cluster activities, units started producing demand based products in addition to the traditional products.
- Cluster interventions resulted in increased domestic production, value addition to products, increased credit facility, new marketing techniques, new markets, diversification in production, improved the quality of products, skill up gradation, improved man days and increased sales.
- Quantum of direct sales during festival seasons like Onam, Vishu and Christmas increased much. There is sufficient domestic demand for quality handloom products and decline in exports will not affect the working of the society and their revenue generation.
- Average educational qualification of workers is 10th standard.
- Younger generation is not attracted to this industry, since youth are more educated and the remuneration is not attractive. So there is shortage of workers.
- Decline in the number of looms, resulted in reduction in the capacity utilization.
- Handloom cluster is undergoing loss in general. But few units are making profit even now.
- Export sale couldn't make any significant growth, but decreasing.

REFERENCES

1. Diagnostic study on Kannur handloom cluster by the District Industries Centre, Kannur - 2003
2. Diagnostic study on Kannur handloom cluster by the District Industries Centre, Kannur - 2003
3. Guidelines for implementation of integrated handloom cluster development programme, issued by the Government of India, Ministry of textiles page 1
4. http://business.gov.in/starting_business/major_industry.php
5. <http://www.ibef.org/industry/textile-snapshot> dated 20.3.2014
6. <http://www.thehindubusinessline.com/2003/08/22>
7. ILO publication -ISBN 92-2-117496-4 (web pdf)
8. Joshi- "apparel and textile exports"
9. Shanmugasundaram-"Export challenges and strategies in Indian industry"
10. shodhganga.inflibnet.ac.in/bitstream/10603/9841/19/19_synopsis.pdf dt. 20.3.2014

TABLES

TABLE 1: SALES DETAILS (₹IN CRORES)

Year	Vishu	Onam	X Mas	Total
2003	.3	.56	.....	.86
2004	.4	1.54	.....	1.94
2005	1.07	1.72	.....	2.79
2006	1.18	2.13	.....	3.31
2007	1.7	2.52	.....	4.22
2008	1.90	2.68	.74	5.32
2009	1.77	2.90	1.05	5.72
2010	2.04	3.8	0.7	6.54
2011	2.8	4.6	.8	8.20
2012	3.1	4.8	.86	8.76
2013	3.2	5.2	.78	9.18
2014	2.9			

Source: DIC, Kannur

TABLE 2: AGE GROUP, TYPE AND QUALIFICATION OF EMPLOYEES

20-30 M		20-30F		31-40M		31-40F		41-50M		41-50F		>50 M			>50F		Total
<10	>10	<10	>10	<10	>10	<10	>10	UG	<10	>10	<10	>10	<10	>10	<10	>10	
0	0	7	4	37	6	105	100	3	144	7	353	112	488	20	305	13	1704
						6.16%	5.87%		8.45%		20.72%	6.57%	28.64%		17.9%		

Source: Survey data

TABLE 3

Year	Cost of raw materials (₹)	Exports (₹)	Sales (₹)	Net loss (₹)
2003-'04	79853615	64779638	156855245	21418135
2004-'05	74642286	68165124	162721399	20006689
2005-'06	70208277	62062344	168733076	29666569
2006-'07	663811652	53465838	140800058	20284390
2007-'08	63723168	50098852	157977548	18749720
2008-'09	62198928	44765144	130343940	28809257
2009-'10	60345822	45755496	135617468	32981063
2010-'11	68629623	49670104	167897542	40433528
2011-'12	64183843	49576175	159544679	24977201
2012-'13	66694079	42738011	164849191	28193613
2013-'14	80637455	40724680	184668377	Not audited

Source: Survey data

TABLE 4

Year	Exports of sample units (₹)	Exports of textile from Kannur District (₹)	% contribution of sample units
2003-'04	64779638	260 Crores	2.50
2004-'05	68165124	275 Crores	2.47
2005-'06	62062344	285 Crores	2.17
2006-'07	53465838	300 Crores	1.80
2007-'08	50098852	310 Crores	1.61
2008-'09	44765144	325 Crores	1.38
2009-'10	45755496	270 Crores	1.70
2010-'11	49670104	260 Crores	1.92
2011-'12	49576175	235 Crores	2.12
2012-'13	42738011	210 Crores	2.05
2013-'14	40724680	195 Crores	2.10

Source: Survey data

A CASE STUDY ON ONLINE SHOPPING OF ACCORD BUSINESS SCHOOL, CHIGURUWADA, TIRUPATI

DR. S. SHAHINA BEGUM
ASSOCIATE PROFESSOR
DEPARTMENT OF BUSINESS MANAGEMENT STUDIES
CHIGURUWADA

ABSTRACT

Online commerce through internet is gaining attention from students today. The aim of this research is to study the factors influencing students buying intention through internet shopping in an Accord Business School among MBA students of II year in Chiguruwada. The paper mainly focuses factors influencing students of ACCORD B school II year students of MBA to do online shopping. Several factors motivates such as ease of use, compatibility, privacy, security motivates them to do online shopping. The study is limited to online retailers like Flipkart, Snapdeal, Amazon, etc.

KEYWORDS

Online, Commerce, Flipkart, Snapdeal, Amazon.

INTRODUCTION

Today internet is not only a networking media, but also transaction medium for consumers at global market in the world and becomes dominant retailers in the future. To shop on internet becomes an alternative for consumers since it is more comfortable than conventional shopping and comfortable because of it saves lot of time, parking space, save fuel, save energy, comparisons of prices, hate waiting in lines, too ashamed to buy, easy to search merchandise you want to buy, 24 hours shopping possibility is there.

REVIEW OF LITERATURE

Internet was first found by American Defense Department Network through the Advanced Research Project Agency (ARPANET) at 1969. Early target ARPANET was to develop educated information for the army forces of USA. Most creative technology that has reached a big impact at all of us is Internet innovation. Yu and Abdulai (2000) mentioned that the most significant result of the rapid innovations in information and communication technology is electronic-commerce. What is e-commerce? E-commerce basically refers to trade that takes place over the Internet where a buyer visits a seller's web site, orders and makes the payment of the product over the internet and finally, goods are delivered physically to the consumers. Anil (2000) also mentioned that electronic commerce is an important part of the growth of the Internet. Brown, Pope and Voges (2003) mentioned that the key feature of e-retailing, the consumers is facilitated by information with regard to product attributes, comparative pricing, availability and overall value added. According to Oinas (2002) internet retailing seems to be growing in all places on the world, including developing countries. Due to the changes taking place in the business in connection with the technological opportunities provided by the Internet which in the future it become the dominant shopping practically. Hofacker (2001) mentioned that people might have known the word Internet the past several years before. The Internet is difficult to define but for simple definition. The Internet is the sum total of devices interconnected using the Internet Protocol. It was created using computer software and since software can be programmed to do almost anything. Historically, Rowley (1996) viewed that the Internet was essentially an academic network, but business used is growing, so the Internet is no longer an elite network for communication between research centers, but also is accessible to small colleges, small businesses and libraries through the world. Finally, IBM also defined e-commerce as business to vendors, to customers, to employees, and to suppliers via Intranet, Extranets and Internet.

RESEARCH METHODOLOGY

Sample Size : 50 students of Accord business school of MBA II year
 Method of collection : Structured questionnaire
 Sample method : Convenience sampling method
 Place of collection : Accord Business school, Chiguruwada, Tirupati

NEED FOR THE STUDY

Online shopping saves a lot of time, no need to go to a shop. Wide range and variety of products are available at reasonable costs. Online shopping is break the traditional way of shopping and make path for new method of shopping

SCOPE OF THE STUDY

The study covered only what aspects makes them the customer to opt the online shopping and only few problems of customers are covered.

OBJECTIVES OF THE STUDY

- 1) To study the type of products frequently used by customers.
- 2) To analyse frequent usage of web sites.
- 3) To know factors influence customers to opt for online shopping.
- 4) To understand their level of satisfaction while doing online shopping.
- 5) To know how frequently they are making order through online.

TABLE 1: WEB SITES FREQUENTLY USE BY CUSTOMERS

Web site	No. of respondents	percentage
Flipkart	30	60
Snapdeal	25	50
Amazon	15	30
YEBHI	2	4
Paytm	7	14

(Source: Field Survey)

Table 1 indicates the highest 60% of respondents used flipkart, followed by 50% of respondents used snap deal and 30% of respondents used amazon website, while 14% of respondents utilized paytm and least 4% of respondent used YEBHI website. These shows that the highest flipkart and snap deal websites

are used because of the easy access of features provided by these web providers, packing of products, delivery of product by the centres which makes them to use frequently by the users.

TABLE 2: AGE OF THE RESPONDENTS

Age of the student respondents	No. of respondents	Percentage
Up to 21 years	8	16
21 to 22 years	37	74
23 years	5	10

(Source: Field Survey)

From the table 2 it can be analysed that 74% of the respondents age is between 21 to 22 years age, 16 % were fall in the age group of 21 years and the remaining 10% were in the age of 23 years. The variations in age group might be some respondents their degree background is B.Tech and some students who have not joined immediately after completion of degree is the reason for variation of age among the students, but majority who completed their degree they have immediately join in MBA whose age group will be from 21 to 22 years age group.

TABLE 3: FAMILY INCOME OF THE RESPONDENTS

Family Income	No. of respondents	Percentage
5000 - 10000	6	12
10000 - 20000	8	16
20000 - 30000	12	24
30000 - 40000	17	34
40000 - 50000	7	14

(Source: Field Survey)

From the above table 3 it is clear that 34% of the respondents family income ranges from 30,000 to 40,000, 24% of respondents family income ranges from 20000 to 30000, 16% of respondents fall between 10000 and 20000, 14% of respondents family income is between 40000 and 50000 and a few respondents income is in the range of 5000 -10000.

TABLE 4: PURPOSE OF BUYING GOODS

Buying goods	No. of respondents	Percentage
Personal	32	64
Family purposes	15	30
Businesses of parents	3	6

(Source: Field Survey)

Students buy goods not only for themselves but also for family purpose, there are certain occasions were students buy goods for their parents business also. From the table 4 it can be viewed that 64% of respondents buy goods for personal purposes, 30% of respondents do line shopping because of their family purpose and a very few 6% of respondents buy products for their parents business purposes only.

TABLE 5: THE PRODUCTS PURCHASED THROUGH ONLINE

Products	No. of respondent	percentage
Mobiles	45	90
Dresses	22	44
Electronic goods	20	40
Shoes	10	20
watches	8	16

(Source: Field Survey)

The table 5 indicates 90% of mobiles are purchased through online, 44% of respondents prefer for buying dresses, next 40% of respondents gives priority to buy electronic goods and 20% of respondents are showing willing to buy shoes and least 16% of respondents buying watches. This indication says that majority of respondents were youth and they show there keen interest in buying latest mobiles, dresses and electronic goods.

TABLE 6: MODE OF PAYMENT

Mode of payment	No. of respondents	Percentage
Credit card	3	6
Debit card	17	34
Cash on delivery	30	60

(Source: Field Survey)

Table 6 reveals that 60% of respondents making payments through cash on delivery, followed by 34% respondents using debit card and a very least 6% of respondents are availing credit card mode of payment. From these we can analyse that that majority of respondents are paying only cash on delivery. Because after getting delivery of the product it is verified and cash is paid only after it provides satisfaction to the customers in the form colour, product appearance, quality, size etc.

TABLE 7: REPLACEMENT FACILITIES

Replacement	No. of respondent	percentage
Yes	21	42
No	29	58

(Source: Field Survey)

The above table indicates that 58% of respondents said that their is no replacement facility for the customers and the rest 42% of respondents said that there is no replacement facility. These shows that few web retailers are providing the replacement facility.

TABLE 7: DERIVED LEVEL OF SATISFACTION WHILE DOING ONLINE SHOPPING

satisfaction	No. of respondents	Percentage
Less satisfaction	5	10
Satisfaction	35	70
More satisfaction	5	10

(Source: Field Survey)

From the above table 7 expressed that 70% of respondents were express that they feel satisfaction while doing online shopping, and 10% of respondents said that they are getting less satisfaction and the very least 10% of respondents are expresses that they are getting more satisfaction while doing online shopping.

TABLE 8: SATISFACTION LEVEL OF STUDENTS WITH PRICE DISCOUNT OFFERED BY ONLINE RETAILERS

Price discount	No. of respondents	Percentage
Yes	45	90
No	5	10

(Source: Field Survey)

The table 8 reveals that 90% of respondents exhibit that price discount offered by online retailers contributing satisfaction to the customers, while the remaining 10% of customers conveying no satisfaction with the price disburse by the retailers. These shows that online retailers are providing good price discount facility than traditional retailers.

TABLE 9: IS THE DELIVERY OF THE PRODUCT IS IN TIME

Delivery of product	No. of respondents	Percentage
Yes	26	52
No	24	48

(Source: Field Survey)

The table 9 depict that 52% of respondents conveyed that delivery of the product is in time. While the remaining 48% furnishing that the delivery product is not in time. Based on these facts few retailers is distributing the product with in the span.

TABLE 10: DO YOU THINK ONLINE SHOPPING IS TRUST WORTHY FOR THE CUSTOMERS

Opinion	No. of respondents	Percentage
Yes	30	60
No	20	40

(Source: Field Survey)

The above table 10 intimate that 60% of respondent said that online shopping is credible for the customers and halting 40% of respondents said that online shopping is unreliable for the customers.

TABLE 11: PRODUCTS WHICH ARE FREQUENTLY ORDERED THROUGH ON LINE

Opinion	No. of respondents	Percentage
Twice in a week	0	0
Weekly	4	8
Twice in a month	20	40
Once in a month	26	52

(Source: Field Survey)

The table 11 contributes that 52% of respondents spoken that they are ordering once in a month, although 40% of respondents point of view is that twice in a month, and the remaining 8% of respondents were placing orders weekly through online. Majority of the respondents are shopping once in a month, followed by twice in a month.

TABLE 12: BUYING CAPACITY OF A STUDENT OF EACH ORDER

Offered Capacity(Rs)	No. of respondents	Percentage
100-500	10	20
500-1000	20	40
1000-2000	15	30
Above 2000	5	10

(Source: Field Survey)

The table 12 signifies that 40% of respondents are having buying capacity of 500 to1000, besides 30% of respondents range fall between 1000 to 2000, consequently 20% of respondents pull in among 100 to 500 sphere. It seems that students are not earning money they depend on their parents for shopping that is why they are buying is also limited.

TABLE 13: FACTORS INFLUENCE THE STUDENT TO OPT ON LINE SHOPPING

Percentage	No.of respondents	Percentage
Web site design	1	2
Varieties of products	10	20
Price discount	30	60
delivery	6	12
convenience	3	6

(Source: Field Survey)

The table 13 denotes that 60% of respondents said that price is influencing them, although 20% of respondents point of view is varieties of products forces them to shop online, where as 12% of respondents feeling is delivery of product shows impact to opt for online shopping, granting 6% of respondents opinion is it is convenience them to shop, still 2% of respondents expresses that web site design influence them to prefer online shopping.

TABLE 14: VARIATION OF THE PRODUCT AFTER RECEIVING EITHER IN QUALITY OR IN APPEARANCE

Product	No.of respondents	Percentage
Yes	6	12
No	44	88

(Source: Field Survey)

The table 14 highlights that 88% of respondents said that their is no variation in the product after receiving the product either in quality or in appearance, and only 12% of respondents opined that their is variation in product after the delivery.

TABLE 15: WEB SITES WHICH ARE USER FRIENDLY

Website	No.of respondents	Percentage
Flip kart	22	44
Paytm	4	8
Snap deal	16	32
YEBHI	3	6

(Source: Field Survey)

The table 15 disclose that 44% of respondents were using flipkart website, although 32% of respondents snap deal, while 8% of respondents were availing paytm and the least 6% of respondents said that YEBHI is the user friendly to customers. From these analysis we can analyse that websites which provides easy accesses to option, and easy operation of website are giving highest priority, here it is flipkart and snap deal.

TABLE 16: PROBLEMS FACED WHILE DOING ONLINE SHOPPING

Problems	No.of respondents	Percentage
Cross advertisement	10	20
Long process of payment	12	24
Error/server problems	8	16
Deliver time	20	40

(Source: Field Survey)

The table 16 showed that , 40% of respondents viewed that delay of delivery of product, 24% of respondents said that long process of payment makes them irritating while doing online shopping, and 20% of respondents opined that cross advertisement disturbing them to have peaceful shopping and 16% of respondents point of view is server problems hinders them to stop online shopping.

CONCLUSION

From the above analysis we can conclude that majority of youth students are showing interests that shows that they prefer the new type of shopping because of many reasons such passion, offers, variety of products, saves time, global access of products. Besides these they are facing many problems hinders to shop still they are ignoring it and continuing for online shopping. If the web retailers improve their services such as in time delivery, easy access of web sites makes them to attract more and more customers.

- 60% of respondents used flipkart web site frequently used by the users.
- 90% of mobiles are purchased through on line by the respondents.
- 60% of respondents making payments through cash on delivery.
- 70% of respondents were express that they feel satisfaction while doing online shopping.
- 60% of respondents believe that online shopping is trust worthiness for the customers.
- 60% of respondents said that price is influencing them to do online shopping
- 40% of respondents' opined that delay of deliver of the product is one of the major problem while doing online shopping.

LIMITATIONS

The study is limited to 50 students Accord B school MBA students of II year only. The study is also confined to online retailers like Flipkart, Snapdeal ,Amazon, YEBHI, Paytm .

REFERENCES

1. Balabanis, G., Reynolds, N., & Simintiras, A. (2006). Bases of e-store loyalty: Perceived switching barriers and satisfaction. *Journal of Business Research*, **59**, 214-224.
2. Barkhi, R., Belanger, F., & Hicks, J. (2008). A model of the determinants of purchasing from virtual stores. *Journal of Organizational Computing and Electronic Commerce*, **18**, 177-196.
3. Bates, B. R., Romina, S., Ahmed, R., & Hopson, D. (2006). The effect of source credibility on consumers' perceptions of the quality of health information on the Internet. *Medical Informatics and the Internet in Medicine*, **31**, 45-52.
4. Becerra, E. P., & Korgaonkar, P. K. (2011). Effects of trust beliefs on consumers' online intentions. *European Journal of Marketing*, **45**, 936-962.
5. Behravan, N., Jamalzadeh, M., Jouya, S. F., & Markhali, A. Y. Z. (2012). The study of factors associated with trust towards customers' loyalty within online setting. *Journal of Applied Sciences*, **12**, 2312-2318.
6. Belisle, J. F., & Bodur, H. O. (2010). Avatars as information: Perception of consumers based on their avatars in virtual worlds. *Psychology & Marketing*, **27**, 741-765.
7. Benedicktus, R. L. (2011). The effects of 3rd party consensus information on service expectations and online trust. *Journal of Business Research*, **64**, 846-853.

AWARENESS OF QUALITY MANAGEMENT IN HIGHER EDUCATION

DR. FISSEHA GIRMAY
ASST. PROFESSOR
DEPARTMENT OF ACCOUNTING & FINANCE
COLLEGE OF BUSINESS & ECONOMICS
ADI-HAQI CAMPUS
MEKELLE UNIVERSITY
MEKELE

DR. ARAVIND.S.
ASSOCIATE PROFESSOR
SCHOOL OF MANAGEMENT & ACCOUNTING
HAWASSA UNIVERSITY
HAWASSA

ABSTRACT

The era has witnessed significant changes in the educational system in the society, like the increase in enrollment at all stages of education, a decline in dropout rate, a move towards gender parity, substantial increase in number of teachers in all types of educational institutions. The study aims to attain the objectives to study the extent of quality expectancy disconfirmation and to suggest measures for overall quality improvement of higher education. The study is specifically based on primary sources of data, which was collected by administering as well designed questionnaire prepared by the author to the officials at working at various administrative levels in the university education system. The reliability check for the items of the questionnaire was conducted with a group of 30 officials of Mekelle University on pilot run with the help of two methods namely (a) Combach's alpha (1951) and (b) Pearson Intern Correlation co-efficient. The dimensions of quality system of education along with their corresponding items (i.e, Attitude, Reliability, Tangibility, and Delivery) were identified on the basis of literature review and series of discussion with eminent professionals of commerce and management education along with some prominent alumni students.

KEYWORDS

Higher Education, Quality Assurance, Service Quality.

INTRODUCTION

The era has witnessed significant changes in the educational system in the society, like the increase in enrollment at all stages of education, a decline in dropout rate, a move towards gender parity, substantial increase in number of teachers in all types of educational institutions.

Higher education in the society is exposed to new challenges and expectations from its stakeholders following the deregulation of economy. Some of the issues may be that, higher education is wrapped in various forms of barriers ranging from academic barriers, financial barriers, capacity barriers, institutional barriers to quality barriers.

Therefore, how to improve quality of higher education is complex issue before the academicians and Government. Mansour et al.(1997) state the quality in higher education can be attained only when the quality assurance standards are adopted and implemented in educational system. Similarly, Bhat(2003) views that the use of Total Quality Management (TQM) principles in education will enable higher educational institutions to materialize its lofty mission.

CONCEPT OF QUALITY IN HIGHER EDUCATION

The meaning of the term "quality" is hard to express. Mital (2000) view that quality possesses moral and emotional forces which makes it difficult to tie down or define. That is why Gravin (1988) states that quality has a variety of contradictory meanings and is usually a slippery concept. The term quality is used both in absolute and relative sense. In absolute sense quality means superior, costly, high status product that gives the use professional, social, prestige. While quality in relative sense is more relevant and comprehensive.

What is quality in education? It is still an unresolved debate (Meriaj & Bhat, 2005). Edwards (2000) view that quality in education does exist but it is difficult to measure. Quality in education may refer to inputs (number of teachers, amount of teachers training, number of textbooks, process (amount of direct instructional times, extent of active learning), output, (test scores, graduation rates) and outcomes (performance in subsequent employment). Moreover, it includes attaining specified targets and objectives, securing institutional and programme reputation and extent of change influenced in students knowledge, attitudes, values, and behavior or a complete theory or ideology of acquisition and application of learning (Adams, 1998). Somewhat similar view of quality in education has been given Green and Harvey (1993). They view quality in terms of five constructs exceptional, consistency, fit for the purposes, value for money, and transformative: while Gronroos (1984) classified quality both on the basis of this definition, the meaning of quality gets enlarged. Therefore, quality in education is one that satisfies and exceeds the customer's satisfaction both technically and functionally.

PLAYERS OF HIGHER EDUCATION

Players or Stakeholders or customers are the individuals or the groups of individuals whose interest are linked with the manufacturing or service organizations. According to Kotler customers in the manufacturing and the service organization have different orientation. Manufacturing organizations are typically uni-dimensional production oriented system and customers in such organization are ordinarily identifiable. Under service organizations especially in higher education, who is/are the customers is relatively complex to identify and what is the exact number of customers is yet inconclusive (Meiraj, 2005).

Vroeijenstgn (2001) comments that in higher education there is no clear indication whether customer is institution, the student, the future employer or the society. Tribes (1998) says that customers of higher education are several: (a) the student themselves (b) their parents (c) their future employers and (d) the society at large. Dahlgard and Norgaard (1998) opine that there are at least three types of customers for higher education- students, employers and society. Madu et al. (1994) talks about three types of customers for academics- input customers, transformation customers and output customers. Students are input customers, teaching and other administrative staff are transformative customers and society, employers are the output customers. Dahlgard and Madsen (1998) opine that there are internal and external customers to education and some customers in one situation are internal to education and some in other situations as external. Thus, on the basis of literature review, customers of education include: (a) Faculty, (b) Administrative Staff, (c) Student and (d) Employer. The former two are internal groups of customers (associated inside with the service organization i.e. educational institute. While, the latter two are external group of customers associated with the education institute outsidersly.

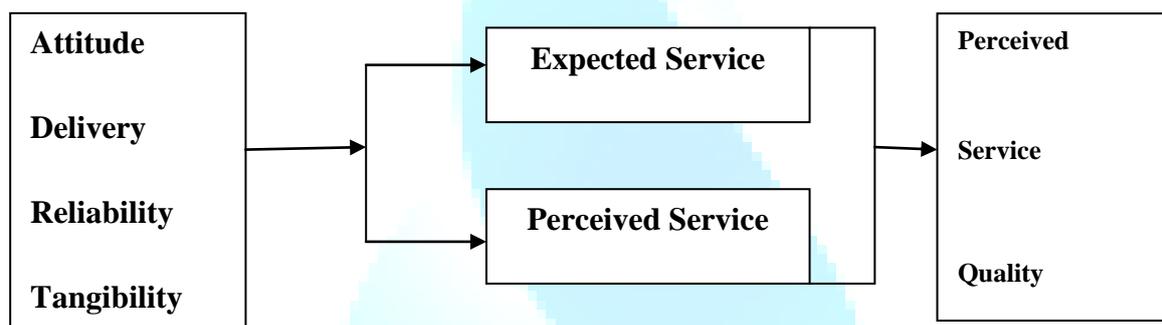
REVIEW OF LITERATURE

A service is an activity or benefit that one party can offer to another, which is essentially intangible and does not result in the ownership anything. Its production may or may not be tied to the physical product (Kotler, Armstrong, Saunders and Wang, 1999). Literature of service sector overwhelmingly unfold that quality of service is very difficult to measure especially in case of pure service like education. This is because service quality is determined by consumer satisfaction. Understandably, consumer satisfaction is an affective, feeling based and subjective. While, service quality is a cognitive, evaluative and objective concept (Dabhalkar, 1995 and Shemwell, Yavas and Bilgin, 1998). In service sector the expectancy disconfirmation model or its variants remain one of the most widely discussed and tested approaches in measuring consumer satisfaction (Arambewala, 2003; Belton et al, 1994; Spreng et al, 1996; Oliver, 1996; Parasuraman et al, 1994 and 1986; Tse et al, 1990; Oliver 1980). The model indicates that customer satisfaction is based on the observational and perceptual agreement of service with expectations, and disconfirmation is the gap between expectational standards of service and perceived service (Parasuraman, et al, 1991 and 1998), Gronroos 1984, 1982) advocated and examined service quality on functional and technical constructs. The functional constructs relate to attitude, style, empathy, willingness to help, behavior etc of service provider and technical constructs deal with the skill, expertise, ability, knowledge, qualification and communication of service provider. Therefore any measurement criterion used for service quality must incorporate both technical and functional aspects. To this effect many models and approaches were examined.

However, measurement of service quality on the basis of expectancy disconfirmation model advocated by the Parasuraman et al (1985, 1991, and 1994) through SERVQUAL attained an overwhelming adaptability and acceptability in service quality measurement literature. Under this model, Parasuraman et al, (1989, 1991) provided ten dimensions of service quality which latter they reduced to five. They include reliability, responsiveness, assurance, empathy, and tangibles. This is because customers do not perceive quality on uni-dimensional concept i.e. customers assessment of quality include perceptions of multiple factors. And accordingly, the present study is more or less based upon this model with some modifications relevant to the context of education.

The model was applied to the higher education where expectations of administrative staff are the perceptual services which administrative personnel expect during the course of his work. The expectations may vary from one employee to another employee depending upon their degree of knowledge, cultural background etc. the standards act as basis for comparing expected performance with actual performance to quantify the degree of service quality gap (Fig.A).

FIG. A: MODEL OF SERVICE QUALITY



In order to measure service quality, various variables/items/dimensions were identified on the basis of literature review. The variables/items and dimensions used for this study were drawn from the post theoretical and empirical research of Dahgaard et al, (1998), Mahmood (2001), Jain (2002), Nawar (2003), Sahney et al, (2003, 2004), Haque (2004), Halford (2005) etc. The dimensions identified are as under:

1. Attitude (behavior, respect, customer understanding, moral values of service employee/organization).
2. Delivery (availability of customized services).
3. Reliability (consistency of performance and dependability upon service employee/organization).
4. Tangibility (appearance and condition of physical facilities, equipment etc.).

OBJECTIVES OF THE STUDY

The study aims to attain the following objectives:

1. To study the extent of quality management expectancy disconfirmation.
2. To suggest measures for overall quality improvement of higher education.

SCOPE OF THE STUDY

The scope of the study is confined to the internal stakeholders of management departments in Ethiopian Universities.

METHODOLOGY

The study is specifically based on primary sources of data, which was collected by administering as well designed questionnaire prepared by the author to **the officials at working at various administrative levels in the university education system**. The reliability check for the items of the questionnaire was conducted with the methods namely (a) Combach's alpha (1951) and (b) Pearson Intern Correlation co- efficient. The reliability of items of questionnaire through Combach's alpha (1951) was 0.96 and Pearson inters correlation co efficient for all the dimensions and items of questionnaire with the aggregate and independent values resulted highly positive. The questionnaire was spread over 22 items consisting of four dimensions. The dimensions of quality system of education along with their corresponding items were identified on the basis of literature review and series of discussion with eminent professionals of commerce and management education along with some prominent alumni students. For electing information from the primary stakeholder of business education, **30 officials from the administrative staff of Mekelle University** were asked to rate the degree of quality of education offered to them at administrative level on five points likert's scale with a varying scores from 1-5 as under:

Scale Score:

1= Poor

2=Un-Satisfactory

3=Satisfactory

4=Good

5=Very Good

Statistically the corresponding score of each item would usually range from 1 to 5. Where means score 1 indicates extremely poor quality of service thereby requires total improvement on almost all the spheres and mean score 5 shows a distinctive quality of which is practically rare to see. The mean score 2 depicts un-satisfactory state of service that requires keen attention from management for further improvement. The mean score of 3 refers to satisfactory quality of service. However, the same needs proper attention for further improvement. The mean score 4 indicates good quality of service that also has good scope for further.

ATTITUDE

The dimension attitudes evaluates service quality of higher education on the basis of functional constructs of service provider (Gronroos, 1984). Attitude examines service quality of employee in view of his behavioural service traits i.e. how service provider acts during the service delivery in terms of his nature, style, empathy, etc. under this dimensions, seven items namely, problem understanding attitude of superior, problem solving attitude of superior, ethics and values of superior, customer understanding by superior, inter-personal and cordial relation with superior, sharing and exchange of information by superior, monitoring and evaluation by superior. For all items the mean score for actual satisfaction has ranged between 2.76 to 3.06. While aggregate actual mean score has not remained less than expected mean score indicating a very high mean score service quality gap by (-1.05). This service quality on the basis of functional constructs appears mainly due to lack of problem solving attitude of superiors. (-1.44), poor ethics and values of superior, (-1.24), non sharing and exchange of information by superior (-1.47) and lack of monitoring and evolution by superior (-0.67). The actual mean score for all these variables have remained unsatisfactory (Table No. 1).

TABLE NO. 1: SERVICE QUALITY GAP ANALYSIS UNDER HIGHER EDUCATION FOR DIMENSION ATTITUDE

Sl.No.	Statements	Actual Mean Score	Expected Mean Score	Service Quality Gap*	Standard Deviation
1	2	3	4	5	
1	Problem understanding attitude of superiors	3.06	4.20	1.4	0.94
2	Problem solving attitude of superiors	2.86	4.30	-1.44	0.89
3	Ethics and values of superiors	2.76	4.00	-1.24	0.89
4	Customers understanding by superiors	3.03	3.20	-0.17	1.06
5	Interpersonal and cordial relation with superior	3.00	4.20	-1.20	0.98
6	Sharing and exchange of information by superior	2.93	4.40	-1.47	0.78
7	Monitoring and evaluation by superior	2.93	3.60	-0.67	1.01
	Aggregate Mean Score	2.93	3.98	-1.05	0.77

*Service: Quality Gap=Actual Mean Score - Expected Mean Score

DELIVERY

The dimension delivery incorporates the customized service support provided by the service organization or employers to their customers to enable them to perform their tasks effectively and efficiently. Customers generally expect some amount of usual or normal services from their services provider. They may include training and development programmes for administrative staff, administrative work culture, involvement of administrative staff in decision making, freedom in work, awareness of rules and regulations by superior. The empirical finding reveal that overall actual mean score 3.20 of the dimension is far below than the aggregate expected mean score 3.82 indicating a wide mean score service quality gap (-0.62). This seems mainly due to the lack of training facilities and programmes for administrative staff (-2.67) and non-involvement of customers in decision making (-1.17) (Table No.2)

TABLE NO. 2: SERVICE QUALITY GAP ANALYSIS UNDER HIGHER EDUCATION FOR DIMENSION DELIVERY

Sl.No.	Statements	Actual Mean Score	Expected Mean Score	Service Quality Gap*	Standard Deviation
1	2	3	4	5	
1	Awareness of rules and regulations by superior.	2.96	4.20	-1.24	1.20
2	Training and Development programmes for administrative staff.	4.83	4.50	-2.67	1.14
3	Administrative work culture.	3.06	4.00	-0.94	1.08
4	Involvement and administrative staff decision making.	2.23	3.40	-1.17	1.10
5	Freedom in work	2.96	3.00	1.04	.099
	Aggregate Mean Score	3.20	3.82	-0.62	1.19

*Service: Quality Gap=Actual Mean Score - Expected Mean Score

RELIABILITY

Reliability shows the customers dependability and trust on the service employee and organization. Reliability indicated how far service organization or employee withstand upon the trust and confidence of customers. The dimension was on examined with the help of three variables- clearly defined policies and norms of institution, adherence to policies and norms of the institution and adherence to commitments by institutions. The statistical analysis of field data shows that actual mean score of the dimension ranged between 2.23 to 3.03. The aggregate expected mean score 4.33 of dimension is much above than the overall actual mean score 2.74 by mean score, (-1.59) implying a wider service quality. The service quality gap for the dimension appears due to lack of practical use of policies and norms of the institution. (-2.27) (Table No.3).

TABLE NO. 3: SERVICE QUALITY GAP ANALYSIS UNDER HIGHER EDUCATION FOR DIMENSION RELIABILITY

Sl.No.	Statements	Actual Mean Score	Expected Mean Score	Service Quality Gap*	Standard Deviation
1	2	3	4	5	
1	Clearly defined policies and norms of institution.	2.96	4.50	-1.34	1.03
2	Adherence to policies and norms of the institutions.	3.03	4.30	-1.27	1.09
3	Adherence to commitments by institutions	2.23	4.33	-1.59	1.14
	Aggregate Mean Score	3.11	4.06	-0.95	0.85

*Service: Quality Gap=Actual Mean Score - Expected Mean Score

TANGIBILITY

Tangibility are the physical assets properties like building, furniture, furnishing, equipment, heating and cooling items etc, available and used during the course of service. Tangibles play a very significant role in the effective delivery of service and contribute overwhelmingly in raising employees interests towards the work. Adequate availability of tangibles is an essential ingredient in building institutional brand. (Mehmood,2000). And accordingly, higher education institutions mainly business schools are ranked besides other dimensions on the basis of tangibles (India Today, ranking of business schools 2004). The dimension, tangibility was evaluated with the help of six variables the condition and availability of physical facilities, (like furniture, buildings etc), condition and availability of equipment facilities, (Like computer, heating and cooling etc), space facility, salary and allowances, perquisites, cleanliness of work place. The aggregate actual mean score of this dimension is 3.11 which is far below than the expected aggregate mean score 4.06 showing a tangible service quality gap by mean score (-0.95). The tangible service quality gap seems significantly due to the poor and non-availability of equipment like computers etc., (-1.24), cleanness of workplace (-1.27). The mean score of the actual satisfaction of the overall dimension has ranged between 2.93 to 3.96 implying a very un-satisfactory feeling of respondents with respect to the dimension. (Table No.4)

TABLE NO. 4: SERVICE QUALITY GAP ANALYSIS UNDER HIGHER EDUCATION FOR DIMENSION TANGIBILITY

Sl.No.	Statements	Actual Mean Score	Expected Mean Score	Service Quality Gap*	Standard Deviation
1	2	3	4	5	
1	The condition and availability of physical facilities.	3.06	5.00	-1.94	0.98
2	Space facility available in the institution.	3.26	3.50	-0.26	1.17
3	Condition and availability of equipment.	2.96	4.20	-1.24	1.02
4	Perquisites admissible.	3.40	3.50	-0.10	1.10
5	Salary and allowance admissible.	3.06	4.00	-0.94	.087
6	Cleanness of work place	2.93	4.20	-1.27	.081
	Aggregate Mean Score	3.11	4.06	-0.95	0.85

*Service: Quality Gap=Actual Mean Score - Expected Mean Score

CONCLUSION AND SUGGESTIONS

The above analyses have shown that/for all the variables and dimensions the mean score of perceived satisfaction is for below than mean score of expectations implying huge service quality dissatisfaction. The variables for which service quality expectations are higher their corresponding satisfaction is low and service quality gap is wide referring to a whole sum dissatisfaction of sample respondents with the service system. In order to improve the service quality and the satisfaction of internal stakeholders with respect to higher education the following suggestions are put forth.

1. The superior in the administration must improve their attitudinal service delivery by understanding their customers properly. They should inculcate in themselves the real ethical and moral values and demonstrate true humanistic spirit in work environment towards their customers.
2. Participative work environment shall be created at the levels of administration to raise the motivation and belongingness of customers towards their service organs action and work.
3. Periodic training programme shall be arranged for all types of administrative staff members to train, improve and develop their knowledge and skill so that they perform tasks, duties effectively and efficiently.
4. Work culture in all aspects of administration shall be created through the use of TQM principles and enforcement of administrative rules and regulations. The workforce or customers in the administration should be made aware of their duties, rights and responsibilities and accordingly be held responsible for non performance of duties. This can be done through proper monitoring and evaluation of work performance.
5. Organizational vision and mission must be made known to every individual of the administration, so that everyone performs his duties in tune to the organizational vision.

REFERENCES

1. A.Mausorr, Z.Mrozek, O.Adjie(1997), "Quality Assurance in Higher Education, Paper presented at the 4th international conference on Computer Aided Engineering Education" No.Vol.12, PP 156-164 .
2. Abebe Dinku, (2007), "Quality Assurance in Ethiopian Higher Education" working paper presented at HRK German Rector's Conference, Bonn, 5th November, 2007, pp 1-9.
3. Arambewela, R. and Zuhair, S.(2003), Economic Impact of International of Education Services Referred paper, Conference proceedings, Internationalization of Education Risk and Refuses Melbourne.
4. Bhat, K. Shridhara (2002), "Total Quality Management", Himalaya Publishing House, New Delhi. pp.638-639.
5. Bhat, Shabir A. and Meiraj-Ud-Din (2005), "Quality Assessment in Management Education: An Empirical Study" The Business Review, Vol.II, No.2, pp41-49.
6. Bhat, Shabir A. and Meiraj-Ud-Din (2005), "Total Quality Assessment in Business Education: An empirical study analysis in Adam Badh.
7. Combach's L.J. (1951) Co-efficient of Alpha and internal structure of test, psychometric a 10:4, pp 255-282.
8. Crosby P (1997), "Quality is free", New York, New American Library".
9. Deming, W.E.(1986), "Out of Crises", Cambridge . Mass M Institute of Technology.
10. Drucker, P.(1989), The new realities, New York Harper and row.
11. Fred Hewitt and Merlance Clayton (1999), "Quality in a Discordant World lessons from English Higher Education".
12. Gronroos-Christain (1982), "Strategic Management and Marketing in Service Sector, Helsing fors, Swedish School of Economics and Business Administration.
13. Gronroos-Christain (1984), "A Service Quality Model and its implications". European Journal of Marketing, 18:4, pp 36-44.
14. Habtamu Wondimu(2003), "African Higher Education: An International Reference Handbook" Indiana University Press, 2003, pp316-325.
15. Harvey.L and Green, D. (1993), "Defining Quality: Assessment and Evolutions in Higher Education, Vol.18 No.1 pp 9-34.
16. Indian National Report on the Development of Education: Forty Seventh Session product quality Wiley, New York.
17. Jary, David and Martin Darker Editors (1998), "The New Higher Education: Issues and Directions for post- Dearing University: St Afford Shire Stafford Shire University Press.
18. Jems J Dhalguard and Ole Nogaard Madsen (1998), "Some experience of implementing TQM in Higher Education".
19. Jems J Dhalguard Peder Osterguard (2000), "TQM and Lean Thinking in Higher Education.
20. Juran I.M.(1989), Juran on leadership for quality: An Executive Hand Book, New York free Press, New York.
21. Kortav, Armstrong, Saunders and Wang(1999), "The Emerging Service Sector in India: Shifting paradigms" Quoted in the seminar handout report Jamia Hamdard, New Delhi(2000).
22. Kotler P (1996), Principles of Marketing" Seventh Edition, Engle wood cliffs, N.J. Prentice Hall.
23. Lee, Ful. Tong and Yeep Bean Han, Applying TQM philosophy to the Teaching and learning process.
24. M. Mukhophadaya(1997), "Globalization imperatives of Indian Education Sector", University Press, Vol.35, No.18(1997).
25. Mayyon Tribus, Exergy, Hayward. CA(1996), "TQM in Education: The theory and how to put it to work".
26. Meiraj-Ud-Din Shah (2005), "Benchmarking in Business Education : An exploratory study, The business Peep, Volume 1.
27. Parasuraman, A.Zenthmal, Valerie, A and Berry Lennard, L.(1994), "Reassessment of expectations as a comparison standard in measuring service quality: Implications for future research", Journal of Marketing, Vol.58, Feb.1994, pp 201-203.
28. Parasuraman, A.Zenthmal, Valerie, A and Berry Lennard, L.(1998) " A Refinement and Reassessment of Servual Scale". Journal of Retailing 67:4, pp 420-450.
29. R.N. and James H.D.(1999), "A Multistage Model of Customer assessment of service quality and value" Journal of Consumer Research, 17th March, 1999, pp 375-384.
30. S.Sahney, Banwet, D.K.Karunes S (2004), "Identification of elements of Total Quality Management for the Educational System: A Study of selected Engineering and Management Institutions in India" The Journal of Business Perspective (2004) pp 11-24.
31. Sangeeta Sahney (2003), "De sign Characteristics constructs of Total Quality Management in Education", Productivity, Vol44, No.2, July-Sep, 2003, pp.203-215.
32. Shaid Mohmood (2001), "Service Quality in Education: An Exploratory Study" Management and Change, Volume5, No.2 (Winter, 2001).
33. Shikshia, K (1984), "Quality Control Circles at work- cases form Japan's manufacturing and service sectors, Tokyo, Asian Productivity Organization.

34. Slaughter, Shaila and Larry. L. Leslie (1997), "Academic Capitalism, Politics, Policies and Entrepreneurial University, Baltimore, London. The John Hopkins University Press.
35. Sprang, R. Mackenzie, S and Olashavsky, R.(1996), "A Reexamination of the Determinants of Consumers Satisfaction" Journal of Marketing, 6th July,1996, pp 15-32.
36. Symth Jhon (1995), "Introduction in Academic work: The changing labour processes in Higher Education" Bukingham, UK. Open University Press, pp1-6.
37. Tesfaye Teshome and Kassahun Kebede (2009), "Quality Assurance for Enhancement of Higher Education in Ethiopia: Challenges faced and lessons learned" Working paper presented at conference on Ethiopian Higher Education, 6th March, 2009, Addis-Ababa, pp6-7.
38. TSE, D.K.N, Frances M. Wiltin, P.C.(1990), "Consumers Satisfaction as a process, Psychology and Marketing, Oxford University Press, London, pp177-193.
39. Vipin Gupta and Kamla Gollakota (2004), "Business Education in India: The Quality Dialogue" Journal of Marketing, Vol.1 No.2, 8th July, 2004, pp25-28.
40. Voreijenstifin A.T.(2001), "Manual for self evaluation at programme level" Workshop paper, University of South Africa, Pretoria, May, 2001, pp78-88.
41. Wollmott Hugh(1998), "Commercializing higher education in U.K: the state the industry and peer review", paper presented at higher education close up conference, University of Control Lanchannire, 6-8 July, 1998, pp175-182.



FINANCIAL AND OPERATING PERFORMANCE OF DISINVESTED CENTRAL PUBLIC SECTOR ENTERPRISES OF MANUFACTURING SECTOR IN INDIA

DR. A. VIJAYAKUMAR
ASSOCIATE PROFESSOR
ERODE ARTS & SCIENCE COLLEGE
ERODE

S. JAYACHITRA
RESEARCH SCHOLAR
ERODE ARTS & SCIENCE COLLEGE
ERODE

ABSTRACT

This paper examines the financial and operating performance of the disinvested CPSEs of Indian Manufacturing sector. A sample of 12 firms is drawn from various cognate group viz., Fertilizer, Heavy Engineering, Medium & Light Engineering, Petroleum (refinery & marketing) and Transportation Equipment of Indian CPSEs (Central Public Sector Enterprises). The period of analysis covers 5 years before and 5 years after disinvestment. In the present study, an attempt has been made to cover financial and operating performance of disinvested firms. As firms move from public to private ownership or both, their profitability should increase. More specifically, the present studies seek how firms' (1) profitability ratios, (2) operating efficiency, (3) output, (4) employment, (5) leverage, and (6) stock indicators are affected by disinvestment. The empirical evidence of these studies suggests that disinvestment could lead to an improvement in profitability, efficiency, outputs and stock indicators. On the other hand, although there is no consistent result with regard to the employment level and debt it is expected to decline after disinvestment. To test our predictions, the technique of Megginson et al. (1994) was followed in order to determine post disinvestment performance changes. The analysis is based on Ratio analysis, mean, median, SD, CV, CAGR value of each variable for each firm over pre and post disinvestment periods are calculated. Wilcoxon Signed-rank test and proportion test based on sign test are used as principal methods for testing significant changes in variables. Results obtained from this study are mixed. Whereas some of the sample CPSEs shows improvement in some indicator other sample CPSEs have shown decline in some indicator after disinvestment. However, in spite of mixed results the overall picture shows improvement in financial and operating performance for at least more than 41per cent of the sample.

KEYWORDS

Disinvestment; Profitability; Operating Efficiency; Output; Employment; Solvency; Stock Indicators.

INTRODUCTION

Public enterprises in most of the countries of the world, so as also in India were created to accelerate economic and social development. Jawaharlal Nehru, the first prime minister of independent India called the public sector units (PSUs) the "Temples of modern India". These 'temples' were built during an era of socialist Indian politics and planned economy (India adopted the 5 year plan model from the communist/ socialist erstwhile Soviet Union). Industrial Policy of 1956 reserved a number of strategic sectors for the exclusive participation of, and development by, the public sector. Later, in late 1970s, Indira Gandhi, the then prime minister of India, in a surge of populist socialism, nationalized most of the 'strategic' industries in the Indian economy. Public sector enterprises have been set up to serve the broad macro-economic objectives of higher economic growth, self-sufficiency in production of goods and services, long-term equilibrium in balance of payments and low and stable prices. While there were only five Central Public Sector Enterprises (CPSEs) with a total investment of Rs.29 crore at the time of the First Five Year Plan, there were as many 260 CPSEs (excluding 7 Insurance Companies) with a total investment of Rs.7, 29,228 crore as on 31st March, 2012. It was in the year 1988-89, when Prime Minister Shri Atal Bihari Vajpayee made a statement in parliament about disinvestment - "Disinvestment/ Privatization is the only Panacea for ills of loss making public sector undertakings." And soon the response from the opposition was "you can't sell the family silver to meet your daily expenditure. It is a truism which in the year 1991 triggered the politico- economic thinking of the then government leading to 'liberalization' – a historical policy shift. The Nehruvian 'commanding heights' concept was seen to have lost its relevance. The serious budgeting and fiscal deficits of the government and severe pressure on the country's balance of payments created the 'necessity.' "Necessity is the mother of invention. It took the Balance of Payments (BOP) crisis in early 1990s for the P V Narashima Rao's government and Dr. Manmohan Singh's Finance Ministry to initiate the liberalization process and the subsequent privatization process in India. With economic liberalization, post-1991, sectors that were exclusive preserve of the public sector enterprises were opened to the private sector. The CPSEs, therefore, are faced with competition from both domestic private sector companies (some of which have grown very fast) and the large Multi-National Corporations (MNCs). Disinvestment of government equity in CPSEs began in 1991-92 following the Industrial Policy Statement of 1991, which stated that the Government would divest part of its holdings (minority share-holding) in select CPSEs. Till 1999-2000, disinvestment was primarily through sale of minority shares in small lots. From 1999-2000 till 2003-04, the emphasis of disinvestment changed in favor of strategic sale. The current policy on disinvestment envisages people's ownership of CPSEs while ensuring that the Government equity does not fall below 51 per cent and Government retains management control.

CONCEPTUAL FRAMEWORK

Investment and disinvestment are two sides of the same coin. When we deal with the investment management, it automatically encompasses disinvestment also, as what is investment for one is disinvestment for another, particularly in the secondary market. If investment is an art and science; the more so is the disinvestment process. Disinvestment refers to the use of a concerted economic boycott to pressure a government, industry, or company towards a change in policy, or in the case of governments, even regime change. Investment refers to the conversion of money or cash into securities, debentures, bonds or any other claims on money. As follows, disinvestment involves the conversion of money claims or securities into money or cash." Disinvestment can also be defined as the action of an organization (or government) selling or liquidating an asset or subsidiary. In most contexts, disinvestment typically refers to sale from the government, partly or fully, of a government-owned enterprise. A company or a government organization will typically disinvest an asset either as a strategic move for the company, or for raising resources to meet general/specific needs. Disinvestment is a wider term extending from dilution of the stake of the government to a level where there is no change in the control to dilution that results in the transfer of management. The transfer of ownership may occur when in an enterprise the dilution of government ownership is beyond 51 per cent. The disinvestment implies that the government will sell to public or private enterprises / public institutes' part of its holding in public sector enterprises. Disinvestment has been a major political and economic phenomenon over the past few decades, and researchers continue to target it for both theoretical and empirical work. Since first application in Britain in 1979 under Thatcher government, privatization has come to be accepted and employed throughout the world, often under conditions of considerable controversy. Given that most socialist and communist economies from every region in the world have recently started implementing economic reform programs, the reduction in size of the public sector

through disinvestment has become an important part of such programs. Privatization has been a subject of intense global debate in recent years. The concept has received so much criticism from labour unions, academia and individuals. However in recent times, we are witnessing sweeping changes in the economics of both developed and developing countries. Several developing and transition economies have embarked on extensive privatization programs in the last two and a half decades as means of attaining macroeconomic stability, fostering economic growth and managing public sector borrowing arising from corruption, subsidies and subventions to State Owned Enterprises (SOEs).

DISINVESTMENT STATUS IN INDIA

The objective of Disinvestment policy is to promote people's ownership of Central Public Sector Enterprises through increased participation of retail investors. For the first four decades after Independence, the country was pursuing a path of development in which the public sector was expected to be the engine of growth. However, the public sector overgrew itself and its shortcomings started manifesting in low capacity utilization and low efficiency due to over manning, low work ethics, over capitalization due to substantial time and cost over runs, inability to innovate, take quick and timely decisions, large interference in decision making process etc. Hence, a decision was taken in 1991 to follow the path of Disinvestment. There are primarily three different approaches to disinvestments in India (from the sellers' i.e. Government's perspective). A minority disinvestment is one such that, at the end of it, the government retains a majority stake in the company, typically greater than 51 per cent, thus ensuring management control. Historically, minority stakes have been either auctioned off to institutions (financial) or offloaded to the public by way of an Offer for Sale. A majority disinvestment is one in which the government, post disinvestment, retains a minority stake in the company i.e. it sells off a majority stake. Historically, majority disinvestments have been typically made to strategic partners. Complete privatization is a form of majority disinvestment wherein 100% control of the company is passed on to a buyer.

The change process in India began in the year 1991-92, with 31 selected PSUs disinvested for Rs.3, 038 crore. In August 1996, the Disinvestment Commission, chaired by G V Ramakrishna was set up to advise, supervise, monitor and publicize gradual disinvestment of Indian PSUs. It submitted 13 reports covering recommendations on privatization of 57 PSUs. However, the Disinvestment Commission ceased to exist in May 2004. The Department of Disinvestment was set up as a separate department in December, 1999 and was later renamed as Ministry of Disinvestment from September, 2001. From May, 2004, the Department of Disinvestment became one of the Departments under the Ministry of Finance. Against an aggregate target of Rs. 54,300 crore to be raised from PSU disinvestment from 1991-92 to 2000-01, the Government managed to raise just Rs. 20,078.62 crore (less than half). The reasons for such low proceeds from disinvestment against the actual target set were: unfavorable market conditions, offers made by the government were not attractive for private sector investors, lot of opposition on the valuation process, no clear-cut policy on disinvestment, strong opposition from employee and trade unions, lack of transparency in the process and lack of political will. This was the period when disinvestment happened primarily by way of sale of minority stakes of the PSUs through domestic or international issue of shares in small tranches. The value realized through the sale of shares, even in blue chip companies like IOC, BPCL, HPCL, GAIL & VSNL, however, was low since the control still lay with the government. Most of these offers of minority stakes during this period were picked up by the domestic financial institutions. Unit Trust of India was one such major institution.

During the period from 2001-02 - 2003-04 the maximum number of disinvestments took place. These took the shape of either strategic sales (involving an effective transfer of control and management to a private entity) or an offer for sale to the public, with the government still retaining control of the management. The valuations realized by this route were found to be substantially higher than those from minority stake sales. During this period, against an aggregate target of Rs. 38,500 crore to be raised from PSU disinvestment, the Government managed to raise Rs. 21,163.68 crore. The issue of PSU disinvestment remained a contentious issue during the period from 2004-05 - 2008-09. As a result, the disinvestment agenda stagnated during this period. In the 5 years from 2003-04 to 2008-09, the total receipts from disinvestments were only Rs. 8515.93 crore. A stable government and improved stock market conditions initially led to a renewed thrust on disinvestments. The Government started the process by selling minority stakes in listed and unlisted (profit-making) PSUs. From 2009-10 onwards period saw disinvestments in companies such as NHPC Ltd., Oil India Ltd., NTPC Ltd., REC, NMDC, SJVN, EIL, CIL, MOIL, etc. are made through public offers. However, from 2011 onwards, disinvestment activity has slowed down considerably. As against a target of Rs.40, 000 crore for 2011-12, the Government was able to raise only Rs.14, 000 crore.

REVIEW OF LITERATURE

Meggison, Nash and Van Randenborgh (1994)¹ developed a proxy variable methodology to test whether a significant operational and financial performance changes exist between pre and post privatization period of divested firms. They compare both pre and post privatization 3-year average performance ratios for 61 firms in 18 countries over the period 1961-1989. The finding indicates significant increases in output, operating efficiency, profitability, capital investment spending and dividend payments are found along with significant decreases in leverage. The changes in employment after privatization are found to be insignificant. **Boubakri, Narjess, and Jean-Claude Cosset(1998)**² examine post-privatization financial and operating performance of 79 companies in 21 developing countries and 32 industries between 1980-1992. The study concludes that there are economically and statistically significant post-privatization increases in output (real sales), operating efficiency, profitability, capital investment spending, dividend payments, and employment as well as significant decreases in leverage.

D' Souza and Meggison (1999)³ compared the pre- and post-privatization financial and operating performance of 85 companies in 28 countries and 21 industries that were privatized through public share offerings for the period between 1990 and 1996. Reported that privatization has led to significant increases in profitability, output, operating efficiency and dividend payments as well as a significant decrease in leverage ratios. **La Porta and Lopez-de-Silanes (1999)**⁴ address significant improvements in output and sales efficiency of 218 Mexican privatized firms through June 1992, and find that the gap in performance between privatized firms and privately controlled firms narrows. They also find a significant decrease in the level of employment. **Harper (2000)**⁵ examined privatization in the Czech Republic and concluded that this process resulted in improved profitability, higher efficiency and lower employment levels in divested firms in the second wave of privatization but caused the opposite results in the first divestment round. **Harper (2001)**⁶ documents different findings for 178 Czech firms that were included in the first wave of voucher privatization. He concludes that profitability and efficiency decreased immediately following privatization. **Ray and Maharana (2002)**⁷ have attempted to examine the progress of the process of PSEs disinvestment in India during the decade of 1991 to 2001. In terms of action to the PSEs disinvestment, very little has actually materialized. They suggest that the controversies and criticisms against disinvestment can be largely avoided through a transparent process.

