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# CONTENTS

Sr. No.	TITLE & NAME OF THE AUTHOR (S)	Page No.
1.	<b>FINANCIAL PERFORMANCE OF URBAN LOCAL BODIES OF CHHATTISGARH: A STUDY OF BILASPUR MUNICIPAL CORPORATION</b> <i>RAGINI TIWARI, S.S. KHANUJA &amp; O.P. CHANDRAKAR</i>	1
2.	<b>A STUDY ON RECENT TRENDS AND GROWTH PERSPECTIVE OF STEEL INDUSTRY</b> <i>KHATIBUR RUB &amp; BADIUDDIN AHMED</i>	7
3.	<b>RISK MANAGEMENT STRATEGIES BY INDIAN FARMERS: A CASE STUDY</b> <i>K. KISHORE KUMAR &amp; DR. B. RADHA</i>	10
4.	<b>THE IMPACT OF IFRS ON FINANCIAL STATEMENTS WITH SPECIAL REFERENCE TO WIPRO LTD.</b> <i>MOHAN KUMAR M.S., VIJO JOSE VELLAKOTTIL &amp; SEEMA JOSEPH</i>	15
5.	<b>A STUDY ON THE FACTORS MOTIVATING WOMEN TO BECOME ENTREPRENEURS IN THE SELECTED TALUKS OF RAMANATHAPURAM DISTRICT</b> <i>ARABATH ALI S</i>	22
6.	<b>AN ANALYSIS OF NABARD IN PROMOTING AGRICULTURE AND RURAL INFRASTRUCTURE IN THE STATE OF J &amp; K</b> <i>RIZWAN QAYOOM &amp; DR. C. K. CHOUKSEY</i>	25
7.	<b>THE INFLUENCE OF ADVERTISING CREATIVITY, GENDER, AND PRODUCT CATEGORY TOWARD CONSUMER ATTITUDES ON ADVERTISING, CONSUMER ATTITUDES ON BRAND TO THE PURCHASE INTENTION</b> <i>AV RAHAJENG WIDYARSIH</i>	28
8.	<b>INDIAN PLASTIC INDUSTRY: PAST, PRESENT AND FUTURE</b> <i>SHAHID IQBAL</i>	35
9.	<b>STUDY THE POSSIBILITY OF THE APPLICATION OF QUALITY MANAGEMENT IN BUSINESS ACCOUNTING AT THE MINISTRY OF INDUSTRY AND TRADE OF JORDAN</b> <i>MADDALLAH SALEEM MUSALAM ALKAAIDI</i>	38
10.	<b>FINANCIAL INTEGRATION IN INDIA: AN ANALYSIS OF POST REFORMS PERIOD</b> <i>MUMTAZ AHMED &amp; MOHD. FAYAZ</i>	42
	<b>REQUEST FOR FEEDBACK &amp; DISCLAIMER</b>	47

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# FINANCIAL PERFORMANCE OF URBAN LOCAL BODIES OF CHHATTISGARH: A STUDY OF BILASPUR MUNICIPAL CORPORATION

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## ABSTRACT

*Growing urbanization is emerging as the most challenging issue faced by any developing country like India. Given the impetus towards urbanization the future of Indian cities will depend mostly on how successfully the urban local bodies are functioning with effective governance. Equity, efficiency, transparency, accountability, safety & security of people, civic engagement are the features of good urban governance. Rapid urbanization is creating a number of problems in the path of development as every infrastructural development works needs heavy investment. But it has been noticed that urban local bodies are facing shortage of funds because of heavy expenditures & inadequate revenues. The present scenario demands a proper check & management of finances of the urban local bodies, so that the revenues can be utilized efficiently towards the betterment of people & society. The present study throws light on the financial performance of Bilaspur Municipal Corporation. Various financial indicators were used to show the performance during a period of 4 years i.e. 2010-11 to 2013-14.*

## KEYWORDS

finance, municipal corporation, revenues, urbanisation.

## I. INTRODUCTION

India being a developing country is experiencing extensive & fast growth in the last few decades'. With growth & development urbanization is also increasing day by day. In India we have a democratic set up at all the 3 levels i.e. central, state & the local level. The local government plays a very important role in the development and well-being of local people. The Government, at the center & state level has its own set of responsibilities and area of performance, it is only the local Govt. which is in direct contact with the local people providing basic services & infrastructure to the society. Local Self Govt. is considered as the backbone of the very democratic setup because it implies active & direct participation of citizens in the administration of the affairs of the community. The growing population has posed a number of challenges to the urban local bodies. Local self-Government, in big cities are called corporations. Municipal Corporations has a large number of functions to be performed. They are responsible for providing essential services like water supply, electricity, cleaning & lighting of the street, maintain parks & museum, record of births & death, transport facilities, health & hygiene of the city etc. All these activities need money or funds and a proper financial management of the revenue & expenditure. Municipal Governance in India has been in existence since the year 1687 with formation of Madras Municipal Corporation and then Calcutta & Bombay Municipal Corporation in 1726. In 1882 the viceroy of India, Lord Ripon's resolution of Local Self Government laid the democratic forms of Municipal Governance in India. The main objective of municipal governance & urban planning in a country is to create responsive, democratic & transparent & accountable Local governance that initiates and promotes development of Cities with greater participation of Local Citizen. Acc.to V. Vankata.Rao "Local govt. is that part of the govt. which deals mainly with local affairs, administered by authorities' subordinate to the state govt. but elected independently of the state authority by the qualified residents" According to the 74 Amendment of the Govt. of India. Urban Local Bodies in India are classified into three major categories.