Sudhir Naib (2003)⁸ examined the impact of the partial divestiture of disinvested enterprises in India. The results indicate that in case of partial divestiture, where divested equity is thinly spread with the majority shareholding still the government, there has been no improvement in terms of profitability and operational efficiency. **Torero (2003)**⁹ analyses the impact of privatization through a detailed statistical and econometric analysis of first difference (the difference between pre- and post-privatization performance), and second difference (change in performance of privatized firms relative to the change in performance of SOEs) of several indicators on profitability, operating efficiency, employment, leverage and convergence. The results indicate that privately owned firms are more efficient and profitable than state-owned firms. **Omran (2004)**¹⁰ examines the performance of 54 newly privatized Egyptian firms against a matching number of SOEs. By matching sample firms (privatized) with control firms (SOEs) 94 over 1994-98. The analyses show that privatized firms do not exhibit significant improvement in their performance changes relative to SOEs.

Alovsat Muslumov (2005)¹¹ analyzed the impact of financial and operating performance of privatized companies in the Turkish cement industry. Document that privatization in cement industry results in significant performance deterioration. **Isnurhadi Banaluddin (2007)**¹² evaluated the impact of privatization on operating and financial performance of the privatized firms in Malaysia. The results showed that the performance proxies ROS, ROA and ROE deteriorated and real sales and net profit of the firms improved upon privatization. **Ravinder and Rupinder's (2007)**¹³ study compares the pre- and post-disinvestment financial and operational performance of 15 PSEs of India that experienced partial disinvestment during the period of 1991-92 to 2002. The empirical evidence supports the positive effects of privatization on PSEs' performance. These privatized units have significantly improved the level of profitability, sales, operational efficiency, earnings per share and dividend payments after disinvestment. **Gagan Singh and Deepak Paliwal (2010)**¹⁴ assessed the impact of disinvestment on

the financial and operating performance of competitive and monopoly units in Indian public sector enterprises. Documents that performance of monopoly firms show an improvement during the after-disinvestment period when compared to competitive firms. **Gupta Seema et al. (2011)**¹⁵ assessed the financial performance of disinvested Central Public Sector Enterprises in India. Disinvestment has not yielded desired results in majority of dimensions, Concludes that government's intervention in operational functioning and managerial decision-making should be a matter of last resort.

Yahya Zakari Abdullahi et al. (2012)¹⁶ investigates the financial and operating efficiency of the privatized firms in Nigeria. The period of analysis covers 5 years before, and 5 years after privatization. To test their predictions, we follow the techniques of **Meggison et al. (1994)** in order to determine post privatization performance changes. The mean values of each variable for each firm over the pre and post privatization periods are calculated. Then T-Test and Wilcoxon sign rank test are used as a principal method of testing for significant changes in the variables. Results obtained from this study are mixed. However in spite of the mixed results, the overall picture shows improvement in profitability for at least half of the firms in their sample. **Kishor C.Meher and Samiran Jana (2013)**¹⁷ studied the impact of ownership due to strategic sale on financial performance of the privatized Public sector enterprises between pre and post privatization of Paradeep Phosphates Ltd, India. The various statistical tests have confirmed the significance of financial performance through improvement of short term financial position bringing liquidity in case of Paradeep Phosphates Ltd.

STATEMENT OF THE PROBLEM

The most important criticism levied against public sector undertakings has been that in relation to the capital employed, the level of profits has been too low. Even the government has criticized the public sector undertakings on this count. Of the various factors responsible for low profits in the public sector undertakings, most important among them are; price policy of public sector undertakings, under – utilization of capacity, problem related to planning and construction of projects, problems of labour, personnel and management and lack of autonomy. The government in order to put an end to these problems, decided to disinvest its stake in the PSUs (Public Sector Undertakings). The companies traditionally established as pillars of growth have now become a burden on the economy. Except few mighty oil and petroleum companies, almost all other PSUs are incurring losses. The national gross domestic product and gross national savings are also adversely affected by low returns from PSUs. About 10 to 15 per cent of the total gross domestic savings are reduced on account of low savings from PSUs. With the equity markets having come off their historic lows in March 2009, there are certain signs of recovery. However, this should not be of any concern to the Government as PSUs, being high quality paper, would always find ready investors if the pricing is reasonable. PSU disinvestment of 10 per cent as per the Government's announced intentions, at attractive prices to retail investors, could ensure a strong message to the investment community about the Government's resolve to continue with reforms. Hence, it very important to analyze the profitability performance of disinvested Central Public Sector Enterprises in India which are very far from satisfactory. Therefore, the present study is undertaken to analyze the financial and operating performance of disinvested Central Public Sector Enterprises of Indian Manufacturing Sector.

OBJECTIVES OF THE STUDY

The general objective of the study is to empirically investigate the impact of disinvestment on financial and operating performance of the selected disinvested CPSE's of manufacturing sector in India.

HYPOTHESIS

On the basis of the objectives of the study the following two main alternative hypotheses were developed for the purpose of the present study.

Ha₁ - There is a significant difference between financial performances of selected disinvested CPSEs before and after disinvestment.

Ha₂ - There is a significant difference between operating performances of selected disinvested CPSEs before and after disinvestment.

To support the above two hypothesis, six sub-hypotheses are in need of examination. These six sub-hypotheses are as follows:

- 1) There is a significant difference between profitability before and after disinvestment.
- 2) There is a significant difference between operating efficiency before and after disinvestment.
- 3) There is a significant difference between operating output before and after disinvestment.
- 4) There is a significant difference between employment before and after disinvestment.
- 5) There is a significant difference between solvency position before and after disinvestment.
- 6) There is a significant difference between stock indicators before and after disinvestment.

METHODOLOGY AND EMPIRICAL MODEL

As noted earlier the main purpose of this study is to examine the impact of disinvestment on the financial and operating performance of disinvested CPSEs of manufacturing sector in India. The study used secondary sources of data, which are collected from the capital market database called Centre for Monitoring Indian Economy Private Limited (Prowess CMIE). The research design used in the study is a "before- and-after" design (also known as the pre-test/post- test design). A "before and after" design can be described as two sets of cross section observations on the same population to ascertain the nature of the change in the phenomenon or variable (s), between two points of time. The change is measured by comparing the difference in the phenomenon or variables at the before and after periods. The most appropriate method in such a research is a post-event research methodology known as casual comparative method.

The research design adopted is similar to those employed by **Meggison et al. (1994)**, **Boubakri and Cosset (1998)** and **D'Souza and Meggison 1999**. Data on disinvested CPSEs for an eleven years, five years prior to the disinvestment and a five years period after the year of disinvestment for each disinvested firm in manufacturing sector were collected. According to purpose, the present research is classified as an applied research. Based on methodology and (nature, it is also presented as descriptive research. To measure the effects of disinvestment on firm performance, at first performance measures for every firm for the years before and after disinvestment was calculated. Then, the mean of each measure is computed for each firm over the before disinvestment (years –5 to –1) and after disinvestment (years +1 to +5) periods. The main objective of the study is to do a comparative analysis of disinvested firms before and after disinvestment mainly in manufacturing sector. Therefore, the research design tries to identify whether the CPSEs perform better after disinvestment.

SAMPLING DESIGN

Disinvested practices have started to implement in India since 1991. India has opted for the disinvestment for the period of 23 years (1991-92 to 2013-14). There are 260 CPSEs in India at present. Out of which only 80 CPSEs were disinvested during the period 1991-92 to 2013-14. Total disinvested enterprises till 6th July 2013 consist of 158 CPSEs. CPSE's consist of five sectors namely; Agriculture, Electricity, Manufacturing, Mining and Services. The analysis of the sectoral breakdown of the disinvestment in CPSEs in India within 1991-92 to 2013-14 shows that disinvested enterprises in manufacturing sector constitute 40.50 per cent of the total disinvestment of CPSEs which is higher than other sectors in India since 1991-92. (Table 1).

Keeping in view the scope of the study, it is decided to include all the 28 CPSEs in manufacturing sector which was disinvested during the period 1991-1992 to 2013-2014. But, owing to several constraints such as non-availability of financial statements, it was compelled to restrict the number of sample enterprises to 12 (Table 2). Thus, Multi-stage sampling technique is used. The final sample which constitutes 42.85 per cent of disinvested CPSEs of manufacturing sector in India during the time period 1991-1992 to 2013-2014 is selected using the following criteria: (i) Disinvested CPSEs should operate in manufacturing sector; (ii) Disinvested CPSEs are requested to have financial data for a period of eleven years encompassing five years before disinvestment and five years after disinvestment and (iii) The latest year of disinvestment is taken into account for the selection of sample and where there is no further dilution of stake by the government till 06 July 2013.

SELECTION OF VARIABLES

The variables that refer to the different factors that may influence disinvested firms' performance. Specifically, the study seeks to determine whether, following disinvestment, the disinvested CPSEs of manufacturing sector in India: improved their profitability. In the present study, an attempt has been made to cover

financial and operating performance of disinvested firms. As firms move from public to private ownership or both, their profitability should increase. More specifically, the present studies seek how firms' (1) profitability ratio, (2) operating efficiency, (3) output, (4) employment, (5) leverage, and (6) stock indicators are affected by disinvestment. The empirical evidence of these studies suggests that disinvestment could lead to an improvement in profitability, efficiency, outputs and stock indicators. On the other hand, although there is no consistent result with regard to the employment level and debt it is expected to decline after disinvestment. Table 3 presents variable description, performance measurement and expected results of the performance measure after disinvestment used in the present study. It focuses on the characteristics, which are examined for changes resulting from divestiture. The symbols A and B in the testable predictions stand for 'after' and 'before' divestiture.

TOOLS OF ANALYSIS

The data available in the database are computed for requirements of the study. Analysis of the data is made using various accounting, mathematical and statistical tools. The tools used for the purpose of analysis of the present study are: Ratio Analysis, Mean, median, standard deviation, co-efficient of variation, compound annual growth rate, Wilcoxon signed-ranked test is adopted to test for significant changes in the variables before and after disinvestment. The proportion test to determine whether the proportion (P) of companies experiencing changes in a given direction is greater than what would be expected by chance, typically testing whether $P = 0.5$ based on sign test has been employed.

EMPIRICAL MODEL

To test for the significant difference in performance change of the sample, the data are adjusted to ensure that such comparison is valid. In this method, the absolute change in mean performance for each firm are calculated as follows:

$$APC = P_i, t - P_i, t - 1$$

Where:

APC is absolute performance change,

P_i, t is the mean performance after -disinvestment period, and

$P_i, t - 1$ is the mean performance before -disinvestment period.

Overall, the data analysis is conducted using a general-purpose statistical package called SPSS. Basically, SPSS is a collection of statistical analysis routines. SPSS provides a broad range of data manipulation and transformation procedures, statistical procedures, and charting facilities. The version IBM SPSS Statistics 20 for Windows of SPSS has all the necessary statistical routines for conducting the tests required in this research. The entire set of data has been analyzed by using Statistical Package for Social Sciences (SPSS).

ANALYSIS

ANALYSIS OF FINANCIAL AND OPERATING PERFORMANCE BEFORE AND AFTER DISINVESTMENT

This section, present and discuss the empirical results for financial and operating performance. It is examined whether the financial and operating performance of selected 12 disinvested manufacturing Central Public Sector Enterprises have improved after they were disinvested. In the present study, an attempt has been made to cover financial and operating performance of disinvested firms. As firms move from public to private ownership or both, their profitability should increase. More specifically, the present studies seek how firms' (1) profitability ratio, (2) operating efficiency, (3) output, (4) employment, (5) leverage, and (6) stock indicators are affected by disinvestment. The empirical evidence of these studies suggests that disinvestment could lead to an improvement in profitability, efficiency, outputs and stock indicators. On the other hand, although there is no consistent result with regard to the employment level and debt it is expected to decline after disinvestment.

ANALYSIS OF PROFITABILITY CHANGES BEFORE AND AFTER DISINVESTMENT

The primary objective of disinvestment has been to enhance operational efficiency leading to better/higher profitability. Therefore, profitability ratios are relatively of higher significance than liquidity and solvency ratios. Public Sector Enterprises (PSEs) are often chronically unprofitable. They need to pursue objectives like maximizing employment or providing goods or services at heavily subsidized prices erode the goal of profit maximization. As a consequence, PSEs often are unprofitable. A change in ownership structure leads to a shift in company's objective towards profit maximization, resulting in increased profitability. Hence, it is expected that profitability to increase after disinvestment took place. To attain this objective, the following profitability ratios have been computed and analyzed for the selected disinvested CPSEs of Indian manufacturing sector during the period of study. First, profitability has been measured on the basis of return on sales by employing Operating Profit Margin (OPM) and Net Profit Margin (NPM) Ratios. Secondly, on the basis of rate of return on investment includes Return on Capital Employed (ROC), Return on Total Assets (ROA) and Return on Equity (ROE). Table 4 depicts the overall changes in profitability performance of whole sample before and after disinvestment. The mean (median) changes in OPM, NPM, ROC, ROA and ROE from 7.288 (7.919), -4.506 (-6.045), -3.688 (-4.272), 1.249 (0.857) and 16.437 (17.090) before disinvestment to 9.300 (10.743), 4.656 (5.342), 12.237 (11.967), 6.228 (6.341) and 15.225 (18.883) after disinvestment, respectively. The results show that mean changes in OPM, NPM, ROC and ROA are positive after divestiture. To find the significance difference between median before disinvestment and median after disinvestment Wilcoxon Signed-Rank test is applied. The findings indicate that OPM, NPM and ROE show statistically insignificant based on Wilcoxon Signed-Rank test. The Standard Deviation (SD) of OPM and ROA has become more volatile after disinvestment. The Coefficient of Variation (CV) showed an erratic fluctuation in profitability measures of selected disinvested CPSEs after disinvestment. The changes in Compound Annual Growth Rate (CAGR) of all the profitability indicators were positive after disinvestment.

Table 5 shows the proportion test results based on Sign test for significant increase in profitability ratios after disinvestment. The mean changes in profitability ratio were positive after disinvestment except for ROE. Only 41.67 per cent of the sample companies show increase in OPM, 58.33 per cent of the sample companies experience increases in ROE after disinvestment, 66.67 per cent of the sample companies show increase in NPM and 83.33 per cent of the sample companies show increase in ROC and ROA after disinvestment. The increase in the above mentioned profitability measures are equally significant at as low as 41.67 per cent and as high as 83.33 per cent of the sample companies. Though, the increase in OPM, NPM and ROE is not statistically significant. Thus, the findings tend to contrast the benchmark studies (Megginson et al., 1994; Boubakri and Cosset, 1998). Obviously, the findings reveal that disinvestment has no positive effect on profitability. So the hypothesis that disinvestment associates with improvement in company profitability is rejected strongly in the case of Indian Manufacturing Sector.

ANALYSIS OF OPERATING EFFICIENCY CHANGES BEFORE AND AFTER DISINVESTMENT

One important role of disinvestment is to achieve the best allocation of resources, whatever, financial, human or technological. Given that, operating efficiency is expected to improve after divestiture. Disinvested firms therefore should try to employ their resources more efficiently. To capture the ability of the firms to extract maximum output from any given level of inputs, disinvestment is expected to result in increased operating efficiency. To test this prediction, two indicators of operating efficiency are used; inflation-adjusted sales per employee and inflation adjusted net income after tax per employee. Both ratios are computed as an index, defined to be unity for year 0 (the year of disinvestment), with the other years being expressed relative to unity. One of objectives of government to disinvest CPSEs is the greater stress to generate profits. A change in ownership structure leads to a shift in company's objective towards profit maximization, resulting in increased profitability. The profitability of a productive activity would depend upon the revenue realized from the output and the cost incurred in raising that output. Disinvestment when correctly conceived should foster efficiency, stimulate investment and yield a corresponding increase in operating efficiency. Hence, it is expected that operating efficiency to improve after disinvestment since profits are expected to rise. Sales efficiency and net income efficiency is calculated for appraising the operating efficiency performance of the selected disinvested Central Public Sector Enterprises of Indian manufacturing sector. In computing real operating efficiency the nominal sales and net income after tax are deflated using appropriate consumer price index (CPI) values taken from the Labour Bureau, Government of India Statistics'. To present clear and easy to interpret figures, the deflated sales revenue data were normalized to 1.000 in year 0 (the year of disinvestment) so that other year figures are expressed as a fraction of operating efficiency of the year of disinvestment.

Table 4 depicts the overall changes in operating efficiency performance of whole sample before and after disinvestment. The mean (median) changes in sales efficiency and net income efficiency from 0.925 (0.890) and 1.624 (1.650) before disinvestment to 2.495 (2.288) and 0.506 (0.659) after disinvestment, respectively. The results shows that mean change in sales efficiency are positive and net income efficiency are negative after divestiture. The changes in sales efficiency and net income efficiency have increased by 169.62 and decreased by -68.82 percentages respectively, after disinvestment. To find the significance difference between median before disinvestment and median after disinvestment Wilcoxon Signed-Rank test is applied. The findings indicate that sales efficiency show statistically significant at one per cent level based on Wilcoxon Signed-Rank test. The Standard Deviation (SD) of operating efficiency has become more volatile after disinvestment. The Coefficient of Variation (CV) showed a high fluctuation in operating efficiency measures of selected disinvested CPSEs after disinvestment. The Compound Annual Growth Rate (CAGR) of the sales efficiency was positive, whereas, CAGR was negative for net income efficiency after disinvestment. Table 5 shows the proportion of firms that changed as predicted based on sign test for significant increase in operating efficiency after disinvestment. The overall mean changes in sales efficiency were positive after disinvestment. Only 91.67 per cent of the sample companies show increase in sales efficiency and 58.33 per cent of the sample companies show increase in net income efficiency after disinvestment. The findings revealed that, the increase in sales efficiency is statistically significant; the hypothesis that disinvestment associates with improvement in sales efficiency is accepted strongly in the case of Indian Manufacturing Sector.

ANALYSIS OF OUTPUT CHANGES BEFORE AND AFTER DISINVESTMENT

Successful disinvestments are typically characterized not only by increase profitability, efficiency and investment spending but also by new growth and higher output. As a proxy for output, inflation adjusted sales levels for before and after disinvestment period are used, normalized to unity for the year of disinvestment (year 0). Government hope and expect that real sales will increase after disinvestment because newly disinvested firms now have better incentives, more flexible financing opportunities, increased competition and greater scope for entrepreneurial initiatives **Boubakri & Cosset (1998)** and **Meggison et al.,(1994)**. On the other hand, **Boycko, Shleifer and Vishny (1993)** argue that effective disinvestment will lead to reduction in output, since government can no longer entice managers (through subsidies) to maintain inefficiently high output levels Disinvestment when correctly conceived should foster efficiency, stimulate investment and yield a corresponding increase in output. Hence, it is expected that output to increase after disinvestment since profits are expected to rise. Real sales are calculated for appraising the output performance of the selected disinvested Central Public Sector Enterprises of Indian manufacturing sector. In computing real sales the nominal sales are deflated using appropriate consumer price index (CPI) values taken from the **Labour Bureau, Government of India Statistics'**. To present clear and easy to interpret figures, the deflated sales revenue data were normalized to 1.000 in year 0 (the year of disinvestment) so that other year figures are expressed as a fraction of output of the year of disinvestment.

Table 4 depicts the overall changes in output performance of whole sample before and after disinvestment. The mean (median) changes in real sales from 0.912 (0.873) before disinvestment to 2.288 (2.192) after disinvestment, respectively. The results shows that mean change in real sales are positive after divestiture. The change in output has increased by 150.81percentages after disinvestment. To find the significance difference between median before disinvestment and median after disinvestment Wilcoxon Signed-Rank test is applied. The findings indicate that real sales show statistically significant based on Wilcoxon Signed-Rank test. The Standard Deviation (SD) has become more volatile after disinvestment. The Coefficient of Variation (CV) showed a high fluctuation in output measures of selected disinvested CPSEs after disinvestment. The Compound Annual Growth Rate (CAGR) of the output indicators was positive after disinvestment. Table 5 shows the proportion of firms that changed as predicted based on sign test for significant increase in real sales after disinvestment. The overall mean changes in output were positive after disinvestment. Only 83.33 per cent of the sample companies show increase in output after disinvestment. The findings revealed that, the increase in output is statistically significant; the hypothesis that disinvestment associates with improvement in company are output is accepted strongly in the case of Indian Manufacturing Sector.

ANALYSIS OF EMPLOYMENT CHANGES BEFORE AND AFTER DISINVESTMENT

One could argue that disinvestment will increase the level of employment as far as disinvested firms will target more growth and expand their investment spending, in turn; they will be able to produce more job vacancies. On the other hand, it is confirmed that most of the PSEs tend to be over-staffed as one objective of establishing the public sector is creating many employment opportunities as possible. In this sense, extensive layoffs are expected to take place because of the style of new management, since social aspects will not be considered in favour of business objectives. The great fear which most governments have expressed is that, the objectives of efficiency and profitability as a result of disinvestment can only be achieved at the cost of large scale job losses. From theoretical view points, as priority is given to minimize the cost in the initial step, in the short run, the level of employment will slump. However, in the long-run as the cost efficiency results in lower production costs, the number of employment will increase. In other words, people expect large declines in employment following disinvestment. Hence, it is expected that employment to decline after disinvestment took place. Number of Employees is used as a measure for appraising the employment levels of the selected disinvested Central Public Sector Enterprises of Indian manufacturing sector. According to the literature, the effect of disinvestment on employment is ambiguous. **MNR (1994)** and **Boubakri and Cosset(1998)** reported an increase in employment after disinvestment while other authors **La Porta and Lopez-De-Silanes (1999)** found a significant decline in number of employees after disinvestment. Hence, it is necessary to analyze the employment levels by computing the average employment levels before disinvestment and after disinvestment periods in order to ascertain whether employment has actually fallen after disinvestment.

Table 4 depicts the overall changes in employment level of whole sample before and after disinvestment. The mean (median) changes in number of employees from 13816 (13781) before disinvestment to 12897 (12896) after disinvestment, respectively. The results shows that mean change in number of employees have declined after divestiture. The change in number of employees has fallen by -6.649 percentages after disinvestment. To find the significance difference between median before disinvestment and median after disinvestment Wilcoxon Signed-Rank test is applied. The findings indicate that number of employees show statistically insignificant based on Wilcoxon Signed-Rank test. The Standard Deviation (SD) has become more volatile after disinvestment. The Coefficient of Variation (CV) showed a high fluctuation in employment level of selected disinvested CPSEs after disinvestment. The in Compound Annual Growth Rate (CAGR) of the employment indicators was negative after disinvestment. Table 5 shows the proportion of firms that changed as predicted based on Sign test for significant decrease in employment level after disinvestment. The overall mean changes in employment ratio were negative after disinvestment. Only 72.73 per cent of the sample companies showed decrease in employment level after disinvestment. The findings revealed that, the decrease in level of employment are statistically insignificant based on Sign test, the hypothesis that disinvestment associates with decline in company's employment are rejected in the case of Indian Manufacturing Sector.

ANALYSIS OF SOLVENCY CHANGES BEFORE AND AFTER DISINVESTMENT

The term financial position generally refers to short-term and long-term solvency of the business concern, indicating safety of different interested parties. Basically, solvency ratios look at long-term debt obligations while liquidity ratios look at working capital items on a firm's balance sheet. In this section, solvency ratios are analyzed to find judicious use of funds to meets its long-term liabilities. The lower a company's solvency ratios, greater the profitability that it will default on its debt obligations. PSEs, particularly in developing countries, are typically encumbered by large debts, causing many to have negative net worth. PSEs often receive explicit or implicit government debt guarantees and are, therefore, able to borrow at relatively low costs. The removal of debt guarantees in post-disinvestment period should lead to higher borrowing costs. On the other hand, disinvested firms will have more opportunities to access public equity markets. In order to place a greater priority on improving the financial soundness of the disinvested CPSEs of manufacturing sector in India, solvency ratios are expected to drop after disinvestment. There are several reasons why solvency should decline after disinvestment, for one thing, CPSEs traditionally have extremely high debt levels at least partly because they cannot sell equity to private investors, and thus the only equity available to the firms are capital injections and retained earnings (**Meggison et al. 1994**). After disinvestment it is expected that there will be decrease in the proportion of debt in capital structure both because of the state's withdrawal of debt guarantees and increase in enterprises costs of borrowing. This is based on the fact that a state-owned enterprise has much more debt capacity than a private firm. Furthermore, credit rating of public firms is assumed to be higher than for private ones, given no-default risk of government activities. Hence, disinvested firms would experience lower ratings and higher costs of debt. The increased cost of debt will result in the firms adjusting their capital structures. Hence, it is expected that solvency to decline after disinvestment took place. The solvency ratios measures long-term financial

position of a firm and the extent to which the firm relied on debt to finance assets. It establishes the relationship between funds supplied by owners of a firm and those provided by creditors of a firm. The changes in solvency of disinvested CPSEs have been measured by employing Debt-Equity Ratio (DER), Interest Cover Ratio (ICR), Proprietary Ratio (PR) and Long-term Debt Ratio (LDR).

Table 4 depicts the overall changes in solvency of whole sample before and after disinvestment. The mean (median) changes in DER, ICR, PR and LDR from 0.250 (0.100), 5.551 (5.345), 0.157 (0.169) and 0.245 (0.237) before disinvestment to 0.060 (0.180), 17.894 (11.697), 0.220 (0.243) and 0.153 (0.146) after disinvestment, respectively. The results show that mean changes in DER and LDR are negative after divestiture. However, ICR and PR show positive changes before and after disinvestment with mean value of 12.343 and 0.063, respectively. To find the significance difference between median before disinvestment and median after disinvestment Wilcoxon Signed-Rank test is applied. The findings indicate that only ICR show statistically significant increase based on Wilcoxon Signed-Rank test. The Standard Deviation (SD) of ICR and LDR has become more volatile after disinvestment. The Coefficient of Variation (CV) showed an erratic fluctuation in DER, ICR and LDR of selected disinvested CPSEs after disinvestment. The Compound Annual Growth Rate (CAGR) of all the solvency indicators was negative after disinvestment. Table 5 shows the prediction test results based on Sign test for significant improvement in solvency ratios after disinvestment. The mean changes in solvency ratios were negative after disinvestment except for ICR and PR. Only 41.67 per cent of the sample companies changed as predicted in PR, 66.67 per cent of the sample companies experienced decline in DER and LDR after disinvestment and 91.67 per cent of the sample companies show improvement in ICR due to positive change in mean value after disinvestment. The improved performance in the above mentioned solvency measures are equally significant at as low as 41.67 per cent and as high as 91.67 per cent of the sample companies. Though, the changes in all the solvency measures are not statistically significant except for ICR based on findings of the Sign test. Hence, the hypothesis is rejected.

ANALYSIS OF CHANGES IN STOCK INDICATORS BEFORE AND AFTER DISINVESTMENT

The more important objective of financial management is to maximize the shareholders wealth or maximize the value of the shares in the market. The financial aim in the firm is also to maximize the market value per share in the market. People buy stock to invest in a company. Generally, investors are accustomed to judge companies in the context of the share market, with the help of 'Earnings Per Share', Book value per share and Dividend payout ratio. Hence, it is expected that Earnings Per Share, Book value per share and dividend payments should increase after disinvestment since profits are expected to rise. This section, present and discuss the empirical results for stock performance. It is examined whether the Earnings Per Share and Book value per common share performance of selected 12 disinvested manufacturing Central Public Sector Enterprises have improved after they were disinvested. As only 7 out of 12 selected disinvested manufacturing Central Public Sector Enterprises have paid dividend during the period of study, dividend payout ratio is examined only for the companies who paid dividend and it is expected to improve after disinvestment. Table 4 depicts the overall changes in stock indicators performance of whole sample before and after disinvestment. The mean (median) changes in EPS, Book value per share and Dividend Payout ratio from 82.740 (34.523), 120.984 (154.963) and 24.218 (22.266) before disinvestment to 29.001 (22.298), 34.405 (34.036) and 24.521 (23.627) after disinvestment, respectively. The results shows that mean change in EPS and Book value per common shares are negative after divestiture. The change in EPS and book value per common share o has fallen by -64.950 and -71.56 percentages after disinvestment, respectively. Dividend Payout ratio has increased by 1.25 per cent after disinvestment. To find the significance difference between median before disinvestment and median after disinvestment Wilcoxon Signed-Rank test is applied. The findings indicate that stock performance show statistically insignificant based on Wilcoxon Signed-Rank test. The Standard Deviation (SD) has become less volatile after disinvestment. The Coefficient of Variation (CV) showed a high fluctuation in stock performance of selected disinvested CPSEs after disinvestment. The Compound Annual Growth Rate (CAGR) of the stock indicators was negative after disinvestment.

Table 5 shows the proportion of firms that changed as predicted based on sign test for significant increase in stock indicators after disinvestment. The overall mean changes in Earnings Per Share and Book value per share were negative after disinvestment. Only 83.33 per cent of the sample companies show increase in EPS after disinvestment. The findings revealed that, the increase in EPS is statistically significant, the hypothesis that disinvestment associates with improvement in company's Earnings Per Share is accepted strongly in the case of Indian Manufacturing Sector. 58.33 per cent and 42.86 per cent of the sample companies showed improvement in Book value per share and Dividend Payout ratio, respectively. The findings revealed that the proportion of companies that changed as predicted is statistically insignificant based on Sign test. Hence, the hypothesis is rejected.

CONCLUSION

The study examined the overall financial and operating performance of 12 disinvested CPSEs of Indian Manufacturing Sector by comparing before and after disinvestment performance. The indicators used are profitability, operating efficiency, output, employment, solvency and stock indicators. The results, albeit mixed, return on capital employed, return on total assets, interest cover ratio, operating efficiency and output showed a significant improvement after disinvestment. The findings revealed that there was a decline in return on net worth, employment, debt, EPS and book value per share after disinvestment but it was statistically insignificant. Operating profit margin, net profit margin and dividend payout ratio have improved after disinvestment. However, in spite of mixed results the overall picture shows improvement in all the indicators for at least more than 41 per cent of the sample.

REFERENCES

1. Megginson, William, Robert Nash, and Matthias van Randenborgh. (1994). "The financial and Operating Performance of Newly Privatized Firms: An International Empirical Analysis", *Journal of Finance*, 49: 403-452.
2. Boubakri, Narjess and Jean-Claude Cosset. (1998). "The Financial and Operating Performance of Newly-Privatized Firms: Evidence from Developing Countries", *Journal of Finance*, 53: 1081-1110.
3. D' Souza, J. and W. L. Megginson (1999). "The Financial and Operating Performance of Privatized Firms during 1990s", *The Journal of Finance*, 54(4): 1397-1438.
4. La Porta, R. and F. Lopez-de-Silanes (1999). "Benefits of Privatization: Evidence from Mexico", *Quarterly Journal of Economics*, 114: 1193-1242.
5. Harper, J. T. (2000). "The Performance of Privatized Firms in the Czech Republic." Working Paper, Florida Atlantic U., Boca Raton.
6. Harper, J. (2001). "Short-term effects of privatization on performance in the Czech Republic", *Journal of Financial Research*, 24 (1): 119-31.
7. Ray, K.K. and Maharana, S. (2002). "Restructuring PSEs through Disinvestment: Some Critical Issues", *Pratibimba, The Journal of MIS*, 2(2): 56-62.
8. Sudhir Naib (2003). "Partial Divestiture and Performance of Indian Public Sector Enterprises", *Economic and Political Weekly*, Pp. 3088 to 3093.
9. Torero, M. (2003). "Peruvian privatization: Impacts on firm performance", Research Network, Working paper No.R-481, Inter-American Development Bank, Washington, D.C.
10. Omran, M. (2004). "The Performance of State-Owned Enterprises and Newly Privatized Firms: Does Privatization Really Matter?", *World Development*, 32(6): 1019-1041.
11. Alovzat Muslumov (2005). "The Financial and Operating Performance of Privatized Companies in Turkish Cement Industry", *METU Studies in Development*, 32: 59-101.
12. Isnurhadi Banaluddin (2007). "The operating and financial performance of newly privatized state-owned enterprises in Malaysia" Doctoral Thesis, June 2007.
13. Ravinder Vinayek and Rupinder (2007). "The Effects of Disinvestment on Financial and Operational Performance of Public Sector Enterprises: Some Reflections", *The Journal of Institution of Public Enterprise*, Vol. 30, Nos. 1 and 2
14. Dr. Gagan Singh and Dr. Deepak Paliwal (2010). "Impact of Disinvestment on the Financial and Operating Performance of Competitive and Monopoly Units of Indian Public Sector Enterprises", *International Journal of Research in Commerce and Management*, Volume No. 1, Issue No. 2, June 2010.
15. Gupta Seema, P.K. Jain, Surendra S. Yadavand and V.K. Gupta (2011). "Financial performance of disinvested central public sector enterprises in India: An empirical study on select dimensions", *Journal of Applied Finance and Banking*, 1(4): 57-106 ISSN: 1792-6580 (print version), 1792-6599 (online) International Scientific Press.

16. Dr.Yahya Zakari Abdullahi, Dr.(Mrs.) Hussainatu Abdullahi and Dr. Yelwa Mohammed (2012), "Privatization and firm Performance: An Empirical Study of selected Privatized Firms in Nigeria", *Mediterranean Journal of Social Sciences*, Vol. 3(11), November 2012.
17. Dr. Kishor C. Meher and Dr. Samiran Jana (2013). "Bottom Line of Divested PSE's in Post Privatization Scenario", *4D International Journal of Management and Science*, ISSN No: 2250-0669 @4D Crossconnect.com, Inc, 2012. www.4dinternationaljournal.com Vol. 3, Issue1, 2013 page 10 to 26.

TABLES

TABLE 1: DISINVESTMENT BASED ON SECTOR FROM 1991-92 TO 2013-14 (As on 06 July 2013)

Sector	No. of Enterprises Disinvested	No. of Disinvestments	% of Disinvestment to Total No. of Disinvestments
Agriculture	-	-	-
Electricity	6	9	5.70
Manufacturing	28	64	40.50
Mining	11	31	19.60
Services	35	54	34.20
Total	80	158	100

Source: Department of Disinvestment, Ministry of Finance, Government of India.

TABLE 2: SAMPLE BASED ON DIFFERENT APPROACHES TO DISINVESTMENTS

Cognate Group	Name of the enterprise	Latest year of disinvestment Year	Type of disinvestment	% stake disinvested	% residual equity with govt.
Fertilizers	Paradeep Phosphates Ltd.	2001-02	Majority	74	26
Heavy Engineering	Bharat Heavy Electricals Ltd.	1994-95	Minority	32.26	67.72
	Jessop & Company Ltd.	2003-04	Majority	72	27
	Lagan Jute Machinery Company Ltd.	2000-01	Majority	74	26
Medium & Light Engineering	Bharat Electronics Ltd.	1994-95	Minority	24.16	75.86
	Maruti Udyog Ltd.	2007-08	Complete Privatization	45.79	0
Petroleum (refinery & Marketing)	Bongaigaon Refinery & petrochemicals Ltd.	2000-01	Complete Privatization	100	0
	Gail (India) Ltd.	2003-04	Minority	42.65	57.34
	Hindustan Petroleum Corporation Ltd.	1994-95	Minority	48.57	51.07
	Indian Oil Corporation Ltd.	1999-00	Minority	17.84	82.16
Transportation Equipment	Madras Refineries Ltd.	2000-01	Complete Privatization	68.73	0
	Bharat Earth Movers Ltd.	1994-95	Minority	39.26	60.81

Source: Department of Disinvestment, Ministry of Finance, Government of India.

TABLE 3: TESTABLE PREDICTIONS OF FINANCIAL AND OPERATING PERFORMANCE INDICATORS

Characteristic	Proxies	Testable Prediction
1. Profitability	Operating Profit Margin Ratio (OPM) = $PBIDTA/Total\ Sales*100$	$OPM_A > OPM_B$
	Net Profit Margin Ratio (NPM) = $PAT/Total\ Sales*100$	$NPM_A > NPM_B$
	Return on Capital Employed (ROC) = $PAT/Capital\ Employed*100$	$ROC_A > ROC_B$
	Return on Total Assets (ROA) = $PAT/Total\ Assets*100$	$ROA_A > ROA_B$
	Return on Net worth (ROE) = $PAT/Net\ worth*100$	$ROE_A > ROE_B$
2. Operating Efficiency	Sales Efficiency (SE) = $Real\ Sales/Number\ of\ Employees$	$SE_A > SE_B$
	Net Income Efficiency (NIE) = $Real\ Net\ Income/ Number\ of\ Employees$	$NIE_A > NIE_B$
3. Output	Real Sales (RS) = $Nominal\ Sales/ Consumer\ Price\ Index$	$RS_A > RS_B$
4. Employment	Employment (EMP) = $Number\ of\ Employees$	$EMP_A < EMP_B$
5. Solvency	Debt-Equity ratio (DER) = $Debt/Equity$	$DER_A < DER_B$
	Interest cover ratio (ICR) = $PBIT/Fixed\ Interest\ Charges$	$ICR_A > ICR_B$
	Proprietary ratio (PR) = $Shareholders\ Fund/ Total\ Tangible\ Assets$	$PR_A < PR_B$
	Long-term debt ratio (LDR) = $Long-term\ Borrowing/Total\ Tangible\ Assets$	$LDR_A < LDR_B$
6. Stock Indicators	Earnings per share (EPS) = $(NPAT-Preference\ Dividend)/ Number\ of\ Equity\ Shares$	$EPS_A > EPS_B$
	Book value per share (BVP) = $Equity\ Shareholders\ Fund/ Number\ of\ Equity\ Shares$	$BVPS_A > BVPS_B$
	Dividend Payout Ratio (DPR) = $Equity\ Dividend/Net\ Profit\ after\ tax\ and\ Preference\ Dividend *100$	$DPR_A > DPR_B$

Source: Megginson et al (1994).

TABLE 4: SUMMARY OF TEST FOR SIGNIFICANCE CHANGES IN FINANCIAL AND OPERATING PERFORMANCE FOR THE FULL SAMPLE

Characteristics	Variables	Combined Performance Statistics	Disinvestment		Change (After Before)	Percentage of Change (%)	Wilcoxon test (After-Before)	
			Before	After			Z - Statistic	P - Value
Profitability Ratios	Operating Profit Margin Ratio	Mean	7.288	9.300	2.012	27.61	-0.784	0.433
		Median	7.919	10.743	2.824	35.66		
		SD	4.451	4.637	0.186	4.19		
		CV	-17.386	1.398	18.785	108.04		
		CAGR (%)	-34.51	-30.806	3.704	10.73		
	Net Profit Margin Ratio	Mean	-4.506	4.656	9.162	203.31	-1.255	0.209
		Median	-6.045	5.342	11.387	188.37		
		SD	6.587	3.140	-3.446	-52.32		
		CV	0.008	2.955	2.946	35419.81		
		CAGR (%)	-48.981	-20.528	28.452	58.09		
	Return on Capital Employed	Mean	-3.688	12.237	15.926	431.8	-2.510	0.012*
		Median	-4.272	11.967	16.238	380.14		
		SD	9.817	7.433	-2.384	-24.29		
		CV	0.018	2.053	2.035	11357.47		
		CAGR (%)	-48.959	-20.89	28.069	57.33		
	Return on Total Asset	Mean	1.249	6.228	4.979	398.55	-2.197	0.028*
		Median	0.857	6.341	5.484	640.18		
		SD	3.710	4.020	0.311	8.38		
		CV	0.006	-0.463	-0.468	-8190.16		
		CAGR (%)	-47.695	-19.998	27.697	58.07		
Return on Net Worth	Mean	16.437	15.225	-1.213	-7.38	-0.784	0.433	
	Median	17.09	18.883	1.793	10.49			
	SD	15.626	15.464	-0.162	-1.04			
	CV	0.408	0.490	0.082	20.12			
	CAGR(%)	-63.028	-42.04	20.988	33.3			
Operating Efficiency	Sales Efficiency	Mean	0.925	2.495	1.570	169.62	-2.943	0.003**
		Median	0.890	2.288	1.398	157.19		
		SD	0.169	1.634	1.465	867.26		
		CV	0.212	0.426	0.214	100.69		
		CAGR (%)	4.616	25.677	21.061	456.25		
	Net Income Efficiency	Mean	1.624	0.506	-1.117	-68.82	-0.078	0.937
		Median	1.650	0.659	-0.991	-60.08		
		SD	0.811	1.721	0.910	112.15		
		CV	0.410	-0.415	-0.825	-201.18		
		CAGR (%)	-39.143	-11.669	27.474	-70.19		
Output	Real Sales	Mean	0.912	2.288	1.376	150.81	-2.746	0.006**
		Median	0.873	2.192	1.320	151.27		
		SD	0.156	1.373	1.217	782.63		
		CV	0.222	0.411	0.189	85.19		
		CAGR (%)	4.172	24.317	20.146	482.89		
Employment	No. of Employees	Mean	13816	12897	-919	-6.649	-1.423	0.155
		Median	13781	12896	-885	-6.421		
		SD	326.558	342.389	15.831	4.848		
		CV	0.03	0.028	-0.002	-6.223		
		CAGR (%)	-0.281	-0.937	-0.657	-234.157		

*Significant at 5% level and **Significant at 1% level.

Source: Computed.

TABLE 4 (Continued): SUMMARY OF TEST FOR SIGNIFICANCE CHANGES IN FINANCIAL AND OPERATING PERFORMANCE FOR THE FULL SAMPLE

Characteristics	Variables	Combined Performance Statistics	Disinvestment		Change (After - Before)	Percentage of Change (%)	Wilcoxon test (After-Before)	
			Before	After			Z - Statistic	P - Value
Solvency	Debt-Equity Ratio	Mean	0.250	0.060	-0.191	-76.149	-1.177	0.239
		Median	0.100	0.180	0.080	80.217		
		SD	0.656	0.521	-0.135	-20.613		
		CV	0.122	0.728	0.606	497.587		
		CAGR (%)	-28.354	-20.272	8.083	28.506		
	Interest Cover Ratio	Mean	5.551	17.894	12.343	222.340	-2.981	0.003**
		Median	5.345	11.697	6.352	118.834		
		SD	4.277	16.285	12.007	280.723		
		CV	-0.048	0.879	0.927	1920.837		
		CAGR (%)	-13.500	-17.477	-3.977	-29.460		
	Proprietary Ratio	Mean	0.157	0.220	0.063	40.085	0.000	1.000
		Median	0.169	0.243	0.073	43.258		
		SD	0.132	0.100	-0.032	-24.280		
		CV	0.230	0.088	-0.141	-61.506		
		CAGR (%)	-8.995	-20.002	-11.007	-122.360		
	Long-term Debt Ratio	Mean	0.245	0.153	-0.092	-37.636	-0.902	0.367
Median		0.237	0.146	-0.091	-38.296			
SD		0.063	0.066	0.003	4.617			
CV		0.285	0.601	0.316	110.728			
CAGR (%)		4.215	-19.528	-23.743	-563.332			
Stock Indicators	Earnings Per Share	Mean	82.740	29.001	-53.740	-64.950	-1.255	0.209
		Median	34.523	22.298	-12.225	-35.410		
		SD	243.874	60.955	-182.919	-75.010		
		CV	1.724	0.450	-1.274	-73.890		
		CAGR (%)	-76.620	-11.984	64.636	-84.360		
	Book Value Per Share	Mean	120.984	34.405	-86.579	-71.560	-0.471	0.638
		Median	154.963	34.036	-120.927	-78.040		
		SD	83.035	7.426	-75.609	-91.060		
		CV	0.074	0.452	0.378	513.820		
		CAGR (%)	-16.056	-9.724	6.332	-39.440		
	Dividend Payout Ratio	Mean	24.218	24.521	0.302	1.250	-0.169	0.866
		Median	22.266	23.627	1.361	6.110		
		SD	7.158	6.656	-0.502	-7.010		
		CV	0.346	0.268	-0.078	-22.540		
		CAGR (%)	1.490	-0.995	-2.484	-166.750		

*Significant at 5% level and **Significant at 1% level.

Source: Computed.

TABLE 5: SUMMARY OF TESTS OF PREDICTIONS OF FINANCIAL AND OPERATING PERFORMANCE FOR THE FULL SAMPLE

Characteristics	Variables	Sign Description		Sign Test		H _a
		Predicted Mean Change	Observed Mean Change	Firms that Changed as Predicted (%)	P-Value	
Profitability Ratios	Operating Profit Margin Ratio	Positive	Positive	41.67	0.774	Rejected
	Net Profit Margin Ratio	Positive	Positive	66.67	0.388	Rejected
	Return on Capital Employed	Positive	Positive	83.33	0.039*	Accepted
	Return on Total Assets	Positive	Positive	83.33	0.039*	Accepted
	Return on Net worth	Positive	Negative	58.33	0.774	Rejected
Operating Efficiency	Sales Efficiency	Positive	Positive	91.67	0.006**	Accepted
	Net Income Efficiency	Positive	Negative	58.33	0.774	Rejected
Output	Real Sales	Positive	Positive	83.33	0.039*	Accepted
Employment	No. of Employees	Negative	Negative	72.73	0.227	Rejected
Solvency	Debt-Equity Ratio	Negative	Negative	66.67	0.388	Rejected
	Interest Cover Ratio	Positive	Positive	91.67	0.006**	Accepted
	Proprietary Ratio	Negative	Positive	41.67	0.774	Rejected
	Long-term Debt Ratio	Negative	Negative	66.67	0.388	Rejected
Stock Indicators	Earnings Per Share	Positive	Negative	83.33	0.039*	Accepted
	Book Value Per Share	Positive	Negative	58.33	0.774	Rejected
	Dividend Payout Ratio	Positive	Positive	42.86	1.000	Rejected

*Significant at 5% level and **Significant at 1% level.

Source: Computed.

GOVERNMENT REVENUE AND EXPENDITURE NEXUS IN SINGAPORE: STRUCTURAL STABILITY AND CAUSALITY ANALYSIS

SUBRATA SAHA
ASST. PROFESSOR
RAIGANJ COLLEGE (UNIVERSITY COLLEGE)
UTTAR DINAJPUR

ABSTRACT

The causal relationship between government revenue and its expenditure is an important topic in public finance literature. It is well known that fiscal policy is basically revenue generating policy of the government and the government finances its expenditures on the basis of the fiscal policy. The purpose of the study is to examine the causal relationship between these fiscal variables over the period 1966-2007 and to identify the structural changes in the estimated causal relationship in Singapore. The unit root test shows that the dataset are non-stationary at their level. The Engel-Granger Two Step Method exhibits that the residuals are non-stationary which implies no cointegration between the concerned variables. The causality test through Vector Autoregressive Model reports that Tax-and-Spend principle is observed over the span of 42 years. The Chow Test for structural change shows two structural breaks in year 1987 and 1997. Fiscal neutrality principle is observed in the first sub-period 1966-1986, uni-directional causality running from revenue to expenditure exists in the second sub-period 1987-1997 and the third sub-period 1998-2007 is marked by presence of Tax-and-Spend principle. The causal relationship between revenue and expenditure is not the same in different sub-periods. The policy implication of these findings suggests that the estimated causal relationship with historical dataset may not provide reliable guideline for constituting fiscal policy from the end of the government.

KEYWORDS

Chow Test, Engel-Granger Cointegration Method, Government expenditure, Government revenue, Unit Root Test, VAR, VECM.

JEL CLASSIFICATION

E62, C22, H61, H62.

1. INTRODUCTION

A sound fiscal policy has an important and far-reaching role to promote price stability, economic growth and employment. The two main instruments of fiscal policy are government expenditure and government revenue. Government uses fiscal policy to influence the level of aggregate demand in the economy, in an effort to achieve economic objectives of price stability, full-employment and economic growth. Keynesian economics suggest that increasing government expenditure and decreasing tax rates are the best ways to stimulate aggregate demand. Classical and neo-classical economists argue that crowding out completely negates any fiscal stimulus. The nexus between government revenue and government expenditure has attracted significant interest in recent years. The economy of Singapore is a highly developed state capitalist mixed economy. Until the Asian crisis of 1997, Singapore as a country of south-East Asian countries was viewed by many analysts as a shining example of the Asian economic miracle. It was one of the fastest-growing economies in the world. Singapore has always enjoyed a strong fiscal position. Singapore government has always been in a surplus position from 1966 to 2007 except the year 1986 while all the South-East Asian economies have been suffering from persistent budget deficits. Direction of causal relationship between government revenue and expenditure and its implication with respect to budget deficit or surplus has not been empirically resolved till date. The empirical results of different studies on different countries over the last four decades were different and conflicting. In investigating the causal relationship between government revenue and its expenditure almost all the studies were concerned with historical dataset.

According to Locus Critique, the relationship among macro-economic variables estimated by using the historical dataset may not represent the dynamic nature of the relationship. The relationships among the variables undergo change following structural changes in the economy. The structural changes may be due to external forces or internal forces. So it becomes pertinent to identify structural changes in the historical dataset and then examine the impact of changes on the relationship. The assumption of stability in the long-run relationship between revenue and expenditure following structural changes would be an important potential shortcoming of the past research. No study has been carried out in this particular direction in Singapore which justifies the need of more research. Hence this study helps to fill this gap and provides useful findings to policy makers of Singapore for the development. The prime objective of this paper is to examine structural breaks in the historical dataset and its impact on the existing causal relationship between these fiscal variables. This study differs from the existing study as the study takes structural changes into account.

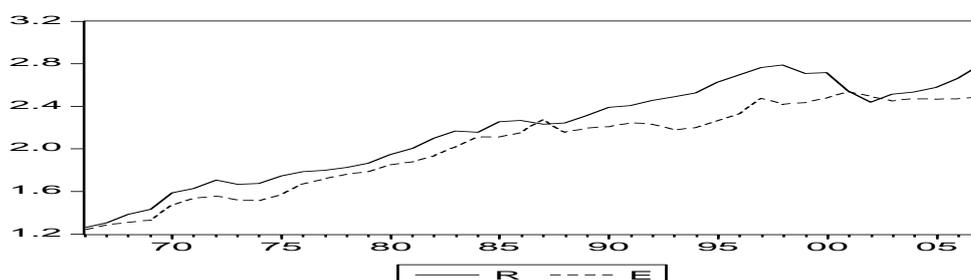
DATA

The study takes the use of annual dataset for government revenue and expenditure in Singapore covering the period from 1966 to 2007. The data have been collected from different issues of International Financial Statistics (IFS) where the base period of Consumer Price Index is 2000 (=100). We have used natural log values of real revenue and real expenditure as denoted by R_t and E_t respectively. We have used \log value of real government revenue and real government expenditure as denoted by R_t and E_t respectively in order to remove heteroscedasticity in the data set.

TIME PLOT OF R_t AND E_t IN SINGAPORE

It is observed from the following figure (1) that both the series are highly trended the period concerned. This feature of the series is pointers to their non-stationarity. This leads us to examine the nature of stationarity of R_t and E_t series.

FIGURE 1: TIME PLOT OF E_t AND R_t (At level)



The structure of the study proceeds as follows: theoretical and empirical literature are explained in section 2, in section 3 methodologies applied in the study are discussed, section 4 reports empirical results, section 5 provides structural stability and section 6 concludes.

2. LITERATURE REVIEW

THEORETICAL LITERATURE

The literature has identified four main hypotheses to explain the relationship between government revenue and government expenditure. **Tax-and-Spend Hypothesis** holds that the amount of tax revenue determines the size of government expenditure. So there is a unidirectional causal relationship running from government tax revenue to government expenditure. Friedman (1978), Buchanan and Wagner (1977, 1978) holds this view. According to Friedman (1982) a cut in tax leads to higher deficits which would influence government to reduce its level of spending. Buchanan and Wagner (1978) share the same view that taxes *Granger cause* government expenditure but the casual relationship is negative. **Spend-and-Tax Hypothesis** postulates that government expenditure actually Granger causes tax revenue. Government takes the expenditure decision first, and then imposes tax on the people. So, there exists a *unidirectional causality* running from government expenditure to government revenue. This view is based on the observations that any large-scale exogenous disturbances (like was, political disturbances or natural disasters etc.) induce an increase in government spending and, therefore, an increase in tax revenues. This hypothesis is motivated by Peacock and Wiseman (1961) and (1979), Barro (1974-1978). It is implicitly assumed that expenditure changes Granger cause corresponding changes in revenue. **Fiscal Synchronization Hypothesis** holds that government expenditure and government revenue are interdependent and these are determined simultaneously. So, there exists a bi-directional causal link between the variables concerned. Specifically, government expenditure can Granger cause government revenue and/or government revenue can Granger cause government expenditure. Musgrave (1969), Meltezer and Richard (1981) have supported this view. The **Fiscal Neutrality School** holds that government expenditure and government revenue are independent. There is no relationship between them at all (Baghestani and Mc. Nown).

2.1 EMPIRICAL LITERATURE

A number of empirical works have been done in connection with the above four hypotheses.

Several empirical studies have been taken up since 1980 with varying conclusions regarding the relationship between expenditure and revenue levels in different countries. These studies differ in the matter of research methodologies, target countries, period of studies, frequencies of dataset etc. Some of the important studies are being reviewed below.

Manage and Marlow (1986) for USA over the periods 1929-1982 gave support to a Bi-directional causality between government expenditure and government revenue. Ram (1988) in the USA over the period 1929-1983 supported Bi-directional Granger causality. Miller and Russck (1990) found Bi-directional Granger causality for the USA over the period 1946-1987. Naidu, Mohasin and Nishe (1995) observed Bi-directional causality in the state of Andhra Pradesh, India over the period 1969-1990. Brandely T. Ewing and James E. Payne (1998) examined Latin American countries and got mixed results supported the evidence of Bi-directional causality between government revenue and government expenditure. The Chile and Paraguay results supported the evidence of Bi-directional causality between government revenue and government expenditure. Khalid H.A Al-Qudair (2005) found the existence of Bi-directional causality between government revenue and government expenditure in the kingdom of Saudi Arabia. Abdul Aziz and Shah Habibullah (2000) investigated the causality between government revenue and government expenditure in Malaysia for the period 1960-1997 and gave support to the existence of Bi-directional causality between government revenue and government expenditure. Mukhopadhyay and Maitra (2006) investigated the Granger Causality between government revenue and government expenditure in India for the period 1950-2005 and observed 'Fiscal Synchronization Principle' in India. They also found the evidence of fiscal 'Synchronization Principle' in Sri Lanka over the period 1957-2004.

Anderson, Wallace and Warner (1986) found the evidence of spend and tax principle in the USA over the period 1946-1983. George Hondmyianmis and Evangelia papapethru (1996) observed spend and tax principle in Greece over the period 1987-1993. D.M. Mithani and Goh Soo Khon (1999) examined the causal relationship between government revenue and government expenditure in Malaysia over the period 1970.1- 1994.1 and observed the unidirectional causality from expenditure to revenue. Dhanasekharan (2000) examined the revenue and expenditure relationship in India for the period 1960-1997 and found the existence of spend and tax principle. Hussain (2004) investigated the relationship between government revenue and government expenditure for Pakistan from 1973-2003 and found the evidence of spend and tax principle in Pakistan. Mukhopadhyay and Maitra (2008) examined the causal relationship between government revenue and government expenditure in Pakistan over the period 1957-2008 and found the evidence of spend-tax principle in Pakistan. Lusinyan and Thornton (2010) examined the relationship between government revenue and government expenditure in presence of structural break and found spend-tax principle in UK during 1750-2005.

Joulinia and Mookherjee (1991) studied the revenue and expenditure relationship in OECD countries during the period 1955-1986 and found Tax and Spend principle in OECD countries. Baghestani and Mc. Mown (1994) examined the granger causality between government revenue and government expenditure in USA for the period 1955-1989 and testified the validity of Tax and Spend Principle in USA. Darrat (1998) examined the revenue – expenditure nexus in Turkey and reported principle of Tax and Spend in Turkey. Wan Kyu Park (1998) investigated the Granger causality between government revenue and government expenditure in Korea over the period 1964-1992 and found the unidirectional causality from revenue to expenditure in Korea. Omo Aregbeyen and Taofik Mohammed Ibrahim (2005) studied the long-run relationship and dynamic interaction between government revenue and government expenditure in Nigeria for the period 1970-2008 and they confirmed the Tax-Spend hypothesis in Nigeria. Wong Hock Tsen and Lim Kian Ping (2005) examined the relationship between government revenue and government expenditure in Malaysia and found the evidence of Tax-Spend Principle in Malaysia over the period 1965-2002. Jaka Sriyana (2009) studied the relationship between government revenue and government expenditure for Indonesia over the period 1970-2007 and suggested the principle of Tax-Spend principle in Indonesia. Muhammed Imtaz Subhami, Syed Akif Hasan, Amber Osman and Tanzeed Rafiq (2012) examined the nexus between government revenue and government expenditure for Pakistan from the period 1979-2010 and they found Tax-Spend Principle.

3. METHODOLOGY

Macroeconomic time series data basically contain unit root and stochastic trends. The first step is to detect the presence of non-stationarity among the variables. The Augmented Dickey-Fuller test (ADF 1981) and Phillips-Perron (PP 1988) unit root test with intercept and with intercept and trend are applied to examine stationarity or non-stationarity of both the series concerned. In this test, the minimizing of Akaike Information Criteria (AIC) determines the optimal lags and specification. The Engel-Granger cointegration method is used to test the long-run relationship between the variables concerned. The Vector Error Correction Model (VECM) is applied to examine whether the long-run relationship is stable along with causality test in the short run. Unrestricted Vector Autoregressive Model (UVAR) is used for Granger Causality between the variables concerned in the long run. In order to test structural break in the data set we use the Chow test.

4. EMPIRICAL RESULTS

The results of ADF and PP test are reported in the table1 for the level data and differenced data of each of the variable.

RESULTS OF ADF & PP TESTS

All the results of ADF & PP test for the presence of unit roots in the series concerned are reported in table 1.

TABLE 1: RESULTS OF THE ADF & PP UNIT ROOT TESTS

variable	Model specification	ADF Statistics	PP statistics	Critical values at 5%	Degree of integration
E _t	Intercept	-1.79	-2.19	-2.93	I(1)
	Intercept & trend	-1.57	-1.40	-3.52	I(1)
ΔE _t	Intercept	-6.22	-6.24	-2.93	I(0)
	Intercept & trend	-6.48	-9.60	-3.52	I(0)
R _t	Intercept	-1.67	-1.75	-2.93	I(1)
	Intercept & trend	-2.14	-1.88	-3.52	I(1)
ΔR _t	Intercept	-4.59	-4.66	-2.93	I(0)
	Intercept & trend	-4.73	-4.74	-3.52	I(0)

*denotes significance at 5% level.

Lag length automatic based on modified AIC, Max lag=9 in ADF test.

Neway-West using Bartlett Kernal in PP test. Δ represents first difference.

FINDINGS FROM THE TABLE 1

The hypothesis of unit roots of E_t and R_t can't be rejected at 5% levels in presence of the constant and also intercept & trend The hypothesis of unit roots for ΔE_t and ΔR_t series are rejected at 5% with intercept and as well as trend & intercept. The hypothesis of unit roots for ΔE_t and ΔR_t series are also rejected at 5% level with exogeneous constant and as well as intercept & linear trend in the maintained regression equation. All these observations confirm that E_t and R_t series follow random walks or martingales with drift. ΔE_t and ΔR_t are stationary. E_t and R_t series are difference stationary.

ENGEL-GRANGER TWO-STEP METHOD

According to Engel-Granger (1987) the variables will be cointegrated when the linear combination of the non -stationary variables is stationary. The linear combinations of these variables are:

$$R_t = \alpha + \beta E_t + \vartheta_t \quad 1$$

$$\text{or, } \vartheta_t = R_t - \alpha - \beta E_t$$

$$E_t = \gamma + \delta R_t + \omega_t \quad 2$$

$$\text{or, } \omega_t = E_t - \gamma - \delta R_t$$

Here, v_t and w_t represent the linear combination of R_t and E_t.

Now if $\hat{\vartheta}_t$ and $\hat{\omega}_t$ are stationary i.e. I(0) then E_t and R_t are cointegrated at levels i.e.CI(1,1). Consequently, the cointegration between E_t and R_t is being examined through the stationarity of the residuals $\hat{\vartheta}_t$ and $\hat{\omega}_t$.

STATIONARITY OF RESIDUALS

Stationarity of the corresponding residuals $\hat{\vartheta}_t$ and $\hat{\omega}_t$ has been examined through the ADF and PP tests .The results of the tests are given by the table 2

TABLE 2: ADF & PP UNIT ROOT TESTS ON $\hat{\vartheta}_t$ & $\hat{\omega}_t$

Variable	Null Hypothesis	ADF Test statistic	Lag length*	PP Test statistic	Lag length †	Critical values		
						1%	5%	10%
$\hat{\vartheta}_t$	$\hat{\vartheta}_t$ has a unit root(intercept)	-2.40 (0.13)	0	-2.58 (0.10)	2	-3.52	-2.9	-3.59
$\hat{\omega}_t$	$\hat{\omega}_t$ has a unit root(intercept)	-2.43(0.13)	0	-2.53(0.12)	2	-3.52	-2.91	-3.59

*Lag length automatic based on modified AIC, Max lag=09/ Figure in (.) represents standard Error.

†Neway-West using Bartlett Kernal. Mackinnon (1996) one sided P-values.

FINDINGS FROM THE TABLE 2

The null hypothesis of unit root (with drift) for the residuals $\hat{\vartheta}_t$ & $\hat{\omega}_t$ is not rejected by ADF and PP test at 5%. So the residuals $\hat{\vartheta}_t$ & $\hat{\omega}_t$ are not stationary. Both the tests confirm that the residuals $\hat{\vartheta}_t$ and $\hat{\omega}_t$ are not free from random walk. Therefore, both revenue & expenditure are not cointegrated at level. Johansen Cointgration test also confirms the same which is not reported here but available on demand. This implies that both revenue & expenditure have no long-run equilibrium relationship. Since the revenue and expenditure series are non-stationary the vector error correction model can't be applied.

VECTOR AUTOREGRESSION MODEL

We have sought to enquire into the interrelationship between government expenditure & government revenue in Singapore by establishing a structural model of revenue & expenditure. For this purpose, we have applied the Vector Autoregression Model. This model has desirable property that it treats all variables symmetrically.

The model of VAR for government expenditure & government revenue consists of the following equations.

$$R_t = c_1 + \sum_{i=1}^k a_{1i} R_{t-i} + \sum_{i=1}^k b_{1i} E_{t-i} + e_1 \quad 3$$

$$E_t = c_2 + \sum_{i=1}^k a_{2i} E_{t-i} + \sum_{i=1}^k b_{2i} R_{t-i} + e_2 \quad 4$$

Where a_{1i}, b_{1i}, and c₁ are the parameters to be estimate. Here, E_t and R_t represent government expenditure and government revenue at time t respectively. E_{t-i} and R_{t-i} represent government expenditure and government revenue at time t- i, i=1,2,3,..., respectively. e₁ and e₂ are the stochastic error terms, called impulse or innovations or shocks in the VAR model.

These equations 3 and 4 do not represent any joint relationship between E_t and R_t .These equations, therefore, represent seemingly unrelated regression SUR model. The estimation of the model considers and uses the contemporaneous Var-Covariance matrix(Ω) of the error terms involved such that Ω =Var-Cov(u,u)where Ω is a positive matrix In this study both FPE & AIC select a lag length of one by applying lag selection criteria.

ESTIMATION AND RESULTS OF VAR MODEL

The Results of the estimation of the VAR Model are being presented through the tables 3 and 4

TABLE 3: RESULTS OF VAR ESTIMATION (REVENUE EQUATION)

Dependable variable	Explanatory variables	Coefficents	S.E	t- Statistics
ΔR _t	Constant	0.06	0.02	2.42
	ΔR _{t-1}	0.33	0.16	2.04*
	ΔE _{t-1}	-0.12	0.18	-0.69

R² = 0.10, Adj R² = 0.05, F-statistic = 2.12, D.W= 1.98

*denotes significance at 5% level.

TABLE 4: RESULTS OF VA ESTIMATION (Expenditure Equation)

Dependable variable	Explanatory variables	Coefficients	S.E	t- Statistics
ΔE_t	Constant	0.05	0.02	1.93
	ΔR_{t-1}	0.36	0.14	2.56*
	ΔE_{t-1}	-0.07	0.15	-0.45

$R^2 = 0.15$, $Adj R^2 = 0.10$, F-statistic = 3.29, D.W= 1.96

*denotes significance at 5% level.

FINDINGS FROM THE TABLE 3 and 4

In expenditure equation, the coefficient of revenue in t-1 period (R_{t-1}) is positive & significant at 5% level. This indicates that revenue does cause expenditure in the long-run during the period of study. The first period lagged expenditure in revenue equation is insignificant but lagged revenue is significant at 5% level of significance. This implies that expenditures do not influence the revenues in Singapore during 1966-2007 and revenue considerations are the main guiding factors behind the constitution of expenditure profile. Revenue is found to granger cause expenditure & elasticity of expenditure with respect to revenue is 0.36. Following a rise in revenue in the just previous period was followed by a rise in current expenditure. This rise in revenue is designed to propel the growth of government expenditure. Therefore, the budget process of Singapore government is largely driven by revenue consideration not by expenditure consideration.

Tax-and-spend hypothesis is the prevalent feature of the fiscal system in the economy of Singapore over the period of study (1966-2007)

So far we have examined the relationship between government revenue and government expenditure over the entire sample period 1966-2007. The above results will be biased if there is a structural change in the time series dataset. During the entire sample period 1966-2007, there might be a possibility of structural change in the relationship because of policy changes, institutional changes, external shocks, change in social attitudes and motivation etc. In this study, we have made an attempt to find out whether the causal relationship between revenue and expenditure as observed from the above study underwent significant changes over the period concerned due to structural changes in dataset if any.

5. STABILITY ANALYSIS

We break up the entire sample period into different sub-periods through the 'Chow Break-Point Test which is basically a 'Recursive Estimation Procedure' with the historical dataset in order to trace any structural change in the relationship between these two fiscal variables. Table 5 reports the observed values of F-Statistic obtained from the recursive estimations of the relationship between revenue & expenditure during entire time span. Table 5 also shows the observed values of F-Statistic obtained from the recursive estimations of the relationship between revenue & expenditure during the period 1987-2007. The results of recursive estimations of the relationship between revenue & expenditure against each iteration is reported in the table 5 during the period 1998-2007. The cointegration and Error Correction Mechanism and VAR approach are carried out for each sub-period separately to detect the direction of causality between government revenue and government expenditure.

Table 5 presents the values of F- statistic with their probabilities on recursive residual estimation of the equation.

$$E_t = \alpha + \beta R_t + \vartheta_t$$

TABLE 5: RESULTS OF CHOW BREAK-POINT TEST (1966-2007)

During 1966-2007			During 1987-2007		During 1998-2007	
Year	F-statistic	probability	F-statistic	probability	F-statistic	probability
1972	0.182052	0.182052	---	----	---	
1973	0.500310	0.610281	---	----	---	
1974	0.992179	0.380168	---	----	---	
1975	1.865611	0.168705	---	----	---	
1976	3.134878	0.054935	---	----	---	
1977	3.396776	0.043933	---	----	---	
1978	3.125998	0.055356	----	----	---	
1979	2.713175	0.079173	----	----	---	
1980	2.722950	0.078498	---	----	---	
1981	2.909495	0.066727	----	----	---	
1982	3.637118	0.035869	----	----	---	
1983	5.015480	0.011668	----	----	---	
1984	6.092785	0.005069	----	----	----	
1985	5.234814	0.009817	----	----	--	
1986	5.872110	0.005995	----	----	----	
1987	6.166585	0.004794*	----	----	----	
1988	4.243637	0.021704	---	----	---	
1989	6.579536	0.003519	---	----	---	
1990	8.966779	0.000646	0.16692	0.847644	---	
1991	9.766335	0.000378	0.423817	0.661272	---	
1992	11.68471	0.000111	0.601457	0.559266	---	
1993	11.81225	0.000102	1.372014	0.280293	---	
1994	9.077371	0.000599	4.787376	0.22430	---	
1995	7.331597	0.002029	14.30683	0.000277	---	
1996	4.779420	0.014076	33.00323	0.000001	---	
1997	2.877527	0.068604	49.42628*	0.0000000	---	
1998	3.652320	0.035414	25.73876	0.000007	---	
1999	3.988282	0.026751	2.9714	0.000005	---	----
2000	5.451057	0.008292	25.31981	0.000008	3.810396	0.085476
2001	7.360371	0.001987	20.38233	0.000031	3.672066	0.090906
2002	4.577305	0.016511	7.650757	0.004270	10.37603*	0.011282
2003	1.910481	0.161958	3.100364	0.071130	5.483217	0.044226
2004	0.967592	0.389162	1.960041	0.171406	3.190164	0.113830
2005	0.268697	0.765815	0.986982	0.393072	3.137522	0.116784
2006	0.127983	0.880246	0.49389	0.618756	3.629366	0.504624
2007	----	---	---	---	---	---

*indicates Chow break point.

It is observed from the table 5 that there exists structural change in the relationship between government revenue & government expenditure during the whole period 1966-2007. Chow test confirms possible structural breaks in the year 1987 and 1997 and these breaks were due to reduction in fiscal surplus in view of negative growth in 1985 and the year 1997 was marked by higher level of spending and lesser collection of revenue for Asian financial crisis respectively. Three distinct sub-periods persist in the historical dataset. The first sub-period covers the time period 1966-1986. The second sub-periods ranges over 1987-1997. The next sub-period extends from 1998 to 2007. The causality test both in the short-run and long-run is performed in different sub-periods in order to examine if structural changes occurred during the whole time span change the estimated causal relationship.

5.1 CHECK OF RESIDUALS FOR COINTEGRATION IN THE SUB-PERIOD 1966-1986

Stationarity of the corresponding residuals $\hat{\vartheta}_t$ and $\hat{\omega}_t$ has been examined through the ADF and PP tests. The results of the tests are given by the table (6).

TABLE 6: ADF & PP UNIT ROOT TESTS ON RESIDUALS ($\hat{\vartheta}_t$ & $\hat{\omega}_t$)

Variable	Null Hypothesis	ADF Test statistic	Lag length*	PP Test statistic	Lag length †	Critical values		
						1%	5%	10%
$\hat{\vartheta}_t$	$\hat{\vartheta}_t$ has a unit root(intercept)	-2.82	0	-2.81	1	-3.80	-3.02	-2.65
$\hat{\omega}_t$	$\hat{\omega}_t$ has a unit root(intercept)	-2.68	0	-2.68	0	-3.80	-3.02	-2.65

*Lag length automatic based on modified AIC, Max lag=08

†Newey-West using Bartlett Kernal

Mackinnon (1996) one sided P-values.

5.2 FINDINGS FROM THE TABLE 6

The null hypothesis of unit root (with drift) for the residuals $\hat{\vartheta}_t$ & $\hat{\omega}_t$ is not rejected (by ADF and PP test) at 5% .So the residuals $\hat{\vartheta}_t$ are $\hat{\omega}_t$ are not stationary. Since both the tests confirm that the residuals $\hat{\vartheta}_t$ and $\hat{\omega}_t$ are not free from random walk. This means that both the residuals are non-stationary. Therefore, both revenue & expenditure are not cointegrated at level. This result is also supported by Johansen Cointegration test which is not reported here. This implies that in the sub-period 1966-1986, both revenue & expenditure have no long-run equilibrium relationship as observed from table 2 while dealing with historical dataset. The causality link between government revenue and its expenditure is carried out through VAR model in the sub-period 1966-1986. The lag order of 1 is selected through AIC and SC. The results are reported in the table 7 and 8

TABLE 7: RESULTS OF VAR ESTIMATION UNDER SUB-PERIOD 1966-1986

Dependable variable	Explanatory variables	Coefficients	S.E	t- Statistics
ΔR_t	Constant	0.13	0.04	3.12
	ΔR_{t-1}	-0.19	0.28	-0.69
	ΔE_{t-1}	0.07	0.29	0.26

$R^2 = 0.02$, Adj $R^2 = -0.09$, F-statistic = 0.23, D.W= 1.98

Δ represents first-difference series.

TABLE 8: RESULTS OF VAR ESTIMATION UNDER SUB-PERIOD 1966-1986

Dependable variable	Explanatory variables	Coefficients	S.E	t- Statistics
ΔE_t	Constant	0.07	0.03	1.98
	ΔR_{t-1}	0.20	0.25	0.79
	ΔE_{t-1}	-0.07	0.15	-0.45

$R^2 = 0.06$, Adj $R^2 = -0.05$, F-statistic = 0.52, D.W= 1.96 / Δ represents first-difference series.

5.3 FINDINGS

All the results from table 7 & 8 confirmed that in revenue equation, first period lagged revenue (R_{t-1}) & first period lagged expenditure (E_{t-1}) are insignificant at 5% level. In expenditure equation, the first period lagged revenue and lagged expenditure are insignificant at 5% level. All these findings indicate that Fiscal Neutrality principle exits in the long-run during the sub-period 1966-1986. This result implies that fiscal authority of Singapore takes the revenue and expenditure decisions independently during the sub-period 1966-1986.

In the second sub-period 1987-1997 Trace test and Max-Eigen value test (not reported here) confirms one cointegrating equation in the system through Johansen Cointegration Test but no causality through VECM is observed in the short-run. We have performed the VAR Model with lag order of two. The lag period two (t=2) is chosen on the basis of lowest value of AIC, SC and HQ.

TABLE 9: RESULTS OF VAR ESTIMATION SUB-PERIOD 1987-1997

Dependable variable	Explanatory variables	Coefficients	Standard Error	t- statistic
ΔE_t	ΔR_{t-1}	0.88	0.54	1.62
	ΔR_{t-2}	-1.22	0.50	-2.41*
	ΔE_{t-1}	-0.17	0.28	-0.63
	ΔE_{t-2}	-0.72	0.28	-2.55*
	C	0.24	0.05	4.63

$R^2 = 0.67$, Adj $R^2 = -0.34$, F-statistic = 2.05, D.W= 1.96

Δ represents first-difference series. / *denotes significance at 5% level.

TABLE 10: RESULTS OF VAR ESTIMATION SUB-PERIOD 1987-1997

Dependable variable	Explanatory variables	Coefficients	Standard Error	t- statistic
ΔR_t	ΔR_{t-1}	0.29	0.51	0.57
	ΔR_{t-2}	0.58	0.48	1.20
	ΔE_{t-1}	0.21	0.26	0.79
	ΔE_{t-2}	0.38	0.26	1.44
	C	-0.10	0.50	-2.07

$R^2 = 0.82$, Adj $R^2 = -0.64$, F-statistic = 4.64, D.W= 1.97

Δ represents first-difference series.

5.4 FINDINGS FROM THE TABLE 9 & 10

It is observed from the table 9 & 10 that in expenditure equation, second period lagged revenue is significant at 5% levels. In revenue equation, all lagged independent variables are insignificant at 5% level. The JB Statistic shows normality of the residuals. LM and Portmanteau tests depict no serial correlation problem. All these findings indicate that second period lagged revenue affects current expenditure in Singapore during the sub-period 1987-1997. Since the coefficient is negative (-1.22) implying that the causal relationship is negative. Expenditure does not cause revenue in Singapore during the sub-period 1987 -

1997. The empirical findings support uni-directional causality running from revenue to expenditure in Singapore during the second sub-period 1987-1997. This sub-period is marked by **Tax-and-Spend Principle and supports the Buchanan and wagner (1977,1978) view of negative causal relationship.** This result is not conformity with the findings from the study of the historical dataset.

The summary of Johansen Cointegration test results from 1998 to 2007 is shown in table 11

TABLE 11: SUMMARY OF JOHANSEN COINTEGRATION TEST DURING 1998-2007

Hypothesized no of CE (S)	Eigen values	Trace Statistic	5% critical value	1% critical value
None**	0.991	38.20	15.41	20.04
At most1	0.009	0.07	3.76	6.65

(**) denotes rejection of the hypothesis at the 5% (1%) level.

Trace test indicates 1 cointegrating equation at both 5% and 1% levels.

Hypothesized no of CE (S)	Eigen values	Max-Eigen Statistic	5% critical value	1% critical value
None**	0.99	38.12	14.07	18.63
At most1	0.009	0.07	3.76	6.65

(**) denotes rejection of the hypothesis at the 5% (1%) level.

Max-Eigen value test indicates 1 cointegrating equation at both 5% and 1% levels.

Based on the statistical results, both Trace and Max-Eigen tests with linear deterministic trend fail to reject the null of at most one cointegrating equation in the system. The results suggest that both revenue and expenditure have a long-run relationship during this sub-period. Vector Error correction model can't be used to investigate the short-run causality between revenue and expenditure in this sub-period because of lack of observation which might pose a problem to this study. Vector Autoregressive Model of lagged order 1 selected by SC & HQ is performed to investigate the causal relationship between revenue and expenditure in this sub-period. The results of VAR Model is reported in the following table 12 and 13.

TABLE 12: VAR ESTIMATION ON REVENUE EQUATION (1998-2007)

Dependable variable	Explanatory variables	coefficients	Standard Error	t-Statistic
ΔR_t	Constant	0.007	0.07	0.09
	ΔR_{t-1}	0.25	0.44	0.57
	ΔE_{t-1}	-0.76	0.94	-0.81

$R^2 = 0.19$, Adj $R^2 = -0.09$, F-statistic = -0.06, D.W= 1.97

Δ represents first-difference series.

TABLE 13: VAR ESTIMATION ON EXPENDITURE EQUATION (1998-2007)

Dependable variable	Explanatory variables	coefficients	Standard Error	t-Statistic
ΔE_t	Constant	0.02	0.02	1.02
	ΔR_{t-1}	0.26	0.13	1.93*
	ΔE_{t-1}	0.21	0.29	0.73

$R^2 = 0.38$, Adj $R^2 = 0.17$, F-statistic = 1.87, D.W= 1.96

Δ represents first-difference series. / *denotes significance at 5% level.

5.5 FINDINGS

It is observed from the table 12 and 13 that in revenue equation lagged revenue and lagged expenditure are insignificant at 5% level. In expenditure equation lagged revenue is significant at 5% level but lagged expenditure is insignificant at 5% level. All the results indicate that revenue causes expenditure in the period 1998-2007. This sub-period is marked by presence of unidirectional causality running from revenue to expenditure. Fiscal authority of Singapore takes the revenue decision first and then makes expenditure accordingly in this sub-period.

LIMITATIONS

Cointegration test and causality test through ECM can't be conducted due to the insufficient number of observation. This is one of the limitations in our study but with more data documentation we believe that similar studies could be undertaken.

6. CONCLUSION

The empirical results obtained from the study with historical dataset (1966-2007) indicate that the uni-directional causality running from revenue to expenditure exists in Singapore. This implies that Singapore government takes the decision of revenue first and then makes expenditure accordingly. The fiscal authority of Singapore is more concerned with the programmes of collecting tax revenues and non-tax revenues. This revenue profile determines the size of government expenditure in Singapore. Following structural breaks in the year 1987 and 1997 the parameters with historical dataset appears to be unstable. No causality between government revenue and its expenditure is observed in sub-period 1966 -1987. Fiscal authority of Singapore takes the revenue and expenditure decision independently in the first sub-period period 1966-1986. In the second sub-period 1987-1997, Uni-directional causality running from revenue to expenditure is observed. This result suggests that the budget process of Singapore is mainly driven by revenue consideration in the sub-period 1987-1997. In the third sub-period 1998-2007 Tax-and-Spend principle is observed and therefore revenue considerations play a dominant role in constituting the expenditure profile. All these findings as observed in different sub-periods confirm instability of the estimated causal relationship with historical dataset. Consequently, the estimated causal relationship with historical dataset may not provide reliable guideline for preparing fiscal policy. On the other hand, estimated causal relationship varies in different sub-periods. These may provide reliable guidelines for decision making process.

7. ACKNOWLEDGEMENT

Authors are thankful to Dr. Kanchan Dutta, Associate Professor, NBU and also grateful to Dr. Dilip De Sarkar, Associate Professor, Raiganj College (University College) for his support and encouragement. We also express heartfelt thanks to Mr. Suman Sikdar, Research Fellow, NBU for providing software used in econometric analysis of this article.

REFERENCES

1. Abuai-Foul, Bassam and Baghestani, Hamid (2004) "The Causal Relation between Government Revenue and Spending:Evidence from Egypt and Jorden" *Journal of Economics and Finance*, vol.28,issue.2: pp260-269.
2. Al-Qudair, Khalid H.A. (2005) "The Relationship between Government Expenditure and Revenue in the kingdom of Saudi Arabia: Testing for Cointegration and Causality" *JKAU:Econ and Adm.*,vol.19 no.1,pp31-33.
3. Aregbeyen Omo and Mohammed Ibrahim Taofik (2012) "Testing the Revenue and Expenditure Nexus in Nigeria: An Application of the Bound Test Approach" *European journal of social sciences*, ISSN, VOL.27, No.3, pp 370-380.

4. Baghetani,H., and R. McNown (1994), "Do Revenues or Expenditures Respond to Budgetary Disequilibrium?" *Southern Economic Journal*, October, pp.311-322
5. Barro, Robert J, (1989), "The Ricardian Approach to Budget Deficits" *Journal of Economic Perspective*, vol. 3 (Spring), pp37-54.
6. Barro,R.J.,(1979), " On the Determination of Public Debt" *Journal of political Economy* 81 ,pp 940- 971.
7. Blackley, P. R. (1986), "Causality Between Revenues and Expenditures and Size of the Federal Budget", *Public Finance Quarterly* 14, pp 139-156.
8. Dayang- Affizzah, A.M., Habibullah Muzafar Shah and Azman- Sain W.N.W (2006) " Expenditures and Revenues: Testing for Causality in Sabah Local Government Finances" *International Journal of Economics and Management*, ISSN1803-836X vol.1, No. 1 pp. 1-23.
9. Dhanasekaran, K., (2001)"Government Tax Revenue, Expenditure and Causality: The Experience of India", *Indian Economic Review*, Vol. XXXVI. No.2. pp 359 - 379.
10. Dickey,D.A. & Fuller, W.A (1981) " Likelihood Ratio Statistics for Autoregressive Time Series With a Unit Root",*Econometrica*, vol.49 No.4,pp 1057-72.
11. Engel, R.F. and Granger, C.W.J. (1987) "Cointegration and Error Correction: Representation, Estimation and Testing" , *Econometrica*, vol.55, No.2, March, pp. 251-276.
12. Ewing, Bradley T.and Payne,James E (1998) "Government Revenue-Expenditure nexus: Evidence from Latin America" *journal of Economic Development*,vol.23, issue.2,pp. 57-69
13. Granger, C.W.J., (1986) , "Developments in The Study of Cointegrated variables ,*Oxford Bulletin of Economic and Statistics* , vol.48, pp.213-228.
14. Handroyiannis George and Papapethrou Evanelia (1996) "An Examination of the Causal Relationship between Government Spending and Revenue: A Cointegration analysis," *public choice*, vol.89, pp363-374.
15. Kollias , Christos and Paleogou, Susana-Maria (2006) " Fiscal Policy in the EU: Tax and Spend, Spend and Tax, Fiscal Synchronization or Institutional Separation?" *Journal of Economic Studies*, vol. 33, issue 2, pp 108-120
16. Lusinyan Lusine & Thornton John (2010) "The Intertemporal relation between Government Revenue and Expenditure in the United Kingdom, 1750-2004" *Bangor Business School Working Paper,BBSWP/10/007*.
17. Mehrara, Mohsen, & Pahlavani , Mosayeb and Elyasi, Yousef (2011) " Government Revenue and Government Expenditure Nexus in Asian Countries: Panel Cointegration and Causality" *International journal of business and social science*, vol.2,issue.7Special Issue.
18. Mithani ,D.M. and Khoon , Soo Goh (1999) " Causality between Government Expenditure and Revenue in Malaysia : A Seasonal Cointegration Test" *Asian Economic Bulletin* , vol.16, no.1, pp.68-79
19. Muhammad, Adnan Qazi HYE and Anwar Jalil, M (2010) "Revenue and Expenditure Nexus: A Case Study of Romania" *Romanian Journal of Fiscal Policy*, vol.1,Issue1, pp 22-28
20. Mukhopadhyay, C. K. and .Maitra, B (2007) " Fiscal Synchronization Hypothesis in the Economy of Sri-Lanka (1957-2004) – An Econometric and Time Series Analysis" *Journal of South Asian Economy*, Vol. 1, March ,2007.
21. Narayan,P.K.andNarayan, Seema (2006) "Government Revenue & Government Expenditure Nexus: Evidence from Developing Countries" *Applied Economics* ,vol.38,Issue3,Feb.2006,pp285-291.
22. Owoye, Oluwole and olugbenga Onafowora, A. (2011) "The Relationship between Tax Revenues and Government Expenditure in European Union and Non-European Union OECD countries" *Public Finance Review*, vol. 30,no. 3, pp 429-461.
23. Park, Wan Kyu (1998), "Granger Causality between Government Revenue and Expenditure in Korea" *Journal of Economic Development* ,vol.23.no. pp. 145-155.
24. Sriyana, J. (2009) "A causality relationship between tax revenue and government expenditure in Indonesia", *Economic Journal of Emerging Market*, vol.1,Issue.2 pp.93-101.
25. Subhani, Imtiaz Muhammad and Hasan, Akif Syed , Osman, Amber and Rafiq, Tanzel (2012) "An investigation of granger causality between tax revenue and government expenditure" *European journal of scientific research*, ISSN,vol.68.no.3 pp. 340-344.
26. Tsen Hock Wong and Ping Kian Lim (2005) "The Relationship between Government Revenue and Government Revenue in Malaysia" *IJMS*, Vol.12,issue.2, pp.53-72.
27. Wolde-Rufael Yamane (2008), "The Revenue-Expenditure Nexus: the Experiences of 13 African Countries" *African Development Review*, vol.20, issue. 2, pp. 273-283.



CEDRIC THOMAS SILVEIRA
ASST. PROFESSOR
DON BOSCO COLLEGE
PANAJI

ABSTRACT

The study was conducted to determine the most effective promotional tool used by pharmaceutical companies to market their prescription products in the market. Since advertising is not possible in the prescription market unlike the over-the-counter products, it is imperative to learn as to what makes a doctor prescribe a prescription drug. The study made use of the Thurstone Case V scaling method involving 5 parameters such as with the rapport the medical representative has with the doctor, the samples which he gives to the doctor, the information which he disseminates, the frequency of his visits and gifts/sponsors which he gives to the doctor. If in the past a doctor relied totally on detailing, which is none other than the information of the product which the medical representative would disseminate to the doctor, today a number of other factors too have come into play. For convenience sake I have taken rapport to include all the characteristics of the medical representative such as grooming of the medical representative, his winability nature, his speech and his effectiveness in detailing. The results showed that still detailing was number 1, followed by rapport, samples, frequency of visits and gifts/sponsorships. A chi square test was also conducted to find the relation between dispensing doctors and doctors preferring samples as a promotional tool. Dispensing doctors refers to the doctors who prepare prescriptions and/or sell medicines to the patients. The result was that the relation was statistically significant.

KEYWORDS

Detailing, prescription, advertising, over-the-counter, medical representative.

1. INTRODUCTION

For years altogether, the medical representative had been the main player in the dissemination of information to the doctor, and the influencer of the doctor's prescriptions. However in the early 90's a radical shift took place with India's leading pharmaceutical manufacturer, Cipla Ltd. starting a new trend of doing away with medical representatives and going solely on mailings to doctors. The mailings would contain samples as well as medical information about the company drugs.

However although this system was cost effective, and did away with the burden of the exorbitant salaries of the medical representatives, apart from the complications of unionism, it fell flat on its face. The reason being that the personal chord of the doctor-medical representative which touched the heart of the doctor was missing.

Many other companies seeing the benefits of not having a medical representative also plunged into this strategy and suffered the same fate as Cipla.

To get a doctor to pen a company's products it involves a number of factors, starting with the rapport the medical representative has with the doctor, the samples which he gives to the doctor, the information which he disseminates, the frequency of his visits and gifts/sponsors which he gives to the doctor.

Gifts or sponsors could extend from some basic gifts like a pad/pen/penstand, to fancy gifts like a TV, scooter/Air Conditioner. Sponsors too could extend from sponsoring a doctor's registration to attend a conference to sponsoring a doctor's registration at a conference plus his accommodation and meals, and travel.

Going by the amount one spends to enter private colleges, a doctor practically runs a business today. In order to make up the costs spent during his education, many a time he is under immense pressure to make up for it even by fraudulent means at times. This means that when a doctor is sponsored, he is under pressure from the sponsoring company to prescribe their products, and give prescriptions to the tune of the amount sponsored. If the company does not have quality products, the patient will not improve and the doctor's name too will be ruined. Many fly by night companies have resorted to these gimmicks and have left renowned doctors in the lurch. However with the IMA, Indian Medical associations becoming increasingly strict, doctors are reluctant to fall into the hands of companies desiring to sponsor them.

In order to find out what makes a doctor prescribe a product, or a brand from hundreds of brands, the doctors were asked to rank from a series of alternatives as to which alternative they considered to be the most important for them while prescribing. A Thurstone Case V scaling technique was used in this regard. The doctor had to rank from 1 to 5 the following variables: A- Rapport B- Samples C-Frequency D- Gifts/Sponsorships E- Detailing

A chi square test was also conducted to find the relation between dispensing doctors and doctors preferring samples as a promotional tool. Dispensing doctors refers to the doctors who prepare prescriptions and/or sell medicines to the patients.

2. IMPORTANCE OF THE STUDY

The study was conducted to find out which promotional tool would be most effective for promoting a prescription product. The study also determined if the relation between a dispensing doctor and his desire to receive samples was significant.

3. STATEMENT OF THE PROBLEM

Today few doctors consider detailing as an important tool for prescribing a product unlike in the past, and are indulging to a large extent to gifts/sponsors to prescribe a product.

4. OBJECTIVES

1. To find out which mode of promotion was the most effective while promoting a product to a doctor.
2. To find out if any relation existed between considering samples as important and being a dispensing doctor

5. HYPOTHESIS

The chi square hypothesis was made use of in analyzing whether the relation between being a dispensing doctor and considering samples as an effective mode of promotion were statistically significant. The Null hypothesis states that no difference exists between two variables A & B.

Formula:
$$\frac{f_1 - F_1}{(f_1 - F_1)^2 / 50}$$

A
B

Where A & B are the variables, f_1 is the observed frequency, F_1 is the theoretical frequency, and $(f_1 - F_1)^2 / 50$ is the final result. The final result of both A and B are added together to arrive at the calculated chi sq value. If the calculated chi sq is less than the tabular chi sq at $(k-1)$ degrees of freedom where K stands for number of variables and at 95% confidence level, then the null hypothesis is said to be true.

Thurstone Case V Scaling was also used whereby the 5 variables are compared with one another. These values are then divided by the sample size and the values of the fractions are then found from the cumulative normal distribution curve - values of probability. The lowest value is then added or subtracted to itself to make the lowest value zero and this value is added to the other variables. The resulting values are plotted on a one dimensional scale.

6. RESEARCH METHODOLOGY

A random, direct, structured questionnaire was utilized wherein a personal interview was conducted on 100 doctors of different specialties spread across Goa. The research design was of an exploratory design.

7. FINDINGS

a) **Thurstone Scaling** was used to find out which attribute ranked the highest by the doctors. The attributes included A) Rapport with doctor B) Samples given C) Frequency of visits D) Gifts/Sponsors and E) Detailing/ Information imparted . The following above variables were subjected to a paired comparison. For example how many times B ranked higher than A? It was found to be 40 times out of 100. Similarly how many times does A rank higher than B ? The answer is 60 times.

A. PAIRED COMPARISON

	A	B	C	D	E
A	0.5	40/100	40/100	16/100	64/100
B	60/100	0.5	32/100	16/100	64/100
C	60/100	68/100	0.5	40/100	76/100
D	84/100	84/100	60/100	0.5	76/100
E	36/100	36/100	24/100	24/100	0.5

B. THE ABOVE RATIOS WERE THEN CONVERTED INTO FRACTIONS

	A	B	C	D	E
A	0.5	0.4	0.4	0.16	0.64
B	0.6	0.5	0.32	0.16	0.64
C	0.6	0.68	0.5	0.4	0.76
D	0.84	0.84	0.6	0.5	0.76
E	0.36	0.36	0.24	0.24	0.5

C. THE VALUES OF THE FRACTIONS ARE THEN FOUND FROM THE CUMULATIVE NORMAL DISTRIBUTION CURVE – VALUES OF PROBABILITY

	A	B	C	D	E
A	0	-0.25	-0.25	-0.99	0.36
B	0.25	0	-0.47	-0.99	0.36
C	0.25	0.47	0	-0.25	0.71
D	0.99	0.99	0.25	0	0.71
E	-0.36	-0.36	-0.71	-0.71	0
Adding colu	1.13	0.85	-1.18	-2.89	2.14
Adding 2.89 to all column	4.02	3.74	1.71	0	5.03

From the Thurstone Case V scaling it is evident that E- Detailing is 1st followed by A – Rapport, B-Samples, C- Frequency and D- Gifts.

ANALYSIS OF THE FINDINGS

1. The findings were evident that detailing where the medical representative speaks about the nature of the product , its uses, its dosage and its cost, is still considered the most effective too for prescribing a product. Although we are in the internet age where one can easily look up the internet for all these characteristics, the information coming from the company representative is still considered as most important.
2. Rapport with the doctor is considered to be the second most important factor with rapport including all the characteristics of the medical representative such as grooming of the medical representative, his winability nature, his speech and his effectiveness in detailing. In short the X factor of the medical representative still counts.
3. Samples is 3rd in the list of factors affecting prescriptions with doctors still preferring samples to try out on a patient before prescribing.
4. Frequency of visits was found to be 4th on the list of factors with a medical representative who visits more often being rated better.
5. The last ironically was gifts/sponsors with most doctors ranking it last. Perhaps there was a bias in this answer with most doctors not wishing to reveal their preference for the same.

b) Chi square test:

To find out if any difference exists among being a dispensing doctor and considering samples as an effective mode of promotion was statistically significant.

Null Hypothesis: There is no difference among being a dispensing doctor and considering samples as an effective mode of promotion

Of the 32 doctors who considered samples as an effective mode of promotion (had ranked samples as either 1 or 2 in the Ranking quation), 60%(A)were dispensing doctors while 40%(B) were not dispensing doctors

	f 1	F1	f 1- F1	(f 1-F1)2/F1	
A	60	50	10	100/50	=2
B	40	50	-10	100/50	=2

=4(computed calculation)

At k-1 degrees of freedom and at 95% confidence(.05), the null hypothesis will be true if the probability of getting a chi square less than 3.84 is seen in the computed calculation. Since the calculated value (36) is more than 3.84, we can conclude that the **Null hypothesis is false** and a statistical difference exists between dispensing doctors and these doctors desiring samples as a mode of promotion.

ANALYSIS OF THE FINDINGS

It is seen from the chi square test that a statistical difference exists among dispensing doctors and these doctors desiring samples as a mode of promotion. This means that dispensing doctors desire samples to test on their patients perhaps before purchasing bulk amounts to dispense.

8. CONCLUSIONS

1. Detailing was considered to be the most important factor in influencing a doctor to prescribe a product, thus showing that even in the internet age belief on what the medical representative talks is still valued.
2. Rapport was considered to be the next most important aspect. One a rapport builds up it is often difficult for a doctor to refuse prescribing a product.
3. Providing samples comes third in importance since samples can be used for testing a drug on a patient.
4. The frequency of visits is next in importance as more the visits, the more the recall of the product and as a result more will be the prescriptions of it.
5. The last was gifts/sponsors. This could be on account of doctors not wishing to disclose that they indulge in accepting gifts or sponsors.

6. The relation between a dispensing doctor and a dispensing doctor favouring samples was found to be statistically significant thus proving that dispensing doctors need samples to test their efficacy before going in for bulk purchases of the same.

9. LIMITATIONS

- a) The study was conducted on only 100 doctors of Goa
b) Bias may have been present in answering the questions on account of not wishing to disclose information.

10. SCOPE FOR FURTHER RESEARCH

A year later a study can once again be undertaken and the preference factors for prescribing a product could be checked for any change.

REFERENCES

1. Donald cooper, Pamela S. , (2006), " Business Research Methods" , Tata Mc Graw Hill, N.Delhi
2. Paul E Green, Donald S Tull, (1990), " Research for Marketing Decisions", Prentice Hall Int, INC, N.Delhi.



DR. MAHESHA KEMPEGOWDA
ASST. PROFESSOR
BANGALORE INSTITUTE OF TECHNOLOGY
BANGALORE

NALINA. R
ASST. PROFESSOR
BANGALORE INSTITUTE OF TECHNOLOGY
BANGALORE

NETHRAVATHI. N
RESEARCH SCHOLAR, BHARATHIAR UNIVERSITY, COIMBATORE
ASST. PROFESSOR
EAST WEST INSTITUTE OF TECHNOLOGY
BANGALORE

ABSTRACT

Total quality management (TQM) is a firm-wide management philosophy of continuously improving the quality of the products/services/processes by focusing on the customers' needs and expectations to enhance customer satisfaction and Organisational performance. There are mixed results about the relationship between total quality management practices and performance. TQM in engineering presents a summary of relationships between TQM practices and performance. Although most of the results of the previous studies were positive, some of the results were negative or non-significant. Research with appropriate analytical methodologies and measuring tools can significantly contribute to investigating work on TQM which analyzed reasons of the relationship between TQM practices and performance. Leaders in a TQM system view the firm as a system; support employee development; establish a multipoint communication among the employees, managers, and customers; and use information efficiently and effectively. In addition, leaders encourage employee participation in decision-making and empower the employees.

KEYWORDS

TQM, Leadership, rewards, Recognition, Training & Transformation.

1. INTRODUCTION

 The service industry of paramount importance in the public sectors of nations is that of education. It is the quality of education that shapes the long-term prosperity and wellbeing of both nations and their people. The vast resources that governments allocate to this sector of the economy make it imperative for those who manage education to ensure that education is effectively imparted in schools, universities and institutions of learning. Given the crucial role of education in an increasingly competitive global environment, administrators and educators are constantly looking for ways to make educational instruction more effective and meaningful. We teach to educate people and, where people are involved, fundamental managerial concepts such as commitment, motivation, participation, and leadership play an important role in determining the effectiveness of processes used to shape and influence them. TQM is not about working to someone else's agenda, unless your customers and clients have specified the agenda. It is not something that only senior managers do and then pass their directions down the line.

The total in TQM dictates that everything and everybody in the organization is involved in the enterprise of continuous improvement.

The management in TQM likewise means everyone, because everyone in the institution, whatever their status, position or role, is the manager of their own responsibilities. This is a difficult idea to put across, and it is the reason why some organizations talk, as Rolls-Royce do, about Total Quality rather than TQM.

TQM programmes do not have to use the initials TQM. Many organizations pursue the philosophy under their own brand name. Boots the Chemist calls its extensive quality programme 'Assured Shopping'.

Total quality control, total quality service, continuous improvement, strategic quality management, systematic improvement, quality first, quality initiatives, service quality are some of the many titles used to describe what in this book is called TQM. If a school, for example, felt that it wanted to call its initiative 'Pupils First' or 'The School Improvement Programme' then it should feel free to do so. It is not the name that is important, but the effect that the quality programme will have on the culture of the school. The pupils and their parents will be interested in the change it brings, not what the initiative is called.

TQM is hard work. It takes time to develop a quality culture. By themselves hard work and time are two of the most formidable blocking mechanisms to quality improvement. TQM needs a champion in the face of the myriad of new challenges and changes facing education. Quality improvement is a fragile process. All major changes are.

Cultures are essentially conservative and homeostasis is the norm. Staff are most comfortable with what they know and understand. However, to stand still while competitors are improving is a recipe for failure. If TQM is to work it must have the long-term devotion of the senior staff of the institution. They must back it and drive it. Senior management may themselves be the problem. They may want the results that TQM can bring, but be unwilling to give it their wholehearted support. Many quality initiatives falter because senior managers quickly return to traditional ways of managing. Fear by senior managers of adopting new methods is a major barrier. This is potentially the most serious of blockages. If senior management do not give TQM their backing there is little that anyone else in the organization can do.

2. REVIEW OF LITERATURE

The concept of quality of education is relatively recent in the pedagogical literature. Through history, especially since the eighteenth century, improvements in education have been made, but many of these changes have lacked continuity and proposals have only been pilot plans, mainly due to education policies. These changes in education have sought to cover not only quantitative criteria (number of students benefiting, more schools, etc.), but also qualitative aspects have been considered to enable improving levels of education adapted to the new demands of society. Improving education should cover both aspects.

Since World War II, developed countries had a good educational infrastructure for the entire population, and a movement to promote a qualitative improvement in education considering the new challenges of society was started. This made possible to achieve "quality in education" as pedagogical literature and in scientific policies called it.

However, although the term had been coined, it lacked a unifying concept. What is understood by quality in education? This question identifies the main problem, a situation that is discussed even today.

The quest for excellence, highest level of quality is inherent in the educational field, whose nature is to be perfectible. Nobody can object quality as an objective of a project, a timetable or an institution. We all want quality educational institutions, and yet the problem arises when trying to define what constitutes quality in education, a relative and multidimensional concept, fully framed on the institutional model it has (Ruiz, 1999).

Currently, in many institutions, mainly in developing countries are still using the traditional notion of quality in education. It considers quality as the result of the introduction of broad content in curriculum and best teaching methods (Seibold, 2000).

This type of reductionism is, in naively, that with a simple modification to the curricular plan or pedagogical practices are going to have better results, and therefore, are going to achieve high educational quality. This orientation is linked to assessments with strong reductionist connotations, focusing on the outcomes only at a cognitive level, ignoring other dimensions of human knowledge linked to knowledge to value, knowledge to decide, know-how and know how to act, which also affect the pillars of education.

Quality is considered as an initial objective for HEIs, but it seems that concentrations are mostly in achieving this objective, rather than to focus for finding specific definition. Therefore, this question will come to mind, how can we gain the quality of higher education?

Over the past few decades, the quality gurus Crosby (1979), Deming (1986), Feigenbaum (1983), Juran (1986) and others have developed and advocated certain instruction in the area of quality management. Their approaches into quality management provide a good understanding of quality management principles.

However, quality issues are considered as a basic part of the activities of an increasing number of private as well as public companies, organizations and institutions. Based on this thought, one philosophy has emerged in the concepts of quality and management called Total Quality Management, (TQM).

There are different opinions about TQM; some people see it as an absolute mean to reach competitiveness and some others see it as a management vogue, however there are some reasons for these differences in perspectives, Becker (1993, pp. 32-3), Ghobadian and Gallear (1996, pp. 83- 106). Hellsten and Klefsjö (2000, pp. 238-44) believe that these different ideas have formed because the gurus who are seen as fathers of TQM, do not like the concept.

Therefore, defining of what TQM really is does seem to be a tough job by itself. For instance, Okland (1989) says TQM is "an approach to improving the effectiveness and flexibility of business as a whole", and some other definitions in this context are:

- A set with improvement tools useful in an organization
- TQM is a management philosophy
- TQM is a program for changes based on a company's culture
- TQM is a management system

Recently, one definition has been introduced in this context from Hellsten and Klefsjö (2000, pp. 238-44). They see TQM as a management system, which is consisting of three interdependent components: values, methodologies, and tools and the aim is to increase internal and external customers' satisfaction with a reduce amount of resources. Since, in this work, we have management system view and this work will be based on this approach, this view of TQM will be discussed in the next section in more detail.

Nevertheless, the origins of TQM in business and industry, and its successful implementation in most cases as a universal remedy have jointed to bind its acceptability to HEIs, and many articles have been written on the subject. In fact, there are many advantages that product-oriented businesses and service oriented organizations like HEIs both can rely on to pursue Total Quality Management program, Ramona and Sower (1997, pp. 104-120).

For instance, Bergman and Klefsjö (1994) have defined some core values close to these values, where they have called them "the cornerstones of TQM".

Based on these facts, Hellsten and Klefsjö (2000, pp. 238-44) have defined TQM as something much more than core values, and to them it is a management system. A system in the sense of Deming, "A network of interdependent components that work together to try to accomplish the aim of the system", Deming (1994, p.50), which one of the components is core values. Two other components are methodologies and tools that support the core values.

3. RESEARCH DESIGN

Research is a process whose steps are used to collect and analyze information and allows us to increase our knowledge about a topic. In general, research consists of three phases: proposing a question, collecting data to answer and presenting an answer to it (Creswell, 2005).

Seeking higher education institutions in Karnataka for the development of inputs and operations requires continuous work to improve the performance of its functions and to link them to their societies, in order to obtain the best output, in a shorter time, and less cost. Since the entrance of Total Quality Management an important step and the entrance are essential in the development of performance in Indian universities and bring them to the desired level, especially in light of the continuous fast paced and interactive world in which we live these days.

The problem for the study mentioned in the following: What is the reality of the practice and application of total quality management in the Karnataka universities as perceived by faculty members?

3.1 OBJECTIVES OF THE STUDY

1. To study the role of **Institute Leadership** and its impact on quality in teaching.
2. To study quality of **Work and transformation** to desired level of bench mark in Education.
3. To study the level of **Consistency to stay competitive** in educational Industry in Karnataka.
4. To study the system of **Recognition and reward management** system in Engineering Colleges in Karnataka.
5. To Study the impact of **Training on Productivity** in Engineering in Karnataka
6. To Study the role of **Communication as catalyst to enhance the relationship** between departments

3.2 HYPOTHESIS FOR THE STUDY

Through questions of the study, following the null hypotheses have proposed:

VARIABLE-1- INSTITUTE AND LEADERSHIP

H₀: There is no significant (statistically) difference in rank orders/ preferences of respondents between Institute and Leadership.

H₁: There is a significant (statistically) difference in rank orders/ preferences of respondents between Institute and Leadership.

VARIABLE-2- WORK AND TRANSFORMATION

H₀: There is no significant (statistically) difference in rank orders/ preferences of respondents between Work and transformation.

H₁: There is a significant (statistically) difference in rank orders/ preferences of respondents between Work and transformation.

VARIABLE-3- CONSISTENCY TO STAY COMPETITIVE

H₀: There is no significant (statistically) difference in rank orders/ preferences of respondents between Consistency to stay competitive.

H₁: There is a significant (statistically) difference in rank orders/ preferences of respondents between Consistency to stay competitive.

VARIABLE-4- RECOGNITION AND REWARD MANAGEMENT

H₀: There is no significant (statistically) difference in rank orders/ preferences of respondents between Recognition and reward Management.

H₁: There is a significant (statistically) difference in rank orders/ preferences of respondents between Recognition and reward Management.

VARIABLE-5- TRAINING ON PRODUCTIVITY

H₀: There is no significant (statistically) difference in rank orders/ preferences of respondents between Training and Productivity Management.

H₁: There is a significant (statistically) difference in rank orders/ preferences of respondents between Training and Productivity Management.

VARIABLE-6- COMMUNICATION TO ENHANCE THE RELATIONSHIP

H₀: There is no significant (statistically) difference in rank orders/ preferences of respondents between Communication as catalyst between departments.

H₁: There is a significant (statistically) difference in rank orders/ preferences of respondents between Communication as catalyst between departments.

3.3 STATISTICAL TOOLS

Researcher has administered Kruskal Wallis test to evaluate the differences in responses of the respondents.

3.4 SCOPE OF THE STUDY

Research for this article was carried out in VTU Affiliated colleges in Karnataka, the data were collected from faculty members of the government and Private owned Engineering Colleges located in Bangalore in the odd semester of 2012-2013 academic sessions. Only full-time faculty members with master’s degrees and Ph.D were given the questionnaires and considered for the Study.

3.5 LIMITATIONS OF THE STUDY

1. Response opined by the respondents subjected to change as they tend to meet up with different students at the different levels and the different times.
2. Time has been the criteria in meeting the different respondents.
3. Statistical tools applied with utmost care.

4. ANALYSIS AND INTERPRETATION

1. TABLE SHOWING THE RESPONSES FOR INSTITUTE LEADERSHIP

H₀: There is no significant (statistically) difference in rank orders/ preferences of respondents between Institute and Leadership.

H₁: There is a significant (statistically) difference in rank orders/ preferences of respondents between Institute and Leadership.

H₀ = μ Institute = μ Leadership

H₁ = one of them not equal to another.

TABLE 4.1: MEAN, STANDARD DEVIATION AND TEST STATISTICS FOR INSTITUTE AND LEADERSHIP

No.	Descriptive Statistics			Test Statistics ^{a,b}	
	Factor	Mean	SD	Asymp. Sig.	Decision
IL_1	Leadership can determine the organizational future course of action	4.48	0.49	0.312**	No.Sig Diff
IL_2	leader can bring new dimensions to the quality systems in teaching	4.69	0.59	0.285**	No.Sig Diff
IL_3	Innovative leadership style can bring desired output in employees	4.14	0.48	0.103**	No.Sig Diff
Df=5	a. Kruskal Wallis Test			b. Grouping Variable: Out put Belonging	

Interpretation

From the above Table- 4.1, the mean of IL_1, IL_2, and IL_3 are 4.48, 4.69, and 4.14 respectively, which indicate that the respondents are in agreeableness with the factor Institute and Leadership, as the values are almost nearer to the response ‘Strongly Agree’. Moreover, the standard deviation for all the statements IL_1, IL_2 and IL_3 are 0.49, 0.59 and 0.48 respectively indicate that the there is not much deviation from the responses as expressed by the respondents with respect to the agreeableness of the factor ‘Institute and Leadership’.

Since the p-value obtained for IL_1, IL_2 and IL_3 is 0.312, 0.285 and 0.103 which is more than 0.05, it can be concluded that there is no significant difference in ranking orders/preference of respondents with Institute and Leadership.

2. TABLE SHOWING RESPONSES FOR WORK AND TRANSFORMATION

H₀: There is no significant (statistically) difference in rank orders/ preferences of respondents between Work and transformation.

H₁: There is a significant (statistically) difference in rank orders/ preferences of respondents between Work and transformation.

H₀ = μ Work = μ transformation

H₁ = one of them not equal to another.

TABLE 4.2: MEAN STANDARD DEVIATION AND TEST STATISTICS WORK AND TRANSFORMATION

No.	Descriptive Statistics			Test Statistics ^{a,b}	
	Factor	Mean	SD	Asymp. Sig.	Decision
WT_1	work culture in the organisation can transform system	4.12	0.32	0.059**	No.Sig Diff
WT_2	performance of employees can transform the level students	4.36	0.61	0.628**	No.Sig Diff
WT_3	performance of employees can raise the benchmark in the college	4.41	0.42	0.471**	No.Sig Diff
Df=5	a. Kruskal Wallis Test			b. Grouping Variable: Out put Belonging	

Interpretation

From the above Table- 4.2, the mean of WT_1, WT_2 and WT_3 are 4.12, 4.36, and 4.41 respectively, which indicate that the respondents are in agreeableness with the factor Institute and Leadership, as the values are almost nearer to the response ‘Strongly Agree’. Moreover, the standard deviation for all the statements WT_1, WT_2 and WT_3 are 0.32, 0.61 and 0.42 respectively indicate that the there is not much deviation from the responses as expressed by the respondents with respect to the agreeableness of the factor ‘Work and transformation’.