1. Municipal Corporation (Mahanagar Nigam)
2. Municipality (Nagar Palika)
3. Notified Area Council (Nagar Panchayat)

### MUNICIPAL CORPORATION

Municipal Corporation is a local government in India that administers urban areas with a population of more than one million. A Municipal Corporation works in co-ordination with the state government for the proper execution of the plans & programs. They work for providing necessary community services like public health, public welfare, public safety, infrastructural works & other development activities. The function, powers & responsibilities can be divided in to categories. (1) Obligatory Functions (2) Discretionary Functions.

Obligatory Functions includes supply of pure water, construction & maintenance of public streets, cleaning of public places, maintenance of public hospitals & primary schools, registration of births & deaths. Discretionary Functions include maintenance of public parks, garden, museum & libraries. Promotion of welfare of municipal employees, conducting surveys etc.

## II. A BRIEF INTRODUCTION ABOUT BILASPUR MUNICIPAL CORPORATION

Bilaspur is one of the major cities of Chhattisgarh State. It is second largest city after Raipur-Bhilai-Durg, the tricity metro of the state. The city runs under the administration of the Bilaspur Municipal Corporation In the year 1867 Bilaspur municipality was established and later on upgraded to Bilaspur Municipal Corporation (BMC) in 1981. The first election conducted in Bilaspur in 1995, wherein citizen elected the ward councilor and mayor. A Mayor, elected by voters of the city, heads the Bilaspur Municipal Corporation (BMC). The corporation comprises of 55 wards and one councilor is elected from each ward. Bilaspur Municipal Corporation (BMC) plays a significant role & is taking initiatives to function efficiently & improve the citizen service delivery.

### III. OBJECTIVES OF THE STUDY

1. To study the financial performance of Bilaspur Municipal Corporation during the period of the study (2010-11 to 2013-14)
2. To examine the trends in major revenue sources and the expenditures of Bilaspur Municipal Corporation

### IV. MATERIALS & METHODS

The study is based to find out the financial health & performance of the Bilaspur Municipal Corporation. For the fulfillment of the objectives various financial ratios has been used. The whole data have been analyzed with the help of charts, graphs & tables. For examining the financial performance, the study was restricted to financial indicators. The present study is based on the secondary data. The data was collected from the various books, articles & statistical records of Bilaspur Municipal Corporation. Publications from the center & state govt. have also been reviewed. The period taken for study is from 2010-11 to 2013-14. The records of the 4 years were analyzed to assess the financial status of the corporation.

### V. ANALYSIS & INTERPRETATION OF DATA

#### 1. STATUS OF MUNICIPAL FINANCE

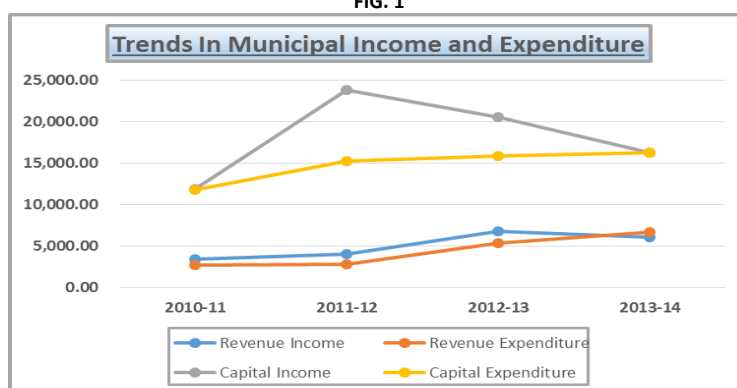
Analysis of Municipal Finance After examining & analyzing the data (Table-1) we can interpret that the corporation has shown a surplus balance in 3 out of 4 years in both revenue & capital account, which depicts operating efficiency. Also The Corporation is able to maintain a healthy opening balance. And lastly the operating surplus is a good sign inspite of developmental activities (as visible from the increasing trend in Capital Expenditure)

TABLE-1: SUMMARY OF MUNICIPAL FINANCE

S.No	Items	2010-11	2011-12	2012-13	2013-14
		Amount in Rs. Lakhs			
	Opening Balance	5,384.58	5,671.66	15,026.78	21,245.44
I	Revenue Account				
1	Revenue Income	3,383.15	3,989.34	6,762.93	6,060.40
2	Revenue Expenditure	3,163.65	3,176.47	5,307.98	6,666.79
	Surplus/ Deficit	219.50	812.87	1,454.95	(606.39)
II	Capital Account				
1	Capital Income	11,844.61	23,775.18	20,603.76	16,293.97
2	Capital Expenditure	11,777.03	15,232.93	15,840.05	16,314.06
	Surplus/ Deficit	67.58	8,542.25	4,763.71	(20.09)

Source: Budget of Bilaspur Municipal Corporation

FIG. 1



**Revenue Account:** Revenue account is comprised of the operating expenditure & income of the Bilaspur Municipal Corporation. They are basically recurring in nature and includes items like Tax revenue, Non-tax revenue, Income from municipal properties, Establishment, Administrative, Repairs & Maintenance Expenditure etc.

**Revenue Income:** The sources of revenue income of the corporation can be categorized as income from sources & Grants and Subsidies. The Income from own sources consist of Tax Revenue which includes property tax, water tax etc. The Non-Tax Revenue Sources includes rental income from properties, fees & charges, collection from public places.