Since the p-value obtained for WT_1, WT_2 and WT_3 is 0.059, 0.628 and 0.471 which is more than 0.05, it can be concluded that there is no significant difference in ranking orders/preference of respondents with Work and transformation.

3. TABLE SHOWING RESPONSES CONSISTENCY TO STAY COMPETITIVE

H₀: There is no significant (statistically) difference in rank orders/ preferences of respondents between Consistency to stay competitive.

H₁: There is a significant (statistically) difference in rank orders/ preferences of respondents between Consistency to stay competitive.

H₀ = μ Consistency = μ stay competitive

H₁ = one of them not equal to another.

TABLE 4.3: MEAN, STANDARD DEVIATION AND TEST STATISTICS CONSISTENCY TO STAY COMPETITIVE

No.	Descriptive Statistics			Test Statistics ^{a,b}	
	Factor	Mean	SD	Asymp. Sig.	Decision
CS_1	employees need to be more consistent in their service delivery to stay competitive	4.43	0.35	0.934**	No.Sig Diff
CS_2	performance of employees will help the colleges to create competitive advantage	4.32	0.79	0.771**	No.Sig Diff
Df=5	a. Kruskal Wallis Test			b. Grouping Variable: Out put Belonging	

Interpretation

From the above Table- 4.2, the mean of CS_1 and CS_2 are 4.43 and 4.32 respectively, which indicate that the respondents are in agreeableness with the factor Institute and Leadership, as the values are almost nearer to the response ‘Strongly Agree’. Moreover, the standard deviation for all the statements CS_1 and CS_2 are 0.35 and 0.79 respectively indicate that the there is not much deviation from the responses as expressed by the respondents with respect to the agreeableness of the factor ‘Consistency to stay competitive’.

Since the p-value obtained for CS_1 and CS_2 is 0.934 and 0.771 which is more than 0.05, it can be concluded that there is no significant difference in ranking orders/preference of respondents with Consistency to stay competitive.

4. TABLE SHOWING RESPONSES RECOGNITION AND REWARD MANAGEMENT

H₀: There is no significant (statistically) difference in rank orders/ preferences of respondents between Recognition and reward Management.

H₁: There is a significant (statistically) difference in rank orders/ preferences of respondents between Recognition and reward Management.

H₀ = μ Recognition = μ reward Management

H₁ = one of them not equal to another.

TABLE 4.4: MEAN, STANDARD DEVIATION AND TEST STATISTICS RECOGNITION AND REWARD MANAGEMENT

No.	Descriptive Statistics			Test Statistics ^{a,b}	
	Factor	Mean	SD	Asymp. Sig.	Decision
RM_1	1. quality of employees will be recognized in the colleges	4.23	0.65	0.092**	No.Sig Diff
RM_2	2. performance of employees has definite reward in HEI	4.35	0.53	0.141**	No.Sig Diff
RM_3	Educational institutes follow rewarding system scientifically?	4.25	0.54	0.261**	No.Sig Diff
Df=5	a. Kruskal Wallis Test			b. Grouping Variable: Out put Belonging	

Interpretation

From the above Table- 4.2, the mean of RM_1, RM_2 and RM_3 are 4.23, 4.35 and 4.35 respectively, which indicate that the respondents are in agreeableness with the factor Institute and Leadership, as the values are almost nearer to the response 'Strongly Agree'. Moreover, the standard deviation for all the statements RM_1, RM_2 and RM_3 are 0.65, 0.53 and 0.54 respectively indicate that the there is not much deviation from the responses as expressed by the respondents with respect to the agreeableness of the factor 'Recognition and reward Management'.

Since the p-value obtained for RM_1, RM_2 and RM_3 is 0.092, 0.141 and 0.261 which is more than 0.05, it can be concluded that there is no significant difference in ranking orders/preference of respondents with Recognition and reward Management.

5. TABLE SHOWING RESPONSES TRAINING AND PRODUCTIVITY MANAGEMENT

H₀: There is no significant (statistically) difference in rank orders/ preferences of respondents between Training and Productivity Management.

H₁: There is a significant (statistically) difference in rank orders/ preferences of respondents between Training and Productivity Management.

H₀ = μ Training = μ Productivity Management

H₁ = one of them not equal to another.

TABLE 4.5: MEAN, STANDARD DEVIATION AND TEST STATISTICS TRAINING AND PRODUCTIVITY MANAGEMENT

No.	Descriptive Statistics			Test Statistics ^{a,b}	
	Factor	Mean	SD	Asymp. Sig.	Decision
TPM_1	3. employees need to undergo Training to stay competitive	4.01	0.63	0.142**	No.Sig Diff
TPM_2	4. employees should recognize their competency to upgrade themselves	4.24	0.29	0.194**	No.Sig Diff
TPM_3	5. service provider needs update and attend refresher courses regularly	4.34	0.35	0.173**	No.Sig Diff
Df=5	a. Kruskal Wallis Test			b. Grouping Variable: Out put Belonging	

Interpretation

From the above Table- 4.2, the mean of TPM_1, TPM_2 and TPM_3 are 4.01, 4.24 and 4.34 respectively, which indicate that the respondents are in agreeableness with the factor Institute and Leadership, as the values are almost nearer to the response 'Strongly Agree'. Moreover, the standard deviation for all the statements TPM_1, TPM_2 and TPM_3 are 0.63, 0.29 and 0.35 respectively indicate that the there is not much deviation from the responses as expressed by the respondents with respect to the agreeableness of the factor 'Training and Productivity Management'.

Since the p-value obtained for TPM_1, TPM_2 and TPM_3 is 0.142, 0.194 and 0.173 which is more than 0.05, it can be concluded that there is no significant difference in ranking orders/preference of respondents with Training and Productivity Management.

6. TABLE SHOWING RESPONSES COMMUNICATION AS CATALYST BETWEEN DEPARTMENTS

H₀: There is no significant (statistically) difference in rank orders/ preferences of respondents between Communication as catalyst between departments.

H₁: There is a significant (statistically) difference in rank orders/ preferences of respondents between Communication as catalyst between departments.

H₀ = μ Communication = μ catalyst between departments

H₁ = one of them not equal to another.

TABLE 4.6 MEAN STANDARD DEVIATION AND TEST STATISTICS COMMUNICATION AS CATALYST BETWEEN DEPARTMENTS.

No.	Descriptive Statistics			Test Statistics ^{a,b}	
	Factor	Mean	SD	Asymp. Sig.	Decision
CCD_1	6. departments in the colleges has cordial relationship	4.29	0.74	0.113**	No.Sig Diff
CCD_2	7. Leadership will enhance the relationship between departments	4.46	0.54	0.162**	No.Sig Diff
Df=5	a. Kruskal Wallis Test			b. Grouping Variable: Out put Belonging	

Interpretation

From the above Table- 4.2, the mean of CCD_1 and CCD_2 are 4.29 and 4.46 respectively, which indicate that the respondents are in agreeableness with the factor Institute and Leadership, as the values are almost nearer to the response 'Strongly Agree'. Moreover, the standard deviation for all the statements CCD_1 and CCD_2 are 0.74 and 0.54 respectively indicate that the there is not much deviation from the responses as expressed by the respondents with respect to the agreeableness of the factor 'Communication as catalyst between departments'.

Since the p-value obtained for CCD_1 and CCD_2 is 0.113 and 0.162 which is more than 0.05, it can be concluded that there is no significant difference in ranking orders/preference of respondents with Communication as catalyst between departments.

5. FINDINGS AND SUGGESTIONS

Since the p-value obtained for IL_1, IL_2 and IL_3 is 0.312, 0.285 and 0.103 which is more than 0.05, it can be concluded that there is no significant difference in ranking orders/preference of respondents with Institute and Leadership.

Since the p-value obtained for WT_1, WT_2 and WT_3 is 0.059, 0.628 and 0.471 which is more than 0.05, it can be concluded that there is no significant difference in ranking orders/preference of respondents with Work and transformation.

Since the p-value obtained for CS_1 and CS_2 is 0.934 and 0.771 which is more than 0.05, it can be concluded that there is no significant difference in ranking orders/preference of respondents with Consistency to stay competitive.

Since the p-value obtained for RM_1, RM_2 and RM_3 is 0.092, 0.141 and 0.261 which is more than 0.05, it can be concluded that there is no significant difference in ranking orders/preference of respondents with Recognition and reward Management.

Since the p-value obtained for TPM_1, TPM_2 and TPM_3 is 0.142, 0.194 and 0.173 which is more than 0.05, it can be concluded that there is no significant difference in ranking orders/preference of respondents with Training and Productivity Management.

Since the p-value obtained for CCD_1 and CCD_2 is 0.113 and 0.162 which is more than 0.05, it can be concluded that there is no significant difference in ranking orders/preference of respondents with Communication as catalyst between departments.

6. CONCLUSION

This study revealed that significant number of respondents is of opinion that quality initiative will bear fruits; it is initiated as per the plans.

Research reveals that, TQM in higher education has made significant move in altering the benchmark set for the research.

Researcher would like to state and conclude that Institute and Leadership, Work and Transformation, Consistency to Stay Competitive, Recognition and Reward Management, Training on Productivity and Communication to Enhance The Relationship are positively correlated and has significant impact on the TQM Practices in HEI in Karnataka.

REFERENCES

1. Adler, N.J. (1991), *International Dimensions of Organizational Behavior*, Second edition, PWS-Kent Publishing Company, Boston.
2. Adler, N.J., Campbell, N. and Laurent, A. (1989), In search of appropriate methodology: From outside the People's Republic of China looking in, *Journal of International Business Studies*, Vol. 20 No 1, pp. 61-74.
3. Ahire, S.L., Golhar, D.Y. and Waller, M.A. (1996), Development and validation of TQM implementation constructs, *Decision Sciences*, Vol. 27 No. 1, pp. 23-56.
4. Ahire, S.L., Waller, M.A. and Golhar, D.Y. (1996a), Quality management in TQM versus non-TQM firms: An empirical investigation, *International Journal of Quality & Reliability Management*, Vol. 13 No. 8, pp. 8-27.
5. American Quality Foundation and Ernst & Young (1991), *International Quality Study: The Definitive Study of the Best International Quality Management Practices*, Ernst & Young, Cleveland, OH.
6. Anderson, E. W., Fornell, C. and Lehmann, D.R. (1994), Customer satisfaction, market share, and profitability: Findings from Sweden, *Journal of Marketing*, Vol. 58, July, pp. 53-56.
7. Anderson, J.C., Rungtusanatham, M. and Schroeder, R.G. (1994a), A Theory of quality management underlying the Deming management method, *Academy of Management Review*, Vol. 19 No. 3, pp. 472-509.
8. Anderson, J.C., Rungtusanatham, M., Schroeder, R. and Devaraj, S. (1995), A path analytic model of a theory of quality management underlying the Deming management method: Preliminary empirical findings, *Decision Sciences*, Vol. 26 No. 5, pp. 637-658.
9. Aravindan, P., Devadasan, S.R. and Selladurai, V., (1996), A focused system model for strategic quality management, *International Journal of Quality & Reliability Management*, Vol. 13 No. 8, pp. 79-96.
10. Barad, M. (1995), Some cultural/geographical styles in quality strategies and quality costs (P.R. China versus Australia), *International Journal of Production Economics*, Vol. 41, pp. 81-92.
11. Baran, R. (1986), *Understanding Behaviour in Organizations*, Allyn & Bacon, Boston, MA.
12. Bart, C.K. and Baetz, M.L. (1998), The relationship between mission statements and firm performance: An exploratory study, *Journal of Management Studies*, Vol. 35 No.6, pp. 823-853.
13. Benson, T. (1993), TQM: A child takes a first few faltering steps, *Industry Week*, Vol. 242 No. 7, pp. 16-17.
14. Bergman, B. and Klefsjö, B. (1994), *Quality From Customer Needs to Customer Satisfaction*, McGraw-Hill, Inc., London.
15. Weiss, D.J., Dawis, R.V., England, G.W. and Lofquist, L.H. (1967), *Manual for the Minnesota Satisfaction Questionnaire (Minnesota Studies in Vocational Rehabilitation, No. 22)*, University of Minnesota, Minneapolis.
16. Wollner, G.E. (1992), The law of producing quality, *Quality Progress*, Vol. 25 No. 1, January, pp. 35-40.
17. Womack, J.P., Jones, D.T. and Roos, D. (1990), *The Machine That Changed the World*, Massachusetts Institute of Technology, Rawson Associates, New York.
18. Wruck, K.H. and Jensen, M.C. (1994), Science, specific knowledge, and total quality management, *Journal of Accounting and Economics*, Vol. 18, pp. 247-287.
19. Xu, B. (1999), Debt-to-equity plan unveiled, *China Daily*, August 4.
20. Yin, R.K. (1989), *Case Study Research: Design and Methods*, Revised edition, Sage Publications, London.



RECRUITMENT THROUGH SOCIAL MEDIA: CHALLENGES AND OPPORTUNITIES

AANCHAL JAIN
RESEARCH SCHOLAR
INDIRA GANDHI NATIONAL OPEN UNIVERSITY
DELHI

ARUN KUMAR
ASST. PROFESSOR
DYAL SINGH COLLEGE
UNIVERSITY OF DELHI
DELHI

ABSTRACT

Recruitment through social media refers to the process of matching the recruitment and the growing area or scope of social media. The use of social media in recruitment offers opportunities and challenges as well. This method helps the employees or candidates who are looking for jobs by providing a wide variety or list of employers, multiple sources to get information about the required employer and lastly methods or ways of contacting them. This process is becoming popular because of its various benefits for the employers such as sourcing difficult to hire candidates, reaching prospective candidates, online reputation, larger reach, diversified, less costly and higher Return On Investment (ROI). Recruitment refers to the process of attracting, screening, selecting and hiring a qualified candidate for a job. Traditional ways of recruiting usually involve advertisements, paper applications and Resume's, or face-to-face networking, as well as phone calls. There are two sources of Recruitment: Internal and External. Here, social media (an external source of recruitment) has been discussed. Social media means communication among people in which they build, share, and/or swap information and ideas in virtual communities and networks. It is a broad category involved in activities such as podcasting, blogging, text messaging, online videos, and HR e-mail marketing, which are some of the common applications used in recruitment. Lastly, this paper explains the merits and demerits of using social media as a recruitment tool along with some observations about using source and ending with conclusion.

KEYWORDS

Recruitment, External Sources of Recruitment, Social Media.

1. INTRODUCTION

The process of recruitment and its importance has emerged considerably over the last few decades. At the present time, we all spend our valuable time varying from a few minutes to a few hours daily on social media. We use social media for professional as well as personal purposes. While the professional purposes consists of networking, business expansion, information sharing, etc, the latter includes linking and communicating with friends, sharing views, opinions, and other personal stuff, amongst others. Facebook has more than 500 million account members and regularly defeats Google in site visits per day. LinkedIn has got its number of registered users from roughly 40 million in 2009 to more than 100 million in 2011. As usage continues endlessly, more businesses are noticing the fact that high-quality candidates can be reached faster and at lower cost using social media than traditional recruiting methods. Social media can give recruiters a competitive advantage in locating and engaging the best possible candidates.

2. DEFINING RECRUITMENT

Recruitment is a vital function of human resource management, which can be defined as the process of finding the right talent and stimulating them to apply for jobs in the company. It is the process of exploring the sources of personnel to meet the requirements of the staffing and attracting the ample number of employees, as to be able to make the effective selection amongst the applicants. Hiring is mainly concerned with employing new staff, to engage the services of (a person) for a salary or to employ (someone) for wages. Hiring is an action of bringing on a new or fresh talent to an organization.

There are two sources of Recruitment in the organisation i.e. Internal and External. When a company opts for internal source, it recruits and selects the people within the organisation itself. This method has some benefits like it motivates the existing employees for better work to get a promotion and also it saves time and costs. But sometimes employees become lethargic and they start expecting early promotions. On the other hand, when a company chooses to elect the external sources of recruitment, then several options are available like :- advertising, employment agencies, gate hiring, educational institution, labour unions, leasing, labour contractors, Social media etc. It brings fresh and new talent to the organisation which might help in the growth of the organisation. But it also creates a sense of dissatisfaction among the existing employees.

According to the size and culture of the organization, recruiting may be done by the managing director, human resource manager. On the other hand, recruiting can be also conducted by global employment agencies, commercial recruitment agencies, or specific consultancies or through social media.

3. SOCIAL MEDIA AND ITS USE IN RECRUITMENT PROCESS

As discussed earlier, Social media means communication among people in which they create, share, and/or exchange information and ideas in virtual communities and networks. It offers speed, efficiency, convenience, ease etc. Kaplan and Haenlein (2010) explains social media as "a group of Internet-based applications that build on the ideological and technological foundations of Web 2.0*, and that allow the creation and exchange of user-generated content". Networking through social media has emerged from merely serving as a way to find old friends and make business relations and associations. In today's related times, it is seen that almost every internet friendly person has a social media existence, and this is taken as an opportunity by the recruiters to do conduct a background check on potential employees.

The use of social media for recruitment process offers some opportunities and challenges for employers. Social media has the merit of speed, efficiency and the ability to locate and attract specific, particularly appropriate candidates in the recruitment process. It can give an additional source of information on latent job candidates, especially as some data (relating to the personal as well as the professional grounds) are not generated for the purpose of recruitment and hence, may explain open supplementary information about the applicant. For candidates it potentially offers a variety of sources of information about the employer and the ways of contacting with existing employees to gain a more sensible glance about the job offered.

"Shifting hiring processes from the paper and time-intensive manual method to an automated one saves time and money and boosts productivity by leaving positions vacant for shorter periods of time. In addition, the cost associated with posting on a job board compares favourably with placing job ads in newspapers, and, in some cases, may be more cost-effective."(Smith and Rupp, 2004)

Social Networking Websites (SNWs) permit users to build web-based profiles where individuals can communicate or interact, using social media equipments. While originally designed for socialising with friends and family, these networks have proved to be an important professional instrument, particularly in the area

of recruitment. Here, they serve two main purposes. The first is as a marketing tool, jobseekers can make use of SNWs to advertise themselves to prospective employers and vice versa. The second is as a screening tool, employers can use information available through SNWs to get a broader image of a potential employee easily and cheaply in comparison to that available through traditional recruitment methods.

Moreover, Employers are using SNWs such as LinkedIn and Facebook to recognize talent, while others are also attracting talent via targeted and innovative social media campaigns to connect candidates and find the right candidate for the organisation. Social media is also an important promotional instrument. For example, the appropriate company profile providing right information on Facebook is a powerful asset for attracting graduates and shaping first impression about the company.

So, the use of social media in recruitment is very important and useful. And it has been discussed that how company uses social media for recruiting the candidates from all over the country.

4. CERTAIN ASPECTS OF USING SOCIAL MEDIA FOR RECRUITMENT PROCESS

So, we know that how a company uses the social media to find candidates and how it stimulates them to apply for the job. The way of using social media in recruitment has also been discussed.

Now, some of the aspects of using social media have been discussed below:-

4.1 BENEFITS

1. Specific candidates can be searched geographically with higher accuracy than ever before, thereby narrowing the number of candidates and increasing recruitment effectiveness consequently.
2. Due to social media's quick response time and high usage rate, accessible jobs are filled quickly by reducing vacancy rates.
3. Social media recruitment has a low cost and higher ROI (as seen in most of the cases).
4. A big number of social media users are college students or youth, thus establishing a great platform for potential companies to attract new talent for entry level positions.
5. Access to the cream level of available candidates is faster, thus helping a company's ability to attract talent versus competitors.
6. It also contributes in raising the employer's brand image online and creates a leading-edge icon for the brand.
7. Vacant or open positions can be seen and read by a larger number of competent candidates, thus making the job hiring or recruitment process a wonderful experience.
8. With the help of social media, employers can reach candidates quickly and at a lower cost because, as compared to agencies, job boards or referrals, recruiting with social media is absolutely free.
9. Social media will extend the information about a company making more and more people alert about its job opportunities and getting employers in front of candidates whom they may never find while using traditional hiring methods.
10. With social media platforms like LinkedIn, job seekers can be specifically targeted and chosen from followers, connections or supporters of the brand.

4.2 PROBLEMS

1. The first problem that many companies face is deciding their social media usage policy. Moreover, implementing the policy sometimes results in high investments.
2. The focus needs to be on answering not only what your company and its brand is stating, but also to whom.
3. The usage is still in its infancy and return on investment is not yet really identified.
4. One of the problems occurred with social media (as it connects to recruiting) is rooted in the overall efficiency of the tools available to both potential candidates and the overall efficiency of the tools available to company's recruiting team. Most of the times, one side is efficient while the other side is not, thus leading to the gap.
5. From a risk point of view, due to the fact that all current, former and future employees of a company are already online, it becomes a big challenge to manage them.
6. Managing the comments or views about the company is very complicated. No matter how hard you try negative content will leak through the net. Moreover, if that negative content is not taken care of as early as possible, then it might ruin the brand image completely.
7. The online information is not trustworthy and there is no guarantee of it being accurate. Also not all the requisite demographics will be available. Eventually it is the candidate who decides what you can see or access.
8. Discrimination is another downside. Knowing the private or personal facts of the potential employees, it can influence the decision of the employer. Some of the factors that might manipulate an employer are race, traditions, religious views, age and sometimes even the social status.
9. Lots of efforts are required to attract the people towards the advertisements displayed through Social media providing the information about the company. This may require engaging experts for making the company's advertisements attractive. This directly adds to the cost of using social media.
10. The information displayed on SNWs should be up to date. Otherwise, it might ruin the image of the company and consequently, it will lose its followers or regular visitors.
11. Lastly, social media can be misused if any competitor makes the fake profile of the company on SNWs with a direct intention to spoil the public image of that company.

5. OBSERVATIONS

Nowadays, 92% companies using social media for recruitment purpose. They are using platform like Twitter, LinkedIn and Facebook for recruitment, and 45% of Fortune 500 firms also include links to social media on their career page. In the list of top social network, LinkedIn is on the top with 93% of companies using it, after that Facebook is on second number with 66% of companies and thirdly, twitter with 54%. Around 73% recruiters claims that they have made successful hiring through social media and sometimes they used to select candidates and reject them on the basis of what they found on their social profiles. Use of social media is increasing year by year, for e.g.:- in 2010, 78% of companies using (LinkedIn) social media for recruitment number increased to 87% in 2011 and further it increased to 93% in 2012. Also 66% of the companies uses Facebook and 54% uses twitter. Benefits of social media, 73% candidates hired successfully through social media. Moreover, 42% companies said that quality of candidates hired through social media is significantly good and 20% say that recruitment through social media is a very less time consuming process. Referrals are also increasing through social media i.e. around 31% and recruiters also give rewards to employees for their referrals. But some companies still work in old age days they are not open for new innovation in recruitment process and around 36% companies are still using the old procedures for recruitment.

6. CONCLUSION

It has been found that at present, by using social media companies have been able to get the useful resources with least cost. This has helped organizations to grow as they have been able to get the right candidate for their vacancies. Moreover, establishing a company within social networks also explains a lot about your company to potential candidates and creates the perception that the company wants to connect with them. But social media has some downsides as well. Firstly, the information available on SNWs is not accurate or reliable. Also, not all the individuals are aware of using Social media for finding the potential jobs. So, it can be said that the social media is still in its immaturity and consequently, it cannot be assured that a higher ROI would surely be achieved if any company chooses to use the social media for the recruitment process. Therefore, the main thing to remember while using social media for recruitment is that it should only be a part of recruitment strategy. Social media only compliments the traditional strategies and is not a substitute of it. So mix them both to get the ideal candidate.

REFERENCES

1. Broughton, A., Foley, B., Ledermaier, S. & Cox, A. (2013). The Use of Social Media in Recruitment Process. Acas. ISBN 978-1-908370-32-7.
2. Giles, Karl. (2012). 7 Benefits of Social Media of Recruitment. Retrieved from http://www.employmentguide.com/careeradvice/_Benefits_of_Social_Media_of_Recruitment.html
3. Hebbard, Laurence. (2014). Social Media Agency. Link Humans. Retrieved from <http://linkhumans.com/case-study/how-loreal-use-social-media-for-recruitment>
4. Nagy, Irina. (2013). The Benefits of Social Media Recruiting. Retrieved from <http://www.onrec.com/news/news-archive/the-benefits-of-social-media-recruiting>
5. Nelson, Jeanine. 4 Benefits of Social Media Recruiting and Creating an Overall Strategy. Retrieved from <http://www.socialstrategy1.com/4-benefits-of-social-media-recruiting-and-creating-an-overall-strategy/>
6. Quast, Lisa. (2012). Recruiting, Reinvented: How Companies Are Using Social Media in the Hiring Process. Retrieved from <http://www.forbes.com/sites/lisaquast/2012/05/21/recruiting-reinvented-how-companies-are-using-social-media-in-the-hiring-process/>
7. Social Recruiting Guide: How to Effectively Use Social Networks. (2012). Oracle Taleo Cloud Service. Retrieved from <http://www.oracle.com/us/media1/effectively-use-social-networks-1720586.pdf>
8. Staff.com (2013). 92% of Companies Use Social Media for Recruitment [INFOGRAPHIC]. Retrieved from http://www.mediabistro.com/alltwitter/social-media-recruiting_b50575.
9. Tripathi, Tulika. (2012). Social Media as a Recruiting Tool: The Benefits and Challenges. Retrieved from <http://blog.michaelpage.asia/social-media-as-a-recruitment-tool/>
10. Warner, Jason. (2011). How Social Media Hurts Recruiting and What to do about it? Retrieved from <http://www.ere.net/2011/01/18/how-social-media-hurts-recruiting-and-what-to-do-about-it/>



A STUDY ON QUALITY WORK LIFE BALANCE AMONG THE DEVELOPMENT OFFICERS OF LIC OF INDIA IN CHENNAI CITY

SHENBAGAM KANNAPPAN
RESEARCH SCHOLAR
DEPARTMENT OF COMMERCE
BHARATHIYAR UNIVERSITY
COIMBATORE

DR. S. BAMA
ASST. PROFESSOR
DR. AMBEDKAR GOVERNMENT ARTS COLLEGE
VYASARPADI

ABSTRACT

Quality of work life is the fine-looking experience which an employee feels about the job and work place. It gives benefit to the organization as well as to the employees. The present paper objective is to find out the quality work balance among the development officers of Life insurance Corporation in Chennai city. The total size of the sample is 200. For the purpose of present study, Life insurance corporation development officers were considered for the study. Interview schedule method was administered to gather information. The collected data were processed and then analyzed with the help of descriptive statistics method and t-test. The result of the study is that there is an positive impact of personal factors on quality of work life among the development officers in Chennai city

KEYWORDS

Life Insurance and quality of work life.

INTRODUCTION

The Quality of work life (QWL) is a wide term covering an immense variety of programmes, techniques, theories and management styles through which organizations and jobs are designed so as to grant employees more autonomy, responsibility and authority than is usually done. It is comprehensive, department wide program designed to improve employee satisfaction, strengthening workplace learning and helping employees. A high quality of work life is essential for organizations to continue, to attract and retain employees (Sandrick,2003) Many factors contribute to QWL which includes adequate and fair remuneration, safe and healthy working conditions, social integration in the work organization that enables an organization to develop and use all his or her capacities Richard and L.Joy defined QWL as "the degree to which members of a work organization are able to satisfy important personal needs through their experience in the organizations." According to Vincent Lombardi," the quality of a person's life is in direct proportion to their commitment, excellence, regardless of their chosen field or endeavor"

Employees work with the organization for salary. Apart from this, they do not have any connection with the organization. The employees cannot get any benefit other than salary. Employees were instructed to perform the work by the management. They do not possess any freedom in the work. This is old philosophy of management. But in the modern digital era, there has been enormous modification in the practices of human resources. Top level management of companies considers the employees an asset and takes appropriate steps to achieve the target. Top level management realizes that if the employees are not motivated, surely management cannot retain the efficient employees. These employees may switch over to another organization, and it is monotonous to the company to fill the vacancy with quality employees immediately. To eliminate this bad scenario, management of the company believes in satisfaction of employees in the organization. Management has to make the employees to feel happy in the work place. Therefore, the study is undertaken to find out the quality work life balance among the development officers of LIC of India in Chennai city.

OBJECTIVE OF THE STUDY

- To study the quality work life balance among the development officers of Life insurance corporation of India in Chennai city.
- To give the suggestions for better improvement in Quality of Work Life.

RESEARCH METHODOLOGY

The presents study's ultimate objective is to find out the quality work life balance among the development officers of Life insurance Corporation in Chennai city. In this research study, sample was considered from Chennai city. The samples used in the study were development officers in Life Insurance Corporation in India. These employees involved the selling of insurance products. The total size of sample is 200. Primary data was collected by the structured questionnaire framed by the K.G. Agarwal. This was used to measure the impact of personal factors on quality of work life of the respondents. Quality of work life scale comprises 12 statements. The Cronbach Alpha value was found to be 0.88. The validity refers to the degree to which any tool measures what it is intended or claims to quantify. A questionnaire had been distributed to the development officers of life insurance 8yu and filled in questionnaires had been collected from them. The secondary data used in the study were books, journals and websites related to quality of work life. For coding purpose, the collected data were entered on the computer. SPSS statistical tool was utilized for examining the data with the help of descriptive statistics and t-test. Quality of work life scale was used to measure the mean level of quality of work life of the respondents. The considered standard ratings are such as "very much satisfied = 5, satisfied = 4, Neither satisfied nor dissatisfied = 3, Dissatisfied = 2 and Very Much dissatisfied = 1.

TABLE 1: GENDER WISE DISTRIBUTION OF RESPONDENTS

Gender	Frequency	Percent
Male	120	60.0
Female	80	40.0
Total	200	100.0

Source: Primary data

The above table shows gender wise distribution of respondents Majority 60% are male and 40% are female officers in life insurance sector in Chennai city.

TABLE 2: AGE GROUP WISE DISTRIBUTION OF RESPONDENTS

Age	Frequency	Percent
Up to 25 years	51	25.5
26-35 years	70	35.0
36-45 Years	49	24.5
Above 46 years	30	15.0
Total	200	100.0

Source: Primary data

The above table reveals that age group wise distribution of respondents in Chennai city. Majority 35% of respondents were in the age group of 26-35 years, followed by 25.5% of respondents were in the age group of up to 25 years, 24.5% of respondents were in the age group of 36-45 years and only 15% of respondents were in the age group of above 46 years.

TABLE 3: EDUCATIONAL QUALIFICATION WISE DISTRIBUTION OF RESPONDENTS

Educational qualification	Frequency	Percent
up to HSC	40	20.0
UG	80	40.0
PG	50	25.0
Professional	30	15.0
Total	200	100.0

Source: Primary data

Educational qualification wise distribution of respondents highlights in Table 3. 40% of respondents were under graduate, 25% of respondents were post – graduates, 20% of respondents were up to HSC qualified and only 15% of respondents were professional.

TABLE 4: MONTHLY INCOME WISE DISTRIBUTION OF RESPONDENTS

Monthly Income	Frequency	Percent
Less than Rs.20,000	10	5.0
Rs.20,001 - 40,000	110	55.0
Rs.40,001 - 60,000	50	25.0
Above Rs.60,000	30	15.0
Total	200	100.0

Source: Primary data

The above table explains that monthly income wise distribution of respondents. Majority 55% of respondents were in the monthly income group of Rs.20,001-40,000, followed by 25% of respondents were in the income group of Rs.40,001-60,000, 15% of respondents were in the monthly income group of above Rs.60,000 and only 5% of respondents were in the income group of less than Rs.20,000.

TABLE 5: MARITAL STATUS WISE DISTRIBUTION OF RESPONDENTS

Marital status	Frequency	Percent
single	87	43.5
Married	113	56.5
Total	200	100.0

Source: Primary data

The above table illustrates that marital status wise distribution of respondents. 56.5% of respondents were married and 43.5% of respondents were single.

TABLE 6: FAMILY WISE DISTRIBUTION OF RESPONDENTS

Family	Frequency	Percent
Nuclear	140	70.0
Joint family	60	30.0
Total	200	100.0

Source: primary data

The above table explains that family wise distribution of respondents. 70% of the respondents were nuclear family and 30% of respondents were joint family.

TABLE 7: RESPONDENT’S WILLINGNESS TO DO OFFICE WORK AT HOME

Office work	Frequency	Percent
Performing	128	64.0
Not performing	72	36.0
Total	200	100.0

Source: Primary data

The above table demonstrates that respondent’s willingness to perform office work at home. 64% of respondents are willing to do office work at home and 36% of respondents were not willing to do office work at home.

TABLE 8: DESCRIPTIVE STATISTICS

	N	Minimum	Maximum	Mean	Std. Deviation
Understand the responsibilities	200	1	5	3.74	1.300
Have a sense of personal autonomy	200	1	5	3.70	1.232
Feel confidence and pride	200	1	5	3.48	1.414
Managers are treating employees fairly	200	1	5	3.40	1.389
Timely feed back by managers	200	1	5	3.40	1.392
Confidence in the empowerment maturity	200	1	5	3.33	1.299
Managers are respected for competence	200	1	5	3.30	1.311
Personal compensation is satisfactory	200	1	5	3.30	1.311
The non-financial recognition is satisfactory	200	1	5	3.30	1.311
Work group is a productive team	200	1	5	3.28	1.626
Treat each other with respect and trust	200	1	5	3.20	1.367
Reward system is fair and equitable	200	1	5	3.10	1.384

Source: Primary data

It is observed from the above table the highest mean rating for the statement "Understand the responsibilities" is 3.74. It infers that the respondents are almost satisfied with the item. It's followed by "Have a sense of personal autonomy" 3.70, "Feel confidence and pride" 3.48. The minimum mean value (3.2471) is arrived for the item "Reward system is fair and equitable". It falls around neither satisfied nor dissatisfied.

Null Hypothesis: There is no impact of personal factors on quality of work life balance among the development officers of LIC India in Chennai city.

TABLE 9: ONE SAMPLE T-TEST FOR WHETHER THERE IS ANY IMPACT OF PERSONAL FACTORS ON QUALITY OF WORK LIFE BALANCE AMONG THE DEVELOPMENT OFFICERS OF LIC INDIA IN CHENNAI CITY

Statements	N	Mean	Std. Deviation	t value	P value
Understand the responsibilities	200	3.74	1.300	8.048	0.000**
Have a sense of personal autonomy	200	3.70	1.232	3.236	0.001**
Feel confidence and pride	200	3.48	1.414	8.036	0.000**
Managers are treating employees fairly	200	3.40	1.389	3.538	0.001**
Timely feed back by managers	200	3.40	2.352	2.069	0.000**
Confidence in the empowerment maturity	200	3.33	1.852	2.435	0.000**
Managers are respected for competence	200	3.30	1.311	3.236	0.001**
Personal compensation is satisfactory	200	3.30	1.311	4.012	0.000**
The non-financial recognition is satisfactory	200	3.30	1.311	4.072	0.000**
Work group is a productive team	200	3.28	1.626	4.751	0.000**
Treat each other with respect and trust	200	3.20	1.367	3.236	0.001**
Reward system is fair and equitable	200	3.10	1.384	2.371	0.001**

Source: Primary data

Note: ** represents significant at 1% level.

The above table shows that one sample t-test for whether there is any impact of personal factors on quality of work life of the both public and private sector life insurance company officers in Chennai city. All the variables p value is less than 0.01. Therefore; the null hypothesis is rejected at 1% level of significant. It is concluded that there is impact of personal factors on quality of work life among the development officers of LIC of India in Chennai city.

CONCLUSION

From this research study, it is concluded that there is an impact of personal factors on quality of work life of the both public and private sector life insurance company officers in Chennai city. The existence of quality of work life in the insurance company enhances the job satisfaction, job performance, productivity and involvement of job of officers. Hence, the management is responsible for the presence of quality of work life in the insurance companies. It results in quality of the service and satisfaction of the customers.

SUGGESTIONS

- Organizations should provide the salary, yearly increment and incentives to their employees.
- Organizations should provide leave flexibility to employees for a break from work stress.
- Senior peoples of the organization have to maintain a healthy relationship environment in the organization.
- Seniors should provide help to his/her junior to full fill the company sales target.

REFERENCES

1. Anand Ganguly (2002), *Insurance Management*, New Delhi: New Age International (p) Limited. Aruna srinivasan (2007), *Asathal Nirvakikku 31 vazhigal*, Chennai: Vikatan publishers.
2. Ayesha Tabassum Tasnuya Rahman and Kursia Jahan (2011), "Quality of work life among Male and Female Employees of Private Commercial Banks in Bangladesh", *International Journal of Economics and Management*, 1, 266- 268.
3. Balachandran. S. (2007), *Life Insurance*, Mumbai: Insurance Institute of India. Balachandrar G Panchanatham N and Arumugam A (2012), "Quality of Work Life Motivating Insurance Company Officers in Tirunelveli", *Outreach*, 5, 202-208.
4. Ekramul Hoque., and Alinoor Rahman (1999), "Quality of Work Life and Job Behaviour of Workers in Bangladesh : A Comparative Study of Private and Public Sectors", *Indian Journal of Industrial Relation*, 2, 175-184.
5. Khanka KK (2012), *Organizational Behavior*, New Delhi: S.Chand and Company Limited. Meenakshi Gupta and Parul Sharma (2010), "Factor Credentials Boosting Quality of Work Life of BSNL Employees in Jammu Region", *Asia Pacific Journal of Research in Business Management*, 2, 110- 118.
6. Meenakshi Gupta and Vikas Sharma (2009), "Quality of work Life – A Study of Bank Employees in Jammu Region", *ACRM Journal of Business Management Research*, 2, 1-8
7. Priya, R. (2012). Quality of Work Life among Engineering Industries Employees. Emerging New Trends in Managerial Excellence. Chennai : Hikey Media.
8. Raju PVL (2004), "Quality of work Life – The Human Implications", *HRM Review*, 2, 17-19.
9. Sairam Subramanian and Saravanan R (2012), " Empirical Study on Factors Influencing on Quality of Work Life of Commercial Bank Employees", *European Journal of Social Sciences*, 1, 112-120.

SUSTAINABLE FINANCIAL INCLUSION: A NEED OF THE HOUR: STUDY OF RECENT INITIATIVES OF RBI & GOVERNMENT OF INDIA

AVINASH BN
RESEARCH SCHOLAR
VISVESVARAYA TECHNOLOGICAL UNIVERSITY
SAHYADRI COLLEGE OF ENGINEERING & MANAGEMENT
ADYAR

CHAITHRA M.S
ASST. PROFESSOR
BGS INSTITUTE OF TECHNOLOGY
BG NAGAR

PRIYANKA R
STUDENT
DEPARTMENT OF MANAGEMENT STUDIES
BGS INSTITUTE OF TECHNOLOGY
BG NAGAR

PUJA BHATT
STUDENT
DEPARTMENT OF MANAGEMENT STUDIES
BGS INSTITUTE OF TECHNOLOGY
BG NAGAR

ABSTRACT

“Financial inclusion or inclusive financing” is the delivery of financial services at affordable costs to sections of disadvantaged and low-income segments of society, the under covered in general and rural poor in particular. The objective of financial inclusion programme in India is to create a platform for inculcating the habit of savings, giving access to formal and organized credit. The lower income category is more vulnerable due to the financial duress in the absence of savings. Presence of formal banking products and services aims to provide a critical tool to inculcate the habit of saving and hence unbanked vulnerable population can be saved from the glitches of local money lenders thereby indirectly helping in capital formation. The availability of adequate and transparent credit shall allow the entrepreneurial spirit of the masses to increase outputs and prosperity. This process is continuous and will never get terminated. Once the basic objectives are achieved then comes the retention of the same forever. Sustainability and sustained development with financial inclusion is not a task or scheme, it's a strategy to raise India and its undernourished subjects to the mainstream of the society by providing them the reliable, affordable, accessible sources to generate and improve their livelihood thereby elevating them from poverty and making them self reliable, self dependent and self empowered citizens. Financial inclusion will better achieve its results just not getting their accounts opened but only through the deserved services are rendered by the financial institution and implementing machinery at right time.

KEYWORDS

Financial Inclusion, Formal Banking Services, Organized credit, Sustainable Development.

JEL CODE

G21

INTRODUCTION

India, a country with more than 6 lakh villages and being the seventh largest of the world with just above 2.3% of the total landscape of earth is abode to over 1.21 billion population as per 2011 census which is more than a sixth of the world's population. The most gigantic character of India's population is it has more than 50% of its population below the age of 25 and more than 65% below the age of 35. It is expected that in 2020, the average age of an Indian will be 29 years. Having such a huge working force, it's the responsibility of the country to give proper assistance to the energetic youth segment of the country to build the economy by generating self employment and income thereby taking part in the country's overall development and economy. According to the NSSO 59th round survey, 51.4% of farmer households are financially excluded from both formal/ informal sources. Of the total farmer households, only 27% access formal sources of credit; one third of this group also borrowed from non-formal sources. Overall, 73% of farmer households have no access to formal sources of credit. Across regions, financial exclusion is more acute in Central, Eastern and North-Eastern regions. All three regions together accounted for 64% of all financially excluded farmer households in the country. Overall indebtedness to formal sources of finance of these three regions accounted for only 19.66%. Nearly half of the population and a majority in rural Indians do not have bank accounts. Less than 10% of India's 600,000 villages have a bank branch. Nearly 80% of the Indian population is without life or health insurance. Penetration of mortgages, mutual funds and pension products is also very low.

LITERATURE REVIEW

FINANCIAL INCLUSION

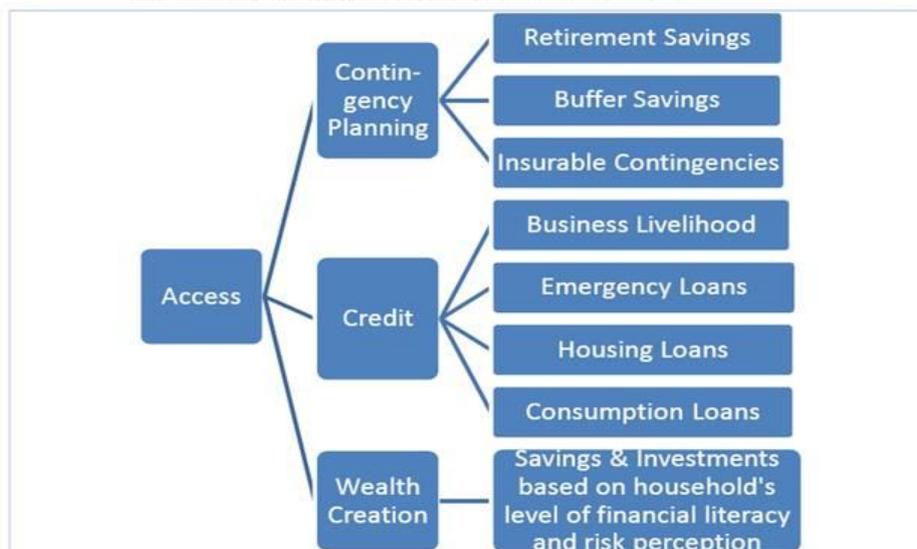
The United Nations defines the goals of financial inclusion as access at a reasonable cost for all households to a full range of financial services, including savings or deposit services, payment and transfer services, credit and insurance; sound and safe institutions governed by clear regulation and industry performance

standards; financial and institutional sustainability, to ensure continuity and certainty of investment; and competition to ensure choice and affordability for clients.

Financial inclusion is an idea whose time has finally come in India. It will enable hundreds of millions of low-income people to improve their economic and social status by participating in the financial system. Not only have the government and the Reserve Bank of India become very keen to promote inclusion, successful business models have at last emerged to serve the poor in a profitable manner. Capital, both debt and equity, is now available for this sector at reasonable cost even as better technology and Internet connectivity are making it easier and less expensive to reach and reduced participation in society by low-income families¹.

Former UN Secretary-General Kofi Annan, on 29 December 2003, said: "The stark reality is that most poor people in the world still lack access to sustainable financial services, whether it is savings, credit or insurance. The great challenge before us is to address the constraints that exclude people from full participation in the financial sector. Together, we can and must build inclusive financial sectors that help people improve their lives." Household access to financial services is depicted in the below figure¹.

Figure I: Household Access to Financial Services



Source: A Hundred Small Steps - Report of the Committee on Financial Sector Reforms (Chairman : Dr. RaghuramRajan).

SUSTAINABLE DEVELOPMENT

The term sustainable development rose to significance after it was used by the Brundtland Commission in its 1987 report *Our Common Future*. In the report, the commission coined what has become the most often-quoted definition of sustainable development. "Development that meets the needs of the present without compromising the ability of future generations to meet their own needs (Smith, Charles; Rees, Gareth; 1998)".

It has been suggested that because of rural poverty and overexploitation, environmental resources should be treated as important economic assets, called natural capital (Barbier, Edward B; 2006). Economic development has traditionally required a growth in the gross domestic product. This model of unlimited personal and GDP growth may be over (Korowitz, David; 2012). Sustainable development may involve improvements in the quality of life for many but may necessitate a decrease in resource consumption (Brown, L. R; 2011). In 1987 the economist Edward Barbier published the study "The Concept of Sustainable Economic Development", where he recognized that goals of environmental conservation and economic development are not conflicting and can be reinforcing each other.

The United Nations Millennium Declaration identified principles and treaties on sustainable development, including economic development, social development and environmental protection. It is a road-map, the action plan, for achieving sustainability in any activity that uses resources and where immediate and intergenerational replication is demanded. As such, sustainable development is the organizing principle for sustaining finite resources necessary to provide for the needs of future generations of life on the planet. Humanity has tried many different ways to develop. Some ended in wars, others in economic slumps and economic depression. The Goals have been broken down into a list of targets that are specific, practical and realistic. They are technically feasible and financially affordable. But without social mobilization, we will not progress from concept to achievement. A movement is needed to create awareness, trigger policy reforms, mobilize resources, and motivate actions to meet the goals, both globally and locally. The world cannot remain neutral... Doing nothing is not an option. Each of us can make a difference²

RECENT INITIATIVES

Reserve Bank of India along with the support of Government of India has initiated several measures to achieve financial inclusion and Sustainable development. Some of these are explained below.

Opening of no-frills & Basic Saving Bank Deposit (BSBD) accounts : Basic banking no-frills account is with nil or very low minimum balance as well as charges that make such accounts accessible to vast sections of the population. Banks have been advised to provide small overdrafts in such accounts, deposit and withdrawal of cash at bank branch and ATMs, receipt/ credit of money through electronic payment channels, facility of providing ATM card

Know-your-customer (KYC) norms: KYC requirements for opening bank accounts were relaxed for small accounts in August 2005; thereby simplifying procedures by stipulating that introduction by an account holder who has been subjected to the full KYC drill would suffice for opening such accounts. The banks were also permitted to take any evidence as to the identity and address of the customer to their satisfaction. It has now been further relaxed to include the letters issued by the Unique Identification Authority of India containing details of name, address and Aadhaar number.

Engaging business correspondents (BCs): In January 2006, RBI permitted the banks to engage business facilitators (BFs) and BCs as intermediaries for providing financial and banking services. The BC model allows banks to provide doorstep delivery of services, especially cash in-cash out transactions, thus addressing the last-mile problem. The list of eligible individuals and entities that can be engaged as BCs is being widened from time to time. With effect from September 2010, for-profit companies have also been allowed to be engaged as BCs. For effective cash management, documentation, and redressal of customer grievances and close supervision of BC operations, banks have been advised to open intermediate structures between the present base branch and BC locations. This branch could be in the form of a low cost simple brick and mortar structure consisting of minimum infrastructure such core banking solution terminal linked to a pass book printer and a safe for cash retention for operating larger customer transactions.

¹ Prof. Chitta Ranjan Mishra FI for sustainable development – Research Journal of Commerce and Behavioral Science

² From an address by The UNDP Administrator, on the International Day for the Eradication of Poverty, 17 October 2003

Use of technology: Recognizing that technology has the potential to address the issues of outreach and credit delivery in rural and remote areas in a viable manner, banks have been advised to make effective use of information and communications technology (ICT), to provide doorstep banking services through the BC model where the accounts can be operated by even illiterate customers by using biometrics, thus ensuring the security of transactions and enhancing confidence in the banking system. Banks have been advised to implement EBT by leveraging ICT-based banking through BCs to transfer social benefits electronically to the bank account of the beneficiary and deliver government benefits to the doorstep of the beneficiary, thus reducing dependence on cash and lowering transaction costs.

GCC: With a view to helping the poor and the disadvantaged with access to easy credit, banks have been asked to consider introduction of a general purpose credit card facility up to ₹25,000 at their rural and semi-urban branches. The objective of the scheme is to provide hassle-free credit to banks' customers based on the assessment of cash flow without insistence on security, purpose or end use of the credit. This is in the nature of revolving credit entitling the holder to withdraw up to the limit sanctioned.

Simplified branch authorization and Opening of branches in unbanked rural centres: to address the issue of uneven spread bank branches, domestic SCBs are permitted to freely open branches in Tier 2 to Tier 6 centers with population of less than 1 lakh under general permission, subject to reporting. In North-Eastern States and Sikkim domestic SCBs can open branches without having any permission from RBI. With the objective of further liberalizing, general permission to domestic scheduled commercial banks (other than RRBs) for opening branches in Tier 1 centres, subject to certain conditions. To further step up the opening of branches in rural areas so as to improve banking penetration and financial inclusion rapidly, the need for the opening of more bricks and mortar branches, besides the use of BCs, was felt. Accordingly, banks have been mandated in the monetary policy statement to allocate at least 25% of the total number of branches to be opened during a year to unbanked rural centres.

Financial Literacy Centres (FLCs): Accordingly, it was advised that FLCs and all the rural branches of scheduled commercial banks should scale up financial literacy efforts through conduct of outdoor Financial Literacy Camps at least once a month, to facilitate financial inclusion through provision of two essentials i.e. 'Financial Literacy' and easy 'Financial Access'. Accordingly, 718 FLCs have been set up as at end of March 2013. A total of 2.2 million people have been educated through awareness camps / choupals, seminars and lectures during April 2012 to March 2013.

Financial Literacy Initiative and SHG-Bank Linkage: Financial education, financial inclusion and financial stability are three elements of an integral strategy, as shown in the diagram below. While financial inclusion works from supply side of providing access to various financial services, financial education feeds the demand side by promoting awareness among the people regarding the needs and benefits of financial services offered by banks and other institutions. Going forward, these two strategies promote greater financial stability. This model helps in bringing more people under sustainable development in a cost effective manner within a short span of time. According to NABARD as on March 2011, there are around 7.46 million saving linked SHGs with aggregate savings of Rs. 70.16 billion and 1.19 million credit linked SHGs with credit of Rs. 145.57 billion

Growth of MFIs and Bank credit to MSME: Though RBI has adopted the bank-led model for achieving financial inclusion, certain NBFCs which were supplementing financial inclusion efforts at the ground level, specializing in micro credit have been recognized as a separate category of NBFCs as NBFC-MFIs. At present, around 30 MFIs have been approved by RBI. Their asset size has progressively increased to reach Rs. 19,000 crore as at end Sept 2013. MSME sector which has large employment potential of 59.7 million persons over 26.1 million enterprises, is considered as an engine for economic growth and promoting financial inclusion in rural areas. MSMEs primarily depend on bank credit for their operations.

Insurance Penetration in the Country: The total insurance (life and non-life) penetration, in terms of the ratio of insurance premium as a percentage of GDP increased from 2.32 in 2000-01 to 5.10 in 2010-11. The life insurance penetration as a percentage of GDP stood at 4.40 in 2010-11 while the non-life insurance penetration remained at 0.71 during the same period. In other words, there is vast untapped potential as regards insurance penetration.

Pradhan Mantri Jan Dhan Yojana: Indian Prime Minister Narendra Modi announced this scheme for comprehensive financial inclusion on his first Independence Day speech on 15 August 2014. The scheme was formally launched on 28 August 2014 with a target to provide 'universal access to banking facilities' starting with Basic Banking Accounts with overdraft facility of Rs.5000 after six months and RuPay Debit card with inbuilt accident insurance cover of Rs. 1 lakh and RuPay Kissan Card & in next phase, micro insurance & pension etc. will also be added³ In a run up to the formal launch of this scheme, the Prime Minister personally mailed to CEOs of all banks to gear up for the gigantic task of enrolling over 7.5 crore (75 million) households and to open their accounts⁴ In this email he categorically declared that a bank account for each household was a "national priority". On the inauguration day of the scheme, 1.5 Crore (15 million) bank accounts were opened⁵

CHALLENGES TO THE INITIATIVES

Just having all these policies, programmes and system in place will not be sufficient to achieve the target of financial inclusion and sustainable development. Financial inclusion of the unbanked masses is a critical step that requires political will, bureaucratic support and dogged persuasion by RBI is expected to unleash the hugely untapped potential of the bottom of pyramid section of Indian economy, perhaps financial inclusion can begin the next revolution of growth and prosperity and sustainable development⁶. Taking into account the achievements stated above and based on interactions with the stakeholders during our various outreach programmes, and also the feedback received there are many issues which needed to be attended to succeed in the process of financial inclusion and sustainable development⁷.

Business Correspondents (BC): For effective functioning of BC model in reaching poor villagers, the following need to be addressed: BCs are not making enough income due to catering of services to low-income customers with low volume transactions. For optimum usage of BCs in reaching the poor villagers, BCs have to be adequately compensated so that they are sufficiently incentivized to promote financial inclusion as a viable business opportunity. The usefulness of BC model is dependent on the kind of support provided by the bank branches. For effective supervision of BC operations and for addressing cash management issues as also to take care of customer grievances, banks should open small brick and mortar branches at a reasonable distance. Further, banks should initiate suitable training and skill development programmes for effective functioning of BCs.

Tailor Made Services and ATM Networks: Designing suitable innovative products to cater to the requirements of poor villagers at affordable rates is an absolute imperative. To wean away villagers from borrowing from money lenders, banks should develop simplified credit disbursement procedures and also flexibility in their work processes. ATM Network in rural areas accounted for only 10.1% of total ATMs in the country as on March 31, 2013. Banks should enhance their ATM network in rural and un-banked areas to serve poor villagers. While doing so, adequate care should be taken regarding safety/ security issues, which have come to the fore in recent times.

KCC/GCCs: To enable farmers to withdraw cash from ATMs anywhere in the country, banks need to convert KCCs/GCCs to electronic credit card. Further, banks may explore the possibility of issuing multipurpose cards which could function as debit cards, KCC and GCC as per the requirements in rural areas. To achieve meaningful financial inclusion, banks should give priority for small farmers as compared to large farmers while sanctioning credit.

Financial Inclusion in Urban Areas and BSBD accounts: Generally, urban financial inclusion leaves vast scope for improvement. Migration from rural to urban centres is also accentuating the problem. It is understood that nearly half of the BSBD accounts are dormant. For effective use of BSBD accounts economic activity needs to be improved.

Migrants are not Adequately Covered: Migrants are facing difficulties in opening bank accounts. Commercial banks need to take care of the needs of the migrant population in their financial inclusion plans. To deal with poor villagers, banks need to initiate training programmes to frontline staff and managers as

³ Prime Minister to Launch Pradhan Mantri Jan Dhan Yojana Tomorrow". PIB, Govt. of India. 27 August 2014. Retrieved 28 August 2014.

⁴ "PM's email to all bank officers". Press Information Bureau, Govt. of India. 25 August 2014. Retrieved 28 August 2014.

⁵ "PM 'Jan Dhan' Yojana launched; aims to open 1.5 crore bank accounts on first day". The Economic Times. Retrieved 28 August 2014.

⁶ <http://www.allbankingsolutions.com/Articles/Articles-AB-Financial-Inclusion.htm>

⁷ Mr. Raghuram Rajan, the Governor, Reserve Bank of India in his report on financial inclusion

well as BCs on the human side of banking. : Remittance facility for migrant population is of paramount importance. Providing of easy and cheap remittance facilities to migrant population is an absolute imperative.

CBS, EBT and Mobile Banking: In order to handle the growing amount of work due to intensive financial inclusion efforts of country, banks/RRBs should ensure scalability of their CBS platforms. The EBT scheme being an important and integral part of the overall Financial Inclusion with its attendant benefits, banks should promote EBT systems effectively for boosting their financial inclusion plans. : In rural India, there are 323.27 million mobile subscribers as on March 2012 (TRAI Annual Report, 2012). Under the chairmanship of B Sambamurthy, RBI constituted a committee to examine the options/ alternatives, including the feasibility of using encrypted SMS based funds transfer using an application that can run on any type of handset for expansion of mobile banking in the country.

Low Credit Share and Infrastructure development: Although, in terms of number of branches, rural areas account for nearly 30% of total branches of scheduled commercial banks, the share of rural credit account for less than 10% of total credit. Government/Banks should initiate steps to increase the credit absorption capacity in rural areas by promoting employment and other opportunities. For up-scaling financial inclusion, adequate infrastructure such as digital and physical connectivity, uninterrupted power supply etc is prerequisites. Reportedly, out of six lakh villages in India, around 80,000 villages have no electricity and the constraints of electricity directly impact the working of banks.

Private Sector banks and Post office contribution: In the case of private sector banks, rural branches accounted for just 13.3% of their total branches in March 2013 (while in the case of public sector the same stood at 33.1%). There is an imperative need to ramp up the number of rural branches by the private sector banks. Post offices (POs) are closest to the rural people compared to bank branches. As on March 31, 2011, there are 1,54,866 post offices in India, of which 1,39,040 (89.8%) were in rural areas. All round efforts should be made to ensure that Post Offices play a greater and more active role due to known advantages. Progressively, more POs may be engaged to become BCs of banks due to well-known advantages.

Vernacular Languages: Financial inclusion efforts should necessarily be done in vernacular languages. In this context, the need for vernacularisation of all forms (including legal forms) is an absolute must, at least in major languages. There are 10,506 consumer complaints received against financial sector (includes banking, finance, insurance, real estate and construction) during the period January 2013 to March 2013. As part of Financial Literacy initiatives, if banks were to undertake pro-active steps in helping the common public to get over their English phobia, it is felt that the number of complaints would increase manifold.

MSME – Financial Exclusion: The statistics based on 4th Census on MSME sector revealed that only 5.18% of the units (both registered and un-registered) had availed finance through institutional sources, 2.05% got finance from non-institutional sources. The majority of units i.e., 92.77% had no finance or depended on self-finance. SIDBI should go into the reasons for not getting access to formal sources of credit by the majority of MSME units.

SHG-Bank Linkage, Bank Credit and Insurance: Outstanding bank loans against SHGs accounted for only 1.93% of gross bank credit as on March 31, 2011. It was observed that SHGs are not getting loans from banks even after more than one year of its formation and group activities. Certain difficulties are being experienced by SHGs in obtaining bank credit which NABARD should look into and inform RBI of the same. Over 70% of total population resides in the rural areas of the country. However, insurance reaches less than 3% of the total population. Due to high competition and relatively high market saturation in the urban areas, rural areas provide ample business opportunities for insurance firms –both life and non-life.

RESULTS EXPECTED OUT OF INITIATIVES

The measures, plans, programmes, policies and system in place will support the process of financial inclusion and thereby sustainable development with the following outcomes.

Options to live: The basic problem with the rural mass is that, they don't have options to live. The proper implementation of financial inclusion will help them to find such options. An income does not always improve quality of life, but it can help. Social grants are thus supplementing (or substituting for) the trickling down of wealth through economic growth. A Basic Income Grant has been recommended in order to alleviate hardship. This could also relieve the over-harvesting of natural resources in some areas.

Meaningful jobs & Economic reforms: Job is concerned with the psychological aspect of the job holder. Any job cannot serve the purpose. The job has to be meaningful, because the rural jobs are not structured but still demands lot of proficiency and expertness. So, when these jobs are created, they have to take care of the interest and expertness of the person involved, and then only the job becomes meaningful. Efforts to alleviate poverty will not be successful without a complete overhaul of the economic systems that have maintained poverty for so long. We are using outdated economic models that lead to the redundancy of people, and poverty thrives.

Alleviating affluence & poverty: Poor people need to consume more environmental resources. What are the implications for the Earth? Not good, if they were to consume at the same rate as the 'consumer class'. The environmental footprint of a wealthy person is far greater than that of a poor person. Even when we multiply the number of poor, we still find that a mere 20% of the population – the wealthy – is responsible for the bulk of the world's consumption and pollution. These facilities can make them to engage in household business, handicrafts, cottage industries etc. thereby earning descent income through which poverty can be alleviated.

Education and capacity-building: Education and training must help the unemployed, under-employed and youth at risk to move from being unskilled or redundant in one kind of economy to contribute productively to a new economy based on social justice and ecological sustainability. Equally important is capacity-building for government departments, which must deliver on poverty reduction and development. Policies such as the Integrated Rural Development Programme are well intentioned, but lack substance, particularly on sustainable development

CONCLUSION

Financial Inclusion is not a scheme; it is a continuous process which ends only when 100% inclusion is achieved. Achieving sustainable financial inclusion will require a systematic effort, which leverages technology, regulatory framework and appropriate business models cohesively. Information and Communications Technology (ICT) interventions, including mobile and wireless, will enable financial institutions to create disruptive business models to provide mainstream financial services to the poor. In developing countries, including India, IT coupled with the rapid increase in the telecommunication network and service quality has the potential of being the force-multiplier for scaling up financial inclusion. Financial inclusion is the process of ensuring access to mainstream financial services where and when needed by vulnerable social groups at an affordable cost. It is the usage intensity of financial product and services instead of mere ownership of a financial product, which results in sustainable financial inclusion.

Another relevant point regarding financial inclusion is that, even amongst the population that has access to formal financial sector institutions, the majority are often poorly served both quantitatively and qualitatively from the perspective of products and services. Despite broad international consensus on the importance of financial inclusion as a powerful social development instrument, it is estimated that over two billion people continue to be financially excluded from the formal financial sector. With over 135 million financially-excluded households, India is home to the world's second largest financially-excluded population after China. Only 34 percent of the Indian population is currently engaged with the formal financial sector and the urban rural divide is very apparent. If usage intensity of a savings account is considered as a true indicator of financial inclusion rather than mere ownership, then the financial inclusion percentage will certainly be much lower. Till recently, the focus of the financial inclusion interventions has largely been supply oriented and typically driven by government mandates. While progress has been made during the last few years, the formal financial sector continues to treat providing financial services to the poor as a social obligation rather than a viable untapped business opportunity. To achieve a more balanced set of interventions and align the supply-side interventions with the needs of the financially-excluded consumer, it is important to develop an in-depth understanding of the consumer. Some typical challenges faced by the financially-excluded consumer toward accessing the mainstream financial services include complex products, bureaucratic procedures, lack of credit history and lack of collateral. To create a "demand pull" for their products and services, financial institutions will have to architect their products and services radically to address the real, rather than perceived, needs of the financially-excluded consumers.

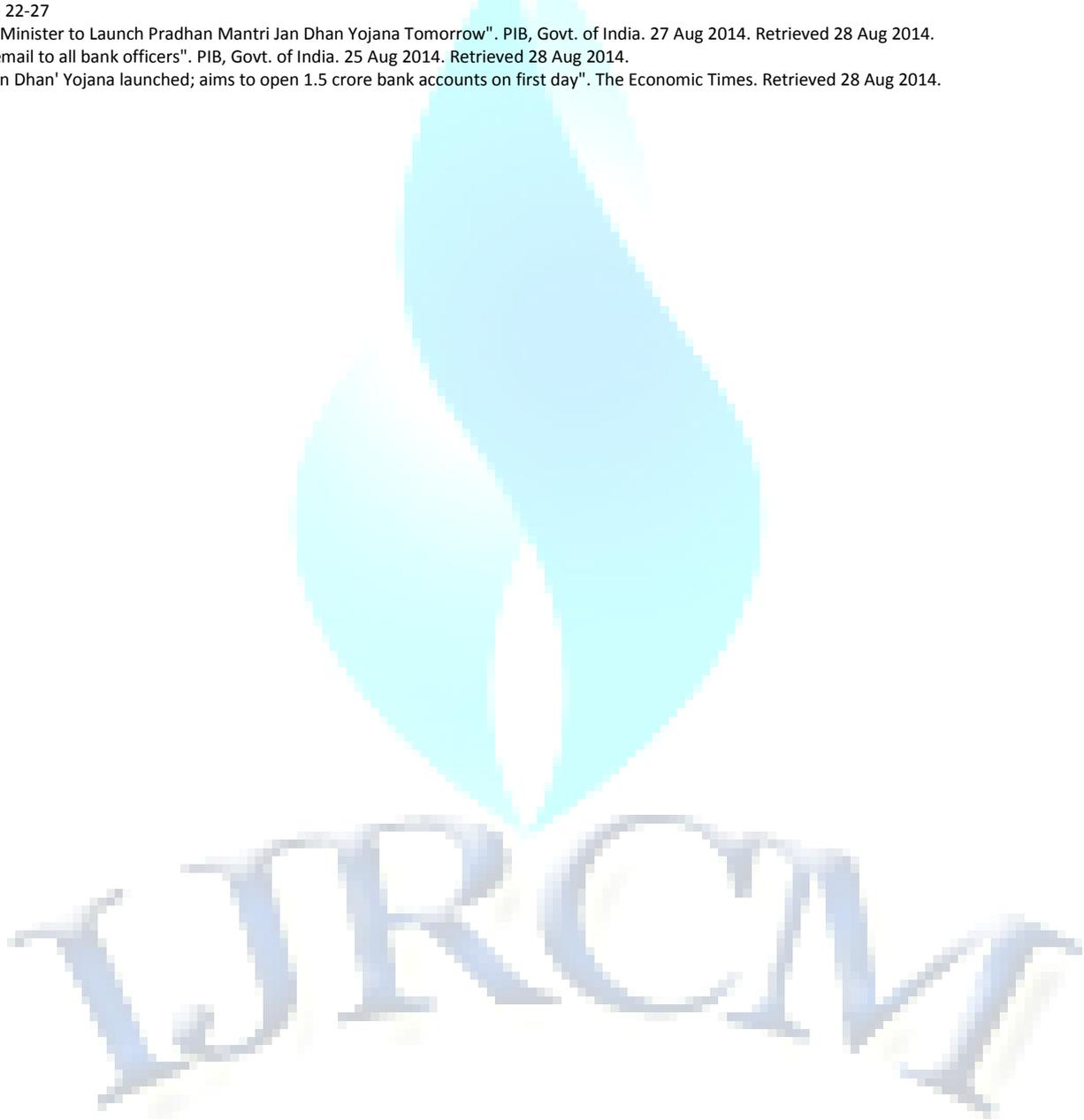
From the supply-side perspective, the challenges for scaling up financial inclusion include high cost of transactions, huge upfront investments to create the infrastructure, market development expenses and lack of standards. In India, the challenge is exacerbated as IT adoption beyond the national public sector

banks is quite low. Ensuring sustainable financial inclusion will require supply-side and demand-side challenges to be addressed simultaneously through systemic solutions. All stakeholders of the financial inclusion ecosystem, including financial institutions, regulatory agencies, technology service providers and civil society organizations, will need to play their individual parts effectively. They will also need to collaborate with each other to architect and implement effective interventions.

ICT interventions can enable financial institutions to create disruptive business models that will provide mainstream financial services to the poor. Mobile and wireless ubiquity coupled with the rapid increase in the telecommunication network and service quality has the potential of being the force-multiplier for scaling up financial inclusion. By leveraging ICT, financial institutions can lower down the cost of transactions, increase their outreach, reduce time-to-market, enable product and service innovation and achieve upstream and downstream integration within the financial ecosystem institutions.

REFERENCES

1. Barbier, Edward B. (2006). *Natural Resources and Economic Development*. Cambridge University Press. pp. 44–45.
2. Brown, L. R. (2011). *World on the Edge*. Earth Policy Institute. Norton
3. Korowitz, David (2012), *Ignorance by Consensus*, Foundation for the Economics of Sustainability
4. Smith, Charles; Rees, Gareth (1998). *Economic Development, 2nd edition*. Basingstoke: Macmillan.
5. Mr. Raghuram Rajan, the Governor, Reserve Bank of India – “Role of Financial Sector in Spurring Growth and Expanding FI”
6. Prof. Chitta Ranjan Mishra “FI for sustainable development” – Research Journal of Commerce and Behavioral Science Volume: 01, Number: 08, June-2012pp 22-27
7. “Prime Minister to Launch Pradhan Mantri Jan Dhan Yojana Tomorrow”. PIB, Govt. of India. 27 Aug 2014. Retrieved 28 Aug 2014.
8. “PM's email to all bank officers”. PIB, Govt. of India. 25 Aug 2014. Retrieved 28 Aug 2014.
9. “PM 'Jan Dhan' Yojana launched; aims to open 1.5 crore bank accounts on first day”. The Economic Times. Retrieved 28 Aug 2014.



THE IMPACT OF ADVANCED TECHNOLOGIES AND TELECOMMUNICATION: IMPLICATIONS FOR DEVELOPMENT OF NIGERIAN PORT INDUSTRY

DR. OBED B. C. NDIKOM

SR. LECTURER

DEPARTMENT OF MARITIME MANAGEMENT TECHNOLOGY

FEDERAL UNIVERSITY OF TECHNOLOGY

OWERRI

ABSTRACT

This paper reviews how the Impact of telecommunication and information technologies permeate households and business transactions, other changes in activity and travel patterns may be emerging. Over the years, increased use of the Internet coupled with increased acceptance of electronic signatures and better security for electronic transactions may be cutting into paper transfers of documents within the confines of the Port systems to facilitate goods clearance and delivery to consignee's warehouse. The impact of telecommunication advances on the Ports Industry are quite unclear in this part of the globe, there is no doubt that, the Shipping Industry has been strongly affected by the ability to stay in touch electronically, as vessel calls, berthing process, cargo documentation and delivery procedures are been affected by advanced technologies and telecommunication. Data were collected by means of 200 structured questionnaires administered to Port workers at Lagos Port complex. These data were analyzed using the weighted score average to show the variable ratings on the Likert scale. It was deduced that, Telecommunications and advanced information technologies have improved Ports operational modalities, shipping activities thereby reflecting in increased cargo throughput, ship turnaround time of vessels, increased berth occupancy, Port revenue generation, efficiency, operational performance and output. This also has enhanced documentation process and delivery of goods to owners at the right time, place and speed. Therefore, effort shall be made to x-ray how telecommunications and advanced Information technologies are not only opening up new options for cargo documentation and delivery but also helped in the cashless concept of Port's Operations and attendant benefits of not physically confirming payments of bills at both Shipping Companies and Nigerian Ports Authority.

KEYWORDS

Advanced Technologies, Telecommunications, Nigerian Ports, Electronic transactions and Industry.

INTRODUCTION

 Over the years, increased use of the Internet coupled with increased acceptance of electronic signatures and better security for electronic transactions may be cutting into paper transfers of documents within the confines of the Port systems to facilitate goods clearance and delivery to consignee's warehouse. The impact of telecommunication advances on the Ports Industry are quite unclear in this part of the globe, there is no doubt that, the Shipping Industry has been strongly affected by the ability to stay in touch electronically, as vessel calls, berthing process, cargo documentation and delivery procedures are been affected by advanced technologies and telecommunication. Over the years, Telecommunications and advanced information technologies have improved Ports operational modalities, shipping activities thereby reflecting in increased cargo throughput, ship turnaround time of vessels, increased berth occupancy, Port revenue generation, efficiency, operational performance and output. This also has enhanced documentation process and delivery of goods to owners at the right time, place and speed. Therefore, effort shall be made to x-ray how telecommunications and advanced Information technologies are not only opening up new options for cargo documentation and delivery but also helped in the cashless concept of Port's Operations and attendant benefits of not physically confirming payments of bills at both Shipping Companies and Nigerian Ports Authority. Over the last two decades, the threshing wind of globalization and its impact on man, have strongly reshaped and transformed the way man thinks and behaves in their day to day transactions and business engagements within the confines of the maritime-shipping operational environment. Indeed, advances in communication technologies, improved telecommunication signals and high tech information dissemination, have indeed transformed the human society and maritime shipping business and operational transactions in manners and ways beyond mans expectations and experience (Catherine, 2000). But despite the tremendous contributions of improved and advanced communication technologies and high tech. information dissemination to modern economic growth in the world at large, which cannot be described as being healthier and safer. Nonetheless, the fact that advanced and improved telecommunication technologies and maritime transport revolution are central to development and civilization does not seem to be much appreciated within the confines of the Nigerian port settings. Obviously, communication and transport are basic ingredients and indices for socio-economic and political standards of any nation. Even though, the two are very more potent instruments for social integration and mobilization in the advanced economies of the world (Ndikom, 2010). The sophisticated and complexity which characterized human communication technologies in this modern world are the result of a long sustained efforts by man to improve on one the most fundamental aspect of existence itself. In explaining this complexity, Macride and Charlton (1987:3) have this to say.

Throughout history, human being have sought to improve their ability to receive and assimilate information about their surroundings and at the same time increases the speed, clarity and variety of their methods of transmission of information. Interestingly, communication revolution has provided such a wonderful opportunity that the world had waited for long before now.

Hence, the communication revolution and high-tech information dissemination are continuation of the transport revolution, which has always affected our pattern of movement and cost of delivery goods and messages across distances. The death of distance and the emergence of a Global village/bedroom in the current operations of the maritime industry at large, occasioned by the communication revolution, have even fast tracked the changes in the method of goods documentation processes, clearance procedures of goods and message delivery as expected (Cairncross, 2000). Essentially, The single most potent themes in the effect of globalization is the economic and social importance of the shrinking of geographical distance by transport and communication technologies in the operational modalities of shipping transactional delivery and documentation processes within the confines of the ports system. The death of distance thus loosens the grip of geography. The effect of globalization on the changing world, through the revolutions in transport and advanced communication technologies have reduced the world into a global village or bedroom, as cost of transferring ideas and information is now distance free – thanks to the internet and the global system of mobile communications (GSM). This astonishing change which occurred in less than two decades came amidst such market forces as globalization, privatization, concessioning, commercialization and liberalization of trade policies and international migration (Ndikom, 2010). In fact, the threshing wind of globalization and its effects on man has suddenly and totally reshaped the thoughts, attitudes and behavior of man worldwide. From an industrial consuming economy to an informative and creative one, the maritime ports industry has seriously grown to be highly efficient and productive (Ndikom, 2005). Obviously, the concept of globalization and the attendant consequences of advanced technologies and telecommunications, reflect the death of distance and the consequent birth of a global village. It also assumes that, improved technologies are potent factors for driving economies which have the power to change the social, physical and operational performance of any society. The most important theme of globalization is the economic and social relevance of the shrinking posture of the geographical distance, due to the revolution in communication and transport, so much that the more informed you are of new trends in economic, transactional linkages, procedures and social activities, the more communication and transport process you are considered to have been involved in (Saul,2000). Interestingly, the issue of death of distance is anchored on informative technological and communication revolutions, which are the most important forces shaping economies and industries of advanced nations of the world (Maritime-Ports industry) and their operational performances

(Cairncross,2000). But these revolutions themselves are anchored on the three main building blocks of communication and transport – voice, video, and data. The effects of these three on the changing Maritime world of transactional business, have really made the world a global village/bedroom, as the cost of communicating ideas, and sending information on vessel and Cargo operations within the confines of the Maritime –Ports industry, is almost free today, courtesy of the Internet and mobile telephony (David,2000). The astonishing changes in the maritime industry, which occurred in less than two decades, came at a time when the market forces of globalization, liberalization, concessioning and international migration were changing the way people think and do business now world over(Andrew,2000).

LITERATURE SURVEY

ECONOMICS OF GLOBALIZATION IN THE NIGERIAN MARITIME INDUSTRY

The economics of globalization (which reflects the output of advanced communication technologies and telecommunication) has to do with the transformational changes and impact it has made in the maritime industry. It is a transformational policy that changes the general outlook of activities and operations within the world Maritime environment. Essentially, globalization is perhaps the most important phenomenon in today's maritime operations for engendering fast economic growth and development. It is simply defined as the increasing interaction among and integration of activities (including maritime) of human societies around the shipping world of ours (Ajayi, 2004). It is seen as the economic interdependence of countries worldwide, through the increasing volume and variety of cross-border transactions in port cargoes and services and of international capital flow through the more rapid and widespread diffusion of advanced technologies, telecommunications, high-tech information dissemination and information super-byways which have indeed improved the Ports-vessel calls, vessel throughput and cargo- throughput within the confines of any maritime –ports related environment at the end of the day(Mzekwu, G.1999). Globalization is also a global policy of integrating national and international maritime and economic frontiers, which tends to shape and restructure the fundamental growth parameters and bring about transformational developments in the shipping activities (Ajayi,2004). It really encapsulates both a description and prescription. The description in terms of maritime/shipping industry is the widening of international flow of trade, finance and information in a single integrated global shipping market. Obviously, the prescription is to liberalize shipping nations and global markets in the belief that free flow of trade, finance and information will produce the best outcome for growth and human welfare. Seriously speaking, the popularity of the economies of globalization as a concept today within the maritime industry world over, can be attributed to two strong reasons (Andrew,2000b). First, the scale and speed by which technologies, especially in telecommunications and maritime transport, are changing the world today; and second, globalization is the most current economic factor widely accepted as having changed the face of international maritime activities and transactions and turned the world into a global bedroom of sort. Interestingly, globalization summaries a number of interacted features of the world economy and advances in communication and transport technologies, for expanding the spatial scope of world business activities and integrating markets across national borders(Ndikom,2010). Today, there is a higher degree of uniformity in policy formulation and institutional environments, and this helps to set rules for economic actions and interactions; hence, whether in maritime or other sector of an economy, the forces of globalization can neither be ignored nor halted(Andrew,2000c). These hold out a promise not only for increased operational performance, efficiency and productivity for the maritime industry, but also for higher standard of living for all people (Andrew,2000b). A number of features characterize globalization. First, powerful forces for driving globalization are linked to certain ubiquitous technological advances in transport and communication. These forces are not only independent of government but also have a life of their own. Given the unprecedented changes in the international maritime environment in recent years, it may be difficult for a country to really isolate itself from the world market place (Ajayi,2004). As Roderick (1997) put it, we need to be up front about the irreversibility of the many changes that have occurred in the global economy. Second, advances in communications and transport mean that large segments of national economies are much more exposed to international trade and capital flows than they had ever been, regardless of what policy makers choose to do. Within the global village/bedroom concept, national policies that are basically inhibitive can be thwarted by transfer of funds, shifting tax bases, relocation of production, privatization, concessioning, liberalization, commercialization, and private-public partnership(Ndikom,2005).

TELECOMMUNICATIONS CONCEPT IN MARITIME TRANSPORT DEVELOPMENT

Telecommunications is one of the latest modes of transport that transmit and transfer information, ideas, knowledge and latent innovation from one place to another through an identified channel. The place of communication in transportation development mainly in this era of technological advancement and transformational changes occasioned by globalization trend is very crucial and relevant (Ndikom, 2006). It is one of the gateways to the economic survival of the nations and also it is one of the three buildings blocks of the fast changing communication world this generation has witnessed. Actually, it is true that the new entry has witnessed this fast changing events, which was the reflection of domination and transformation of the cost of transporting knowledge and ideas which is also free in terms of cost. Ideally, that transformational development was occasioned by communication revolution, which happens to be an off-shoot of transport revolution of the 18th century. Basically, throughout history, human beings have sought to improve their ability to receive and assimilate information about their surroundings and at the same time, increase the speed, clarity and variety of their methods of transmission of information (Ndikom, 2006). Interestingly, telecommunication revolution has provided such a wonderful opportunity that the world has waited long before now. To this end, communication or telecommunication revolution is a positive reflection and continuation of messages across the globe. The death of distance and the concept of global village were occasioned by the resounding victory of communication revolution in this unfolding drama of a fast changing world (Cairncross, 2000).

Telecommunication changes and transformation in transportation industry is a basic evolution that has changed the face of operations and activities within the world's conventional standards and regulations since transportation activities are international in nature both in content and context (Ndikom 2006). It is very obvious to note here that, telecommunication is an aspect of transport activity. This is because, as one of the modes of transport, it does not really require physical movement, unlike other modes of transport. Telecommunication plays a vital role in the sustainability and complementarity of the operations of transport activities (Cairncross, 2000). This is because both are agents of growth and development and gateway to any nation's economic sustainability and survival. For telecommunications to be effective and efficient in the development of transportation activities, it must be anchored on the three basics of movement concept as thus enumerated.

- a. There must be demand and supply.
- b. There should be no absence of intervening opportunity.
- c. There is need for transferability potential (movable).

There are good examples of different types of telecommunications that have aided transportation development and they are as follows: (a)Telephone (b) Telefax (c) Teleconferencing (d) Mobile or wireless phones

Some schools of thought have x-rayed hypotheses that looked at the role of telecommunications in transportation development. The schools of thought are of the view that telecommunication can substitute physical movement (substitution concept). Secondly, that it could enhance physical movement (complementary concept).

- a. Substitution Hypothesis: The hypothesis looks at the relationship between transport and communication and it considers the replacement of physical movement through electronic means. The hypothesis says that transport is replaced totally through the transfer of information and ideas through telecommunication. For instance, interaction is totally eliminated by electronic contact. This hypothesis assumes that the use of telecommunication will reduce and divert traffic from physical movement to information transfer. It will also increase the complete usage of man- hour time, efficiency and productivity of the system at the end of the day. It will enhance efficient concentration of assigned responsibilities and reduce cost of wastages through physical movement. In most advanced economies, telecommunication has reduced the need for physical movement or travelling as the case may be. Obviously, this is not so in Nigeria, due to environmental factors, cultural norms and social values and attachment to social engagement and recreational activities in conformity to extended value system. This is because; people must want to be physically present at occasions or social engagements. In this case, telecommunication might not reduce the need for travelling or physical movements.

- b. Complementary and Enhancement Hypothesis: this is often used from economic sense. It assumes that, telecommunication usually complements the physical transport system. An aspect of this complementarity looks at the interaction between transport and telecommunications as one mode ensuring better and efficiency of the other mode, for example, air transport. On the other hand, enhancement relates to how telecommunication makes better a particular mode of travel. This is because; more activities are performed or generated as a result of telecommunications.

BARRIERS TO TELECOMMUNICATION

There are certain factors that will usually act as a barrier to telecommunication. These include:

- | | |
|------------------------------------|---|
| a. Cultural factors | e. Political factors |
| b. Physical factors | f. Government policies |
| c. Socioeconomic factors | g. Population growth problem |
| d. Level of technology development | h. Educational attainment of the people |

a. Cultural Factors: This is one of the factors that could inhibit the advancement of information transfer within the confines of a locality. Really, cultural factors could limit the level of social interaction between two communities, as it is an identity of a people. Culture includes language, way of life of a people, common aspirations pattern of expressions, behaviour and religion etc. Access to telephone in the communist countries was lacking due to some cultural, socio-political reasons etc.

b. Socioeconomic Factors: This is one of the factors that could limit the advancement of telecommunication usage and usefulness in the development of transportation activities. The concept of social class syndrome and level of real income of the people pose serious barriers to advancement of telecommunications in transportation development. This has to do with the cost of having telecommunication usage within the reach of people in that locality. For example, in Nigeria, over the last two decades, usage of a telecommunication facility is termed luxury, costly and also for the exclusive preserve of the high and mighty within the high echelon of the social strata. Over ten years ago, it used to cost about N100,000 to have and own a telephone in your homes but it used to cost over N150, 000 to own a good mobile handset when it initially came. Even though the cost is fast reducing, but the cost is still very high here in Nigeria when compared with some advanced economies of the world. To this end, this is a very major barrier to consider in a developing nation like Nigeria.

c. Level of Technology: The use of digital or cellular phones are products of improved technology and costs are fast crashing rapidly, thereby making delivery of information cost almost free in most advanced nations but we in the developing world are still yet to get there for now. With further improvement in technology development, better telecommunication system will enhance transportation development and cost of message delivery will almost be free within the confines of the Ports system (Ndikom, 2006).

d. Physical and Environmental factor: The location position and environmental topology of a particular area can affect the reception of telecommunication signals. The pollution and noise level of an environment is a serious physical barrier to possible telecommunication improvement, since the attendant consequences of entropy and reception access will indeed limit telecommunication. But with the improvement in technology and super-by ways, this could be overcome.

e. Political Factor: This is one of the factors that could ordinarily limit telecommunication advancement in any nation's transportation development. Political instability will in no small measure affect telecommunication usage in any growing and developing nation like Nigeria, most especially our experiences now from the North-East of the country. No nation under war crisis will have a stable act of governance; hence, policies encouraging telecommunication and transportation development seem to be a mirage. Government policy inconsistencies and instability will never in any way encourage telecommunication and transportation development. This indeed is a major barrier to contend with (Ndikom, 2006).

f. Government policy: This is one of the major barriers to telecommunication and transportation development. Policies of government may either positively or negatively affect telecommunication's development. The way government of any nation appreciates the value and efficacy of information dissemination, the better the way they set processes of developing telecommunication access to her people for possible aid to trade and commerce and also transportation development. Over the years, the policies of government has really hindered and inhibited growth and development within the confines of the Maritime industry, which has affected efficiency and productivity to a large extent (Ndikom, 2006).

g. Population Growth: This is one of the factors that could limit telecommunication development. The smaller the population of an area, the obvious difficulty it portends for possible development of telecommunication facilities in that area or region, as population growth is a potent factor for development of telecommunication facilities in that area or region, as population growth is a potent factor for development and economic growth. Populous nations like India and Nigeria serve as a potential markets for telecommunication advancement, as any investment made in that region is not a wasteful exercise, as period of cost recovery will be faster and also encouraging, as the case may be. This is the major reasons some of these giant telecommunication companies like MTN, Celtel, Glo etc. are patronizing Nigeria than small populated nations of Africa like Togo, Mali and even Gambia (Ndikom, 2006).

h. Educational problems: This is one of the major limitations of telecommunications development. Educational advancement and the level of awareness as it concerns value and relevance to communication efficacy and promptness in information delivery are major problems to telecommunication's advancement. Better educated nation sees telecommunication as key to economic success, growth and development and absence of this factor, is a major limitation for consideration as a growing nation.

THE ROLES OF TELECOMMUNICATION IN ECONOMIC DEVELOPMENT

1. It acts as a catalyst for providing good access or information to all parts of the world and locality, mostly within the confines of the maritime/shipping industry.
2. It could bring about reduction in spatial inequality between different areas.
3. It increases choice of mode through availability of possible information on pattern and characteristics of each mode
4. It also enhances the effectiveness of the transport sector.
5. It can bring about effective interactions. Truly, this world is now considered a global village. This is because one can conduct business from your sitting room with appropriate telecommunication subsystems and hence have fruitful business transactions at the end of the day.
6. It increases demand for physical transport infrastructure, especially roads. There is need for the opening up of trade areas to allow access for telecommunication equipment, most especially building of more feeder and major ports in Nigeria.
7. It would reduce the need for physical movement and it will also bring about reduction in physical accidents.
8. It will complement and enhance our knowledge since telecommunication is a form of science
9. It also saves a lot of our time and cost, mostly in physical interactions.
10. It helps in enhancing or generating more trips, mainly with access to phones, for example, people who have telephones at home do make more trips than those who do not have access to phones. It shows that, it also eliminates more trips as usage of telephones could reduce possible trips and traffic congestion and increased productivity and efficiency. It is pertinent to note here that usage of phone and making possible contacts brings about or generates additional trips. In summary, it is discovered that some trips were eliminated as a result of telephone contacts while some trips were generated (Ndikom, 2006).

IMPORTANCE OF GLOBALIZATION TO MARITIME

Globalization and related policies have been found to be highly important to the maritime industry worldwide, especially with regard to information dissemination across borderless countries and regions of the world and the *victory* of communication and transport revolutions, which have led to the death of distance and, therefore, eliminated the erstwhile grip of geography and brought about the birth of a global village concept. In the light of this, the

communication revolution which birthed the concept of globalization is a continuation of the maritime transport revolution, which earlier brought about the reformation of world economic systems (Ndikom, 2005). Today, maritime transport management and service provision have been made much effective and productive through advances in communication technologies. The average man in the modern shipping environment can attest to the fact that mobile telephony in Nigeria, in particular, has changed the face of maritime /shipping business and life in general within the Nigerian society and, thus, has improved the maritime transport industrial linkages (Ndikom, 2005).

Two very important factors of globalization are the increasing ease at which sophisticated communication technologies are used today and their falling costs/prices. The major distinction between old globalization policies and new ones lie, perhaps, in the linkages provided by computerization and the World Wide Web, which has facilitated communication and transaction processes within the maritime economy (Oboh, 2004). Some of the advantages or importance of globalization in the maritime sub-sector can be summarized thus:

- a. Positive reform within the maritime industry
- b. Privatization and concessioning of port terminals to private operators
- c. Cooperation of government and the private sector, culminating in a public-private partnership (PPP)
- d. Increase in productivity and efficiency in maritime operations
- e. Healthy inter and intra-port competition in the maritime environment
- f. Restructuring of the internal dynamics of port system and administration
- g. Initiation of commercialization and liberalization policies
- h. New port development and expansion programmes for increased efficiency
- i. Convenient falling costs of doing business in the maritime environment
- j. Execution of diversification and segmentation policy reforms in the industry
- k. Tariff reductions and crashing port charges and rates.
- l. Entrenchment of decentralization policies and gradual elimination of centralization policies in the system.
- m. Increased investment in port infrastructure to increase productivity and efficiency
- n. Consistent dredging of channels and inland waterways to encourage increased output, cargo throughput and vessel turnaround time
- o. Initiation of a cabotage policy to protect indigenous shippers and an adoption of a P&I cost.
- p. Increased port operations in cargo throughput, revenue, berth occupancy; reduced vessel waiting time at berth and changing the face of port operations in conformity with concessionaire's interests and coverage of territory
- q. Computerization of port operations; introduction of e-payment for the clearing procedures and cargo delivery
- r. Almost free costs of message delivery, through the Internet and e-mail communication of port operations and activities, from one port to another. By this, the more you communicate to your business partners (through the Internet and e-mail service), the less you travel and the less business cost incurred (Ndikom, 2005).

EFFECTS OF ADVANCED TECHNOLOGIES AND TELECOMMUNICATIONS AS BY-PRODUCT OF GLOBALIZATION ON THE MARITIME SECTOR

It is a fact that globalization has reduced the world into a global village and subsequently to a formalized and structured bedroom. Today's world economy is largely creative rather than merely productive, to reflect the impact of globalization (Pam, 2000). Transformational changes in a creative economy are anchored on the production of high-power ideas through informative dissemination of knowledge, also a by-product of globalization. However, a productive economic environment is still prevalent, even though changes in the form of reforms which have occurred in recent years in the maritime industry have only been made possible through the production of creative ideas (Andrew, 1999a). For example, the concessioning of port terminals to private concessionaires and the cabotage policy initiatives are by-products of globalization policies that have changed the face of Nigeria's port environment (Ndikom, 2005).

There is the need for improved communication and information dissemination systems within the operations of Maritime industry in Nigeria. There is also a need to make the industry buoyant enough to attract huge investments, especially in infrastructure from the private sector, which is the major factor in port development and growth. This will help the system to galvanize the abundant potentials in the national economic system for the development of the nation's transport sector. Indeed, globalization has led to increased cargo throughput and revenue to government (Ndikom, 2005). The impact of globalization on Nigeria's maritime economy can be summarized as follows:

- a. Improved productivity and operational performance
- b. Operationally transformed and restructured maritime sector
- c. Enhanced cargo throughput and revenue generation
- d. Decentralization of the port system, for the purpose of efficiency
- e. Shift from service port model to landlord port model
- f. Massive investment in port infrastructure development
- g. Adoption of public-private partnership policy in the sector
- h. Human capital and institutional development
- i. Enhanced telecommunication and high-tech information dissemination systems
- j. Introduction of and enhanced e-payment operations in goods clearing procedures and service delivery
- k. Introduction of cargo scanners and ASYCUDA policies in goods clearing process
- l. Introduction of a cabotage policy
- m. Development of a maritime desk in banks and a ship financing fund
- n. Adoption of port reform policies and reduction of the commercialization process
- o. Reduction of tariff rates and cost of service delivery
- p. Reduction in operational vices (corruption and graft)
- q. Promotion of healthy intra and inter-port competition.

The effects of the economics of globalization are in the form of improved productivity and operational performance, since ports are reformed in conformity with international rules, regulations and best practices. There is obvious improvement in berth occupancy rates, vessel turnaround time, cargo throughput and a reduction in cargo diversion to ports of neighbouring countries — all these show an increase in revenue earnings for the nation (Ndikom, 2005). Perhaps these gains should be discussed more elaborately.

a. *Transformed and Restructured Maritime Sector*

The adoption of port reform policies and other concessioning programmes carried out in the ports in the last decade by government has made an impressive positive impact on the operations of the local maritime industry. The handing over of port operations to private terminal operators has given the Nigerian port system a facelift and changed the internal dynamics of the system (Saul, 2000). The compliance of port managements to the provision of ISPS Code and adoption of a no entrance policy for persons and bodies with no business interest into ports have also transformed operations in our ports, making the system to key-in into international best practices in all port dealings. This has improved earnings and cargo throughput (Ndikom, 2005).

b. *Increased Cargo Throughput and Revenue*

Over the years, port management in Nigeria has consistently experienced low productivity and poor revenue, due mainly to fraudulent practices and loopholes in government policies (Ajayi, 2004). But the adoption of globalization policies and its attendant privatization and concessioning instruments improved and

enhanced the internal operational dynamics of the port system, leading to enhanced cargo throughput and revenue generation to government. With improved managerial skills, some of the operational loopholes in the system have been closed (Ndikom, 2005).

c. Decentralization Port Operations

In all principle, globalization has impacted on world maritime so much that what happens in one part of the globe affects happenings in another part, with regard to maritime structures, business and operations (Ndikom, 2005). For over five decades before the introduction of the current port reform measures in a global perspective, the industry was structured on the pillar of centralization, which breeds bureaucratic bottlenecks in the management of official assignments. But the port reform measures ushered in a form of decentralization, in which fragmented units are empowered by law to perform on their own without undue interference from the central authority (Ndikom, 2005). This policy framework de-emphasized unproductive bureaucracy in the maritime environment. Improved efficiency, enhanced productive and healthy business competition thus resulted from this new policy framework (Ndikom, 2006).

d. Shift from Service Port Model to Landlord Port Model

One of the results of globalization in the Nigerian maritime industry is the positive shift from an operational service port model, in which NPA provided all services and infrastructure, to a more progressive land port model, in which port services, operations and other managerial responsibilities are shared among private investors, while NPA plays the role of a regulatory body only (Ndikom, 2008). However, there is still a contention that in a globalized economy, a ports authority should, by principle, only provide land (that is, functioning only as landlord) and not regulate for the business environment, as this is a policy aberration. The argument further states that there is a need to have a central regulatory body for maritime activities, which would exclude NPA and limits it to ownership of terminals — thus, it would operate and compete favourably with other terminal concessionaire — so that positive changes can result from the entire reform programme. Therefore, the introduction of an independent maritime commission which is responsible for regulating the operations and services within sector, is indeed a welcome development. Since this shift, there has been increased efficiency and productivity in the sector (Ndikom, 2005).

e. Massive Investments in Infrastructure

Ever since the adoption of a globalization policy for the maritime industry in Nigeria, there has been impressive investments in infrastructure development — these include cranes, forklifts, vessels, computers etc. Also, since the takeover of port terminals by private concessionaires, the performance and productivity indices of port operations have increased exponentially (Andrew, 2000a).

f. Adoption of Public-Private Partnership Policy

Over the years, the management and operation of the nation's port system have been in the hands of government. This posed problems to efficient port operations; for many have argued that government should have no business several port operations. For this, the system experienced stunted growth over time. But the introduction of globalization policy framework led to collaborative efforts between governments at all levels and private investors. The positive collaboration efforts in the concessioning of port terminals led to increased performance, productivity and, hence, profitability of the system (Akinfeleye, 1988).

g. Human Capital and Institutional Development

Over the years and before the introduction of port reform measures, the industry showed disinterest in developing its human capital, a situation that led to the adoption of mediocre concepts and ideas in port operations and service delivery. There was also disinterestedness in developing maritime and transport-related institutions (Ndikom, 2004). The one-man business ownership structure in the maritime business environment was alleged to have been largely responsible for this problem. However, the reform measures introduced in the system heightened the interest in human capital and institutional development. After the various reform policies were introduced, some universities and polytechnics began courses in transport and maritime fields, a situation that is highly favourable to human capacity development in the fields or economic sector. Today, in order to compete favourably in the sector, many company send their personnel for overseas training courses and seminars, and organize in-house and outdoor training programmes and workshops. These have led to the development of the industry's intellectual and knowledge base.

h. Advanced Telecommunication Networking and High-tech Information Delivery

The communications revolution, which brought about globalization, has shaped and redirected the way we think, behave, live and do business; it has also given us value reorientation and helped us to prioritize economic activities, having shrunk the world into a global village and reduced the grips of geography. Thus, port operations in Nigeria have recorded tremendous improvement due to advanced telecommunication networking and the use of high-tech information systems in service delivery, which are both products of the recent reform efforts.

i. Use of E-payment Operation in Documentation and Cargo Clearing Processes

The introduction of electronic payment system (or e-payment) in documentation and cargo clearing processes at the port have brought about increased revenue to government and reduced corruption in the system. Ever since e-payment was introduced, there has been noticeable reduction in fraudulent practices within the ports. Moreover, e-payment has helped reduce the burden of carrying cash in the process of clearing goods (Fisher, 2001).

j. Introduction of Cargo Scanners and ASYCUDA Policy

Today's global economy is a reflection of the globalization policies of various economic markets thus, what is seen as a good economic policy of a particular advanced nation is often replicated in almost all other nations, advanced or less advanced. The introductions of cargo scanners and ASYCUDA in goods clearance are such policies that have changed the face maritime industry operations in Nigeria, in terms of output, efficiency, productivity and profitability. These new innovations have also helped to reduce the physical stress involved in goods clearing at the port of destination (Ndikom, 2005).

k. Introduction of Cabotage Policy

Cabotage is coastal trade policies that protects the interest of indigenous shipowners and ensure leverage in the carriage of locally generated cargoes, as against foreign competition and domination. The policy often helps to improve efficiency and productivity (Ihenacho, 2005).

l. Development of Maritime Desk in Banks and a Ship Financing Fund

The adoption of port reforms within the globalization concept of world economy has led to expression of interest in many banks, so much that they now have desks for maritime business, in conformity with international best practices. This, in return, led to the development of interest in vessel acquisition and sourcing of funds for the same purpose. These developments have ushered in positive trade exchanges in the industry (Ihenacho, 2006).

m. Adoption of Commercialization Policies

Also as a result of the globalization policies of government in the maritime sector, there is the adoption of port commercialization policies, which have helped transform and given a facelift to the sector, leading to increased efficiency, profitability and positive competition (Ndikom, 2006).

n. Reduction of Tariff Process and Cost of Cargo Delivery

The port reform policies of 1996, 1998 and 2001 looked at the reduction of tariff structures and other auxiliary charges, dues and rates, so as to make the costs of goods clearing and delivery attractive and competitive in the industry. Also, a 30% rebate was given to ports as a way of encouraging importers and exporters in Nigeria. This thus indicated efficiency and productivity in port operations. However, the rebate has not been made workable in the Calabar Port (Ndikom, 2006).

DEATH OF DISTANCE AND EMERGENCE OF A GLOBAL VILLAGE

The death of distance, brought about by the communication revolution, has reshaped the world and reduced it to a sort of village/bedroom. The death of distance is one established concept that has tried, in history, to transform the older ways of message delivery to much more advanced, technologically improved information, which happens to be cheaper, faster, and cost-effective, thereby closing the gap of time wastage. The death of distance loosens the grip of geography rather than destroys it, as the frequency of movements in this age and time is dependent on the level of available information, which must be anchored on necessity and relevance. Most importantly, a movement from one part of the globe to another is rendered unnecessary, as most information could be accessed at one's beck and call (Cairncross, 2000).

The death of distance connotes the bridging of the information gap and message isolation, so that one can communicate with another over 2000 kilometres away in the comfort of one's home. The Iraq-US collision war of 2003 was viewed live all over the world through cable network (Catherine, 2000). More so, due

to the level of available information to many people through GSM and the Internet, calls to relations in the USA and other parts of the globe are clearer and cheaper. As said earlier, one great economic and social importance of globalization is the steep fall in the costs of communication and communication equipment. The cost of communicating ideas and data is now distance-free, with the Internet, and there is tremendous reduction in telephone tariffs. This astounding impact, which occurred in less than two decades, came at a time when other market forces, such as globalization and international migration, are also changing the way people think about distances and economic activities (Douglas, 2000).

Thus, the death of distance and the communication revolution will be among the most important forces shaping economies and societies in the years ahead. It is argued that the 21st century will be dominated by transformation in the costs of transporting knowledge and ideas. And it is noteworthy that the death of distance is only a manifestation of this astonishing transformation. As communication technologies and computers are combined in new ways, distance would become even shorter; high capacity fibre-optic networks and digital compression now carry voice, video and data around the globe so efficiently that, soon, the additional costs of sending a message an extra hundred miles would be zero. However, one other effect will be on the provision of services, as the communication revolution has potential of raising productivity and service indices of mass production (Ben, 2000).

THE TRANSPORT REVOLUTION AND DEVELOPMENT

One of the three great revolutions that have taken the world by surprise is the transport revolution, as indicated by Malthus (1798) in his influential essay, *Population, When Unchecked*. Malthus observed that 'in a geometrical proportion, substance increases only in an arithmetical proportion'. This implied a strong check on population growth. This led to the transport revolution, with the coming of steam engine in ships and railways. This invention made it not just technologically possible, but economically attractive for the New World to feed the old one. Ocean freight rates fell faster than prices for much of the 19th century, and long-haul rates fell more than short-haul ones. The effect was to reduce the prices of food and other commodities and to encourage the development of new lands. As Douglas North, a distinguished economic historian of the period puts it: 'the declining costs of ocean transportation were a process of widening the resource base of the western world'. In the 20th century, the great changes in transport technology grew from the refinement of the internal combustion engine and the jet engine (Cairncross, 2000).

Thus, the transport revolution transformed the cost of communicating ideas and knowledge the world over. In spite of the apparent misjudgement of the new transforming technological changes and the consequences, concerted efforts were made to signpost the effects on how the technological changes can transform the world as soon as they are incorporated into an innovation that diffuses across world economies. These changes opened doors to continents, transformed living standards, and spread fashion, folk and, unfortunately, diseases around the world. Great though, the impact of changes in physical transport was mainly in the transport of ideas and information. By spreading knowledge, the base of economic growth was widened. This implies that the socioeconomic and cultural growth of any nation even today is measured by the efficiency of its transport network and accessibility to telecommunication facilities (Ndikom, 2008).

Transport is a derived demand; hence, a nation is as developed as its transport sector. The same is true for communication — a nation with strong information highways is adjudged developed, since message and information delivery in such a nation will be at people's beck and call. Transport is not demanded for its own sake, but the demand for (and supply of) transport services is derived from the needs of other activities located in space, be it social, economic, political, military, religious, recreational or educational (Adeniji, 1990).

THE COMMUNICATION REVOLUTION AND DEVELOPMENT

The 21st century is already dominated by transformations in the costs of transporting knowledge and ideas, brought about by the communication revolution — an offshoot of the transport revolution of the 18th century. The seed of the communication revolution could be said to have been sown back in 1832 when Samuel Morse, an American artist, invented the telegraph, which he patented in 1840. His invention came to be known as the Morse code, a system of communication, in which letters of the alphabet and numbers were represented by long and short patterns and conveyed as sounds, flashes of light, dots and dashes or wigwag of a flag. Interestingly, the revolution began long ago with the mail, succeeded through the telegraph, the telephone, and broadcasting, which then culminated in a group of innovations that are racing with an *amazing* speed. Since then, communication has moved at a rapid pace, integrating all parts of the globe, referred to by communication scholars as the information superhighways. At the heart of the information superhighways are three of today's fast-changing technologies, known as the three building blocks of communication revolution (Cairncross, 2000):

- a. Voice or telephone (invented in 1876).
- b. Video or television (the first transmission of which occurred in 1926).
- c. Data or electronic computer (which goes back to 1946).

The three have coalesced to what may be simply referred to as the 2 Vs and D (voice, video and data). The coining of 'information superhighways' have marked a watershed in man's capacity for invention and innovation. Without today's superhighways, commercial activities from point to point will be reduced. In fact, innovation is a serious business, it rarely happens instantaneously. Many innovations are a matter of small refreshments over a long period, turning an unreliable novelty into a device with an evolving range of applications. The full importance of an epoch-making idea is often not perceived in the generation in which it is made. (Ndikom, 2005).

EFFECTS OF AN ADVANCED TECHNOLOGIES AND COMMUNICATION REVOLUTION ON A CREATIVE ECONOMY

Today, we all live in an environment of creative economy rather than productive economy. The transformations of a creative economy are anchored on the production of ideas and practical knowledge. The effects of communication revolution are that, it connects individuals, companies, and machines that are geographically wide apart. Indeed, it connects most of the world's computers to form a vast computer on its own right. The novelties that it allows are often more refined and adapted than all earlier inventions (Saul, 2000). One reason for this is that people are more aware now than they were during past technological changes especially about the economic potential of new innovations and how such technologies tend to work. One other reason is that communications technologies have intrinsic capacities to disseminate new ideas. Their border-hopping capacity often reinforces and exploits other changes brought about by globalization (Ndikom, 2008).

Some of the changes brought about by the revolution culminated in the death of distance. Instant messaging, for example, has created a new kind of online socializing, while the short message service (SMS) in mobile telephony has transformed the literacy level of both young and old. Moreover, the Global System for Mobile Communications (GSM) has brought in tremendous changes to life in Nigeria, as communication has been made very much easier and more convenient. More of the effects of this revolution would, indeed, come gradually as it spread around the world and become embedded in new investments (Symonds, 1999). Information technologies and the Internet amplify brainpower in the same way that the Industrial Revolution amplified muscle power. Brainpower is the essential ingredient of service provision and delivery. However, the largest provider of services in most countries is the state, which, unfortunately, is one of the slowest organisations of society, especially regarding change. Hence, the full impact of this revolution would take long to be realized (Ndikom, 2008).

SOCIAL CONSEQUENCES OF THE COMMUNICATION REVOLUTION

The 20th century has been described as the most technologically intensive era in history. The list of new products and services within the century is endless, as the computer and the World Wide Web have changed not only the way we live, but also the way we operate businesses. Whatever makes faster the process of communication or transport makes it more efficient, productive, and less expensive and changes how people do business. The social consequences of the communication revolution could be likened to those of the invention of automobile, which changed the social and physical world in a manner never imagined. The values of social and behavioural changes in our pattern of modern management operations basically depend on the unfolding events in communication and transport revolution (Ndikom, 2005).

It leaves no one in doubt that technological advancements in communication and transport will change the world beyond its expectations. Realistically, heavy changes in distribution costs would have enormous effects on the standard of life. The communication revolution will indeed liberate, enrich and democratize many societies of the world in the emerging creative economy. The success of road transport in the developing world has brought with it the need to consider new systems of structuring the industry and regulating its operations (Ndikom, 2005). The matching of supply with demand of road freight transport has not been consistent with known economic theories for well over a decade (Cairncross, 2000).

The decline in the costs of ocean freight revolutionised the human diet, allowing ordinary people in the industrial world to enjoy a variety of food that could once be afforded only by the wealthy. The revolution also saw the dramatic decline in air transport cost, which has enabled ordinary tourists to visit places that were once the exclusive preserve of the rich (Cairncross, 2000). Indeed, the communication revolution has brought about the death of distance, reducing the world to a global village. However, opinions are divided regarding the effects on society. The 21st century will witness the transport of money and ideas, and as computers combined in new ways, distances would even be made shorter (Cairncross, 2000). The death of distance will affect the consumer, commerce, structures/shapes of companies, politics and government, economics and society.

a. Consumers

The chief beneficiaries of this revolution are consumers. In business, as distinct from music, travel, and gambling, the communications' revolution is introducing new competitions, holding down prices and multiplying choices. The greatest transformation will be seen in products that would be ordered and delivered online (Ndikom, 2008).

b. Commerce

Whatever the size, a company will always have access to global markets. The power of the computer to search, identify and classify different tastes and needs will offer many more opportunities to niche businesses. Indeed, this will be a world of infinite riches, occupied by very small firms earning a living from supplying unusual products and services to the global market (Cairncross, 2000). Many barriers to 'entry into business' will fall, thanks to the declining cost of marketing and distributing 'weightless' products online.

c. Structures/ Shapes of Companies

Online trading among companies will grow larger and alter more rapidly than retail commerce. It is needful to note that electronic communication greatly enhances the ability of corporate managers to respond quickly to issues. It slashes delivery time, whether for a car, a medical diagnosis or a tax return. It also allows managers to monitor whether a job has been done on time and to specification. This may increase reliability and trust, to also bring about increase in efficiency and the removal of friction in complex modern societies. It will also make it easier for large companies to provide truly local services tailored to specific needs and tastes (Cairncross, 2000).

d. Politics and government

Cheap and free communication will bring about a balance of power between governments and their subjects. People will become better informed, even if they live in dictatorial regimes, and they will have new ways to make common cause. This will give new muscle to special interest groups, but also empower grassroots activists in countries where democracy is fragile. The same orientation will eventually take place in government, as the old alignments between departments are ended. The authority of a nation state will also be affected, for the death of distance will erode national borders and curb sovereignty. Governments will be forced to cooperate more than ever before with one another and with the private sector (Cairncross, 2000). A second set of issues concerns what government should do and can do, to counter increased accessibility to the evils that come with more useful knowledge. The globalisation of communications will make it harder to enforce national laws, to protect children, preserve privacy, or prevent terrorism. Part of the price of freedom will be a greater need for individuals to take responsibility for their own lives and those of their families, and for the smooth running of society (Cairncross, 2000).

e. Economics

The vast diffusion of knowledge and information, the basic building blocks of growth, will undoubtedly bring economic benefits. But one effect will be to cut costs and, another, to allow the capacity of the global economy to be used more fully and efficiently. In addition, this revolution clearly fosters innovation - the introduction of new production methods, new products and new kinds of industrial organisations, which is the main driving force of growth and thus living standards. The communication revolution speeds up the diffusion of innovation and allows companies to react quickly to issues and individuals to spot opportunities. Moreover, it exerts a downward pressure on prices and profits. Information is essential to the performance of a market (Ndikom, 2005).

f. Society

The society will be affected, such that there would be disappearance of the old demarcation between work and home. The office may be the place for routine work, which will take place at home, or on the road, but for the social aspects of a job such as networking, lunch, and catching up on office gossip. The result will be to invert the familiar roles of home and office; and social life itself will become more flexible (Ndikom, 2008).