It has been observed (Table-2) that Property Tax & Assigned revenues & compensation shares the major part of revenue income. In 2010-11 & 2011-12 income from property tax was the maximum but in 2012-13 & 2013-14 assigned revenues & compensation share was the maximum.

TABLE 2: SUMMARY OF REVENUE INCOME

Sr No	Items	2010-11	2011-12	2012-13	2013-14
		Amount in Rs. Lakhs			
1	Tax Revenue	1,015.37	1,504.64	1,562.53	1,690.42
2	Rental Income - Properties	169.87	189.24	193.01	200.10
3	Fees & Charges	390.82	418.75	427.60	446.49
4	Sales & Hire Charges	46.90	28.09	62.50	87.61
5	Assigned Revenues & Compensation	862.05	937.83	2,747.68	2,351.69
6	Interest Received	136.48	342.58	636.15	932.11
7	Others	263.12	115.39	61.52	168.72
8	Revenue Grants & Subsidies	498.54	452.82	1,071.94	115.37
	<b>TOTAL REVENUE INCOME (A)</b>	<b>3,383.15</b>	<b>3,989.34</b>	<b>6,762.93</b>	<b>6,060.40</b>

Source: Budget of Bilaspur Municipal Corporation

FIG. 2

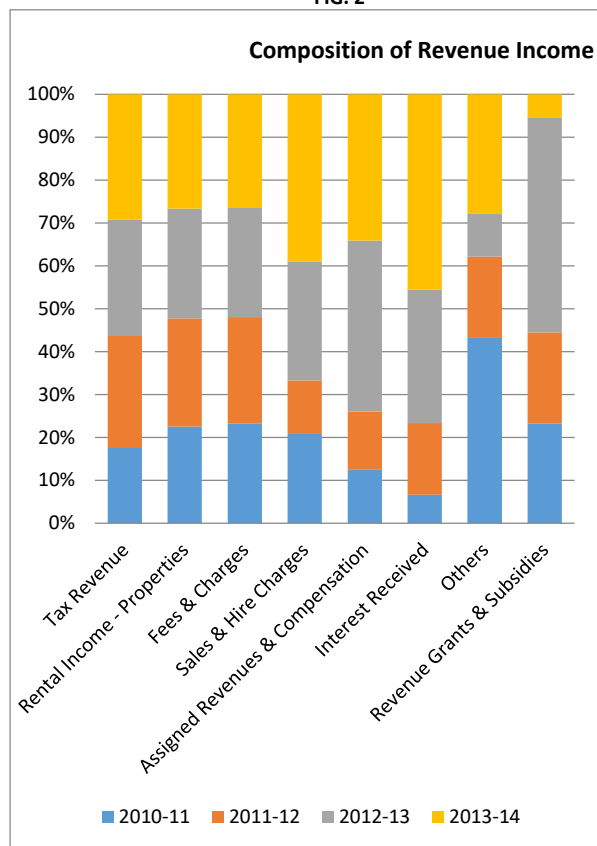
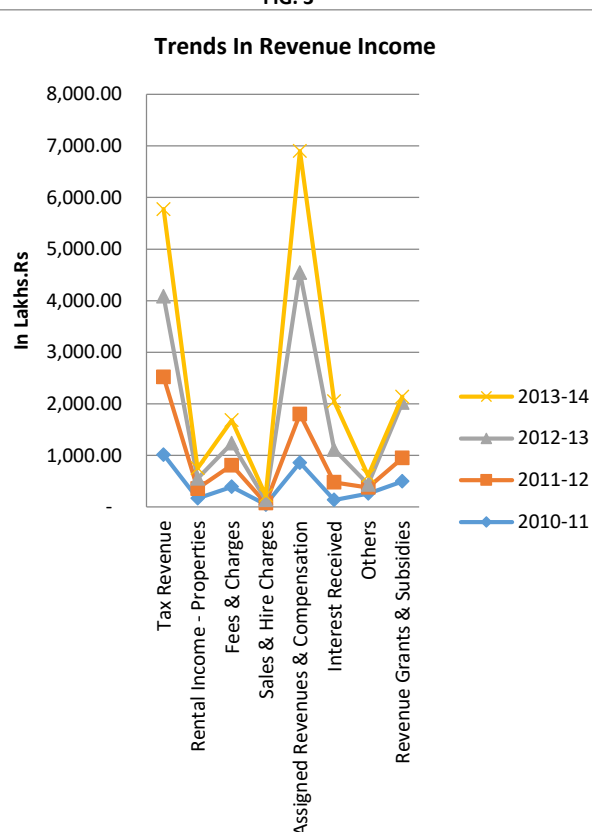


FIG. 3



**Revenue Expenditure:** The areas where the revenue expenditures are done includes establishment expenses, Operations & Maintenance, Program Expenses, Administrative Expenditure, Debt Servicing etc. It has been observed (Table-3) that major expenditure was on account of establishment expenditure which includes salary & wages, allowances, incentives, employee welfare, pension etc. In 2010-11 it was Rs 1735.58 which increased to Rs 3012.41 in the year 2013-14. The other major expenditure has been made on administrative & General Expenditure. It has also been seen that the corporation is paying its debt on regular basis. Except one-year debt payment has shown an increasing trend.

TABLE 3: SUMMARY OF REVENUE EXPENDITURE (Amount in Rs. Lakhs)

S. No	Items	2010-11	2011-12	2012-13	2013-14
	<b>Revenue Expenditure</b>				
1	Establishment Expenditure	1735.58	2083.04	2586.41	3012.41
2	Administration & General Exp	865.09	530.92	1712.24	2197.18
3	Repairs & Maintenance	40.99	8.21	205.09	464.62
4	Programme Expenditure	3.64	3.42	3.22	9.22
5	Other Expenses	17.58	7.54	19.22	24
6	Revenue grants & subsidies	59.8	109.84	135.91	224.04
7	Debt servicing	440.97	433.5	645.89	735.32
	<b>TOTAL REVENUE EXPENDITURE</b>	<b>3,163.65</b>	<b>3,176.47</b>	<b>5,307.98</b>	<b>6,666.79</b>

Source: Budget of Bilaspur Municipal Corporation

FIG. 4

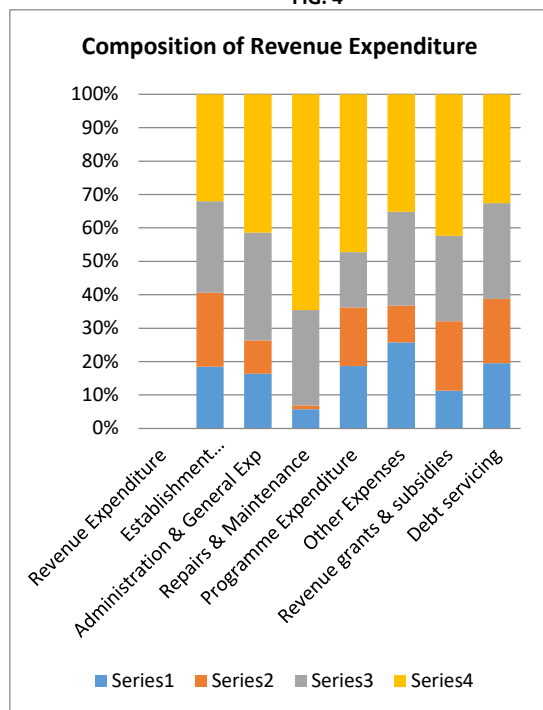
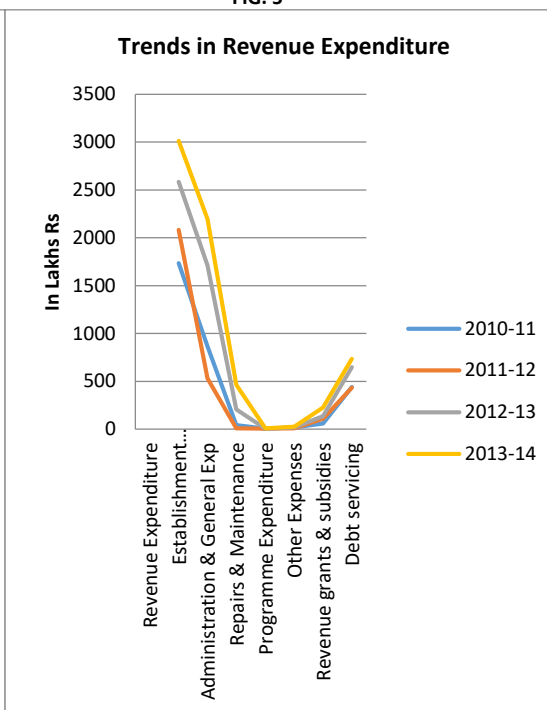


FIG. 5



- Capital Account**

Bilaspur Municipal Corporation spends a huge amount on the infrastructural development works like water supply, drainage works, roads & bridges, purchase of fixed assets etc. The funds available to the corporation for the capital expenditure is a mix of loans, grants, subsidies & their own sources.

- Capital Income**

Capital income sources of the corporation consists of Grants & contribution, capital Profit from Sale of fixed assets, loan & borrowings, subsidies & other income. The share of loans & borrowings is around 16% and of grants & subsidies is maximum with 62.5%.

- Capital Expenditure**

The capital expenditure includes all the expenditure incurred on acquisition & creation of capital like construction of building, roads, water supply pipelines, drainage lines, purchase of fixed assets like plant & machinery, vehicles, equipment's etc. It has been observed that the major expenditure of the corporation was toward grants for specific and capital work-in-progress.

TABLE 4: SUMMARY OF CAPITAL INCOME (Amount in Rs. Lakhs)

Sr No	Items	2010-11	2011-12	2012-13	2013-14
	<b>Capital Income</b>				
1	Grants & Subsidies	7,037.24	14,642.89	16,222.19	8,178.93
2	Loans	1,750.00	5,529.90	-	4,277.00
3	Others	3,057.37	3,602.39	4,381.57	3,838.04
	<b>TOTAL CAPITAL INCOME</b>	<b>11,844.61</b>	<b>23,775.18</b>	<b>20,603.76</b>	<b>16,293.97</b>

Source: Budget of Bilaspur Municipal Corporation

TABLE 5: SUMMARY OF CAPITAL EXPENDITURE (Amount in Rs. Lakhs)

S.No	Items	2010-11	2011-12	2012-13	2013-14
	<b>Capital Account</b>				
1	Grants & Contribution for Specific Purposes	9,490.85	10,800.88	11,451.95	7,426.46
2	Capital Work-In Progress	617.01	1,844.73	2,040.30	5,856.31
3	Purchase of Fixed Assets	24.36	573.76	1,118.93	971.07
4	Others	1,644.81	2,013.56	1,228.87	2,060.22
	<b>Total Capital Expenditure</b>	<b>11,777.03</b>	<b>15,232.93</b>	<b>15,840.05</b>	<b>16,314.06</b>