It is common knowledge that communication revolution has had far reaching effects on the entire gamut of life, both for the people of the world, government, companies, maritime industry and the individuals. When Adam Smith wrote the *Wealth of Nations* in 1776, it was obvious that he did not like cooperation, which he said breeds negligence and profusion (Cairncross, 2000). With the communication revolution, industrial economy gave way to creative economy; now, many economic operations are at the crossroads. What these operations ideal in the 20th century are changing because the Darwinian struggle of daily business is being won by people and organisations that adapt most successfully to the new unfolding world. The most important force of the unfolding era is the growing power of ideas. In the creative economy, the most important intellectual property is not software, music or movies, 'but the stuff inside people's heads.' When assets were physical, such as goldmines, shareholders truly owned them; but now that the most vital assets are people, there cannot be true ownership. The best option, therefore, is to create an environment that makes best people stay (Geoffrey, 1996a).

INTERNATIONAL NEWS FLOW CONTROVERSY

No debate or issue has characterized the North-South relationship like the clamour for the new world information and communication order to correct the lopsided information flow, which is unfavourable to either side, more especially the developing nations (Akinyele and Ojebode, 2004). In the clamour for a new world information and communication order, scholars give attention to international disparities and their effects. This change in world communication order is to create a balance in information with none of the sides having the upper hand. It is important to note that World War II triggered off the clamour for a new communication order as a fallout of the independence acquired by many dependent nations. The calls for new economic order coincided with the end of the war, the collapse of colonization and discovery of oil in many parts of the developing world. Because of the newly realised economic power, the new independent states discovered oil in their backyards in commercial quantity. Then these developing countries started asking for changes in the world economic order, because of their newly acquired economic power to make for more equity in international trade. It was discovered that economic independence is not possible without adequate control of information and communication structures (Ndikom, 2008).

Consequently, a new demand for change was made to accommodate the restructuring of the world information structures. The tidal change in world economic order / structures precipitated the agitation for change in information flow (order/ structure). The demands for a new information and communication order was a crystallisation of concerted efforts by Third World countries who felt that the Western media 'shift' does not give adequate coverage about news concerning developing nations (Cairncross, 2000).

The dramatist personae in these campaigns are grouped into three schools of thought: the first are those especially from the Third World countries who argue that the imbalance is real and favours a new order. The second are those who insist that the imbalance is reciprocal, as both the Third World and the Western media are guilty of biased coverage. The third school of thought comprises those who argue that there is a great need for more quantitative and qualitative research on the issue. As a result of advances in technology, the world has been reduced into 'one big neighbourhood' where the life of the people have become so enmeshed that every nation now forms part of the day-to-day reality of every other nation. And communication plays a very important part in this interaction between peoples and between nations. For people to take appropriate decisions about their relations with others and reach them rationally, they need adequate and accurate information about them (Cairncross, 2000). This information comes mainly in form of news on events and developments and

reactions to other events and developments. Unfortunately, the world’s news flow is skewed in such a way that there cannot be full and accurate information about the majority of the people of the world (Ndikom, 2008).

The world news flow pattern is a reflection of the general imbalance that affects the international community. The bulk of world news flows around the Northern Hemispheres on the West–East axis, among great news centres of New-York, London, Paris, Berlin, Moscow, Tokyo, etc. The highly industrialised countries which are also prominent in international power politics attract more attention than others. Regrettably, Third World countries, which account for more than two-thirds of the world population, account for less than a tenth of the world news flow (Akinyele and Ojebode, 2004). However, media scholars, especially from developed countries argue that the trend of negative stories about Third World countries is beginning to change, thanks to advancement in communications technology. Indeed, there is currently a tide of pleasant news of tremendous interest to scholars of mass communication.

One of the identifiable news flow patterns was the unhelpful fixation of the media of advanced countries on bad news, rather than developmental journalism in Third World countries. The psychology of such bad news was that it tends to reinforce prejudices which also impacted negatively on policy options in relations to the less developed countries. However, significant as the trend in global bad news is, it does not altogether represent a whole cell shift that results in the new world information order, envisioned more than two decades ago. This is because the pattern of news flow has not changed even with the plethora of technological advances over the years.

PROBLEMS OF THE COMMUNICATION REVOLUTION

Most problems identifiable with the revolution revolve around the powers and responsibilities of government. One set of issues regard whether innovation justifies a certain amount of monopoly, a point raised most strikingly by Microsoft, culminating in an ‘abusive monopolist’ that should be broken up. However, this body seems to be on top because of the high technological development that comes with each new software, even at extremely low costs of production (Ndikom, 2005).

With the revolution came the threat to privacy and time. Privacy is gone in an electronic era; but then privacy is a novel concept, a construct of large cities and the rich world (Cairncross, 2000). For many people, this prospective new world is distasteful or frightening. They worry about society’s vulnerability to technological breakdown and computer crimes, as the more society relies on technologies, the bigger the crisis from an error, or when computer systems are hacked into or when they go haywire (Ndikom, 2008).

Pessimists see the prospect of many jobs destroyed and a few sets of skills disproportionately rewarded. Others squirm at the crassness of the mass culture that low-cost electronic distribution conveys, at the erosion of old values and at the apparent ‘Densification’ of so much that one cannot easily distinguish one nation from another. Some dislike the deluge of electronically delivered information, resenting the threat to their privacy and chafing at the demand on their time. The doubters fear that the personalisation of communications will go hand-in-hand with social fragmentation and the institutions that have held society together in the past, whether universities or local stores, will vanish and replace by ‘learning-in-a-box’ or ‘store-on-a-screen’ (Saul, 2000).

TARGET AREA

Nigerian Ports Industry.

TARGET

The target are 200 Port workers (Respondents)

AREA

Lagos Ports complex.

DATABASE

A total of 200 questionnaires were administered and 196 valid questionnaires returned

3. ANALYSIS AND DISCUSSION

This paper contains data analysis and discussion of the entire research work. It starts with the analysis of the respondent’s bio data. A total of 200 questionnaires were administered and 196 valid questionnaires returned.

The variable analysis started with presentation of the data and analysis of each data with the use of different tables for each item discussion through percentage analysis and weighted scores.

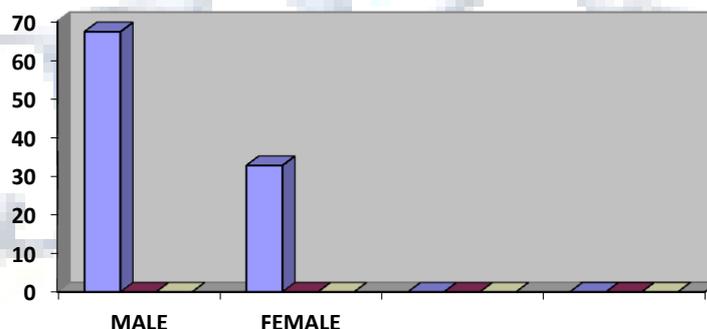
ANALYSIS OF QUESTIONNAIRE

Question 1: What is your gender?

TABLE 1.1: SHOWING THE GENDER DISTRIBUTION OF RESPONDENTS

Sex	Number of respondents	Percentage(%)
Male	142	72.4
Female	54	27.6
Total	196	100

FIG. 1.1



Discussion

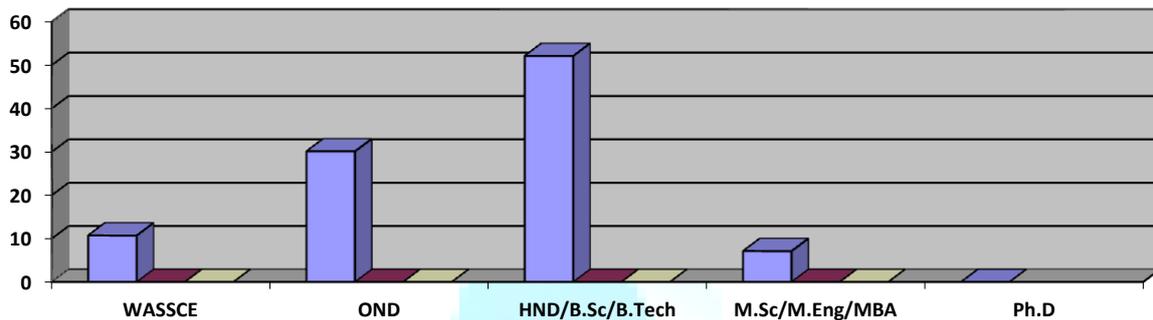
As presented in table 1.1 above, 72.4% of the respondents are male, while the rest 27.6 % are female. This shows that the majority of the workers in the Nigerian Maritime sector are male.

Question 2: What is your educational qualification?

TABLE 1.2: SHOWING THE EDUCATIONAL QUALIFICATIONS OF THE RESPONDENTS

Educational qualification	No of respondents	Percentage(%)
WASSCE	21	10.7
OND/NCE	59	30.1
HND/B.Sc/B.Tech	102	52.1
M.Sc/M.Eng/MBA	14	7.1
Ph.D	-	-
TOTAL	196	100

FIG. 1.2



Discussion

As presented in table 1.2 above, 10.7% of the respondents have W.A.S.S.C.E, 30.1% of the respondents have OND/NCE, 52.1% of the respondents have their HND/B.Sc/B.Tech, 7.1% of the respondents have M.Sc/M.Eng/MBA, and none of the respondents have a Ph.D. Therefore, majority of the respondents have either a Higher National Diploma(HND) or a Degree.

Question 3: Which of the following category of Maritime firm are you working with?

TABLE 1.3: SHOWING THE CATEGORY OF MARITIME FIRM WHERE CORRESPONDENTS ARE WORKING WITH

Firm	No of respondents	Percentage(%)
Shipping	71	36.2
Clearing and forwarding	36	18.4
Port Workers	41	20.9
Ship agents	12	6.1
Logistics	36	18.4
Total	196	100

Discussion

As presented in Table 1.3 above, 36.2% of the respondents are from Shipping companies, 18.4% are from clearing and forwarding company, 20.9% of the respondents are Port workers, 6.1% are ship agents while Logistics companies make up 18.4% of the respondents.

Question 4: How many years have you worked in the firms?

TABLE 1.4: SHOWING THE YEARS OF WORKING EXPERIENCE OF RESPONDENTS

Year(s)	No of respondents	Percentage(%)
0 – 1	7	3.6
1 – 2	15	7.7
3 – 5	57	29.1
6 – 10	102	52
11 and above	15	7.6
Total	196	100

Discussion

From Table 1.4 above, 3.6% of the respondents don't have more than one year experience, 7.7% of the respondents have working experience of 1-2, 29.1% have working experience of 3-5 years, 52% of the respondents have working experience of 6-10 years and 7.6% of the respondents have working experience of 11 years and above. This shows that majority of the respondents are experienced.

LIKERT SCALE

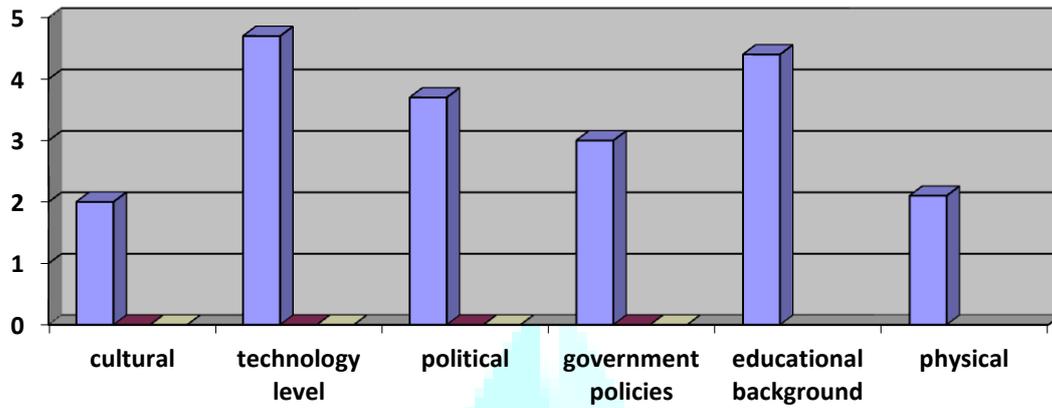
- Strongly agree – 5
- Agree – 4
- Neutral – 3
- Disagree – 2
- Strongly disagreed - 1

Question 5: What barriers of telecommunication are prevalent in Nigerian Maritime industry?

TABLE 1.5: SEVERITY OF BARRIERS TO TELECOMMUNICATION IN NIGERIAN MARITIME INDUSTRY

S/No	Barriers to telecommunication	SA (5)	A (4)	N (3)	D (2)	SD (1)	Total	Weighted score	Rating
1	Cultural (CUL)	-	-	39	62	95	196	336	1.7
2	Level of technology (LOT)	140	56	-	-	-	196	924	4.71
3	Political factors (PF)	50	75	58	13	-	196	750	3.83
4	Government policies (GP)	37	31	46	55	27	196	584	2.98
5	Educational attainment (EA)	122	49	20	5	-	196	876	4.47
6	Physical (PHY)	-	26	35	81	54	196	425	2.17

FIG 1.5



Discussion

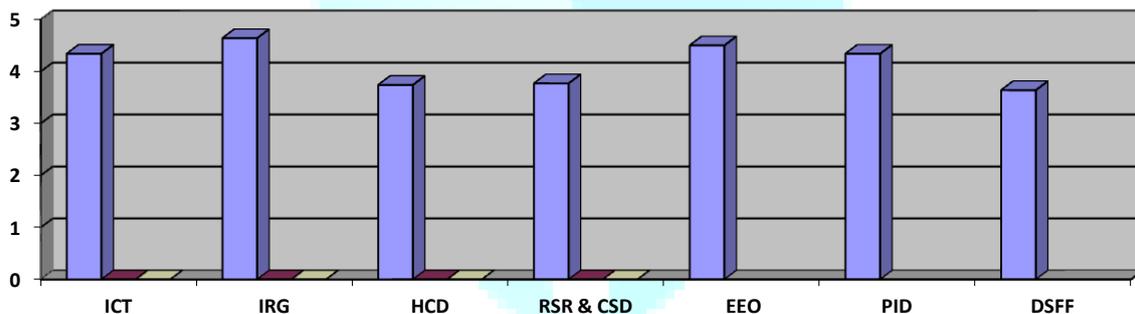
From the rating above, it can be seen that the respondents strongly agree that the Level of technology, educational attainment and political factors with ratings of 4.71, 4.47, and 3.83 respectively are the main barriers to telecommunication in the Nigerian Maritime Industry. The respondents disagree that cultural and physical factors are barriers to telecommunication in Nigerian Maritime Industry with ratings of 1.7 and 2.17 respectively.

Question 6: What are the effects of Advanced technologies and telecommunications in Nigerian Maritime industry?

TABLE 1.6: EFFECT OF ADVANCED TECHNOLOGIES AND TELECOMMUNICATIONS IN NIGERIAN MARITIME INDUSTRY

S/No	Effect of advanced technologies and telecommunications	SA (5)	A (4)	N (3)	D (2)	SD (1)	Total	Weighted score	Rating
1	Improved cargo throughput (ICT)	92	78	26	-	-	196	850	4.34
2	Improved revenue generation (IRG)	126	70	-	-	-	196	910	4.64
3	Human capital development (HCD)	51	75	58	2	-	196	733	3.74
4	Reduced service rate & cost of service delivery (RSR & CSD)	50	60	76	10	-	196	738	3.77
5	Enhanced e-payment operations in cargo clearing (EEO)	120	60	10	6	-	196	882	4.5
6	Port infrastructural development (PID)	111	59	15	10	1	196	851	4.34
7	Development of ship financing fund and maritime desk in banks (DSFF)	71	49	27	32	17	196	713	3.64

FIG 1.6



Discussion

From the table and figure above, it can be seen that ICT, IRG, HCD, RSR & CSD, EEO, PID and DSFF have ratings of 4.34, 4.64, 3.74, 3.77, 4.5, 4.34, and 3.64 respectively.

Therefore, it can be deduced that advanced technologies can bring about the following in the Nigerian Maritime Industry;

Improved cargo throughput, improved revenue generation, human capital development, enhanced e-payment operations in cargo clearing, reduce the service rate and cost of service delivery, develop port infrastructures and development of Ship financing fund.

4. CONCLUSION

This paper has presented a true picture of the victory of the communication revolution, an advanced technologies, telecommunications, transport revolution and globalization and how these affect operations in the maritime industry. Together, these factors brought about the death of distance and established a global village. Thus, communication revolution is a continuation of the transport revolution, which brought about reformation in the socioeconomic activities the world over. Advancement in transport management, operations and services has been made much easier through communication technologies. The average man on Nigerian street today can attest to the fact that information and communication technologies have revolutionized the general society and business environment — for instance, mobile telephony using the GSM technology has changed the face of business, social life and industrial linkages in today’s creative economy. Moreover, this revolution, coupled with the concept of globalization, has ensured growth linkages for industries, societies and social groups through computerisation and the World Wide Web (Ajayi, 2004).

REFERENCES

1. Abayomi, A. (1996). The era of inflation and our recent port reforms. Paper presented at the 6th annual delegate conference of the Nigerian Freight Committee Association, (November 21, 1996) Lagos.
2. Abiola, M.K.O. (1986). *Mass Media and Political Awareness: Issues and problems of mass communication*. Development Digest Limited, Lagos.

3. Adeniji, K. (1990). Urban Mobility Crisis: Where do we go from here? International Union on Public Transport. Proceedings of seminar on satisfying urban transport demands, Brussels.
4. Adeniji, Kunle (1985). Urban transport systems in Nigeria, *Odua Journal of West African Studies* 28: 81-97.
5. Adeniji, Kunle (1991). Urban mobility crisis: Where do we go from here? Ogun State Public Service Forum Lecture, Gateway Hotel, Abeokuta, 18th April.
6. Adesola, A. (1995). Loss of revenue at the ports: A reappraisal of the 1996 Port Reforms. Presented at the 4th Nat. Conference of Maritime Stakeholders, Airport Hotel, Lagos.
7. Adicco, M.T. (2000). *Information Technology in Shipping: With reference to protection of shippers' interests and port state control of ships in West and Central Africa*. Evans Publishers Ltd.
8. Adrian, W. (1999). Survey of telecommunications. *The Economist*, 9 October.
9. Afenikhe, O. (1996). Port reforms strategy: A survival battle. Presented at the 6th Conference of the National Freight Committee Association of Nigeria, Airport Hotel, Lagos.
10. Ahmed, Wali (1996). Port reforms: On safe anchor for the ports. Presented at the 6th Annual Conference of the National Freight Committee Association of Nigeria, Airport Hotel, Lagos.
11. Ajayi, S.O. (2003). Issues of globalization in Africa: Opportunities and challenges. Presented at the Regional Dialogue, by the World Commission on Social Dimensions of Globalization, February 6-7, Arusha, Tanzania.
12. Akin, O. (1997). Clearing Documentation processes at the ports and their inherent delays. Presented on the occasion of the National Seminar on Eradication of Corruption and Sharp Practices in Seaports.
13. Akinfeleye, R. (1988): *Contemporary Issues in Mass Media for Development and National Security*. Unimedia Publications, Lagos.
14. Akinyele O. and A. Oyebo (2004). World communication and information imbalance: The domestic dimension. *Tropical Issues in Communication Arts and Sciences* 11:15-25.
15. Akinyemi, E. (1994). Save our souls message by the Nigerdock worker. Presented at the National Workshop on Performance Appraisal for Dockworkers, Snake Island, Lagos.
16. Akposi, J. (1996). The evils of pre-shipment inspection at our ports. Presented at the 6th Annual Conference of the Nigerian Freight Committee Association, Lagos.
17. Alaina, K. (1999). It is a thin world. The association between email use and patterns of communication and relationships.
18. Alban Opara (2000). *Essential elements of Maritime Transport Management in Nigeria*. Maritime Publications Limited, Surulere, Lagos.
19. Amiwero, L. (2005). Destination inspection and valuation of goods: A strategic overview. Presented at the National Seminar on Re-introduction of Destination Inspection in our Seaports, Airport Hotel, Lagos.
20. Amy, C. (1997). Away out of the web maze. *Business Week*, 27 February.
21. Andrew, A. (2000a). Driving down delivery times from days to minutes. *Net Profit*, 42, June.
22. Andrew, A. (2000c). The world in your peck. *The Economist*, October 9.
23. Andrew, O. (1999d). *The Economic and Social Impacts of Electronic Commerce*. Paris: OECD.
24. Andrew, O. (2000b). The history of communication and its implications for Internet. Unpublished preliminary manuscript at www.research.att.com
25. Ango, S. (1996). Abolition of the longroom: A way to rationalize port reforms. Presented at the 6th Annual Conference of the Nigerian Freight Committee Association, Lagos.
26. Ansoff, H. I. (1982). Corporate Strategy: An analytical approach to business policy for growth and expansion. The Clancer Press Ltd., Bungay, Suffolk.
27. Anthony Ani (1996). The longroom gets longer in spite of port reforms. Presented at the 6th Annual Conference of the National Freight Committee Association, Airport Hotel, Lagos.
28. Arbitron and Edison (2000a). *Telecommunication and Information Services Policies, Local Access Pricing and E-commerce*. Paris, OECD.
29. Audige, M. (2000). Concessioning in the Nigerian/World Bank port sector. Presentation at a workshop on concessioning in the transport sector and the way forward in Nigeria.
30. Badejo, B.A. (1995). Maritime transport in Nigeria. Problems and prospects. Presented at TASCE: Ijebu-Ode, Ogun State.
31. Badejo, B.A. (1997). Crisis in overland freight transportation in Nigeria. Presented at the National Seminar on Eradication of Corruption and Sharp Practices in Seaports.
32. Badejo, B.A. (2000). The role and implications of government policies: Charting the course of the maritime industry. Presentation at the National Seminar on Eradication of Corruption and Sharp Practices in Seaports.
33. Baird, J. (1988). The freight forwarders speak: The perception of route competition via seaports in European communities. *Maritime Policy and Management* 2:107-25.
34. Basse, E. (1996). Need for a transition period for professional duty collectors: A reappraisal of the 1996 port reforms. Presented at the 6th Annual Delegate Conference of the Nigerian Freight Committee Association, November 21.
35. Ben, S. (2000). Web disputes go online. *Wall Street Journal Europe*, 21 March.
36. Ben. O.M. (2001). Enhancing maritime infrastructure in the West African Subregion. Presented at a workshop on Challenges of Maritime Practice in the New Millennium, by the Federal Ministry of Transport.
37. Buba, G. (2006). Customs reforms must be holistic. Presented at the National Workshop on Port Reforms, Lagos.
38. Cairncross, F. (1987). A connected world. *The Economist*, 13 Sept, pp 64.
39. Cairncross, F. (2000). *The Death of Distance: How the Communications Revolution is changing our lives*. Harvard Business School Press, London.
40. Carol, J.W. (2000). Cooking and cleaning at the touch of a button. *International Herald Tribune*, 17 January.
41. Catherine, A. (2000). *Global Electronic Commerce*. Institute of International Economics, USA. pp 22 - 23.
42. Chidi, G.N. (2000). Operation in Nigeria ports: Problems and prospects: Shipowners perspective. Presented at the National Seminar on Eradication of Corruption and Sharp Practices in our Seaports.
43. Chisnal, S. (1982). *Marketing Research, Analysis and Measurement*. McGraw-Hill Book Company (UK) Ltd. UK.
44. Couper J. (1989). Geography of sea transport. *Trends in Modern Shipping*. Hutchinson University Press. 73-76.
45. Court, Julius and Toru Yanagihara (1998). Asia and Africa into the global economy. Introduction paper at the UNU-AERC Conference on 'Asia and Africa in the global economy?' 3-4 August, Tokyo, Japan.
46. David, A. (2000). Seamless supply chains. *Net Profit*, 38, February.
47. De-Monie, S. (1987). *Measuring and evaluation of port productivity*. UNCTAD monographs on port management, UN.
48. Douglas, N. (2000). Ocean Freight rates and economic development, 1750 - 1913. *Journal of Economic History* 18(4): 537-56.
49. Edeaghe, A.E. (1997). An appraisal of the 1996 Port Reforms in Nigeria. Unpublished B.Tech thesis, Federal University of Technology, Owerri.
50. Ekong, E. (1996). Import and export statistics: The era of 1996 Reforms. Presented at the 6th Annual Conference of the National Freight Committee Association, Lagos.
51. Emerson, J.L. (1976). *A Comparative Analysis of Macroeconomics for Universities*. The English Language Book Society and Macdonald Ant Evans Ltd, London. 6th edition.
52. Enebeli, O. (1997). Relieving the problems of importers and exporters. Presented at the Annual National Seminar on Possible Solutions on our Ports, by NPA in collaboration with Nigerian Shippers Council, Eko La-Meriden, Lagos.

53. Eric-Van Randwijek (2000). Port sector reform: Role and function of the private sector in the enlarging industry structure. Presented at a National Workshop on Modernization and Development of Nigerian Ports through Involvement of the Private Sector.
54. Erik, B. and Michael, D. S. (1999). When the bubble bursts. *The Economist*, 30 January.
55. Erik, B. and Michael, D.S. (2000). Frictionless commerce: A comparison of internet and conventional retailers. *Management Science* 46(4).
56. Esim, N. (1996). Low ship turnaround at the port. Presented at the 16th Annual National Maritime Conference, 16th-19th August.
57. Esiowu, E. (1996). The economics and dynamism of rule marine and implementation. Presented at the 16th Annual National Maritime Conference, 16th-19th August.
58. Etete, D. (1996). Saving the naira: A recourse to transient action. Presented at the 16th National Maritime Conference, 16th - 19th August.
59. Etim, (1996). Port Reforms: A chequered future? Are pre-shipment inspection agents villains or saints? Presented at the 6th Annual Conference of the National Freight Committee Association of Nigerian, Airport Hotel, Lagos.
60. Ezenwa, O. (1996). Periscoping the Marine Industry on Board. Presented at the 16th Annual National Maritime Conference, 16th - 19th August.
61. Faulks, P. (1990). *Principles of Transport* 4th edition. McGraw-Hill Book Company (UK) Limited, England.
62. Fisher, Stanley (2001). The challenges of globalisation in Africa. Remarks at the France - Africa Summit, 19 January, Yaounde, Cameroon.
63. Folarin, O.K. (2000). An appraisal of the performance of the statutory agencies in the port. Presented at the National Seminar on Eradication of Corruption and Sharp Practices in the Seaports.
64. Geoffrey, A. (1996a). *The Tyranny of Distance*. Pan Macmillan, Sydney.
65. Geoffrey, N.(1996b). The coming global tongue. *The Economist*, 21 December.
66. Gumel, I. (1996). The purpose of the reforms is to ensure standards. Keynote address at the 3rd National Conference of the Nigeria Shipping Companies Association, Lagos.
67. Gwandu, Bello I. (2001). Corruption: A bane of efficient port services. Presented at a National Seminar on Eradication of Corruption and Sharp Practices in the Seaports.
68. Holland, A. (2000). P and O experience in operating container terminals worldwide. Presented at a World Bank workshop on Concessioning in the Transport Industries... the way forward in Nigeria.
69. Ifezue, H. (1996). A welcome respite for sanity at the port. Presented at the 3rd National Conference of the Nigerian Shipping Companies Association, Lagos.
70. Igbokwe, M. (2006). Assessment of cabotage performance in Nigeria and its attendant effects on the economy. Presented at the 2006 Maritime Seminar for Judges, by the Nigerian Shippers Council, Eko de Meridien Hotel, Lagos.
71. Igorh, S. (1996). An appraisal of the task force on security at the ports. An overview. Presented at the National Conference of the Nigeria Shipping Companies Association, Lagos.
72. Ihenacho, E. (2000). Operations in Nigerian ports: Problems and prospects. Presented at the National Seminar on the Eradication of Corruption and Sharp Practices in the Seaport.
73. Ihenacho, E. (2003). Cabotage law has created a captive market. Presented at a seminar on Oil and Gas, by the Joint Maritime Labour Industrial Council, Lagos.
74. Ihenacho, E. (2004) Cabotage in Nigeria: Prospects, constraints and challenges. Presented at a seminar on Cabotage and the Oil and Gas Industry, by the National Maritime Authority, at Golden Gate Restaurant, Lagos.
75. Ihenacho, E. (2005). Policy imperative for development of a viable shipping industry. Presented at a Shipping Stakeholders Forum, by the National Maritime Authority, at the Lagoon Restaurant, Lagos.
76. Ilodibe, M.C. (1996). The stress of shipping in a dwindling economy. Presented at the 3rd National Conference of the Nigeria Shipping Companies Association, Lagos.
77. Imokhuede, I. (1996). Import dependency and our national economy. Presented at the 3rd National Conference of the Nigerian Shipping Companies Association, Lagos.
78. International Monetary Fund (19073). IMF Survey. July 7.
79. International Monetary Fund (1997b). Globalisation and growth prospects in Arab countries. Working paper.
80. International Monetary Fund (1997c). World Economic Outlook: Globalisation opportunities and challenges. Washington D. C.
81. Jean, Smagghe. (2000). Port reforms: Worldwide experience. Presented at a World Bank Workshop on Concessioning in the Transport, Worldwide Best Practice, and the Way Forward in Nigeria.
82. John, P. (2000). Can a house be a little too smart? *International Herald Tribune*, 17 January.
83. John, W. (1999). *A Brief History of the Future: The origins of the Internet*. London, Weidenfeld and Nicholson.
84. Johnson, B.O. (2002). Implementing ports reform under existing legislative framework. Presented at a National Workshop on Modernization and Development of Nigeria Ports through Involvement of the Private Sector.
85. Kanu, I. (1996). Import duty reports at the ports: Prospect and problems. Presented at the 3rd National Conference of the Nigerian Shipping Companies Association, Lagos.
86. Kareem, W. (1996). Port reforms and the principles of GAAT. Presented at the 16th National Maritime Conference, 16th – 19th August.
87. Kotler, P. (1980). *Marketing Management, Analysis, Planning and Control*. (4th edition) Prentice Hall International, Illinois.
88. Kumba, S. (1996). We are happy for the scrapping of the long-room. Presented at the 16th National Maritime Conference, 16th – 19th August.
89. Larinde, A. and Ayo, O. (2004). World communication and information imbalance: The domestic dimension. *Topical Issues in communication arts and sciences* II:38.
90. Lebow, I. (1995). *Information Highways and Byways: From the telegraph to the 21st century*. IEEE Press, Piscataway, NJ.
91. Maduka, J.H.O. (2004). *Port Safety and Environmental Management*. Concept Publication, Lagos.
92. Majaro, S. (1982). *Internal Marketing: A strategic approach to world markets*. George Allen and Unions (Publishers) Ltd, UK.
93. Malott, LR. (1998): Globalisation, competitiveness and Asia's economic future. *Global Beat*, PacNet, 11, March 13.
94. Michael, M. (1999). *Absolute Power: The Internet's hidden order*. Credit Suisse First, Boston.
95. Musa, A.B. (1993). The stress of shipping in a dwindling economy. Presented at the 3rd National Conference of the Nigerian Shipping Companies Association, Lagos.
96. Mzekwu, G. (1999). Contemporary experiences in globalisation. Presented at a one-day seminar of the Nigerian Economic Society on Globalisation and Economic Development in Nigeria, February 11, Lagos, Nigeria.
97. Nagorski, B. (1972). *Port Problems in Developing Countries: Principles of port planning and organization*. International Association of Port and Harbours, Tokyo Japan.
98. Ndikom, O. B. (2005a). Critical appraisal of communication revolution as a continuation of the transport revolution of 18th and 19th Century.
99. Ndikom, O.B. (2005b). Relevance of the ports system to the Nigerian economy. Presented at Background to Shipping in Nigeria, organized by Admiralty Resources, Lagos.
100. Ndikom, O.B. (2005c). Maritime manpower planning: Strategic overview. Presented at the Nigerian Institute of Shipping's mandatory professional training programme on Human Resources Management in the Maritime Industry: Issues and challenges, Apapa Lagos, 14th June.
101. Ndikom, O.B. (2006). *The Kernel Concepts of shipping Operations, Policies and Strategies: The industry Overview*. Lagos; Bumico Publishers
102. Ndikom, O.B. (2007). A critical appraisal of port planning and development: An overview. In: K.U. Nnadi (ed) *Leading Issues in the Political Economy of Nigeria*.

103. Ndikom, O.B. (2008). *Elements of Transport Management*. Lagos Bunmico Publishers.
104. Nnadi, J. (1997). Laudable reforms need more restructuring. Presented at a national seminar on the Possible Solutions on our Ports, by NPA and the Nigerian Shippers Council.
105. Nzekwu, G. (1999). Contemporary experiences in globalisation. Presented at a one-day seminar of the Nigerian Economic Society on Globalisation and Economic Development in Nigeria, February 11, Lagos.
106. Oboh, G. W. (2004). Implications of the Nigerian Press reports for national development. *Topical Issues in Communication Arts and Sciences* 1: 33-49.
107. Odunjo, G.M. (2000). The Anti-corruption strategy at the seaports: The way forward. Presented at a National Seminar on Eradication of Corruption and Sharp Practices in the Seaports.
108. Ofobrukmeta, P. (1986). *Shipping and Forwarding-import*. Pacific Printers Limited, Lagos.
109. Ogidan, M. (1996). The misconception of pre-shipment inspection. Presented at the 16th Annual National Maritime Conference on Port Development Strategies, Lagos.
110. Ogundana B. (1997). Measurement of port productivity and efficiency in Nigeria: Operational modalities and way forward. Presented at the 6th Annual Delegate Conference of the Nigerian Freight Committee Association, November 21, Lagos.
111. Ohuruogu, C. (2000). An overview and implications of the anti-corruption. Presented at the National Seminar on Eradication of Corruption and Sharp Practices in the Seaports.
112. Okoye, C. (1997). Need to reorganize the marketing departments of the Nigerian Customs Service. Presented at a National Seminar on the Possible Solutions on our Ports, by NPA and the Nigerian Shippers Council, Eko La Meriden, Lagos.
113. Olanrewaju, K. (1993). The glorious arms of the 1992 port reforms. Presented at the 2nd National workshop of the Nigerian Shipping Companies Association, Lagos.
114. Oluwale, S. (1996). A revisit to the port reform era. Presented at the 3rd National Conference of the Nigerian Shipping Companies Association, December, Sheraton Hotel, Lagos.
115. Onakomaiya, S.O. (1980). Highway development in Nigeria: A review of policies and programmes, 1900 – 1980. Presented at the Conference on Social Research and National Development in Nigeria, University of Ibadan, Nigeria.
116. Onwukwe, K. (2005). Cabotage, ports safety, maritime resources and environmental protection. *Maritime Digest* 1(2).
117. Osibisa, M. (1984). *Principles of International Trade and Jurisprudence*. New York, Yale Publishers Ltd.
118. Osibisa, M. (1996). *Fundamentals of Economics* 3rd edition, London: Ox. Univ. Press Ltd.
119. Osueke, E.N. (1996). a revisit of port guidelines. Presented at the 6th Annual Delegate Conference of the Nigerian Freight Committee Association, Lagos Airport Hotel.
120. Otedola, G. (1996). The Comprehensive Import Supervision Scheme (CISS) and the case for verification destination. Presented at the 6th Annual Delegate Conference of the Nigeria Freight Committee Association, November 21, Airport Hotel, Lagos.
121. Pam, W. (2000a). Untangling the economy. *The Economist*, 23 September.
122. Pam, W. (2000b). In a world without borders: The impact of taxes in internet commerce. *Quarterly Journal of Economics*, 115(2): 561 – 76.
123. Philip, E. and Thomas, S. W. (1999). *Blown to Bits: How the new economics of information transform strategy*. Boston: Harvard Business School Press.
124. Roderick, A. (1997). Has globalization gone too far? Washington DC Institute of International Economics, USA.
125. Saul, A. (2000). Ineffective and costly: Targeted ads on the Internet miss the mark. *International Herald Tribune*, 8 May.
126. Schiller, B. (1999). Web cooperation and communication smooths product development processes. *Net Profit* 35, November.
127. Solymar, H. (2000). Getting the message: A history of communications. 126-9, reproduced on Splendid Art Nouveau Advertisement for an opera on Telefon Hirmondo.
128. Stanton, W. (1981). *Fundamentals of Marketing*. International student edition. McGraw Hill, Singapore.
129. Symonds M. (1999). The next revolution: A survey of government and the Internet. *The Economist*, 14 August.
130. Thomas, L. F. (1999). *The Victorian Internet*. London: Phoenix.
131. Ubah, P. (1995). Improving performance in terminal operations. Unpublished thesis at Ogun State University, Ago-Iwoye.
132. Ughakpoteni, J. (1996). The dual face of import duty report (IDR) in analysis. Presented at the 6th Annual Delegate Conference of the Nigeria Freight Committee Association.
133. Ugwoke, R. (1996). Large-scale fraud at our ports: Customs officers nabbed. Presented at the 16th National Maritime Conference, Lagos at Sheraton Hotel, 16th - 19th August.
134. UNDP (1997). *Human Development Report*. New York, Oxford University Press.
135. Usman, H.M, (2000). Decentralization and restructuring in the Nigerian seaports. Presented at a national workshop on Modernization and Development of Nigerian Ports through Greater Private Sector Involvement.
136. Usman, O.A. (2007). Issues in air transport operation and Nigeria's economy. In *Transport in Nigeria: Economic Policy and Management* (Nnadi, K.U. and Ogwude, I.C. eds).
137. Victoria, S. (1999). Oracle of chief foresees European cad. *International Herald Tribune*, 13 October.
138. Walter, B.W. (1992). *The Twilight of Sovereignty: How the information revolution is transforming our world*. New York: Scribner.
139. Weihrich, K.O. (1980). *Management*. International Student Edition. McGraw-Hill Book Company Japan Ltd., Japan.

NEXUS BETWEEN CORPORATE GOVERNANCE REGIME AND INTERNAL CONTROL SCHEME IN BUSINESS ORGANIZATIONS

ABDULLAHI SHEHU ARAGA
LECTURER
SCHOOL OF MANAGEMENT SCIENCES
NATIONAL OPEN UNIVERSITY OF NIGERIA
LAGOS

ABSTRACT

This paper examines the relationship between corporate governance regime and internal control scheme in business organizations. The study which is based on documentary analysis reveals that the essence of internal control measures involves entrenching defined checks and balances on actions of managers and workers in operations of corporate entities that would ensure protection of interest of the shareholders while providing for all other stakeholders in the society. The study also reveals that internal control objectives and measures ensure reliability of financial reporting, timely feedback on the achievement of operational and strategic goals, and compliance with existing corporate laws and regulations, which enhance the entrenchment of corporate governance regime in business organizations. The study concludes that managers should ensure that the standards established for internal control systems are tailored along the best practices around which good corporate governance regime can be entrenched.

KEYWORDS

Business Organization; Corporate Governance Regime; Internal Control Scheme; Stewardship Theory.

INTRODUCTION

Business Organizations as corporate entities are established to operate for the benefit of the shareholders while at the same time providing for all the stakeholders in the society. Thus the operations of business entities are of tremendous interest to individuals and groups in the society to the extent that their success or failure is normally treated with utmost concern. The diversity in ownership of corporate entities results in the complete dependence on the managers of the business who are entrusted with the onerous responsibility to efficiently utilize the corporate resources to ensure the attainment of the corporate objectives and deliver value to their shareholders and other stakeholders.

The enormous responsibility and power entrusted on the managers are perceived to be liable to abuse or misuse. This originates the concerns of corporate governance issues in the operations of organizations. Basically therefore, corporate governance involves holding the balance between economic and social goals and between individual and communal goals. The corporate governance framework is there to encourage the efficient use of resources and equally to require accountability for the stewardship of those resources. The aim is to align as nearly as possible the interests of individuals, corporations and society.

The impetus for corporate governance comes from the need to provide sound institutional structures and good governance practice to attract inward investment. As observed by Olumide-Fasuka (2009), corporate governance is the structure that is intended to make sure that the right questions get asked and that checks and balances are in place to make sure that the answers reflect what is best for the creation of long-term, sustainable value for the shareholders. Insider control regime is essential for enhancing best practice of corporate governance in business organizations because the former influences five critical corporate governance factors namely: control environment; risk evaluation; control activities; information and communication; and supervision, which further impact the rationality of internal control per se (Tuanye and Chucan, 2013).

In essence, corporate governance is instituted to ensure that such structure is not subverted because it becomes too easy for the managers and the directors of companies to succumb to the temptation to engage in self-dealing and insider abuses at the expense of the shareholders' interest. In order to ensure proactive approach to the best practices of corporate governance, there arise different initiatives on issues of transparent and effective discharge of the trust vested in the managers and the directors concerned with steering the affairs of the corporate entities. Based on such different initiatives, some measures have been adopted in different jurisdictions on the structure, independence and responsibilities of the managers and their boards.

The utmost consideration in such measures is the internal control mechanism, which is normally designed and meant for preventing, detecting, exposing and correcting abuse in the management of companies. The responsibilities of the internal audit, external audit and board's audit committee fall under the purview of the internal control mechanisms of corporate entities. Weakness in internal control system of any organisations can lead to corporate distress and ultimate failure (Adedeji, 2012). A weak internal control system per se is indicative of weak corporate governance regime in organizational operations.

Empirical evidence portrays that there is countless number of studies on the subject of corporate governance. However, there exist a few studies on the relationship between internal control systems and practice of corporate governance in corporate organizations. Hence the need to fill such gap motivates the researcher for this study.

OBJECTIVE OF THE STUDY

The study is carried out to investigate the relationship between internal control and corporate governance regime in the operations of corporate organizations. In essence, the study is an attempt to examine how internal control can foster the best practices of corporate governance in the operations of business organizations.

METHODOLOGY

For the purpose of this study, a methodology of content analysis of published materials has been carried out for the purpose of contextual investigation of the nexus between corporate governance and internal control scheme in business organizations, which is the essence of the study. The study made use of secondary data based on materials generated from published papers in academic journals and other relevant published materials.

CONCEPTUAL FRAMEWORK OF CORPORATE GOVERNANCE

The Organization for Economic Corporate and Development (OECD, 1999) defines corporate governance as a mechanism through which shareholders are assured that managers will act in their best interest; a system that involves methods by which investors control managers towards ensuring that their capital cannot be expropriated so as to earn some returns on their investment. This exposition on corporate governance is still relevant these days because of the emphasis on a mechanism through which shareholders are assured that managers will act in their best interest.

Corporate governance is also described as a framework that allows businesses to grow and thrive in a way that builds strong structures for the future growth of these entities. This implies that corporate governance regime is crucial towards building businesses that utilize entrusted resources efficiently, resulting in the greatest benefit for the majority of the stakeholders in the society; that is, a framework which generates maximum value with minimum wastes in the operations of these entities (Gatamah, 2008).

Furthermore, corporate governance has been described as the set of processes, customs and policies, laws and institutions affecting the way a corporation is directed, administered or controlled. Corporate governance also includes the relationships among the many stakeholders involved and the goals for which the corporation is governed. The principal stakeholders are the shareholders, management and the board of directors while the other stakeholders include employees, suppliers, customers, banks, investors, regulators, the environment and the community at large (Olumide-Fasuka, 2009).

Furthermore, corporate governance provides the right framework that is intended to make sure that the right questions get asked and that checks and balances are in place to make sure that the answers reflect what is best for the creation of long-term, sustainable value. When that structure gets subverted, it becomes too easy to succumb to the temptation to engage in self-dealing. Expressed or implied in the above definitions of corporate governance is an initiative web of relationships and interests reflective of the dimension in which modern corporations have taken (Olumide-Fasuka, 2009).

Cadbury (2000) succinctly opines that corporate governance involves a structure of management of the affairs of corporate entities which ensures an adequate balance between economic and social goals and between individual and communal goals. The corporate governance framework is there to encourage the efficient use of resources and equally to require accountability for the stewardship of those resources. The aim is to align as nearly as possible the interests of individuals, corporations and society.

The essence of corporate governance (Cadbury, 2000) covers the rights of the stakeholders who are the shareholders, the employees, the public, the environment and the community in which corporate bodies operate, and the interest of the future generations, among others. Corporate governance requires fair treatment of the shareholders, some role for stakeholders in corporate governance, disclosure and transparency and some responsibilities for the board of directors.

The World Bank, however, suggests that there is no single model of corporate governance with systems varying by country, sector and even in the same corporation over time. Among the most prominent systems are the US and UK models, which focus on dispersed controls and the German and Japanese models which reflect a more concentrated ownership structure.

In broad terms, the interest of the stakeholders is a critical consideration in corporate governance since it is concerned with treating the stakeholders of the firm ethically or in a socially responsible manner. The Stakeholders are found both within the company as well as beyond the precinct of the entity. Hence, behaving socially responsibly will increase the human development of stakeholders both within and outside the corporation.

The above thesis on corporate governance transcends the stakeholder definition used by the Organization for Economic Cooperation and Development (OECD) and the World Bank. The OECD (2004) principles, for instance, imply that a key role for stakeholders is concerned with ensuring the flow of external capital to firms and those stakeholders are protected by law and have access to disclosure. A World Bank survey provides that investors contend that board governance is as important as financial performance in their investment decisions. However, in other countries such as Latin America, Europe, the USA and Asia majority of the investors contend that they would be willing to pay more for a company with good board governance practices.

There is a view on corporate governance which holds that good corporate governance obtains in a company that has traits such as: majority of outside directors; outside directors are truly independent with no management ties; directors have significant stockholdings; large proportion of director pay is stock options; formal director evaluation in place; and very responsive to investor requests for information on governance issues. On the other hand, poor corporate governance holds sway in a corporate entities that has traits such as minority of outside directors, outside directors have financial ties with management, directors own little or no stock, directors compensated only with cash, no formal director evaluation process, and very unresponsive to investor requests for information on governance issues.

The differentiation between good and poor governance is indicative of the fact that corporate governance has a very narrower expression when compared with corporate social responsibility sentiments. Nevertheless, there is increasing advocacy of a broader and more inclusive concept of corporate governance that extends to corporate responsibility. This is succinctly reflected in the King Report for South Africa, the Commonwealth principles of business practice, the UK's tomorrow's company; all on ideals on good corporate governance.

The framework of corporate governance, therefore, covers the rights of the stakeholders such as the shareholders, the employees, the public, the host community, the environment, and the future generations, and other sundry stakeholders. Therefore, corporate governance advocates an equitable treatment of shareholders, the role of stakeholders in corporate governance, disclosure and transparency and the responsibilities of the board. In related terms, Saconni, Antoni and Giacomo (2008), point out that there are considerations such as trust, trustworthiness and ethical norms of reciprocity and cooperation which have been receiving more and more attention in corporate governance.

According to Hopkins and Machold (2009), good corporate governance prevails in a corporate entity that has majority of outside directors who are truly independent, no management ties, directors have significant stockholdings, and large proportion of director pay is stock option. Other conditions include formal director evaluation in place and very responsive to investor requests for information on governance issues. On the other hand, poor corporate governance prevails in a company that has minority of outside directors, outside directors have financial ties with management, and directors own little or no stock. Other conditions include directors compensated only with cash no formal director evaluation process and very unresponsive to investor requests for information on governance issues.

The deduction from the above array of expositions on perspicuity of corporate governance leads us to a working definition that *corporate governance involves a mechanism through which the actions of managers are brought under scrutiny, by means of appropriate checks and balances, in organizational operations so as to assure the shareholders, and indeed other stakeholders, that managers act in their best interest.* This implies that corporate governance provides a procedural structure within which corporate entities operate towards ensuring that these businesses grow profitably in such a way that creates viable framework for their continued existence.

PRINCIPLES OF BEST PRACTICES OF CORPORATE GOVERNANCE

There are basic principles guiding the best practices of corporate governance, which are based on Sarbanes-Oxley Act 2002 of the United States, recommendations of the Cadbury (1999) and OECD (1999, revised in 2004). These principles which are reviewed herein include the following.

i) Rights and equitable treatment of shareholders: This provides that organizations should respect the rights of shareholders and help shareholders to exercise those rights by openly and effectively communicating information while encouraging them to participate in general meetings.

ii) Interests of other stakeholders: This provides that organizations should recognize that they have legal, contractual, social, and market driven obligations to other stakeholders such as employees, investors, creditors, suppliers, local communities, customers, and policy makers.

iii) Role and responsibilities of the board: This provides that the board needs adequate size and appropriate levels of independence and commitment coupled with sufficient relevant skills and understanding to appraise and challenge management performance.

iv) Integrity and ethical behavior: This provides that integrity should be a fundamental requirement in choosing corporate officers and board members while appropriate code of conduct should be developed for their directors and executives that promotes ethical and responsible decision making.

v) Disclosure and transparency: This provides that organizations should clarify and make publicly known on the roles and responsibilities of board and management with which to provide stakeholders with a level of accountability.

In addition, organizations should also implement procedures to independently verify and safeguard the integrity of the company's financial reporting. Disclosure of material matters concerning the organization should be timely and balanced to ensure that all investors have access to clear and factual information.

CONCEPTUALIZATION OF INTERNAL CONTROL

The Committee of Sponsoring Organizations of the Treadway Commission (COSO, 2013) explains that internal control involves a process which is initiated by a corporate entity's board of directors, management, and other personnel that is designed to provide reasonable assurance regarding the achievement of objectives relating to operations, reporting, and compliance. Furthermore, COSO also suggests that a system of internal control allows management to stay focused on the organization's pursuit of its operations and financial performance goals while operating within the confines of relevant laws and minimizing

surprises along the way. Besides, COSO also believes that internal control enables an organization to deal more effectively with changing economic and competitive environments, leadership, priorities, and evolving business models.

In line with the above exposition on internal control, Tuanye and Chucan (2013) posits that internal control is a mechanism arrangement for corporate behavior to correspond with laws to insure financial reports' reliability and efficiency of operating. Furthermore, Tuanye and Chucan (2013) succinctly perceives that strict internal control reduces debtor's loss, enhances the profitability robustness and cash flow's predictability and restrains earnings management; it decreases unintended accounting misstatement and improves accrual quality; and Investors' negative reaction to internal control mass defects' disclosure means capital market values internal control's role in a corporation.

The nature of internal control scheme as emphasized by COSO portrays that it is: an ongoing process consisting of tasks and activities signaling a means to an end and not an end in itself; geared towards achievement of corporate objectives in corporate operations, reporting and compliance; about policy and procedure manuals, systems, and forms on employees and their actions at every level of corporate organization to effect internal control; able to provide reasonable assurance to entity's top management and board of directors; and adaptable to the entity structure as it is flexible in application for the entire entity, its divisions, operating units, and the business process.

The exposition on internal control by COSO is broad-based judging from the fact that it captures important ideas that are essential to designing, implementing, and conducting internal control and assessment of effectiveness of an organization's system of internal control. Organizations are interested in focusing internal controls over reporting, compliance with laws and regulations, over strategic business units and operations of the entire entity, all depends on the entity's specific needs or circumstances Tuanye and Chucan (2013).

In the opinion of Rezaee (2002), internal control is a means by which an organization's financial resources are directed, monitored, and measured. It plays an important role in preventing and detecting fraud and protecting the organization's resources, both physically (e.g., machinery and property) and intangible (e.g., reputation or intellectual property such as trademarks).

Van Creveld (2000) opines that at the organizational level, internal control objectives relate to the reliability of reporting fund utilization, timely feedback on the achievement of operational or strategic goals, and compliance with laws and regulations. At the specific transaction level, financial control refers to the actions taken to achieve a specific objective, e.g., how to ensure the organization's payments to third parties are for valid services. Hence, internal control procedures reduce process variation, leading to more predictable outcomes and effective accountability in financial resources utilization in the operations of the firms.

In a similar vein, Aguolu (2002) posits that internal control involves the whole system of controls in the management of organizational financial and other resources established by the top management, in order to secure, as far as possible, the accuracy and reliability of the records, run the business in an orderly manner and safeguard company's assets, its objective being the prevention and early detection of fraud and errors. This system of ensuring checks and balances on utilization of financial resources include the internal auditing.

In corporate organizations, everyone has responsibility for internal control to some extent. Essentially, therefore, virtually all employees produce information used in the financial control system or take other actions needed to effect internal control. Also, all personnel have responsibility for communicating upward problems in operations, non-compliance with the code of conduct, or other policy violations or illegal actions.

The delicate responsibility for internal control in the operations of business organizations is on the shoulder of the management, the board of directors, and the internal auditors. The management team, over which the chief executive officer presides, has overall responsibility for designing and implementing effective internal control. More than any other individual, the chief executive sets the policy that affects integrity and ethics and other factors of a positive control environment.

In a large company, the chief executive fulfills this duty by providing leadership and direction to senior managers and reviewing the way they have been controlling the business. Senior managers, in turn, assign responsibility for establishment of more specific internal control policies and procedures to personnel responsible for the unit's functions. In a small corporate entity, the influence of the chief executive, often the owner-manager is usually more direct. In any event, in a cascading responsibility, a manager is effectively a chief over his or her sphere of activities cut across, as well as up and down, the operating and other units of an enterprise occupy strategic position in internal control.

In corporate pecking order, management is accountable to the board of directors, which provides governance, guidance and oversight. Effective board members are objective, capable and inquisitive. They also have knowledge of the entity's activities and environment, and commit the time necessary to fulfill their board responsibilities. Management may be in a position to override controls and ignore or stifle communications from subordinates, enabling a dishonest management which internally misrepresents results to cover its tracks. Nevertheless, a strong, active board, particularly when coupled with effective upward communications channels and capable financial, legal and internal audit functions performed by its audit committee, is often best able to identify and correct such a problem.

The internal auditors and external auditors of the organization also partake in internal control system of a corporate entity because it is their responsibility to measure the effectiveness of internal control through their efforts. They assess whether the controls are properly designed, implemented and working effectively, and make recommendations on how to improve internal control. They may also review existing laws and regulations on internal control regarding the financial reporting (Catrysse, 2005; Adedeji (2012)) on the status of operations of business entities. For instance, in Nigeria, there are related provisions in the Company and Allied Matters Act 1990 and the CBN Code of Corporate Governance for Banks 2006, among others, which guide entrenchment of internal control schemes and practices of good corporate governance in operations of firms and banks.

INTERRELATED COMPONENTS OF INTERNAL CONTROL SCHEME

On the basis of COSO (2013) proposition, internal control scheme consists of *five interrelated components* such as monitoring, information & communication, control activities, and risk assessment.

i) Monitoring:-This component presupposes that the entire process of internal control scheme must be monitored, on continuous basis, by both top management and board of directors while necessary modifications are made so that the system can respond dynamically in line with changes in operational conditions.

ii) Information and communication:-This component presupposes an integrated information and communication system that enables the entity's people to capture and exchange the information needed to conduct, manage and control its operations.

iii) Control Activities:-This component presupposes that control policies and procedures must be established and executed to help ensure that the actions guaranteed by management as necessary to address risks towards achievement of corporate objectives are effectively implemented accordingly.

iv) Risk Assessment:- This component presupposes that the entity must be aware of and deal with the risks which are prevalent in its operations. A corporate entity must set objectives which are integrated with operational functions (sales, production, financial and marketing) so that these functions are operating in harmony. A corporate entity must also establish mechanisms to identify, analyze and manage the related risks in operations.