Source: Budget of Bilaspur Municipal Corporation

FIG. 6

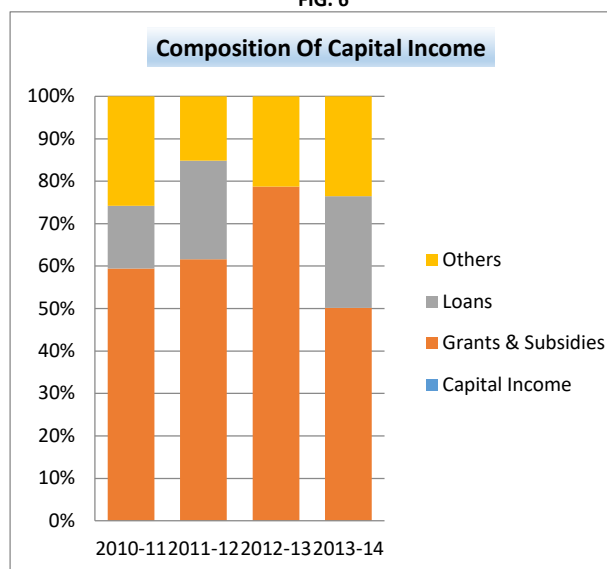
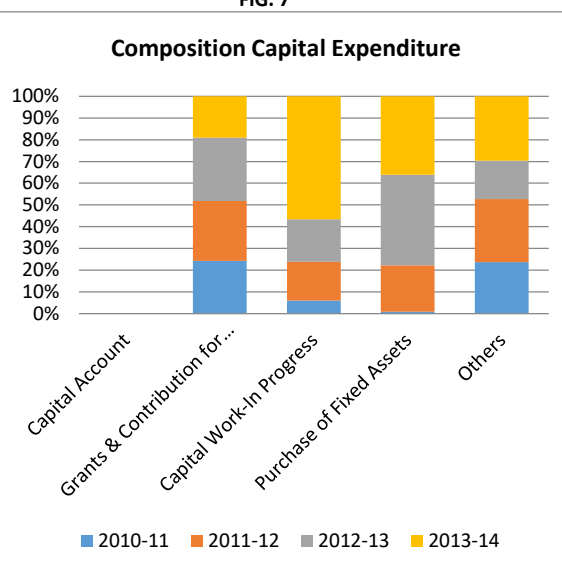


FIG. 7



## VI. RESULT & DISCUSSION

### • Operating Ratio

Operating Ratio Indicates the financial status of the operations of the local bodies. It shows the profitability & sound financial position. It is the ratio of revenue expenditure to revenue income.

A sound financial management demands that the operating ratio should be less than unity. The average Operating ratio of Bilaspur Municipal Corporation works out to 0.06, which is below 1. It indicates that Bilaspur Municipal Corporation had a surplus revenue account over the last 4 years.

### • Debt servicing Ratio

Debt servicing Ratio indicates the implication of debt on the local body finances. It is expressed as a % of debt payment to total revenue income. It has been observed that Bilaspur municipal corporation serves their debt on regular basis. The analysis of 4 years indicates the average debt servicing ratio Bilaspur Municipal Corporation with respect to revenue income is 12 %.

### • Capital Utilization Ratio

Capital Utilization Ratio is the ratio which indicates the performance of the local bodies in terms of effective utilization of capital income. It shows the capacity of the local bodies to utilize capital resources. It is expressed as a ratio of capital expenditure to the capital income. A greater than unity capital utilization ratio indicates that revenue account surplus have been utilized for capital works which represents a positive feature. And if capital utilization ratio is below unity it indicates that either capital income is utilized for revenue expenditure or that part of capital income is not spent during the financial which is under consideration. The years in which the capital utilization of Bilaspur Municipal Corporation is high indicates too much of non-plan expenditure. Hence there is a need to improve the plan or program of capital utilization.

The average capital utilization ratio is 0.85 which means the capital income received has been diverted towards revenue expenditure or capital income is unspent that is not utilized.

### • Share of establishment expenditure to total revenue income

Establishment expenditure is one of the major items of revenue expenditure other heads where the revenue income has been used are administration & general expenditure, repairs & maintenance, Power & fuel charges, services & program related expenses

The average establishment expenditure of the 4 years has been accounted for 47.87% of the total revenue income.

### • Key Financial Performance Indicators

TABLE 6

	Head / Financial Indicators	Average Value of 4 years
<b>Resource Mobilization(General)</b>		
1	Share of own resources in Revenue Income	30%
2	Growth in Revenue Income	17%
3	Growth in own resources of revenue income	15.25%
<b>Resource Mobilization (Property Tax)</b>		
1	Share of Property Tax in Revenue Income	9%
<b>Expenditure Management</b>		
1	Share of Establishment expenditure in total revenue expenditure	47.87%
2	Share of Establishment expenditure in total revenue income	58.4%
<b>Performance Ratio</b>		
1	Operating Ratio	0.59
2	Capital Utilization Ratio	0.85
3	Debt Servicing Ratio	12%

## VII. CONCLUSION

Bilaspur Municipal Corporation has performed well as far as revenue account is concerned.