IMPERATIVE STRATEGIES IN USE FOR EFFECTIVE INTERNAL CONTROL SCHEMES

The study discovered that there are some imperatives in practice, which are germane in entrenching effective internal control system. Such guidelines as recommended by the UK Auditing Practices Board on effective internal controls, as cited by Aguolu (2002) are identified and discussed below.

i) Segregation of financial Duties

Financial duties of business organizations are to be split between two or more people so that the work done by one person acts as a check on the work done by another. The segregation makes it difficult for fraud to take place, and it is more difficult for accidental errors to occur. When several people are involved in a task, they act as a check on each other.

ii) Physical Controls of financial resources

These are measures instituted to ensure the physical safety of assets, such as putting cash in safe, banking cash receipts immediately, and preventing unauthorized access to computer systems through the use of passwords and internet firewalls.

iii) Authorization and Approval of Financial Transactions

All financial transactions should be subjected to appropriate authorization or approval of an appropriate responsible person, and there should be an authorization limit to how much spending each responsible person can approve.

iv) Management Control over financial systems

Management should exercise control over financial systems, for example by preparing a budget and then monitoring actual performance by comparing it with the budget. Management controls can also be exercised by reviewing their financial statements, such as a balance sheet, profit and loss account and cash flow statement.

v) Supervision over financial transactions

The day-to-day financial transactions of the business organizations and handling by employees should be properly supervised by the management and internal auditors. Good supervision is bound to reduce the likelihood of errors, frauds and fraudulent practices.

vi) Defined Level of Responsibilities

Everyone in the organization should be fully aware of his or her own responsibilities, lines of authority, lines of reporting and levels of responsibility should be clearly delineated by the management. Frauds and Errors in transactions and handling of financial resources are more likely to occur where there is ambiguity in respect of who is responsible for what and who should be reporting to whom in organization operations.

vii) Arithmetical and Accounting Controls

Appropriate policies and procedures in accounts departments in business organizations should be put in place to guide and check frequently the accuracy of the financial records and the numbers entered in the books therein. Such procedures in financial control include the use of control of totals and reconciliations in account records.

viii) Personnel

The quality of financial controls largely is a function of the quality of the individuals working in the accounts department, and personnel selected to do account duties should have the right personal and professional qualities and above all, should be properly trained on periodic basis. The general recommendation, by and large, is that the internal control system, and indeed financial control, should be sufficiently robust and effective to minimize the risk of serious financial losses through frauds and fraudulent practices.

SALIENT PRINCIPLES FOR ENHANCING INTERNAL CONTROL SCHEMES

The above internal control strategies for ensuring effective internal control scheme are in line with proposals (COSO, 2013) of some *salient principles* for enhancing the internal control regime in the operations of corporate entities. Such principles are identified and discussed below.

a) Demonstrating a commitment to integrity and ethical values

This can be ensured through: setting the tone by the board of directors and management at all levels of the entity demonstrate through their directives, actions, and behavior the importance of integrity and ethical values to support the functioning of the system of internal control; establishing standards of conduct that must be understood at all levels of the organization as well as outsourced service providers and business partners; putting processes in place to evaluate the performance of individuals and teams against the entity's expected standards of conduct; and addressing deviations of the entity's expected standards of conduct in a timely and consistent routine.

b) Board's independence from management oversight on internal control

This principle presupposes that boards of directors of corporate entities should: establish oversight responsibilities in relation to established requirements and expectations; define, maintain, and periodically evaluate the skills and expertise needed among its members to enable them ask senior management probing questions and take commensurate actions; have sufficient members who are independent from management and be objective in evaluations and decision making; and provide oversight for the system of internal control.

c) Establishing structures, appropriate authorities, and responsibilities in pursuit of objectives.

The management and board of directors of a corporate entity should consider all structures including operating units, legal entities, geographic distribution, and outsourced service providers to support the achievement of corporate objectives; management should design and evaluate lines of reporting for each entity structure to enable execution of authorities and responsibilities and flow of information to manage the activities of the entity; and management and board of directors should delegate authority, define responsibilities, and use appropriate processes and technology to assign responsibility and segregate duties as necessary at the various levels of the organization.

d) Demonstrating commitment to attract, develop, and retain competent individuals in alignment with objectives

In ensuring this, organizations should: establish relevant employment policies and practices that reflect expectations of competence necessary to support the achievement of objectives; evaluate competence across the organization and in outsourced service providers based on established policies and practices, and acts, as necessary to address shortcomings; provide the mentoring and training needed to attract, develop and retain individuals attract, develop, and retain sufficient and competent personnel and outsourced service providers to support the achievement of objectives; and develop contingency plans for assignments of responsibility important for internal control.

e) Holding individuals accountable for their internal control responsibilities in the pursuit of objectives

In ensuring this, management and the board should establish the mechanisms to enforce accountability through structures, authorities, and responsibilities for performance of internal control scheme; establish performance measures, incentives, and other rewards appropriate for responsibilities; align incentives and rewards with the fulfillment of internal control responsibilities in the achievement of objectives; evaluate and adjust pressures associated with the achievement of objectives in assigning responsibilities, develop performance measures, and evaluate performance; and evaluate performance of internal control responsibilities and adherence to standards of conduct while providing rewards or exercise disciplinary action as appropriate.

THEORETICAL FRAMEWORK OF THE STUDY

The theory that is considered relevant for this study is the Stewardship Theory. This theory (Donaldson and Davis, 1994) holds that managers are good stewards of the corporations and diligently work to attain high levels of corporate profit and shareholders' returns. The theory suggests that managers are principally motivated by achievement and responsibility needs and given the needs of managers for responsible, self-directed work organizations may be better served to free managers from being subservient to non-executive director dominated boards.

Furthermore, on stewardship theory, Hawley and Williams (1996) observe that the logical extension is either towards an executive-dominated board or towards no board at all. Donaldson and Davis (1994) point out that the non-executive board of directors is, by its nature, an ineffective control device and that the whole rationale for having a board becomes suspect. This is because board of directors can be redundant when there is a major and dominant shareholder such as a family member or government. And that such scenario implies that some boards are established from cultural habit, blind faith in their efficacy, or to make government or family companies appears more like business organizations. In supporting this view, therefore, Brewer (1996) opines that boards of directors should be abolished and replaced by a formal committee of advisers (Barney and Hesterly, 2008).

EMPIRICAL REVIEW

In a study on corporate governance and the role of the internal auditor, Cattrysse (2005) investigates the relationship between corporate governance and internal control besides the consideration on the relationship between corporate governance and the internal auditor based on secondary data. The result of the

study reveals that the traditional role of the internal auditor is to help the organization to maintain the effective system of internal control of its financial statements, which invariably rekindle the good corporate governance in the operations of the corporate organizations. And that, by implication, internal auditors are presented with enormous responsibilities in the wake of corporate governance.

Hoitasd, Bedard and Hoitasd (2009) investigate corporate governance and internal control over financial reporting particularly regarding relationship between audit committee and board characteristics with the effectiveness of internal controls over financial reporting using secondary data on internal controls from provisions of the Sarbanes-Oxley Act (2002). The result of the study suggest that in regulatory environments without requirements of mandatory testing and independent auditor attestation that are required under Section 404 of the Sarbanes-Oxley Act (2002), corporate governance quality has no observable association with internal controls over financial reporting disclosure.

In a study on internal auditing as an effective tool for corporate governance, Karagiorgos et al. (2010), investigate the contribution of internal auditing, *an integral aspect of internal control scheme*, to corporate governance based on secondary data. The findings of the study reveal, among others, that internal auditing contribute to corporate governance by: bringing best practice ideas about internal controls and risk management processes to the audit committee; providing information about any fraudulent activities or irregularities; and internal auditing helps corporate governance by reviewing the organization's code of conduct and ethics policies to ensure they are current and are communicated to employees.

In another study, Adedeji (2012) evaluates the influence of corporate governance on internal control system using selected commercial banks in South Western Nigeria as a Case Study. The study is based on primary data for the investigation while using mean score analyses and Pearson moment correlation to test for the influence. The result of the work reveals that failures and distresses in the banking industry were as a result of weaknesses in management governance activities and control.

Abiola (2012), in a study on corporate governance in Nigerian banking sector and relevance of internal auditors, investigates the relevance of internal auditors in Nigerian banking sector, using nine commercial banks, based on exploratory, semi-structured interview approach coupled with face-to-face interviews conducted on twenty-three internal auditors in the selected banks. The findings of the study reveal that Internal auditors of the selected commercial banks, seem to understand that they are to complement the audit committee in fulfilling the important objective of corporate governance; by instituting effective monitoring mechanism for management so as to enhance shareholders value but it is the management who will create the enabling environment.

Leng, J. and Ding, Y. (2012), in a study on internal control disclosure and corporate governance in Chinese listed companies, examine the influence of corporate governance structure on internal control disclosure, that is, test whether quality of internal control disclosure are associated with corporate governance characteristics using some selected non-financial companies. Based on published annual reports and data of such companies, the findings of the study reveal that internal control disclosure is positively related to directors' remuneration, two part-time posts of chairman and general manager, directors' education level and supervisors' education level, and it negatively related to the proportion of state ownership. Furthermore, the study reveals that internal control disclosure is not significantly related to the degree of ownership concentration, board size, the proportion of independent directors and the size of board of supervisors.

Tuanye and Chucan (2013), in a study on corporate governance, internal control and over investment under insider control in China using some selected manufacturing companies, investigate the relationships between internal control and over-investment, management control and internal control, overinvestment and between various corporate governance factors and overinvestment. Based on empirical test, the result of the study reveals that sound internal control restrains over investment enormously, management control weakens internal control and promotes over investment. Furthermore, the study reveals that executive compensation also significantly improves the quality of internal control and facilitates corporate investment behaviors.

FINDINGS AND DISCUSSION

The study reveals that internal control scheme is an integral aspect of the best practices of corporate governance due to their obvious interrelationship regarding the operations of business organizations. Such interrelationship between corporate governance regime and internal control scheme are discussed below.

RELATIONSHIPS BETWEEN INTERNAL CONTROL SCHEME AND CORPORATE GOVERNANCE REGIME

1. INTERNAL CONTROL ENHANCES CORPORATE GOVERNANCE REGIME IN BUSINESS ORGANIZATIONS

The study reveals that internal control objectives relate to the measures established by an organization towards ensuring reliability of financial reporting, timely feedback on the achievement of operational or strategic goals, and compliance with existing corporate laws and regulations. These internal control measures are meant to enhance the entrenchment of corporate governance regime in business organizations. Indeed, the study reveals that internal control schemes (as bolstered by further discussion below) are normally established to further the epitomes of best practices of corporate governance in operations of corporate entities.

2. ACCOUNTABILITY IN TRANSACTIONS

Internal control scheme involves the procedural actions instituted towards ensuring, at every organization level, that financial transactions are done in accordance to laid-down policies, and indeed the firm's payments to third parties are for valid services rendered. This implies that procedures in relation to internal control system reduce process variation, leading to more profitable outcomes and effective accountability in financial resources utilization, which enhances best practice of corporate governance in business organizations.

3. TRANSPARENCY IN TRANSACTIONS

Fundamentally, as the study revealed, internal control procedures are designed to provide reasonable assurance that financial objectives of the firms are achieved, or related progress understood. This implies that the basis of financial control, an integral aspect of internal control scheme, is the establishment of defined financial policies in relation to payments, documentation of payments and receipts, financial records, and transactions generally. This enhances corporate governance culture in an organization.

4. CORPORATE RESPONSIBILITY IN TRANSACTIONS

The study also reveals that the effectiveness of the operations of the internal control scheme in any organization determines the achievement of financial control and accountability. This implies, therefore, that the internal control measures which are established and entrenched by the organization are *in quo non* to the achievement of organizational goals and objectives, and by extension ensuring that the stakes of shareholders are justified, and indeed the interest of all other stakeholders, by extension, can be fulfilled. This underlines the essence of corporate governance.

5. RISK ASSESSMENT AND REPORTING

An integrated internal control scheme, as the study revealed, assigns functions for company's risk oversight committee, with responsibility for the oversight and reporting of risks. Both risk department and internal audit department have responsibility for co-coordinating risk management within the company because the risk manager and a senior internal auditor are usually risk committee members, and reporting to the board or board audit committee about risks on a company-wide basis. This enhances the achievement of corporate objectives which goes to ensure protection of stakeholders' rights.

6. MONITORING FOR CHECKS AND BALANCES IN OPERATIONS

The practice in internal control system whereby the audit committee of the board monitors and reviews the effectiveness of the internal audit function, a requirement of the UK Combined Code on corporate governance, implies that internal control scheme plays significance role in the entrenchment of best practices in corporate governance. This is manifest in the fact that the internal audit which is normally saddled with responsibility to ensure that the system of checks and balances of internal control is functioning as intended complements the responsibility of the board audit committee. This essentially enhances corporate governance regime in the operations of business organizations.

7. COMPLIANCE, TRUTH AND FAIRNESS OF FINAL ACCOUNTS

The study also reveals that the external auditor has responsibility in best practice of internal control system, which borders on carrying out examination of the system of internal control of a firm, for both soundness in principles and effectiveness in operations. Since the external auditors only owe the shareholders the

responsibility to verify the truth and fairness of the final accounts and in compliance with the relevant accounting rules and regulations, their work, in vicarious terms, goes to enhance the best practices of corporate governance.

8. BOARD'S PERIODIC REVIEW OF FIRM'S SYSTEMS OF FINANCIAL CONTROLS

The board, under practices of internal control, is required, at least annually, to conduct a review of the company's systems of internal controls, which are within the purview of internal control scheme, and report to the shareholders appropriately. Such review indeed covers all controls, particularly the financial controls, operational and compliance controls as well as risk management in the operations of the firm. This implies that the board's responsibility for reviewing internal controls and risk management extends beyond financial matters to the business operations and regulatory compliance. Such contribute to the entrenchment of best practices of corporate governance in corporate entities.

9. BOARD AUDIT COMMITTEE' MONITORING OF INTEGRITY OF FINANCIAL STATEMENTS

The board audit committee of a corporate entity has membership of only independent non-executive directors, as discovered from the study, according to the UK Combined Code on Corporate Governance (2003), with main responsibility of monitoring the integrity of the financial statements of the company and any formal announcements relating to the company's financial performance, and reviewing financial reporting judgments contained in them. This stance enhances internal control scheme, and by extension, the entrenchment of good corporate governance in operations of a business entity.

10. INDEPENDENCE OF RESPONSIBILITIES

The board of directors of a corporate entity, which comprises more non-executive directors than executive directors, has onerous responsibility to ensure that appropriate procedures and structures are in place for internal control system while holding the external auditors accountable for their functions and reports as well as controlling the internal auditors. This implies that their action is intended to minimize or avoid completely potential conflicts of interest. Since the external auditors are independent of the management of the corporate entity that engage their services but accountable to the board of directors who are representing the interest of the shareholders, and the board provides actions of checks and balances on the management, their work enhances the internal control system and therefore, they contribute to the entrenchment of best practices of corporate governance in corporate entities.

11. FINANCIAL TRANSPARENCY AND INFORMATION DISCLOSURE

The board of directors in internal control system initiates actions in ensuring that the financial reports and accounts of the business organizations, both interim and annual reports, reflect the true picture of the outcome s of the operations of the business entity. The board performs this important function through its audit committee whose members are only non-executive directors. Furthermore, the board is also predisposed towards holding external auditors responsible for their actions and reports regarding appropriate information on financial dealings, financial reports and disclosures on regulatory compliance in respect of the operations of the business entity. All this goes to enhance the practices of good corporate governance in business organizations.

CONCLUSION

The corporate governance framework concerns itself with the encouragement of corporate bodies in the efficient utilisation of financial and other productive resources coupled with requirement of appropriate accountability for the stewardship of those resources in order to protect the interests of the shareholders as well as corporate stakeholders. Internal control system is normally instituted to ensure that organizational operations are not subverted by the managers and the directors due to the temptation of engaging in self-dealing and insider abuses at the expense of the shareholders' interest.

Furthermore, the internal control system is all-encompassing as a defined framework for ensuring effective and efficient guide against possible abuses in corporate operations. This is in view of the fact that the internal control system assigns distinctive responsibilities to all those in charge of the affairs of a corporate entity even including the external party such as the external auditors. Hence, the internal control framework becomes relevant in ensuring proactive approach to the best practices of corporate governance regime in business organizations.

RECOMMENDATIONS

On the basis of the findings of the study, the following recommendations are proffered towards enhancing effective internal control system, and indeed the effective practice of corporate governance regime in business organizations:

1. Managers should try to demonstrate commitment in implementation of internal controls in the operations of companies;
2. Some sincerity of purpose in the entrenchment and enforcement of internal control measures in operations of companies is required of managers;
3. Managers should avoid blaming their shortcomings on the environment of the business but rather be bold enough to confront the issue of being held accountable for their actions in operations of the firms;
4. Managers should ensure that the standards established for internal control systems are tailored along the best practices around which corporate governance regime is entrenched.
5. It is in the best interest of managers to avoid weak implementation of internal control measures because in the final analysis healthy companies are beneficial to all stakeholders which include managers themselves.
6. Managers have the onerous responsibility towards ensuring strict implementation of internal control measures which have been entrenched in the company because they owe their existence to the profitable operations of their firms.
7. Best practices in internal control systems manifest in profitable financial transactions and other operations, which translate into good returns on operations, has potential of attracting investors to the firm's shares thereby increasing the market value of these corporations.

REFERENCES

1. Abiola, J. (2012). Corporate Governance in Nigerian Banking Sector and Relevance of Internal Auditors, *British Journal of Arts and Social Sciences*, 5(1): 66-74.
2. Adedeji, D. B. (2012). Evaluation of Corporate Governance Influence on Internal Control System: A Case Study of Selected Banks in South Western Nigeria, *Scientific & Academic Publishing*, 2(5): 1-11.
3. Aguolu, O. (2002). *Fundamentals of Auditing*, Uwani-Enugu: Meridian Associates, pp. 105-156.
4. Barney, J. B. and Hesterly, W. S. (2008). *Strategic Management and Competitive Advantages*. Pearson Prentice Hall: New Jersey, p. 273
5. Cadbury, S. A (1992). The Code of Best Practice, *Report of the Committee on the Financial Aspects of Corporate Governance*, Gee and Co Ltd: London.
6. Cadbury, S. A. (2000). Global Corporate Governance, *World Bank Working Paper*, Washington D. C., pp. 213-234.
7. Catrysse, J. (2005). Reflections on Corporate Governance and the Role of the Internal Auditor, *Social Science Research Network working papers series*. Retrieved from http://papers.ssrn.com/sol3/papers.cfm?abstract_id=485364
8. Central Bank of Nigeria (2006). *Code of Corporate Governance for Banks in Nigeria Post Consolidation*: Effective Date – April 3, 2006, Abuja: CBN.
9. COSO (2013). *Internal Control: Integrated Framework*. Retrieved from <http://www.internalcompliance.com/docs/Summary%20of%20COSO%20Internal%20Control%20Framework.pdf>
10. Gatamah, K. (2008). Corporate Governance in African Context, *Zenith Economic Quarterly*, October Edition, a publication of Zenith Bank Nigeria Plc, 3(4): 54-59.
11. Hoitasd, U., Bedard, J. C. and Hoitasd, R. (2009). Corporate Governance and Internal Control over Financial Reporting: A Comparison of Regulatory Regimes, *The Harvard Law School Forum on Corporate Governance and Financial Reporting*. Retrieved from <http://law.harvard.edu/corpgov/2009/01/28/a-comparison-of-regulatory-regimes/>
12. Karagiorgos, T., George Drogalas, G., Gotzamanis, E. and Tampakoudis, I. (2010). Internal Auditing as an Effective Tool for Corporate Governance, *Journal of Business Management*, 2(1): 15-23.

13. Leng, J. and Ding, Y (2012). Internal Control Disclosure and Corporate Governance: Empirical Research from Chinese Listed Companies, *British Journal of Arts and Social Sciences*, 5(1): 75-87.
14. Nworgi, I. D., Adebayo, O., and Adeyanju, O. D. (2011). Corporate Governance and Bank Failure in Nigeria: Issues, Challenges and Opportunities, *Research Journal of Finance and Accounting*, 2(2): 342-360.
15. OECD (1999) *Principles of Corporate Governance*, Paris: The Organisation for Economic Cooperation and Development. Retrieved from http://en.wikipedia.org/wiki/Corporate_governance
16. OECD (2004). *Principles of Corporate Governance*, Articles I, II, and III. Retrieved from http://en.wikipedia.org/wiki/Corporate_governance
17. Olumide-Fasika, A. (2009, January 23). Meaning and Evolution of Corporate Governance, *The Punch*, Lagos, p. 64.
18. Rezaee, Z. (2002), *Financial Statement Fraud: Prevention and Detection*, New York: Willey, pp. 47-59.
19. Sacconi, L. and Antoni, G. D. (2009). Theoretical Analysis of the Relationship between Social Capital and Corporate Social Responsibility: Concepts and Definitions, *Social Science Research Network*, New York, USA, pp 231-356.
20. Sarbanes-Oxley Act (2002). *Sarbanes-Oxley Act of 2002*, US Congress, Title VIII. Retrieved from www.wikipedia.org/wiki/Corporate_governance
21. Tuanye, Y. and Chucan, C. (2013). Corporate Governance, Internal Control and over Investment under Insider Control: Evidence from Listed Manufacturing Companies in China, *Research Journal of Applied Sciences, Engineering and Technology*, 6(22): 4247-4253.
22. UK Combined Code (2003). Corporate Governance Code. Retrieved from www.wikipedia.org/wiki/Corporate_governance
23. Van Creveld, M. (2000): *The Rise and Decline of the State*, Cambridge: Cambridge University Press, UK, pp. 69-89.



ADOPTION OF MOBILE COMMERCE IN HIMACHAL PRADESH

PANKAJ YADAV
RESEARCH SCHOLAR
DEPARTMENT OF COMMERCE
HIMACHAL PRADESH UNIVERSITY
SHIMLA

ABSTRACT

E-commerce Industry is growing in India at a rapid pace and mobile commerce is following its lead. Almost every online company has been developing special mobile websites and apps shows that they realise the prominence of m-commerce. This paper identifies the key factors that influence customers intention regarding use of mobile commerce in Himachal Pradesh, which leads to acceptance of mobile commerce. Data was collected from a sample of 220 respondents through a well structured questionnaire. The data was collected by asking open ended and close ended questions in 5- point likert scale. For analysing and interpreting data in the present study, basic statistical tools, factor analysis and regression analysis was used with the help of SPSS 16.0 version. The findings of the study depicts three factors i.e., Convenience Factor, Trust factor and Personal Innovation Factor which influence mobile commerce. Further the study exhibited that Convenience Factor, Trust factor and Personal Innovation factor positively influence the acceptance of mobile commerce by customers.

KEYWORDS

Convenience, M-commerce, Personal Innovation, Mobile Commerce, Trust.

INTRODUCTION

Mobile commerce transactions continues to grow, and the term includes the purchase and sale of wide range of goods and services, online banking, bill payment, information delivery and so on. Mobile commerce is worth \$ 230 billion, with Asia representing almost half of the market, and has been forecast to reach US \$ 700 billion in 2017. Wal-Mart estimated that 40 percent of all visits to their internet shopping site in Dec., 2012 was from mobile device. Bank of America predicts US \$ 67.1 billion in purchases will be made from mobile devices by European and US shoppers in 2015. Mobile retailers in UK alone experienced increase in revenues upto 31 percent in financial year 2014. The Indian telecommunication Industry, one of the fastest growing and the second largest economies in the world. It has come a long way over the past decade and a half, with rapid technological developments. Buying and paying for goods or services via mobile phones is growing in India at a rapid pace. The value of such transactions leaped from Rs. 7800 crores to Rs. 36000 crores between financial year 2013 to financial year 2014. The pace of growth will continue (Forrester Research). "India adds 5 million new internet users a month and all are on mobile". There are 230 million internet users out of which 130 million are mobile users (Google India). After launching mobile application, India gets half its traffic from smart phones (Amazon India). Future of mobile commerce will be written in India (Flipkart.com). So it is clear that mobile commerce is emerging as game changer in the Indian market.

REVIEW OF LITERATURE

Bhatti (2007) concluded that personal innovativeness is expected to have a strong influence to adopt innovation such as mobile commerce. Evans and Wurster (1997) observed in their study that mobile internet revolution has changed the established paradigms, and has lead to a reconfiguration of value prepositions. Freestone and Mitchell (2004) observed that this generation is technology savvy and interested to adopt new technology. Haytko and Philips (2008) noted that issues relating to socialisation, feeling of accomplishment, and connectedness drove consumers to buy products and retail patronage. K.S., sanjay (2007) stated that mobile network is less costly and gives a better flexibility and effectiveness to its subscribers than landline phone. Kumar and Lim (2008) found that age affects mobile service perceptions and loyalty decisions. Li and Yeh (2010) found that design aesthetics, customisation, perceived usefulness and ease of use increased trust in mobile commerce. Mahatanankoon, Wen and Lim (2005) suggested that usage of mobile commerce applications mainly resolves around buying products, locating friends and family or receiving instant coupons. Manjoor Amir states that there are several benefits and advantages in adoption of e-commerce. It is helpful in doing transactions from home. It also gives universally accepted quality, security and reliability of product so that major part of share can be increased by particular website. Martin and Bush (2000) concluded that teenagers are trend setters for one another and the population at large. They usually received consumption influence from parents, peers, teachers and media. McKnight (2002) stated that trust is important because it helps consumers overcome perceptions of uncertainty and risk. Muller-Veerse (2000) estimated that around 90 percent of current SMS volume is for person to person communication, with information services, e-mail notification, SMS chat and distribution of ring tones accounting for remaining 10 percent. Rousseou et al. (1998) stated that trust is defined as a psychological state comprising the intention to accept vulnerability based upon positive expectations of the intention or behaviour of users. Schejter, Serenko, Turel and Zafat (2010) stated that customers of mobile and wireline market represent two distinct groups who are driven by different values and behaviours and who exhibit dissimilar psychographic and demographic benefits. Sujata, P., Deshmukh, Prashant Deshmukh and G.T., Thampi stated that m-commerce is sub-set of e-commerce which includes e-commerce transactions carried out using a mobile device. India is a land of many languages, but only 2 percent of Indian population prefers reading in English. If the content is in local language, it will not only ensure quicker adoption by the users but also ensure instant success. Toh et al (2009) showed that perceived usefulness, social influence, perceived financial cost and trust were positively associated with customers intention to use mobile commerce. Wei et al., (2009) defined trust as an important construal which is affecting consumer behaviour and it determines the success of m-commerce. Although lot of studies has been conducted on m-commerce throughout the world, but there is a need of conducting research study related to factors affecting consumer behaviour regarding m-commerce in developing countries like India. Dewan and Kraemer (2000) highlighted that the results of research conducted in developed nations cannot be applied to developing countries. Increase in mobile telephony has increased the possibility of success of m-commerce in India, but a less number of research has not been conducted to determine the factor influencing buyer behaviour regarding online buying which leads to acceptance of online method of buying products. This study will help managers to develop appropriate marketing strategies for increasing sales of product through m-commerce.

OBJECTIVES OF THE STUDY

With the rapid increase in the number of companies offering products over the internet, the buying preference of Indian customers is changing. Mobile commerce has become very popular medium of commerce in Indian market. This research study is conducted in Himachal Pradesh and emphasises on exploring the factors which influence the intention of customers about online purchase of products via mobile phones in Himachal Pradesh. Moreover relationship between the extracted factors and acceptance regarding mobile commerce, is studied.

HYPOTHESIS FORMULATION

- H₁- Convenience factor and acceptance of mobile commerce are positively related.
 Ha₁- Convenience factor and acceptance of mobile commerce are negatively related.
 H₂- Trust factor and acceptance of mobile commerce are positively related.
 Ha₂- Trust factor and acceptance of mobile commerce are negatively related.
 H₃- Personal Innovation factor and acceptance of mobile commerce are positively related.
 Ha₃- Personal Innovation and acceptance of mobile commerce are negatively related.

RESEACRH METHODOLOGY

In this study, an exploratory research design and a quantitative research approach was adopted. Initially data was collected at pilot level to check the designed questionnaire's ability to attain the objectives of the study. Later some changes were made in questionnaire so that objective of the study is achieved. The questionnaire has two sections. First section consist of questions related to characteristics of respondents whereas second section consist of questions exploring the attitude of users towards m-commerce in Himachal Pradesh. A number of open ended as well as close ended questions in 5 point likert scale was incorporated in questionnaire. Survey was conducted in three divisions of Himachal Pradesh. Both primary and secondary data has been used in the present study. At macro level, the geographical area of this study has been limited to Himachal Pradesh. This area, at micro level has been divided into twelve districts. Data has been collected from three districts of Himachal Pradesh. At the first stage, this area is divided into three administrative divisions. First administrative division is Shimla in which districts Shimla, Solan, Sirmour and Kinnaur are included. In the second division Mandi, districts Mandi, Bilaspur, Kullu and Lahaul – Spiti are included. Third and last division is Dharamshala includes districts Una, Hamirpur, Kangra and Chamba. At the second stage, a sample of one district from each division has been selected, where population is maximum. Data has been collected from district headquarter of selected district of Himachal Pradesh. In order to collect the information, the respondents were selected by applying snow ball sampling method. Data was collected from users of smart phones in Shimla, Mandi and Dharamshala (Headquarter of District Kangra).

ANALYSIS AND INTERPRETATION

Table 1 presents the demographic characteristics of 220 respondents. 59.10 percent of respondents are males and 40.90 percent respondents are females. Out of the total sample size, 35.45 percent respondents live in shimla, 32.73 percent in Mandi, and 31.82 percent respondents in Dharamshala. The table shows that almost all respondents are below the age of 30 years followed by a small group of 9.09 percent respondents fall in the age group of 30-45 years and only 4.5 percent respondents are above 45 years of age. Majority of respondents i.e., 59.09 percent, are professionals and are earning an annual income between Rs. 2,00,000 -8,00,000.

TABLE 1: CLASSIFICATION OF RESPONDENTS ON THE BASIS OF DEMOGRAPHIC FACTORS

Demographic Variables	Catagories	No. of Respondents
Gender	Male	130 (59.10)
	Female	90 (40.90)
Place of Residence	Shimla	78 (35.45)
	Mandi	72 (32.73)
	Dharamshala	70 (31.82)
Age (in years)	Less than 30	190 (86.36)
	30-45	20 (9.09)
	Above 45	10 (04.55)
Qualification	Upto 10+2	20 (9.09)
	Graduation	30 (13.63)
	Post Graduation	40 (18.19)
	Professional	130 (59.09)
Annual Income (in Rupees)	Below 2 lakhs	30 (13.6)
	2 -5 lakhs	100 (45.5)
	5 -8 lakhs	80 (36.4)
	Above 8 lakhs	10 (4.5)

Source: Field Survey, 2014

In order to determine the factors influencing the adoption of mobile commerce in Himachal Pradesh, Factor analysis was performed with the help of SPSS version 16.0 and the following interpretation were concluded. According to the KMO and Bartlett's test shown in table 2, the Kaiser-Meyer-Oklin measure of sampling adequacy value of 0.727 which is greater than 0.50. This indicates that the sample was adequate to consider the data as normally distributed and the KMO test is highly significant. The Bartlett's test of Sphericity was tested through Chi-square which is found to have 3.345E3 at 91 degrees of freedom, which is significant at 0.000 percent level of significance, i.e., $p < 0.01$.

TABLE 2: KMO AND BARTLETT'S TEST

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.727
Bartlett's Test of Sphericity	Approx. Chi-Square	3.345E3
	df	91
	Sig.	.000

According to the Total variance Explained Table exhibited in table 3 , component 1 explains 47.391 percent of the total variance among all the variables in the data set, component 2 explains 20.454 percent and component 3 explains 9.872 percent of the total variance among all the variable in the data set. Therefore three factors or component are reported based on the eigen values, they consist of all the variables. Those factors whose eigen values are more than 1 was considered. First 3 component explain 77.716 percent of the total variance.

TABLE 3: TOTAL VARIANCE EXPLAINED

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	6.635	47.391	47.391	6.635	47.391	47.391	4.208	30.056	30.056
2	2.864	20.454	67.844	2.864	20.454	67.844	3.806	27.183	57.239
3	1.382	9.872	77.716	1.382	9.872	77.716	2.867	20.478	77.716
4	.880	6.284	84.001						
5	.518	3.697	87.698						
6	.407	2.906	90.604						
7	.393	2.808	93.411						
8	.310	2.214	95.625						
9	.238	1.703	97.328						
10	.136	.971	98.299						
11	.085	.607	98.906						
12	.083	.592	99.498						
13	.044	.312	99.810						
14	.027	.190	100.000						
Extraction Method: Principal Component Analysis.									

According to the Rotated Component Matrix shown in table 4, easy of use and time saving feature of mobile commerce, 24X 7 and accessibility of mobile network from everywhere, low cost of transaction, less price of mobile phones and low internet charges on mobile phones are grouped under component 1 and named 'Convenience Factor'. Safe transaction through mobile phones, compatibility of mobile commerce in current technological era, no hidden cost involved in mobile commerce are grouped in component 2 and named 'Trust Factor'. Moreover users interest to experience technology, users courage of trying new technology and their attitude of exploring information about new products and services and grouped under component 3 and named 'Personal innovation Factor'.

TABLE 4: ROTATED COMPONENT MATRIX^a

	Component		
	Convenience Factor	Trust factor	Personal Innovation Factor
Mobile commerce is easy medium of commerce	.880		
Mobile commerce is time saving	.854		
Mobile commerce is accessible 24X7 and from everywhere (portable device)	.845		
Cost of transacting through mobile commerce is less	.830		
Prices of mobile phones is less than price of PCs and Laptops	.773		
Internet charges for mobile phones is less than internet charges for PCs/Laptops	.584		
It is safe to make purchase by mobile commerce (mobile phone is less prone to Virus)		.901	
It is more personalised form of commerce		.884	
Mobile commerce is compatible in the present technological environment		.850	
M- Shopping is entirely within users control		.788	
There is no hidden cost involved in mobile commerce		.532	
Users like to experience the new technology			.891
Users dare to try new technology			.884
Users seek out information about new technology goods/ services			.786
Extraction Method: Principal Component Analysis. Rotation Method: Varimax with Kaiser Normalization.			
a. Rotation converged in 5 iterations.			

REGRESSION ANALYSIS

The regression analysis was conducted to reveal how different factors affect the use of mobile phones for shopping products. The overall model was statistically significant ($R^2=0.577$, $p<0.000$). The adjusted R square value is 0.571 which reveals that the model has accounted for 57.1 percent of the variance in the dependent variable. Here F value shown is 98.030, $p<0.000$, which is highly significant.

Table 5: MODEL SUMMARY^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
1	.759 ^a	.577	.571	.43873	.577	98.030	3	216	.000	2.460

a. Predictors: (Constant), Convenience Factor, Trust Factor, Personal Innovation Factor

b. Dependent Variable: Adoption of m-commerce

TABLE 6: ANOVA^b

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	56.606	3	18.869	98.030	.000 ^a
Residual	41.576	216	.192		
Total	98.182	219			

a. Predictors: (Constant), Convenience Factor, Trust Factor, Personal Innovation Factor

b. Dependent Variable: Adoption of m-commerce

Correlation analysis was used to study the relationship between independent factors and dependent factor and test formulated hypothesis in table 7. Out of these variables considered only 'Convenience factor' (t=13.766), p<0.000, 'Trust factor' (t=0.554) p<0.10 and Personal Innovation factor (t=10.211) p<0.000 are statistically significant. The results indicate that all the identified factors are positively correlated with the intention of using mobile phones for buying products and services. Here Convenience factor is vital most factor that influence adoption of m-commerce, followed by Personal Innovation factor and Trust factor respectively. Based on data analysis H1, H2 and H3 were supported statistically.

TABLE 7: COEFFICIENTS^a

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Null Hypothesis
	B	Std. Error	Beta			
1 (Constant)	4.091	.030		138.305	.000	
Convenience Factor	.408	.030	.610	13.766	.000	Accepted
Trust Factor	.016	.030	.025	.554	.580	Accepted
Personal Innovation Factor	.303	.030	.452	10.211	.000	Accepted

a. Dependent Variable: Adoption of m-commerce

FINDINGS

Mobile phone is one of the latest medium of buying products and services in India. This study helps to identify those factors which influence the users intention to buy products and services through mobile phones in Himachal Pradesh. First factor i.e convenience factor that was indentified in the present study. User's found mobile commerce easy and time saving. It is accessible everywhere due to large network coverage area and mobile portability. Cost of buying products through mobile phone is less, prices of mobile phones and Internet charges on mobile phone is less in comparison to Personal Computers/Laptops.

The Trust factor is the second factor that influence users intention regarding mobile commerce. It is safe to make purchase through mobile phones. Shopping through mobile phones is personalised as mobile phones are used personally by users and not shared by anybody is most of the cases. Mobile commerce is compatible in the present technological environmental. It is further noted that users feel that mobile commerce is entirely within the control of users and there is no hidden cost involved in use of mobile commerce.

Personal innovation factor is the third and the last factor that was explored in the present study. User's like to experience new technology user's dare to try new products and or services and seek out information about new inventions. It is further explored in the present study that are three identified factors are positively related to acceptance of mobile commerce.

SUGGESTIONS

Mobile commerce is going to play a major role in conducting business in future. Mobile commerce is changing the ways and rules to do the transactions and business. Mobile commerce is not only providing timely services, convenience, personalization and ubiquity but on the whole it is offering value for money to the consumers. Recent trend of adoption of m-commerce show the huge acceptance and success of mobile commerce. Mobile payments are developed much to the user advantage and security and lot more change is expected in future. Mobile commerce is the next generation mode of business. Therefore vendors must put focus on improvement of attributes that influence users intension to use m-commerce. Trust building between the users and vendors should be another major concern for m-commerce retailers. Retailing companies must advertise about the ease and convenience of product & services bought through mobile commerce. Companies must take appropriate steps to counter the challenges related to the risk, perceived by users while using m-commerce. Companies must encourage users to use m-commerce and measures should be taken to increase the trust of users so that the rate of adoption of m-commerce is increased. Proper training and guidance should be imparted so that users are aware about the latest in the field of M-commerce technology & Mobile services. Proper knowledge about the security aspects of M-commerce/mobile services should be ensured and training should be imparted in order to make customer fearless while availing these services. Awareness about keeping passwords confidential & using best encryption techniques (third party authentication mechanism) can ensure security at the maximum for the client while availing mobile services.

CONCLUSION

The purpose of this study is to identify the factors that affect the intension of mobile users to adopt mobile commerce. The results of the study depicts that Convenience factor, Trust factor and Personal Innovation factor are strong determinant of intension of mobile users to adopt m-commerce. The study also revealed that all these explored factors i.e., Convenience factor, Trust factor and Personal Innovation factor has a positive correlation with intension of adoption of m-commerce.

M-commerce is relatively at an early stage of introduction in India. Therefore, in order to attract more users and encourage them to use m-commerce. Convenience factor found to be one of the primary factor, on which vendors must emphasise on. Users observed that m-commerce is easy to use and time saving. It is accessible from everywhere, 24 hours and 7 days a week. Moreover the price of mobile phones are less than Personal computers and the cost of using internet is comparatively less than internet charges for Personal Computers. Besides, Convenience factor, Trust factor has also been explored in the present study. Without proper security and privacy protection, users will be reluctant to use m-commerce. So these elements should be taken care of. Users think m-commerce is compatible in this technological environment. The users have full control over m-commerce transactions and there is no hidden cost involved in using m-commerce. Third and last Personal Innovation factor has been identified in the present study. Users seek out information about new technological developments in the market. Moreover they like and dare to try new technology products and services. Further it is concluded that Convenience factor is identified as the most important factor that affect adoption of m-commerce followed by Personal Innovation factor and Trust factor respectively.

LIMITATIONS AND SCOPE OF FUTURE RESEARCH

Many limitations were faced while conducting this study in Himachal Pradesh. Firstly, the data was collected from the urban area in Himachal Pradesh. So the analysis of results may not represent the perception of consumers of the whole state. Secondly, money was also a constraint faced during the study. If the data was collected at a large scale, the expenses of conducting research study would have been also high. Therefore, with the limited resources the study was conducted. Thirdly, the data was collected from sample size of only 220 respondents, which is relatively small. Hence, queries about accuracy of results, could be raised.

A scope of further research, a more comprehensive research approach should be applied to study the online shopping behaviour of consumers in developing nations like India. In general more comprehensive research should be conducted to obtain more insights and information, which would be useful for framing proper marketing strategies for companies trading through mobile phone.

REFERENCES

BOOKS

1. Field, A. (2005). *Discovering Statistics using SPSS* (Second ed.). New delhi. Sage Publication.
2. Jobber, D. (1998) *Principle and Practice of Marketing*: McGraw Hill: London, 2nd Edition.
3. Kothari, C.R., (2004) *Research Methodology* (second ed.). New Delhi. Wishwa Prakashan.
4. Whitley, D. (2001). *E-Commerce-Strategy techniques and application*. New York: Tata McGraw Hill.

JOURNAL AND OTHER ARTICLES

5. Bhatti, T., (2007). Exploring factors influencing the adoption of M-Commerce, *Journal of Internet Banking and Commerce*, Vol. 12, No.3 (available at <http://www.Arraydev.com/commerce/jibc/>)
6. Clarke, I., (2001). Emerging Value Propositions for M- Commerce, *Journal of Business Strategies*, 18 (2), pp 133-149.
7. Deshmukh P., Deshmukh, S., Thampi G.T., "Transformation from E-commerce to M-commerce in Indian contest". *International Journal of computer science Issue*, 10(4), (2013)
8. Evans, P.B., and Wurster, T.S., (1995). Strategy and the New Economics of Information, *Harvard Business Review*, 75 (5), pp 70-82.
9. Freestone, O., Mitchell, V.W., (2004). Generation Y attitudes towards E-ethics and Internet related misbehaviour. *Journal of Business Ethics*. 54(2), PP 21-28.
10. Kumar, A. , Lee, H.M.,(2006). Malaysia Broadband Access Services (2006-2010). Forecast and Analysis, IDC.
11. Li, Y.M., Yeh, Y.S., (2010). Increasing Trust in Mobile Commerce through design aesthetics. *Computers in human Behaviour* 26(4), pp 673-684.
12. Mahatanankoon, P., Wen, H.J., Lim, B., (2005), Consumer based m-commerce: Exploring Consumer perception of mobile application, *Computer Standards & Interfaces* 27 (4), pp 347-357.
13. Mansoor, Amir, "" Introduction of E-commerce". *E-commerce*, Amir Mansoor, 23, (2010)
14. Martin , C.A., Bush, A.J.(2000). Do role models influence teenagers purchase intention and behaviour ? *Journal of Consumer Marketing*. 17(5), pp 441-454.
15. Muller-Veerse, F., (2000), *Mobile Commerce Report*, Durlacher Research, <http://www.durlacer.com>.
16. Rousseau, Denise, M., Sim, B., Sitkin, Ronald, S., Burt and Colin camerer (1998) "Not so different at all. A Cross discipline view of Trust'". *The Academy of Management Review*, pp 393-404.
17. Sanjay, K.S., "The diffusion of mobile commerce in India ". Department of Humanities and Social Science, Indian Institute of Technology, Kanpur (2007).
18. Schejter, A., Serinko. A., Turel, O., and Zafat, M.,(2010). " policy implications of market segmentation as a determinant of fixed mobile service substitution: What it means for carriers and policy makers". *Telematics and Informatics*, 27 (1), pp 90-102.
19. Toh, T.W., Marathanan, G., Chong, Y.L., Ooi, K.B., Arumugan, S., (2009). What drives Malaysian m-commerce adoption? An Empirical Analysis. *Industrial Management & Data Systems*. 109 (3), pp 370-388.
20. Wei T.T., et al (2009). What drives Malaysian m-commerce adoption? An Empirical analysis, *Industrial Management & Data Systems*: Emerald Group Publishing Limited, Vol. 109, No. 3, pp 370-388.



GREEN WASHING: DECEPTIVE BUSINESS CLAIMS TO BILK THE BUYER

SACHIN KUMAR
RESEARCH SCHOLAR
DEPARTMENT OF MARKETING & SUPPLY CHAIN MANAGEMENT
SCHOOL OF BUSINESS & MANAGEMENT STUDIES
CENTRAL UNIVERSITY OF HIMACHAL PRADESH
DHARAMSHALA

ABSTRACT

The increasing environmental awareness of customers is making green marketing a mainstream. Irrespective of practicing green marketing, many companies are also helping the eco-system, by adopting environment friendly and protection activities. This environmental protection has gained great concern; not only in India but in other countries as well. But beyond business ethics few/many companies are engaged in some deceptive activities to mislead the customers through advertisements, labelling, providing misleading information or through fake offers on the products. This is a major problem that customers face in the present decade. This study has tried to find out, reasons why firms get engaged in green washing activities and how green washing can be avoided. A large number of reports claim that not only the small players but biggest market players in India and abroad are engaged in some sort of green washing activities. The study results may be beneficial for the society in knowing the aforesaid concealed aspect.

KEYWORDS

green washing, green marketing, deceptive, concealed, bilk.

INTRODUCTION

Green marketing has been an important academic research topic since last few decades. Earlier a majority of multinational companies were not aware of this new concept, "Green Marketing" and engaged in manufacturing only traditional products. Even people have become more conscious about their own health, besides taking care for environmental protection. Not even the environment protection, but the customer also wants value returned products on his/her purchase. So, the companies are now thinking that the best way to increase the sales and survive in the market is adopting environmentally friendly and fair business claims. But who knows the reality, whether the products delivered in the name of green, are green products in reality or the companies are engaged in green washing?

Although most of companies claim that their products are green, but then it's hard to believe the promises. In an article published by CBC News on 14 September 2012, there were found 10 household products marked for committing green washing. In an another online/internet report by Business Pundit, 25 top products from America have been found green washed which include air travel, toys, cars, home cleaners and detergents, mattresses, personal care, beauty care, home appliances, hotels, dairy, water bottles, soft drinks, snacks etc. The Problem has been seriously traced in India also.

This research paper aims to find out "whether it's true that companies are following green marketing, on the basis of promises made or indulged in green washing".

REVIEW OF LITERATURE**GREEN WASHING**

The term Green washing came into existence in 1990. According to Greenpeace, Greenwashing is "the act of misleading consumers regarding environmental practices of a company or the environmental benefits of a product or service".

The consumers are now demanding a sustainable product, that's why companies claim that all their products are environmental friendly and sustainable. But in reality companies do not follow such practices and also don't have any facts to express their claims to be right. This is called green washing (Burg, 2013).

According to the consumer protection act Unfair Trade Practices are employed to promote the sale, usage by customers and supply of the goods by adopting the deceptive business claims by:

1. Making false oral or written business claims.
2. Publishing any false advertisement in the newspaper to sell goods at bargain prices, but it is not intended to do so in the reality.
3. Promising the customers to deliver the gifts, prizes just to increase the sale. But in reality it doesn't happen.

TABLE I: SECTOR WISE KIND OF UNFAIR TRADE PRACTICES FOLLOWED

Kind of UTPs	Sectors				
	Pharmaceutical	Food Processing	Insurance	Securities	Education
Misleading Advertisements	Yes	Yes	Yes	Yes	Yes
Labeling/ Misbranding	Yes	Yes	-----	-----	-----
Adulteration	Yes	Yes	-----	-----	-----
Business to Business	Yes	Yes	Yes	Yes	-----
Misrepresentation	Yes	Yes	Yes	Yes	Yes
False/ Unfair/ Misleading information	Yes	Yes	Yes	Yes	Yes
Hoardings	Yes	Yes	Yes	Yes	-----
Starting an offer without the intention to comply	-----	-----	Yes	Yes	-----
Tied Sales	-----	-----	-----	-----	Yes

Source: Report on Unfair Trade Practices (UTP) and Institutional Challenges in India

Unfair Trade Practices (UTP) and Institutional Challenges in India have found that Pharmaceutical and food processing sectors are completely engaged in the green washing practices followed by insurance and securities sector, which must be checked. Inter-ministerial monitoring committee is constituted in India to overcome and check this rising issue. But a large number of websites are there; whose regular monitoring is a tough task. So the consumer help is must required by this committee to control greenwashing.

Laufer W.S. (2003) said that in last few years the concern about the deception practices has risen. The competition act 2002 says that these deceptive practices of the companies should be treated under the consumer protection act 1986. Terrachoice Environmental Marketing Inc. (2007, 2008, 2009, and 2010) conducted a survey that identified six sins of green washing which increased to seven by 2010.

According to Terrachoice Environmental Marketing report, (2010), The seven sins of greenwashing are as follows:

1. **SIN OF THE HIDDEN TRADE-OFF:** This sin is committed when a company claims its product is green, on the basis of few unreasonable attributes, without focusing on environmental aspect.

2. **SIN OF NO PROOF:** This sin is committed by giving an environmental claim about a product, but without any evidence to support the claim or no third party certification.
3. **SIN OF VAGUENESS:** This sin is committed if any company poorly defines its product features, which may further lead to consumer misunderstanding.
4. **SIN OF IRRELEVANCE:** This sin is committed by making an environmental claim, which may be true, but is unhelpful for the customer while purchasing environmental friendly product.
5. **SIN OF LESSER OF TWO EVILS:** This sin is committed by making claims which may be true in that particular product category, but may distract the consumers from long run environmental impacts of the product as a whole.
6. **SIN OF FIBBING:** this sin is committed by making environmental claims those are truly false.
7. **SIN OF WORSHIPPING FALSE LABELS:** This sin is committed when a company gives the impression of third party endorsement through images, or words, but in reality no such things exists.

Every year the number of firms practicing green washing is increasing. Earlier all these companies were not indulged in such negative activities but with time they became engaged in such negative practices. The above studies did not support the valid reasons for why firms are engaged in green washing and how to overcome it.

NEED/IMPORTANCE OF STUDY

Since, in the race of making profits and increasing sales, companies sometimes deliver products those do not match with the claims made. People are always misinterpreted in the name of best quality, features, price and other benefits. This study may help to raise the awareness of people about various greenwashing activities a firm get engage in. This may help the people, to choose the best product while purchasing, that is free from greenwashing. People will also be benefitted by knowing, why firms adopt green washing and how this problem can be overcome.

OBJECTIVES

- To know the reality behind greenwashing and rise the measures for avoidance at consumer and marketer level both.
- Finding out various firms those are operating in India for engaged in greenwashing activities.

FINDINGS

REASONS: FIRMS PRACTICING GREEN WASHING (EXAMPLES FROM INDIAN INDUSTRY)

The firms engage in green washing just to increase the sales on the name of green or environmental friendly products, or selling the products by highlighting more value than in reality. This is done because the people always want value oriented products that are beneficial to their own health and for the environment, but most of the times they fail to get it.

FEW CASES

- Pepsi Co has claimed to achieve "positive water balance" in India that it is Giving Back MORE WATER than it takes. In 2010 the India Resource Center approached to Pepsico to know about on what basis Pepsico is claiming "positive water balance." It was found that all the claims given by Pepsico were false and were just to bilk the customers.
- Duracell batteries claim for long life. The Duracell Inc got sued in US because people complained these batteries were more expensive than the others and didn't provide longer life than the regular alkaline batteries.

FIG. 1



Source: <http://soldin60secs.wordpress.com/2012/05/25/top-10-famous-deceptive-ads/>

- Nestle claims that new Nestle bottles contain less plastic as compared to previous bottles and other competitors. But in reality the plastic usage causes environmental problems. This claim is called hiding trade off. Moreover the Haryana Government has taken strict actions against Nestle for using misleading and inappropriate visuals in their advertisement. Nestle is found engaged in deceptive labelling and a case has been filed against Nestle.
- The coca-cola Company was charged for grabbing the land of the farmers and throwing away harmful wastes into the surrounding community. For this San Francisco-based India Resource Centre, charged Coca-Cola for releasing the untreated waste water into the nearby agricultural fields and a canal of the Ganges River in Uttar Pradesh.
- In 2009 McDonald changed its logo colour from yellow and red to yellow and green, claiming for preserving natural resources.
- National Survey on milk adulteration 2011 found that liquid milk is the most contaminated product Indian people are consuming and 70 percent of the samples taken by food safety authority did not confirm to the standards. The milk samples found detergents, urea; starch etc. to increase the thickness of milk.
- According to Times of India (September 2, 2011) JK Singh, deputy director of the Patna state's lone food and drug laboratory said that More than 25 percent of the total 300 food samples were found adulterated.
- Angre, K. and Bhatt, A.(November 30, 2012) found that Food Safety Standards Authority of India, have sent notices to 38 companies for misleading advertisements. The famous companies like Complan have been sent the notice for its claim that it helps the children to grow twice as compared to other competitors. Boost and Horlics have also been sent the notices for their claim that these energy drinks develop the child stamina and make them smarter.
- In a report of News channel IBN, Ranbaxy has been fined \$ 50 million for selling adulterated drugs manufactured in India and sold in United States during 2005-2006.

Few or most other companies are also engaged in green washing by doing at least one of the green washing sins. Even Orange Juice, Honey, flour, ice-cream, edible-oils are also adulterated, Pujani, S. (March 30, 2014).

RECOMMENDATIONS AND SUGGESTIONS**AVOIDING GREEN WASHING**

Green washing can be avoided if both the companies as well as customers think of their respective responsibilities.

RESPONSIBILITIES AT THE COMPANY END

1. Being transparent in what a company preaches and practices.
2. Being specific to the thoughts, vision, and mission of the company.
3. Always be ready for questions of the public.
4. Using eco-labels with accurate information about eco-friendly nature of the products.
5. Using easily accessible sources of communication so that maximum of people get updated about the company.

RESPONSIBILITIES AT THE CUSTOMER END:

1. Asking relevant questions to the company representatives.
2. Using own common sense while purchasing and comparing products.
3. Avoid products that make irrelevant claims though packaging, labelling or advertising.
4. Never buy, seeing the attractive and pretty labels.
5. Check with the certifier to verify the product is truly certified for being green/ eco-friendly/ what has been said about the product.
6. Learn the name of harmful ingredients and try to avoid products made with these.
7. Don't be misguided by the colours and eco-friendly pictures of the packaging.
8. Never buy just because of celebrity endorsement, rather search for the product features.

HOW TO MAKE SURE THAT A COMPANY IS NOT DOING GREEN WASHING

The customers must check the following aspects:

1. Customers must check the packaging of the products a company offers. The claims on the packaging must be clear and specific. The products should possess the environmental certifications.
2. The customers should check that the travelling source of the company is green and offering carbon neutral shipping for the transportation of the goods.
3. The customers must verify that vendors of the company are meeting the required environmental standards.
4. The Green washing Index can be much helpful for customers in this regard.

CONCLUSION

The present study revealed that green washing is a matter of concern for both marketers as well as consumers. A large number of companies are adopting green washing to make their appearance as a green company. All this is beyond the social ethics and is a major problem to be taken care off. The customer is the king of the market; always gets himself/herself updated about the products through various sources of information. It will adversely affect the sales of these companies in the near future, if these players remained engaged in such unethical practices. So the companies should avoid green washing practices for sustainable growth.

Moreover, the customers should actively take interest in avoiding the products of the companies engaged in green washing. Government should also start special programs to make people aware of this issue and how to avoid it. The knowledge of the Greenwashing Index to the customers can help a lot. In short the collaborative efforts of both marketers and the customer are needed to create an environmental friendly and healthy atmosphere by distributing quality oriented products.

SCOPE FOR FUTURE RESEARCH

Since, a large number of examples regarding greenwashing are there prevailing in India, and most of Indian consumers don't have knowledge about it. A future study can be conducted to provide remedy to Indian customers about misleading information delivered by different firms. The Multi National Companies operating in different countries adopt different strategies of greenwashing according to market condition of that country. For these companies only countries are on a change, not the basic strategies being practiced inside the firm, either for production, advertising or greenwashing. It might be a possibility, what a company practices in one country must be transferred to another one and even the greenwashing practices also. But, customers of one country perhaps remain in uncertainty that the green washing practices adopted in other countries by same Company will not be prevailing in their own country. The hidden aspect of this reality cannot be found, until analyzed very minutely. The future study on such a concealed aspect can cater a lot to societal benefits.

REFERENCES

1. Aline 604 (n.d.): Top 10 Famous Deceptive Ads, Wordpress, Viewed on January 23, 2014 <http://soldin60secs.wordpress.com/2012/05/25/top-10-famous-deceptive-ads/>
2. Centre for Science and Environment, Adulterated milk is what Indians are drinking, Viewed on November 24, 2014 <http://www.cseindia.org/content/adulterated-milk-what-indians-are-drinking>
3. D' Souza, C., et.al. (2006), "An empirical study on the influence of environmental labels on consumers," *Corporate Communications: an International Journal*, Vol. 11, No. 2, pp. 62-173.
4. D'Souza, C. (2000), "Bridging the communication gap: dolphin safe eco-labels," *Corporate Communication: An International Journal*, Vol. 5, No. 2, pp. 185-190.
5. Environmental Marketing Inc. (2007), "The "Six Sins of Greenwashing," A Study of Environmental Claims in North American Consumer Markets: A green Paper.
6. Green washing report (2009), Sins of green washing, Viewed on October 27, 2013, <http://sinsofgreenwashing.org/findings/greenwashing-report-2009/index.html>
7. Green washing report (2010), Sins of green washing, Viewed on October 27, 2013, <http://sinsofgreenwashing.org/findings/greenwashing-report-2010/>
8. India Resource Center and Community Resource Centre (2011, November 30): Deception with Purpose: PepsiCo's Water Claims in India, India Resource, Viewed on January 23, 2014 <http://www.indiaresource.org/news/2011/pepsipositivewater.html>
9. Introducing The Eight Great Greenwashers, Newint, Viewed on October 23, 2013 <http://newint.org/features/2012/06/01/greenwashing-companies-corporation/>
10. Kewalramani D, and Sobelsohn R. J. (2012): Greenwashing: Deceptive Business Claims of "Eco-Friendliness, Viewed on October, 25, 2013 <http://www.forbes.com/sites/realspin/2012/03/20/greenwashing-deceptive-business-claims-of-eco-friendliness/>
11. Lafer W.S. (2003), "Social Accountability and Corporate Greenwashing," *Journal of Business Ethics*, Vol. 43, pp. 253-261.
12. Ranbaxy fined \$ 500 mn for selling adulterated drugs made in India, IBNLIVE, Viewed on November 23, 2014 <http://ibnlive.in.com/news/ranbaxy-fined--500-mn-for-selling-adulterated-drugs-made-in-india/391498-7.html>
13. Rex E, Baumann H (2007), "Beyond ecolabels: what green marketing can learn from conventional marketing," *J. Clean Production*, Vol. 15, pp. 567-576.
14. Sidiqqi Z. (2011): Examples of green washing, Viewed on October 23, 2013 <http://www.helium.com/items/2160291-greenwashing-examples>
15. History of greenwashing, Stopgreenwash, Viewed on October 23, 2013 <http://www.stopgreenwash.org/history>
16. Glantz A (2007, June 7): Coke Faces New Charges in India, Including 'Greenwashing'. Commondreams, Viewed on December 8, 2013 <https://www.commondreams.org/archive/2007/06/07/1727>

17. Drea (2010, March 2): The Top 25 Greenwashed Products in America, Business Pundit, Viewed on December 21, 2013 <http://www.businesspundit.com/the-top-25-greenwashed-products-in-america/>
18. Pandey, P.(September 2, 2011): 25% food samples found adulterated in state, Times of India, Viewed on September 3, 2014 <http://timesofindia.indiatimes.com/city/patna/25-food-samples-found-adulterated-in-state/articleshow/9828257.cms>
19. Dua R. (2012, August 3): Haryana administration raids Nestle over inappropriate visuals, Times of India, Viewed on January 23, 2014 http://articles.timesofindia.indiatimes.com/2012-08-03/india/33018930_1_nestle-milk-substitutes-bottle-and-infant-food
20. CBC News (2012, September 14): 10 worst household products for greenwashing, Marketplace investigation reveals the truth behind environmental claims, Viewed on December 8, 2013 <http://www.cbc.ca/news/canada/10-worst-household-products-for-greenwashing-1.1200620>
21. Angre, K. and Bhatt, A. (November 30, 2012): Complian, Kellogg's in trouble over their ads, Viewed on November 24, 2014 <http://www.ndtv.com/article/india/complan-kellogg-s-in-trouble-over-their-ads-299192>
22. Burg, N. (2013, October 22): How To Make Sure Your Company Isn't 'Greenwashing', Business Insider India, Viewed on November 6, 2013, <http://www.businessinsider.in/How-To-Make-Sure-Your-Company-Isnt-Greenwashing/articleshow/24551061.cms>
23. Green washing, Investopedia, Viewed on October, 23, 2013 <http://www.investopedia.com/terms/g/greenwashing.asp>
24. Pujani, S. (March 30, 2014): 10 Common Food Products Prone to Adulteration, Viewed on September 3, 2014 <http://listdose.com/10-common-food-products-prone-to-adulteration/>



GLOBAL EXPERIENCE OF FOREIGN DIRECT INVESTMENT IN MULTI-BRAND RETAILING

ITISHA ROHATGI
RESEARCH SCHOLAR
IFTM UNIVERSITY
MORADABAD

ABSTRACT

A debate is going on regarding the impact of foreign direct investment on the retail sector recently. Although, no case of domination by the large foreign retailers has been observed in the last 20 years of globalization worldwide, yet many experts believe that opening the retail sector to foreign players would jeopardize the local retailers in many ways. In this paper, the global experiences of six countries namely – Argentina, Brazil, China, Indonesia, Singapore and Thailand have been analyzed in order to evaluate the impact of foreign direct investment on the multi-brand retailing as 100% foreign direct investment is allowed in the retail sector of these economies. The trade restricting policies introduced in these countries have been studied in detail and suitable suggestions are provided to safeguard the interests of domestic players in the retail sector. The Indian government could learn from the successful experiences of these economies.

JEL CODE

G18

KEYWORDS

Foreign direct investment, foreign retailers, retail sector.

INTRODUCTION

Foreign Direct Investment is an integral driver of the economy. It is usually preferred over other forms of external finance for the reason that it is non-debt creating, non-volatile and its return is dependent on the performance of projects financed by the investors. It stimulates competition in the industries, characterized by poor productivity and low competition. It also creates economic benefits for both, the developing countries and the global leaders. Foreign Direct Investment enables the home country to achieve global growth by reducing production costs and explore new markets. The host countries are also benefitted in the form of financial inflows, managerial skills and technological know-how from the developed economies. The biggest beneficiaries in the process are the consumers-the global consumers reap the benefits from global industry restructuring and consumers in the host economies gain by the improved standard of living and purchasing power.

Foreign Direct Investment in multi-brand retailing provides the opportunity of expanding the market by reducing transformation and transaction costs through the adoption of advanced supply chain. The high economic growth further leads to high per capita income. This in turn brings a shift in consumption pattern from necessary items to discretionary consumption. Owing to liberalization and globalization of the economy, many international players make an entry into the domestic market. The consumers become more aware and are likely to experiment with the various international brands. This popularity of the brands leads to increase in the retail space.

The liberalization of Foreign Direct Investment in multi-brand retailing is opposed mainly for the reasons like loss of local employment, distortion of urban cultural development, fear of predatory pricing by the foreign players and promotion of unhealthy competition among organized domestic retailers which leads to the exit of small retailers from the market. But the evidence of last 20 years of globalization by retailers worldwide shows that there is no such case of supremacy or domination of foreign retailers wherever the markets for global retailers have been liberalized. Only few foreign players have entered into the host economies, that too with lot of caution, as they have realized that retail thrives on local knowledge rather than transferring global retail concepts, formats and strategy. The experiences in the emerging economies have proved that fewer foreign players have been doing well while several failed as they could not understand the customer preferences and tastes, local culture, local regulations and local competition. Also, they could not exercise their bargaining power which they enjoy in their home countries. Indeed, in various countries the domestic retailers experience better market shares, performances and sizes. In the present paper, we will study the experiences of those economies where Foreign Direct Investment is permitted in the multi-brand retailing. Foreign Direct Investment is allowed in the retail sector in Argentina, Brazil, China, Indonesia, Singapore and Thailand without limits on equity participation, whereas Malaysia has equity caps on Foreign Direct Investment in the retail sector.

REVIEW OF LITERATURE

It was Stephen Hymer in 1970s who first discussed about the market power of transnational corporations (TNCs). His analysis was based on the structural imperfections in the host economy. According to him these structural imperfections provided, multinational enterprises, an opportunity in terms of scale economies due to large scale of production, knowledge advantages, channelized distribution networks, product diversification and credit advantages. All these advantages allowed these foreign firms to close domestic markets and increase market power. The transnational corporations have the potential to use its international operations to separate markets and remove competition. These big firms raise the barriers to entry for the domestic firms and can lead to ineffectiveness within the market by creating a dominant position within the market.

Since 1970s, research scholars have studied the programs implemented by governments in different countries (Davies, 1976; Kirby, 1981; Tsuchiya and Riethmuller, 1997). Several researchers have focused on the effects of large scale retail regulations. In addition to this, government's agenda for planning the use of land and new store openings have also been studied (Davies, 1976) while other researchers concentrated on the government actions and policies to protect low-income consumers (Ward, 1987). A number of studies highlighted the problems faced by small stores and categorized them into two kinds of inadequacies: in the retail operation and in management (Smiths and Sparks, 1997). Against the latter, the small retailers have proven to be as efficient as possible. Although the problems encountered by small shopkeepers are well documented, many local retailers are performing quite well (McGee and Peterson, 2000).

Wrigley and Lowe (2002) stated in their study that the body of stiff regulations and competition laws enacted in the United States resulted in a significantly slower spread of supermarkets from 1930s to 1980s. In the late 1990s till early 2000s, in Chile, Ahold, Carrefour and Home Depot all failed to establish themselves against sustained defense by the largest indigenous chains namely-D&S and Cencosud in grocery retailing, Sodimac in home improvement retailing (Bianchi & Mena, 2004 and Bianchi and Ostale, 2006).

A group of studies by Helpman, Melitz and Yeaple (2003) and Nocke and Yeaple (2005) revealed that the love for variety prevents any firm (foreign or domestic) from gaining the entire market share no matter how better its technology is or how lower its price be. This means that even if the transnational corporations are more technologically advanced than the local firms, the consumer would always like to use diversified products and this prevents any firm from capturing the entire market share. According to Deloitte (2010), retailing is a uniquely complicated business. The indigenous retailers rapidly and successfully imitate the organizational innovations and best practices of the foreign retailers that have entered their home markets. They, because of their local knowledge and social networks, are able to predict and respond to the foreign retailers sources of competitive advantage. In this way, they are able to develop a defendable market scale before the entry of big foreign players in order to ensure that they are well positioned to resist the entry of transnational retailers.

IMPORTANCE OF THE STUDY

The current research paper makes an attempt to analyze the performance of the retail sector of those economies where 100% foreign direct investment is allowed in the retail sector. In these economies, either the entry of foreign players has improved the functioning of domestic retailers due to direct competition, better products, improvement in technology, better knowledge etcetera or the domestic players have still managed to be the market leaders or the government has played an active role by safeguarding the interests of the domestic retailers against the giant sized foreign retailers. The government's decision of permitting foreign direct investment in the retail sector has been a controversial one (100% foreign direct investment has been allowed in single brand and 51% in multi-brand retailing in India). It has always been a hot topic of debate. With the help of the present research study, we can anticipate the overall effect of foreign direct investment on the Indian retail sector and can learn lessons from these economies on how to put the domestic retailers on an equal platform with the foreign supermarkets so as to boost up the whole economy.

OBJECTIVES

The present research study has been undertaken with the following objectives:

- To study the international scenario of foreign direct investment in the retail sector by taking few countries into consideration.
- To scrutinize the effect of foreign retailers on the indigenous players in the selected countries.
- To study the various measures and policies that has been implemented in these countries in order to protect the interests of local retailers against the foreign players.
- To provide suggestions to the government for protecting the Indian retailers against various threats due to the entry of large foreign retailers.

RESEARCH METHODOLOGY

The research study is descriptive in nature, thus a descriptive research design is selected to achieve the above mentioned objectives. The data is collected through the secondary sources like research reports, research journals and websites. Primary data cannot be taken into consideration because it is a country wise report analysis. The literature survey is done about the international scenario of foreign direct investment in the retail sector. For this, few countries have been considered which are similar to India in terms of demographics and various macroeconomic factors. Also, the retail sector of these countries is opened to foreign direct investment up to 100%. The countries analyzed in the research study are Argentina, Brazil, China, Indonesia, Singapore and Thailand.

IMPACT OF FOREIGN DIRECT INVESTMENT ON THE RETAIL SECTOR OF OTHER COUNTRIES**CHINA**

- Foreign Direct Investment in retailing was allowed in China for the first time in 1992. Foreign retailers were initially allowed to trade only in six Provinces and Special Economic Zones. The foreign ownership was initially restricted to 49%.
- In December, 2004, China permitted 100% Foreign Direct Investment in retail, owing to its accession to World Trade Organization.
- Retail trade in China has been growing since 1992.
- Employment in the retail and wholesale trade increased from 4% of the total labour force in 1992 to about 7% in 2001. The number of traditional retailers also increased by around 30% between 1996 and 2001.
- The total retail sale in China amounted to \$US 785 billion in 2006, of which the share of organized retail amounted to 20%.
- Some of the changes that occurred in China subsequent to the liberalization of its retail sector, include:
 - a. Over 600 hypermarkets were opened between 1996 and 2001.
 - b. The number of small outlets increased from 1.9 million to over 2.5 million.
 - c. Employment in the retail and wholesale sectors increased from 28 million people to 54 million people from 1992 to 2001.
- China's retail sector registered growth in 2007. The nominal growth of China's retail sales of consumer goods increased to 16.8% in 2007, up from 13.7% in 2006. Total retail sales amounted to 8921 billion Yuan.
- The total foreign direct investment inflows and outflows, in the retail sector, have increased since the introduction of foreign direct investment in retail.
- China opened up its retail sector to Foreign Direct Investment in a phased manner. Initially, China permitted foreign retailers to open in select metropolises, such as, Shanghai, Beijing and Shenzhen, and that too only in certain districts in those cities. In Beijing and Shanghai, foreign players like Wal-Mart were only allowed to operate in districts where there was no local competition.

TABLE 1: IMPACT ON ORGANIZED DOMESTIC RETAIL CHAINS

TOP 10 CHINESE RETAIL CHAINS 2010						
Retail Sales Rank	Name of Company	2010 Retail Sales (\$US billion)	Number of Stores	Operational Format	Region of Origin	Regions of Operation
1.	Suning Appliance Group	24.76	1,342	Electronics Specialty	China	More than 300 cities in all regions, Hong Kong, Japan
2.	Gome Electrical Appliances Company Limited	24.55	1,346	Electronics Specialty	China	More than 200 cities in all regions
3.	Bailian Group Company Limited	16.43	5,809	Supermarket, Department Store, Convenience Store, Home Improvement	China	20 provinces and cities in China
4.	Dashang Group Company Limited	13.66	170	Supermarket Department Store, Electronics Specialty, Home Improvement	China	Northeast China, North China and West China
5.	Vanguard Company Limited	11.38	3,155	Supermarket Department Store, Convenience Store, Drug Store, Food and Beverage	China	27 provinces and cities in China
6.	RT-MART International Company Limited	7.96	143	Supermarket	Taiwan	21 provinces and cities in China
7.	Carrefour Societe Anonyme (China)	6.66	182	Supermarket	France	21 provinces and cities in China
8.	Anhui Huishang Group Company Limited	6.42	2,915	Supermarket, Department Store, Convenience Store, Electronics Specialty	China	50 cities in China
9.	Wal-Mart Stores, Incorporation (China)	6.34	219	Supermarket	US	20 provinces and cities in China
10.	Chongqing General Trading (Group Company Limited)	6.06	319	Supermarket, Department Store, Electronics Specialty	China	Chongqing, Sichuan, Guizhou

Source: Top 10 Chinese Retail Chains 2010

The table above shows that China's biggest retail firms in 2010 are all local Chinese companies – Suning Home Appliances, Gome Home Appliances, Shanghai Bailian Group, Dashang Group and Vanguard Company, all the companies have higher sales than Wal-Mart in China. Shanghai's Bailian Group Company held 11% market share whereas Wal-Mart, which dominates the US market, only had approximately 6% market share. On the other hand, the French retail giant Carrefour Group, world's second largest retailer by revenue, had a 4.9% market share and Tesco Public Limited Company, world's third largest retailer by revenue after US Wal-Mart and French Carrefour, held only 2.1% market share.

THAILAND

- Modern retail outlets by local Thai people gained importance during the economic boom in the early 1990s.
- Prior to 1997, no foreign investment was allowed and therefore there was limited competition in the retail sector. Moreover, there were few incentives to modernize their operations.
- With the advent of the Asian Crisis in 1997, the entry ban on foreign investment was lifted up. Within a short time period, the foreign retailers expanded their operations considerably and marginalized the local players who were already experiencing a recessionary trend of economy. 100% foreign equity was allowed, with no limits on the number of outlets. For the retail business, a capital requirement of TBH 100 million and TBH 20 million for each additional outlet, while a capital requirement of TBH 100 million for each wholesale outlet, was made mandatory.
- Many local retailers had to shut down their business.
- Entry of foreign retailers during the recession in the economy badly affected all the segments – manufacturers, wholesalers and local retailers in the short run. The stores opened by the foreign retailers became popular due to their wide variety and low prices.
- Although the entry of foreign retailers had some positive effects also, such as:
 - a. It led to the growth of organized retailing and so Thailand has become a large shopping destination.
 - b. It encouraged the development of agro-food processing industry and increased the exports of Thai-made goods through the network of the foreign players.
 - c. Direct competition of the foreign stores with local supermarkets and convenience stores, forced the local players to improve their management systems and marketing strategies.
 - d. Unemployment rate remained low.
 - e. Inflation rate also remained low at 0.3%.
 - f. The openness indicator reached its maximum point in 2002.
 - g. Foreign direct investment inflows increased to TBH 7,314,804,931 in 1998.

SINGAPORE

- 100% foreign direct investment had been permitted in the retail sector.
- The rise of supermarkets and foreign multi-retailers in Singapore decreased the productivity and efficiency of the domestic small-scale retail sector, thus they were unable to compete with the Japanese and Korean groups, which were making a mark in the Singaporean market. European, American and Australian groups were also making a gradual entry into the market after testing the Hong Kong and China markets.
- The local government implemented certain measures to safeguard the interests of the local traditional retailers. They provided the retailers various forms of assistance such as subsidies and grants, regulation amendments, etc.
- One of the action plans implemented by the Singapore government to help the small retailers was Housing and Development Board's Sale of Tenanted Shops Scheme (SOTS). Housing and Development Board provided public housing in which 86% Singaporean live. In order to make retail facilities available to them small shops were opened in the neighbourhood, close to consumer's homes, thereby providing the convenience of long shopping hours to the local people there. Today, there are some 20,000 shops in 24 town centers and 255 neighbourhood centers.
- Another retail cooperative, National Trade Union Congress (NTUC) helped its members, the traditional store owners, by giving a rebate on their purchases and a dividend on their shares. Its pricing policy, thus, puts competitive pressure on the new entrants in the retail sector. Presently, NTUC Fair Price is the largest supermarket retailer having about 4,00,000 members/owners and operates 80 stores. This supermarket chain was established by National Trade Union Congress in 1973.
- The domestic retailers, currently, continue to focus on the departmental store format and are performing well. Most of them are still adopting a cautious approach towards expansion.

INDONESIA

- The modern retail in Indonesia started growing in the 1990s through the domestic chains.
- Foreign direct investment in retail led to the multi-nationalization and rapid consolidation of the supermarket sectors in such developing countries.
- In Indonesia 100% foreign equity was allowed in the retail business, with no limits on the number of outlets in 1990s. It did not enforce any capital requirements.
- Matahari, the current leading chain, initially started as a small shop in 1958, grew into a chain of department stores and was purchased by a giant banking and real estate multinational company, Lippo Group, in 1997, just before the crisis. The crisis created a sharp dip in modern retail sales, which began recovering in the 2000s. The sales of Matahari got doubled between 2002 and 2006 and it became a billion dollar chain by 2006.
- Even after many years of emergence of supermarkets 90% of the fresh food and 70% of the total food retail is still in the control of unorganized retailers. No complaints of exploitation of local resources or dominance by the foreign players over the indigenous retailers have been recorded in the retail sector. The leading company in retail industry is a local retailer, Matahari.
- The share of foreign companies (one European and one Hong Kong) in the top seven chains is now 40%.
- Although, as the sector is still fragmented, foreign chains do not have more than a 20% share, similar to the situation in China.
- The entry of foreign players has a positive impact on the industrial competitiveness.
- A wide range of institutional reforms was introduced. The monetary policy was redirected towards maintaining price and exchange rate stability. Eventually, the price stability was re-established.
- The imports, exports and real exchange rate remained constant.
- There was an increasing effect of foreign direct investment in retail on the total foreign direct investment inflows. However, the foreign direct investment outflows in retail dropped after 1994.

BRAZIL

- Brazil opened up its retail sector to the foreign investment in 1994. 100% foreign investment was permitted in the retail sector. Since then, the traditional small retailers have been able to enhance their market share by 27% (according to a report by CUTS International).
- Out of the top seven companies in 2006 – Casino (the leader), Carrefour, Wal-Mart and Makro, were all foreign owned. The presence of these foreign retailers improved the productivity of the traditional retailers due to adoption of better technology, thereafter. As a result, these domestic retailers started giving tough competition to the foreign companies.
- Retail sales per capita increased at the rate of 12% per year for the last four years (2007-2011). Consumer spending increased at the rate of 9% per year since 2007. Retail market size increased by 15% in 2011. Retail sales accounted for 70% of consumer spending in 2011.
- In 2011, with 44 Foreign Direct Investment projects, representing 9% of the total projects for the year, the retail sector experienced strong investment levels. This resulted in the boosting up the of the employment levels with 23,051 jobs created during 2011.
- The annual gross domestic product growth remained stable and positive.
- The unemployment rate decreased after 1994, after its maximum at 9.6.
- The value of exports and imports also increased after the introduction of foreign direct investment in retail sector.

- The total foreign direct investment inflows in retail reached its highest point in 1998.
- The retail regulations were enforced in Brazil for safeguarding the traditional retailers. One of the regulations was applying special tax regulation to small retailers by the Brazilian government that reduced their tax burden. The government also provided subsidies to traditional retailers through SEBRAE (the Brazilian Department of Support for Small Enterprises).

ARGENTINA

- During the mid 1990s, foreign direct investment liberalization took place in the retail sector up to 100% in Argentina.
- In Argentina, the number of small food shops declined from 209,000 to 145,000, which means that approximately 64,000 shops were shut down from 1984 to 1993 (the period during which the supermarkets were burgeoning).
- The general-line shops were closed down quickly but those which were specialized, predominantly the bakeries, fresh meat and fish shops, fruits and vegetable shops, shut down less quickly.
- Some regulations were introduced to improve supermarket chain and supplier relations and thus facilitate retail trade during 2000-2001. Three laws were called on to lay the legal foundation namely-the Truth in Trading Act of 1983, the Consumer Protection Act of 1993 and the Competition Law of 1999. The Competition Commission declared that it would promulgate a national law, combining these three laws, to closely regulate supermarkets and their relations with their suppliers, if the retail, wholesale, processing and farming sectors (suppliers) did not formulate a private code of commercial conduct. Retailers and suppliers responded positively and signed the Code of Good Commercial Practices in July, 2001.
- The Code of Good Commercial Practices had four basic provisions: (1) compliance with contracts by both retailers and suppliers (2) equal treatment among suppliers (3) prompt payment (4) co-operation in logistics development. The conflict resolution mechanism accompanying the code proved to be very effective.
- The Argentine government provided market intelligence capital for the suppliers so that their business relations with the supermarkets could be strengthened.
- However, the introduction of such economic measures has worsened the investment environment. The Argentine government will not change its current economic policy of attempting to boost the domestic business without considering its consequences on the whole economy. With estimated annual inflation of 25% (one of the highest in the world), the purchasing power has decreased overall, thus slowing down the demand.

RECOMMENDATIONS

The domestic retailers encounter problems due to their inefficiency, low productivity and inability to compete with the foreign retailers and supermarkets. The existence of foreign retailers not only brings competition into the market but also stimulates the domestic players to improve their quality, management and performance. But the international operations and supremacy of the large foreign players often force the indigenous retailers to either reduce or shut their business. Using the experiences of the six emerging market economies-Argentina, Brazil, China, Indonesia, Singapore and Thailand, this research paper endeavors to provide suggestions regarding the preventive measures that can be executed by the Indian government with the aim of encouraging local retail trade in the presence of powerful foreign players so that the former does not get completely driven out of the market by the latter.

- ❖ Foreign direct investment in retail should be liberalized in a phased manner like the case with China where foreign retailers were allowed to trade only in six provinces and special economic zones.
- ❖ A distinctive regulatory framework should be made to control the foreign direct investment in the retail sector. Such regulations would protect the local retailers against the threat of labour displacement, exploitation of local suppliers and predatory pricing by foreign chains. A national commission or business association for retailers, consumers and suppliers should also be formed to look after the interests of local businessmen such as ban foreign retailers from buying products below cost and selling below cost, improve domestic retail markets for small farmers, establish multi-stakeholder initiatives in the supermarket chains and provide support to small producers and traditional retailers.
- ❖ Various forms of assistance such as subsidies and grants, training and retraining and retirement pensions should be given to the local retailers by the government. This would help them in competing directly with the large foreign retailers.
- ❖ The government should build financial services to access capital for the suppliers (as working capital and for investments in equipment and other physical capital upgrades) as it is a crucial element in business.
- ❖ The government should introduce special tax regulation for the domestic retailers where less tax is imposed on them as happened in Brazil.
- ❖ The government should also offer market intelligence capital to the local suppliers so as to make their business relations with the foreign retail chains stronger just like the Argentine government did.
- ❖ Trade restricting laws should be made to avoid foreign retailers such as Wal-Mart and Carrefour from having a high concentration of business in the country as in Argentina provincial lawmakers have passed the legislation that no business can control more than 30% of the market in one sector.
- ❖ Last but not the least, to maintain fair competition between large foreign supermarkets and domestic retail stores, a mechanism of "Zoning" should be executed. This mechanism implies that foreign stores are strategically kept outside the city and far from the traditional markets just like in Indonesia where hypermarkets are prohibited within 500 meters of traditional markets and large stores of more than 40,000 square feet are to be at least 2.5 kilometers from traditional markets. Similarly, in Singapore, Housing and Development Board provided retail facilities to the residential localities by selling tenanted shops to the local shopkeepers through Sale of Tenanted Shops Scheme (SOTS).

CONCLUSION

Foreign direct investment in retail sector in the emerging market economies have provided the following benefits-expanded markets, increased productivity, enhanced wages, generation of world class supply chains, benefitted consumers and generation of externalities to the local firms. The foreign capital has given a boost to the domestic economy and triggered its growth. It is a superb conduit for the transfer of technology and know-how to the developing countries. Thus, foreign direct investment is very important for an economy's growth and rapid development in the global markets.

However, the entry of foreign players posed certain threats for the host countries initially but the government of these economies played a pivotal role in dealing with them eventually. The government, in these countries, played a role of 'Facilitator' and provided the local players with a conducive business environment to work, in an attempt to bring them on an even and competitive playing field with the foreign companies. The framework of schemes and policies, designed by them, was guided by the desire to limit foreign control of economic activities but at the same time take advantage of the opportunities provided by foreign capital. The success of these policies can be evaluated from their end results. In China, even after 15 years of establishment of the big-box retailers like Wal-Mart and Carrefour, Chinese companies remain China's biggest retail firms. Shanghai's Baillan Group holds 11% market share while Wal-Mart holds only 6% and Carrefour holds 4.9% market share. Similar success stories have been observed in Brazil, Indonesia, Singapore and Thailand. So it can be fairly stated that foreign direct investment has several benefits along with few disadvantages; the advantages being surpassed by the disadvantages.

REFERENCES

1. Boon L. Lee (2013), "Productivity Performance of Singapore's Retail Sector: A Two-Stage Non-Parametric Approach", *Economic Analysis & Policy*, Vol. 43, No. 1, pp. 67-78.
2. Cssilla Lakatos and Tani Fukui (2012), "Liberalization of FDI in Retail Services: A Fast Death Instrument for India", Global Trade Analysis Project Resource No. 3943, Purdue University.
3. Discussion Paper on "Foreign Direct Investment (FDI) in Multi-brand Retail Trading", 2010.
4. Gavin Peebles and Peter Wilson (2002), "Economic Growth and Development in Singapore", Edward Elgar Publishing Ltd., United Kingdom.

5. Guillermo D'Andrea, Belen Lopez-Aleman and Alejandro Stengel (2006), "Why small retailers endure in Latin America", International Journal of Retail and Distribution Management, Vol. 34, No. 9, pp. 661-673.
6. Kaanan Gupta (2012), "FDI in Multi-brand Retailing: Lessons from China", Researching Reality Internship 2012, CCS Working Paper No. 258, Non Summer Research Internship Programme 2012, Centre for Civil Society.
7. Kamaladevi B (2012), "Invest in India-The Foreign Direct Investment Scenario", Information Management and Business Review, Vol. 2, No. 4, pp. 138-153.
8. Murali Patibandla (2012), "Foreign Direct Investment in India's Retail Sector: Some Issues", Working Paper No. 366, Indian Institute of Management, Bangalore.
9. Nivedita (2012), "Foreign Direct Investment, Market Power of Transnational Corporations and Impact on Competition-An Assessment Based on Empirical Evidences", Internship Project Report submitted to Competition Commission of India.
10. Pankaj Sinha, Anushree Singhal (2013), "FDI in Retail in India: An Empirical Analysis", Munich Personal RePEc Archive Paper No. 46833.
11. Rajib Bhattacharyya (2012), "The Opportunities and Challenges of FDI in Retail in India", IOSR Journal of Humanities and Social Sciences, Vol. 5, Issue 5 (Nov. - Dec. 2012), ISSN: 2279-0837, ISBN: 2279-0845, pp. 99-109.
12. Saagar Shamrao Gaikwad (2012), "FDI in Indian Retail Sector and Competition Issues", Internship Project Report submitted to Competition Commission of India.
13. Sim and Lo Lee (2000), "Government Assistance for the small retailer: The case of Singapore", International Small Business Journal, Vol. 18, No. 2, pp. 92-97.
14. Srikant Gokhale and Piyush Kumar Sinha (2012), "FDI in Retail: A Global Perspective", Working Paper No. 2012-05-02, Indian Institute of Management, Ahmedabad.
15. Thomas Reardon and Ashok Gulati (2008), "The Rise of Supermarkets and Their Development Implications-International Experience Relevant for India", IFPRI Discussion Paper 00752.



HIGHER EDUCATION: EXPLORATION OF OPPORTUNITIES AND CHALLENGES

MENKA
ASST. PROFESSOR
GGSDS COLLEGE
CHANDIGARH

ABSTRACT

Education is an essential part of human's life. The motive of education is to enlighten the life of an individual by imparting knowledge in the relevant field. The relevance of education is not confined to enhance knowledge as well it also explores social and moral values, spiritual attitude, and moral character of an individual. Education is the only mean which gives the real spirit of life to human beings. There are various important elements of higher education which plays significant role in overall growth and personality development of an individual. No doubt, Higher Education has attained a key position in the knowledge based society under advanced tech economy. But in this modern era of technology education has lost its relevance to the modern and highly sophisticated youth. Today's highly advanced youth finds little interest in primary aim of education and just gets high degrees and certificates for sake of formality. The major misfortune of Indian education system is corruption caused by politicians and this leads to frustration and idleness among the young generation. Insufficient teaching infrastructure and lack of awareness for innovative teaching methods also leads to various flaws in higher education system. There is need in this concern to transform the education system. This paper reflects the important elements and opportunities of higher education system which plays great relevance in life of an individual. The present paper also focuses on major challenges or problems for higher education and also explores some measures to meet these challenges.

KEYWORDS

Education, Higher education, Challenges, Opportunities.

INTRODUCTION

Education is an important element of our life. Education act as significant for human life and bring peace, progress and development. It provides roots to everyone for strengthening the culture and civilization. It is a passport for freedom and liberty and a higher calling in life. In today's time of advancement, it is an unquestionable fact that quality education is mandatory to fulfilling one's potential and is the key for vertical mobility and economic growth, and an educated population is the precondition for economic prosperity of any nation. Education in general and particularly higher education is a factor of great importance to the development of an energetic transnational economy. Higher education acts as a foundation in the development and support of economic, social and cultural development for the economy. Higher education institutions represent the most meaningful character of economical, cultural and social, intellectual life of the community in general. The main objective of a higher education system is to add real value to human resources, and produce wealth creators and leaders in all fields business, professions, politics, administration, and creative pursuits. The definition of higher education includes a hierarchy of institutions and programmes. Many diverse categories of university level institutions such as central universities, state universities, private universities, IITs, NITs, IIITs, IIMs, IISERs, occupy the upper end of the higher education spectrum. The various colleges offering general or specialized system of education, professional education system, provide higher education to nearly eighty percent of students. In general our higher education system has divided these institutions and programs into two broad categories: one for scholarly pursuits and achievements and the other for work-force requirements. Then, there are several other post secondary institutions such as community colleges and technical training institutions. In a sense the polytechnics and vocational institutions, which are not stringently post-secondary, are also considered as higher education. Higher education principally and usually means university level education. It proposes a number of qualifications choices from Higher National Diplomas and Foundation Degrees to Honors Degrees and as advance step, Postgraduate programmes such as Masters Degrees and Doctorates. These courses are recognized throughout the world as representing specialist expertise supported by a wide range of skills that employers discover it as very useful. Further it is termed as system of education which generally includes those post graduate studies in where you can gain your Master and Doctorate degrees.

ORIGIN AND GROWTH

The achievements of Indian education in ancient times were fascinating – the sages and scholars orally imparting education in the Gurukul system (students staying at Guru's or teacher's home to complete education). While the original Vedic education was confined to upper strata of society in a complicated stratified social order, later spread of Buddhism and Jainism enriched education and was available to everyone in society. The problems of lack of inclusiveness though, in some measure, persist till present day. The famous institutions at Nalanda, Vikramshila and Takshashila were celebrated symbols of educational and cultural achievements of India. Nalanda University, during fifth to thirteenth century AD was known for its educational excellence. The university was a convergence point for international scholars. The contribution of India in the field of education during ancient and medieval times was thus very significant. The system of higher education now existing in India was originally implanted by the British rulers in the mid-19th century to serve the colonial economic, political and administrative benefit, and in particular, to merge and preserve their dominance in the country. It was innate by the state managers after independence (in 1947) as a colonial legacy, and has been extended incredibly during the last five decades. Before Independence, access to higher education was very restricted and exclusive, with enrolment of less than a million students in 500 colleges and 20 universities. Since independence, the expansion has been very impressive. The number of universities (as on 31st March 2006) has increased by 18 times, (from 27 in 1950-51 to 367 in 2005-06). The number of total colleges has increased by 35 times (i.e. from 578 in 1950-51 to 18064 in 2005-06). The colleges for general education has increased from 370 in 1950-51 to 14400 in 2005-06, while the colleges for professional education has increased from 208 in 1950-51 to 3664 in 2005-06. At presently there are 659 universities and university level institutions out of which 152 are central, 316 at state and 191 at private level. There are 33023 college are established out of which 669 colleges are established at central level. 13,024 colleges established at state level and 19,930 private colleges are established till the end of 12th plan.

OBJECTIVES OF THE STUDY

- To study the academic framework and scenario of higher education in India.
- To find out the opportunities and challenges in the field of higher education.
- To explore the measures to meet the challenges in the field of higher education.

METHODOLOGY

The study is based on secondary sources and necessary information is based on secondary sources such as journals, magazines, annual reports, websites etc.

ACADEMIC QUALIFICATION FRAMEWORK OF HIGHER EDUCATION

There are three main principle levels of qualifications within the higher education system in the country which are as under:

- a) **BACHELOR/ UNDERGRADUATE LEVEL:** Bachelor's degree to students is offered after 12 years of school education. Generally it is offered in two streams:

- Scholar or Liberal field of education
- Professional or workforce oriented field of education

The liberal studies are generally three years programme offered in arts, commerce and sciences. Some bodies offer bachelor courses with honors in liberal studies which are not essentially longer in period but indicate greater depth of study. Bachelor degree in professional studies is generally a four years programme offered in agriculture, dentistry, engineering, medicine, pharmacy, technology, and veterinary. The bachelors in architecture and medicine take five and five and a half years respectively. There are other bachelor programmes which are offered only after completion of first bachelor degree. These comprise one year bachelors in education, journalism and library and information science. Similarly a Bachelor's degree in law can be pursued only after completion of first bachelor degree but is of three years bachelor programme. The bachelor degree in field of law is also offered as an integrated degree lasting five years.

- b) **MASTER'S / POST-GRADUATE LEVEL:** The duration of Master's degree is normally of two-year in both the liberal and professional fields of study. This includes coursework based with or without thesis or research. In these days to match the expertise requirement, speedy programmes in professional streams such as Executive MBA are also available to those having 3 to 5 years of experience at managerial level. Some Master's degree such as in Library and Information Science lasts for one year while in Computer Science lasts for three years.
- c) **PRE-DOCTORAL / DOCTORAL LEVEL:** A pre-doctoral programme - Master of Philosophy (M.Phil.) is taken after completion of the Master's Degree. This programme can either be completely research based or can include course work as well which is generally of one and half year duration. Doctor of Philosophy (Ph.D.) is pursued after masters or pre-doctoral programme and generally takes three to five years to be rewarded. Students are expected to write a extensive thesis based on original research with or without course work.

There are few other academic frameworks of higher education which are as follows:

- a) **DIPLOMA:** These Diploma Courses are also available at the undergraduate and postgraduate level. At the undergraduate level, it varies between one to three years in duration while postgraduate diplomas are usually awarded after one year's study.
- b) **DISTANCE LEARNING PROGRAMMES:** At all the levels, programmes in both liberal and professional field are offered through distance learning mode which normally takes longer duration than their equivalent regular programme.
- c) **ONLINE EDUCATION:** Online education is a good medium of having a professional education or a simple education or a smart education. It is defined as an internet based education system which provides platform for delivering educational content and facilitating instructor-student interaction over a computer network. Learner is not restricted to attending the lectures on fixed time or fixed location which may be far off from the residence. These programme also contain provides education for professional fields at the convenience of learner.

IMPORTANCE OF HIGHER EDUCATION

With an advanced education one can have more choices in the life and more chances to make a difference for the community. Higher education gives you return graduates of higher education programs to earn more, to have more leisure time, and to live happier and healthier lives.

- Firstly education can help an individual to lead a successful life. Success is defined as the accomplishment of something most wanted or attempted. By means of an education, a person discovers several things, which he or she uses later on in life particularly in a career. The fact is that quality and more education a person has, the superior the chances that person will have a higher paying job. With that, their family will be well maintained and hopefully happier.
- Secondly, an education can help in development of society into a healthier place. There are a number of persons who are illiterate or have low literacy skills. With the help of education these people could get a work and make some funds. The money earned could help them to pay for food or a place to live. As a result, quantity of fewer malnourished people would be fewer and fewer people living on the roadside. In short, breaking down level of poverty would benefit in upholding our nation.
- Furthermore, with an education a person can satisfy his or her dreams. An education offers people with information and awareness for getting occupation and pursuing their dreams. There are various careers and work opportunities that can help to satisfy what a person want out of life. Many people want to have a work that provides them enough money to pay their bills without struggling. They might be contented with the job they have, but to escalate the career-ladder, and work in a situation they would make more wealth in, they need education. Most people would like to work in a job that pays a higher salary than the work they have right now. To achieve that goal they prefer to continue education.

SUCCESSFUL SCENARIO OF HIGHER EDUCATION IN INDIA

Over the past few years, the global economy has shifted which leads to transformation of education system. Global scenario leads to development and progress of economy and the success in leveraging knowledge and innovation is only possible with a sound infrastructure of higher education. A flourishing education policy outlines the foundation of all fields of national development including political system, social system, economic system, technical and scientific system, and environmental system. Thus, the superior the excellence of university education in a country, the natives of that country would more flourishing and competitive and even that country too. Here is a list of Current transformational changes in higher education systems which are as follows:

- Higher Education in India is decentralized under the DHE with separate councils (e.g. AICTE, MCI etc.) responsible for the regulation of different streams
- The UGC has allocated a general budget of Rs.5,244 crores for the year 2011-2012 to be distributed under eight broad categories
- GER has increased to 15% in 2009-2010 from 11.5% in 2005-2006. GER for 2010-2011 has been estimated at 16%
- Many private institutions in India are spotlighting more on professional courses such as engineering, medical and MBA
- Faculty-wise the figure of enrolment of higher education for the year 2006-2007 & 2010-2011 has been increased in specific streams. These include arts, science, commerce/management, medicine and agriculture. It has increased by 17.88%, 31.68%, 38.89%, 77.82% and 38.33% respectively.
- 150 million with GER of around 15% of estimated population in 18-23 age group

OPPORTUNITIES IN HIGHER EDUCATION

These are some opportunities in the path of higher education system which are as follows:

- Participate in high-level masters or doctoral courses.
- Receive double or multiple or joint degree from consortium of excellent universities.
- Develop linguistic skills, intercultural experience.
- Advances employability of students through appreciation of qualifications and study held in abroad.
- Exchange of knowledge, ideas, contacts academically.
- Proper revision of textbooks and representation of courses which correspond to the content of global community knowledge and international problems.
- Expansion and utilization of humanistic resources for the realization of social, economic, cultural consequences of universities internationalization.
- Application of the comparative studies to understands the content of existing educational programs.
- Prominence of inter-cultural skills for planning in Higher Education.
- Acquaint students with aptitude and skills in the international arena.
- The planning of exceptional textbooks for foreign students.
- Exchange significant experiences among various universities.
- Improvement of university environments for educational and research activities according to the universal standards.
- The planning of quality educational programs according to the time needed through regional and international cooperation among universities.
- The acceptance of additional numbers of scientific boards and foreign students in universities.

- The defensive system for researchers, scientific boards and young managers in Higher Education.
- The effectual collaboration in planning, performing, admittance of the international research projects.
- Preparation of amenities for scientific boards to use new technologies.

CHALLENGES

There are endless problems with the Indian higher education system. No doubt India has created commendable positions of higher education systems in the world. Quality of many top institutions is recognized to be comparable to the best in the world. However, Indian education system countenances troubles and issues that originate from disparities and developmental models adopted. The higher education system produces graduates that are unemployable, though there are growing skill shortages in a number of sectors. Though there is impressive development in the areas of Information Technology sector, space science, nuclear technology, oil exploration, and industrial production etc., India could not resolve its troubles of poverty, ignorance of financial aids, and lack of advanced due to various reasons. Nearly 25% people are still below poverty line; one-third is illiterates and disparities amongst rich-poor, urban-rural, educated uneducated are far above the ground, which are creating enormous social tensions. The country has to face challenges of globalization and pressures of liberalization while continuing its fight against poverty, unemployment and literacy.

The main Challenges facing the Indian Higher education are:

- 1) **COMMODITIZATION OF EDUCATION:** Now days, higher education is becoming a marketing commodity, rather than a social element. It is a multi-billion dollar trade system. Foreign universities are trying to have a share of Indian educational markets. The transformation of education as a social good to marketable commodity is adversely affecting the Indian culture, and victims in this transformation will be poor and disadvantaged people of India.
- 2) **GLOBAL COMPETITIVENESS:** We need to have a higher education system that is recognized at the International level and relevant to the local needs. The major concern is how to raise the quality and standards of Indian education and make it internationally competitive, locally pertinent and authorize it to offer marketing paradigm appropriate for developing societies. India being a signatory of WTO is bound to open up its market for trade in services including education but it does not have a clear policy for strengthening its education sector to compete with the giants in the world. Policy restrictions in the country stop the competent institutions from making necessary changes in the processes of admittance, recruitment and salaries of faculty/ staff and opening campuses abroad. In lack of proper policy requirements in time, higher education sector in the country is unfavorably affected.
- 3) **DIFFICULTY IN SURVIVAL OF WEAKER INSTITUTIONS:** A high disparity in educational standards and quality of education offered by Indian universities and colleges is of great apprehension to all. National and international competition may create problems of survival of weaker universities and colleges.
- 4) **EDUCATION NOT SUCCEEDS TO INCULCATE MORAL VALUES:** Man and values that may be social, moral, ethical or spiritual are indissoluble and their bond is the strongest one ever possible. If education not succeeds to instill etiquettes or values then it are inconceivable. Values cannot be taught as the subjects like Math or Science in the classroom but values that are practiced can prove to be the strongest destroyer if not guided properly on the right track. This is also a great issue that must be discussed and solved together. There is nothing great as the human brain that is the supreme creativity of the almighty but this can be proved to be the strongest destroyer if not guided properly on the right track. This is also a great issue that must be discussed and solved.
- 5) **DEVELOPMENTAL DISPARITIES AND UNSOLVED INDIAN PROBLEMS:** Many colleges and universities were started in India for removing regional imbalances and for supporting education of weaker and underprivileged classes, mainly of women. These institutions and other developmental programs for weaker classes are still facing resource limitation, which are further provoked by ignorance and poverty of the people they serve. The challenge of these marginalized and deprived to the system of education is enormous.
- 6) **WEAK LINKAGE OF EDUCATION WITH DEVELOPMENTAL PROCESSES:** This drawback is creating frustration amongst graduates when they find that education is not so useful in employment and in occupation situations. A challenge is to convert the system from its current model of education to progressive education linking education to developments in society, industry and services sectors.
- 7) **HIGH COST OF HIGHER EDUCATION:** The unit cost of traditional education, mainly of professional education, is relatively high and has disappeared from the Indian middle and lower class people. Many private entrepreneurs have started educational institutions for offering creamy courses with marketing approach; and have raised a fee which is not affordable to majority people in India. Subsidy to the education by the state is not the right solution in the present situation, when numbers aspiring for higher education is large and still increasing. The destitute are already generating pressure on the state to make education accessible; and have raised an issue of socioeconomic equity and justice.
- 8) **POOR RECOGNITION OF INDIAN COURSES ABROAD:** There are lots of regulatory and bureaucratic hurdles in the admission procedure of foreign students from different countries as per the policy of Government of India towards those nations. Indian courses do not have a very superior reputation abroad. They are predictable poor internationally due to quality and curriculum contents.
- 9) **INEFFECTIVE CAREER PLACEMENT/LOW INDUSTRY PARTICIPATION IN EDUCATION:** As Indian higher education does not have good market linkages internationally; the foreign based career placement of students is not effective except from the few institutions that have international recognition. During the course of study also, Industry participation is very minute. Theoretical portion of the course does not get the practical approach.
- 10) **LACK OF FINANCIAL ASSISTANCE:** There are very few schemes for the financial assistance that is available to the students from the university or the government of India for acquiring the higher education. This is one of the big challenges for higher education in India.

MEASURES TO MEET THE CHALLENGES

There are few measures with the help of which we can try to overcome the challenges in higher education system in India which are as follows:

- 1) **PROVIDE NEED BASED JOB-ORIENTED COURSES:** The purpose of education is all round development of personality. But here education is neither acquaintance of life and nor improving the aptitude of a student by which glory in the field one is interested. So, combination of arts, science and humanities or literature should be introduced so that such courses could be useful for the students to do jobs after recruitment in some companies. The programme must be focused on graduate studies and research and developing strategies and mechanisms for the rapid and efficient transfer of knowledge and for its application to specific national and local conditions and needs.
- 2) **QUALITY DEVELOPMENT:** Quality depends on the efficient teaching and educational programs, research and scholarship, staffing, students, infrastructure, services to the community and the academic environment. There is a requirement that Higher education system in India should be characterized by its worldwide dimensions, swapping of knowledge, interactive networking, mobility of teachers and students in international research projects, while enchanting into description of the national cultural values and circumstances.
- 3) **HIGH-TECH LIBRARIES:** Our university libraries have a very good collection of books, but still they are insufficient to support higher education in India. A library must be online and conducive for serious study. Indian universities should focus more on providing quality education which is equivalent to that of international standards.
- 4) **MOBILIZE RESOURCES:** We need to take successful steps to mobilize resources for higher education. The fee structure should be related to the student's ability to pay for the cost. So that, students at lower financial levels can be provided highly subsidized and fully subsidized education.
- 5) **INCENTIVES TO TEACHERS AND RESEARCHERS:** Industry and students are expecting specialized courses to be offered so that they get the latest and best in education and they are also industry ready and employable. We need to make Vocational and Diploma courses more attractive to facilitate specialized programs being offered to students. Incentives should be provided to teachers and researchers to make these professions more attractive for the younger generation.
- 6) **EXAMINATION REFORMS:** Examination reforms, gradually shifting from the terminal, annual and semester examinations to regular and continuous assessment of student's performance in learning should be implemented which will help in fair and better assessment of the students.

- 7) **CROSS CULTURE PROGRAMMES:** After education, with the cooperation of government, tour to the different places in India and to the different parts of the world as far as possible is necessary so that one can understand about people, culture, arts, literature, religions, technological developments and progress of human society in the world.
- 8) **FAIR QUALITY ASSURANCE SYSTEM:** To give degrees it is required that Colleges and Private institutes should set up Internal Quality Assurance Cell and minimum standard which must be independent of political interference and it must have a basis in the legislation. There is need of an independent accreditation agency with a conglomerate of government, industry, academic; society etc. means all stakeholders of the education to ensure that the stakeholders particularly the students are not taken for a ride.
- 9) **PRIVATIZATION OF HIGHER EDUCATION:** In any nation, education is the basic necessity for the socio-economic development of the individuals and the society. According to various reports, only 20% of the population is educational qualified in India. So, improved standard of education as first precedence should be presented to the majority by the govt. authorities with sincere political spirit. Privatization of higher education is absolutely necessary in a vast country like India as government alone is helpless to do so.
- 10) **TOWARDS A LEARNING SOCIETY:** As we move towards a learning society, every human activity will require contributions from experts, and this will place the entire sector of higher education in sharp focus. Although the priorities, which are being assigned today to the task of providing quality education for all, will continue to be preponderant, the country will have to prepare itself to invest more and more on higher education and concurrently actions will have to be taken to refine, expand and promote higher education and research programmes.
- 11) **WORLD CLASS EDUCATION:** Indian government is not giving priority to the development of Standard in education. India should aim for the worldwide standard in education. Many national universities like in the USA, UK, Australia, etc. agree to support studies in higher education for foreign students in their countries and through correspondence courses also. In the similar manner Indian Universities of world class education can also proffer courses of studies to foreign students taking benefit of the globalization practice. To achieve that objective it should adopt uniform worldwide syllabus in its educational institutions.
- 12) **OTHER MEASURES:** As per the present scenario of the higher education in India we can recommend some other measures in order to further meet the challenges:
 - For location and building of campuses of higher education by private/corporate sectors, Government should offer tax concessions/fiscal incentives.
 - Open Universities should be set up and should be encouraged to offer quality programmes at the least cost.
 - Support should be given by the government to foreign universities to come to India to set up independent procedures or collaborate with existing Indian Institutions.
 - Authoritarian set up is requisite to make certain that there is no cheating or hoax and, fixation of fees should not be in state control.
 - There is great necessity for providing broadband connectivity to all students along with low priced computer accessibility.
 - Good salary packages and benefits should be provided to the faculty so that good brains can be attracted to this profession.

CONCLUSION

Today India is one of the fastest developing countries of the world. After independence, there has been remarkable rise in the number of institutions of higher learning in all disciplines. There is significant need of higher education for the individual not only to possess formal certificates and degrees as well higher education is also necessary to acquire knowledge, vision, and good moral character, high cultural and social values. We can conclude from this paper that higher education has given new turn to the life of young generation of our country. But our country's system of higher education is also suffering from various flaws and there are still various challenges on the path of higher education system. To reach and achieve the future necessities, there is a vital need to relook at the financial assistance, international recognition of Indian education at international level, quality standards, improved infrastructure, and adoption of latest and innovative technology. In India, higher education was traditionally looked after by the government, but in vision of lack of resources to convene the increasing demand, private sector has been permitted to share the responsibility. Higher education institutions managed by private sector emphasize more on commercial education. If India has to emerge as preferred location for higher education in the global competition, it will have to develop an efficient national policy to address the challenges of sub-standard quality, eradication of ineffective systems of monitoring and control and there is need to reduce the unnecessary political interference. The above discussions in the paper can help the universities and institutions of higher education to improve their structure to meet the current needs of society.

REFERENCES

1. Agarwal, Pawan. (2006). Higher Education in India. The Need for Change. New Delhi, India: Indian Council for Research on International Economic Relation
2. Higher Education in India: Issues, Concerns and New Directions
3. <http://www.ugc.ac.in/pub/heindia.pdf>.
4. Mangal, S.K. (Sep.2002), Psychology of Teaching and learning (first edition), Ludhiana: Tandon Publications.
5. MHRD (2006) Annual Report, Ministry of Human Resource Development, Department of Secondary and Higher education. Government of India. New Delhi.
6. Ram Takwale; Presidential Address on 'Convergence of Educational Modes – An Opportunity for Evolving New Paradigm of Education' at the IDEA 2002 Conference held at University of Jammu, Jammu, during 1-3 March 2002.
7. UGC (2005) Research Handbook: Towards nurturing research culture in higher education institutions in India. University Grants Commission. New Delhi.
8. UGC, (2012) "UGC Annual Report 2010-11", accessed through http://www.ugc.ac.in/oldpdf/pub/annualreport/annualreport_english1011.pdf

REQUEST FOR FEEDBACK

Dear Readers

At the very outset, International Journal of Research in Commerce, IT & Management (IJRCM) acknowledges & appreciates your efforts in showing interest in our present issue under your kind perusal.

I would like to request you to supply your critical comments and suggestions about the material published in this issue as well as on the journal as a whole, on our E-mail infoijrcm@gmail.com for further improvements in the interest of research.

If you have any queries please feel free to contact us on our E-mail infoijrcm@gmail.com.

I am sure that your feedback and deliberations would make future issues better – a result of our joint effort.

Looking forward an appropriate consideration.

With sincere regards

Thanking you profoundly

Academically yours

Sd/-
Co-ordinator

DISCLAIMER

The information and opinions presented in the Journal reflect the views of the authors and not of the Journal or its Editorial Board or the Publishers/Editors. Publication does not constitute endorsement by the journal. Neither the Journal nor its publishers/Editors/Editorial Board nor anyone else involved in creating, producing or delivering the journal or the materials contained therein, assumes any liability or responsibility for the accuracy, completeness, or usefulness of any information provided in the journal, nor shall they be liable for any direct, indirect, incidental, special, consequential or punitive damages arising out of the use of information/material contained in the journal. The journal, nor its publishers/Editors/Editorial Board, nor any other party involved in the preparation of material contained in the journal represents or warrants that the information contained herein is in every respect accurate or complete, and they are not responsible for any errors or omissions or for the results obtained from the use of such material. Readers are encouraged to confirm the information contained herein with other sources. The responsibility of the contents and the opinions expressed in this journal is exclusively of the author (s) concerned.

ABOUT THE JOURNAL

In this age of Commerce, Economics, Computer, I.T. & Management and cut throat competition, a group of intellectuals felt the need to have some platform, where young and budding managers and academicians could express their views and discuss the problems among their peers. This journal was conceived with this noble intention in view. This journal has been introduced to give an opportunity for expressing refined and innovative ideas in this field. It is our humble endeavour to provide a springboard to the upcoming specialists and give a chance to know about the latest in the sphere of research and knowledge. We have taken a small step and we hope that with the active co-operation of like-minded scholars, we shall be able to serve the society with our humble efforts.

Our Other Journals