The operating ratio of an average of 4 years was below unity. The average debt servicing ratio has been around 12% during the period of study. It was 13% in the year 2010-11 & gone down to 10% & 9% in 2011-12 & 2012-13 respectively but again the percentage increase to 12% in 2013-14. The debt servicing is towards payment of long term borrowings from state Government, LIC, HUDCO & other financial institutions. Where revenue expenditure is concerned major share is of establishment expenditure about 58.04% followed by administration & General expenditure which is about 29.7% of total Revenue expenditure. Where as in revenue income assigned revenues & compensation contributes 32.15% of the total revenue income whereas property tax contributes 30% of the revenue income being the second major contributor.

Capital Expenditure has been mainly done for public works like construction of roads, bridges, and water supply, sewerage & drainage lines. Revenue account showed a surplus from 2010-11 to 2012-13 and deficit in the year 2013-14. In the same way capital also had a surplus in 3 years & deficit in the year 2013-14.

Income from own sources is quite high. The status of the revenue account showed a net surplus in 3 years out of 4. To conclude we can say that the Bilaspur Municipal Corporation performance with respect to resource mobilization & expenditure has been reasonably good during the recent past and the corporation has been able to maintain a positive closing balance each year. But a proper & efficient management of Capital Income & Expenditure is required.

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**A STUDY ON RECENT TRENDS AND GROWTH PERSPECTIVE OF STEEL INDUSTRY**

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**ABSTRACT**

*The Steel Industry is currently playing an important role in production and growth of steel industry in the country. Even in the tough times of economic slowdown, the industry succeeded to sustain its positive growth momentum on the strong fundamentals of domestic demand from construction, automobile and infrastructure sectors. With an impressive track record, the country has become a reputed name in the world steel industry. This research Study focuses growth and development of Steel industries. The Steel industry is growing in a rapid speed with demand increment and opportunity creation and attraction to the international players. This paper presents the world crude steel production and in the second part it shows the Production, consumption and growth of steel industry in India. In the Third part; the author has made an attempt to highlight the Trends in production of Crude Steel in private/public sector in India.*

**KEYWORDS**

development, domestic demand, market size, production, steel industry.

**INTRODUCTION**

India's economic growth is contingent upon the growth of the Indian steel industry. Iron and steel is basis for laying the vibrant Indian industry. Production of steel has come to exist as an index of a country's potential, industrial and economic growth. Industrial growth, means of transport, cemented tall buildings, dams, tunnels, bridges, armaments etc. would not have been conceived and built without iron. The purpose of the study is to evaluate the actual condition and trend of steel industry in India. This research Study focuses growth and development of Steel industries in the world as well as in India. The Steel industry in India is growing in a rapid speed with demand increment and opportunity creation and attraction to the international players.

**MARKET SIZE INDIAN STEEL**

India's crude steel production grew by 4.9 per cent year-on-year to at 8 Million Tonnes (MT) in May 2016. Total steel production in the country is expected to increase by 7 per cent in 2016.

During FY 2015-16, hot metal production increased at a rate of 1.3 per cent year-on-year to 57.13 MT, whereas the production for sale of total finished steel stood at 90.39 MT. India's consumption of total finished steel increased by 4.5 per cent to 80.45 MT during FY 2015-16.

Total finished steel exports during FY 2015-16 stood at 4.08 MT, whereas total finished steel imports stood at 11.71 MT for the same period. India's crude steel capacity has increased 7.6 per cent to 118.2 MT. The steel sector in India contributes nearly two per cent of the country's Gross Domestic Product (GDP) and employs over 600,000 people. The per capita consumption of total finished steel in the country has risen from 51 Kg in 2009-10 to about 61.9 Kg in 2015-16

**REVIEW OF LITERATURE**

- 1) Mehta also estimated a productivity growth of 8.8 per cent in the Indian steel industry during the period 1953 to 1965. He also found the evidence of capital deepening in the production process of steel during this period.
- 2) Srinivas Kolluru (2005) In this study, the Indian steel industry has been showing tremendous improvements in terms of growth in capacity, production and exports and has become a major competitor in the global arena, thanks to the forces of deregulation and globalization. Keeping in view the current performance, the future looks bright for the domestic steel industry. India will be among the top 5 consumers of steel by 2010.
- 3) T. Venkatesan & Dr. S. K. Nagarajan (2012) studied an Empirical Study of Profitability Analysis of Selected Steel Companies in India. It is observed that the overall earning power of SAIL, Tata, Bhushan and JSW Company is positive and Visa's financial position has a negative result of the study period.

**OBJECTIVES OF THE PRESENT STUDY**

The following objectives have been framed by keeping in view of the relevance of the study in the present situation.

- To highlights the World Crude Steel production and changes between 2014 to 2015.
- To know the growth, production, consumption and of steel industry in India
- To study the trends in production of Crude Steel in private and public sector in India.

**SOURCE OF THE STUDY**

The study is based on the data collected from secondary source which is gathered from the Annual Reports of different steel sectors, published materials in the form of books, articles from journals, websites and reports are relevant to the study. The study of steel industry in India covers a period of 05-years, commencing from 31<sup>st</sup> March, 2010 to 2015.



**WORLD CRUDE STEEL PRODUCTION****TABLE 1: WORLD CRUDE STEEL PRODUCTION IN 2015**

Rank	Country Name	Production(Million Tonne)	% Change Over 2014
1	china	803.83	-2.3
2	Japan	105.2	-5.0
3	India	89.60	2.6
4	United States	78.92	-10.5
5	Russia	71.11	-0.5
6	South Korea	69.67	-2.6
7	Germany	42.67	-0.6
8	Brazil	33.24	-1.9
9	Turkey	31.52	-7.4
10	Ukraine	22.93	-15.6
	World	1622.8	-2.8

Source: WSA Annual Report 2015

World crude steel production stood at 1622.8 million tonnes during 2015, a decrease of 2.8% over 2014 based on provisional data released by World Steel Association (WSA). During 2015, Chinese crude steel production reached 804 million tonnes, registering a decline of 2.3% over the previous year. China remained the largest crude steel producer in the world, accounting for 73% of Asian and 50% of world crude steel production during 2015. India was the 3rd largest crude steel producer during 2015 and recorded a growth of 2.6% over 2014.

**PRODUCTION, CONSUMPTION AND GROWTH OF STEEL INDUSTRY IN INDIA**

The rapid pace of growth of the industry and the observed market trends called for certain guidelines and framework. India is one of the few countries where the steel industry is poised for rapid growth. While plant closures and privatization are rare in India, the private sector is considered to be the engine of growth in the steel industry and technological changes and modernization are taking place in both the public and the private sector integrated steel plants in India.

**TABLE 2: TOTAL FINISHED STEEL (ALLOY + NON-ALLOY)**

Year	Production for sale	Import	Export	Consumption
2010-11	68.62	6.66	3.64	66.42
2011-12	75.70	6.86	4.59	71.02
2012-13	81.68	7.93	5.37	73.48
2013-14	87.67	5.45	5.98	74.09
2014-15	92.16	9.32	5.59	76.99
2015-16*Apr-Dec	67.71	8.39	2.91	58.94

Source: Joint Plant Committee (JPC), Annual Reports 2015.

Table-2.1 explains about the production, consumption and growth of steel industry in India. The Production of steel in India is a constant growth every year since 2010-15. Whereas, the maximum import of the steel from the foreign countries occupied first place during the year 2014-15 and it can be found that the maximum exports are during the year 2013-14. While the consumption pattern of steel in India is a constant demand for every year.

**PRODUCTION OF SPONGE IRON****TABLE 3: PRODUCTION OF SPONGE IRON**

Year	2010-11	2011-12	2012-13	2013-14	2014-15	April-December 2015-16*
Coal based	19.27	19.80	19.07	20.19	21.89	14.66
Gas based	6.07	5.17	3.94	2.68	2.35	1.59
Total	25.34	24.97	23.01	22.87	24.24	16.25

Source: Joint Plant Committee (JPC), Annual Reports 2015.

India is producer also a leading of sponge iron with a large number of coal based units, located in the mineral-rich States of the country. Over the years, the coal based route has emerged as a key contributor and accounted for 90% of total sponge iron production in the country in 2014-15 as well as during April-December 2015-16 (prov.). Capacity in the sponge iron industry has also increased over the years and stood at 46.23 million tonnes in 2014-15. India has been the world's largest sponge iron producer every year since 2003. The table above shows the total production of sponge iron in the country, indicating the break-up of the share of coal and gas based route of production for the last five years and April-December 2015-16.

**PIG IRON DOMESTIC AVAILABILITY SCENARIO**

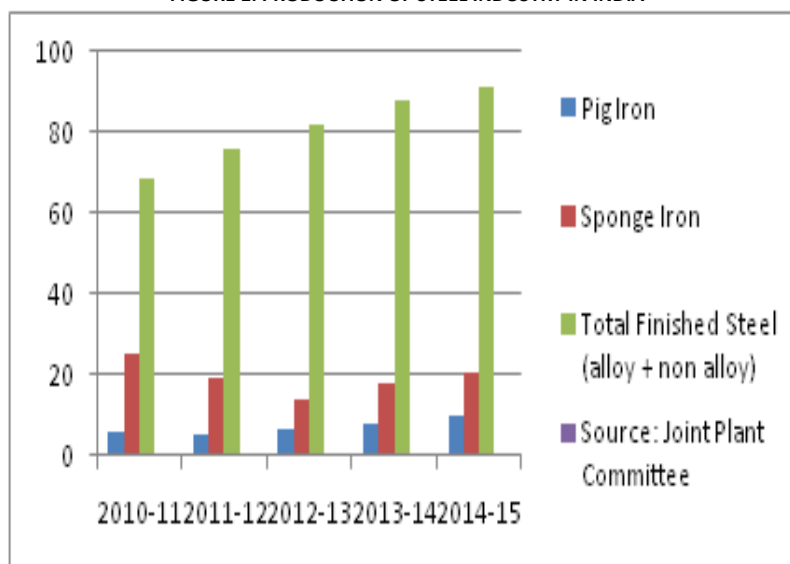
India is also an important producer of pig iron. Post-liberalisation, with setting up several units in the private sector, not only imports have drastically reduced but also India has turned out to be a net exporter of pig iron. The private sector accounted for 91 per cent of total production for sale of pig iron in the country in 2014-15. The domestic availability situation of pig iron is given in the table below for the last five years and April-December 2015-16.

**TABLE 4: PIG IRON DOMESTIC AVAILABILITY SCENARIO ('000 Tonne)**

Year	2010-11	2011-12	2012-13	2013-14	2014-15	April-December 2015-16*
Production	5683	5371	6870	7950	9694	7202
Import	9	8	21	34	23	18
Export	358	491	414	943	540	216
Consumption	5296	4975	6501	7110	9057	7127

Source: JPC, Annual Reports 2015.

FIGURE 1: PRODUCTION OF STEEL INDUSTRY IN INDIA



### TRENDS IN PRODUCTION OF CRUDE STEEL IN PRIVATE/PUBLIC SECTOR

Traditionally, Indian steel industry has been classified into Main Producers (SAIL plants, Tata Steel and Vizag Steel/ RINL), Major Producers (plants with crude steel making capacity above 0.5 million tonne - Essar Steel, JSW Steel, Jindal Steel & Power and Ispat Industries) and Other Producers. The latter comprises of numerous steel making plants producing crude steel/finished steel (long product/flat product)/ pig iron/ sponge iron and are spread across the different states of the country. The following table highlights the total as also the contribution of the private and public sector in crude steel production in the country:

TABLE 5: TRENDS IN PRODUCTION OF CRUDE STEEL

Year	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16*Apri-Dec
Public Sector	16.99	16.48	16.48	16.77	17.21	13.34
Private Sector	53.68	57.81	61.94	64.92	71.77	53.74
Total Production	70.67	74.29	78.42	81.69	88.98	67.08

Source: JPC; Annual Reports 2015.

It is observed from the table-01 that in public sector the trend per cent in production of crude steel in India was a constant growth during the year 2010 to 2014. (i.e. an average of 26%). But, from the year 2015 the trend in the production of steel was in decline stage. The private sector of the Steel Industry is currently playing an important role in production and growth of steel industry in India. There is a constant growth rate every year in production of since 2010. It can be concluded that the trend percentage of public sector crude steel is in decline stage when compare with private sector.

### CONCLUSION

In the foregoing pages, an attempt has been made to give a brief account of the growth and development of the iron and steel industry in India. Besides achieving the rank of the 3rd largest global crude steel producer in 2015., India has also made a mark globally in the production of sponge iron/direct reduced iron (DRI). Courtesy a mushrooming growth of coal-based sponge iron units in key mineral-rich pockets of the country, domestic production of sponge iron increased rapidly, enabling the country to achieve and maintain the number one position in the global market. With a series of mega projects, either being implemented or at the proposal stage, which once operational will re-write the structure of the steel industry and its dynamics; and a domestic economy carrying forward the reform process further, the future of the Indian steel industry is definitely optimistic.

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**RISK MANAGEMENT STRATEGIES BY INDIAN FARMERS: A CASE STUDY****K. KISHORE KUMAR****RESEARCH SCHOLAR****DEPARTMENT OF COMMERCE & MANAGEMENT STUDIES****ACHARYA NAGARJUNA UNIVERSITY****NAGARJUNA NAGAR****DR. B. RADHA****READER****P. G. DEPARTMENT OF COMMERCE & MANAGEMENT STUDIES****V.R.S & Y.R.N (P.G) COLLEGE****CHIRALA****ABSTRACT**

*Agricultural in India involves variety of risk this risk arise from climate variability frequent natural disasters, manmade disaster, pest out breaks accidental factors, borrowing money can also be risky with sudden changes in interest, risk also occurs as a result of changes in government policies, rural infrastructure, finally there are risks related to the health and well-being of the farmer and his family and the supply of labour for the farm, all these event severally affect farmers through loss in production and farm income and they are beyond the control of the farmers. These factors not only endanger the farmer's livelihood and income but also undermine the viability of the agriculture sector and its potential to become a part of the solution to the problem of endemic poverty of the farmer's and the agricultural labor. Risk management is involves choosing among alternatives that uncertain outcome and varying levels of expected returns. A risk management strategy is adopted by the farmer to cope with risk, how those risks are perceived subjectively by the individual farmer. Risk perception can vary from farmer to farmer which depend on his experience and on the degree of his/her risk aversion. The strategies to manage risk include transferring the risk to another party, minimizing the risk controlling the downside or reducing the negative effect of the risk and accepting some or all of the consequences of a particular risk. The inability to manage risk and accumulate and retain wealth sometimes referred to as "the poverty trap".*

**KEYWORDS**

risk management, risk perception, risk aversion, risk management strategy.

**INTRODUCTION**

 Government of India has already recognized the importance of risk management in agriculture and has made great efforts to investigate the possibilities of national level risk management system. The need to protect farmers against risk has a concern of agriculture plan. Once farmers have decided to engage in farming activities, the production strategy selected is an important means of mitigating the risk of crop failure. Risk reducing strategies are often used in combination with one another, because no single strategy can cover all of the risk likely to be encountered, farmer's need to consider the risks simultaneously and to develop an integrated approach for better management. They need to recognize the advantages and disadvantages of each risk management option both individually and in combination. Individual farmers should select an appropriate strategy based on their goals, attitudes towards risk and their personal and financial situations. Agricultural producers should not limit their risk management strategies only to lessening and offsetting the problems caused by weather and natural events. Their effective responses to the diver's professional, economic and political challenges are also increasingly crucial to successful farming. Beside it is also equally important to answer the question. How farmer perceive the important of risk factors influencing their activities and the adequacy of the tools and methods of treating such risk? Agriculture has always been the ministry of India economy because of its high share in employment and livelihood creation not withstanding its reduced contribution to the nation's gross domestic product (GDP). The share of agriculture in the gross domestic product has registered a study decline from 36.4 percent in 1982-83 to 17.7 percent in 2010 yet this sector continues to support more than half a billion people in India providing employment to 47.9 % of the workforce in the year 2010. Risk is one of the factors affecting agriculture producer directly or indirectly, risk proneness in the absence of effective mechanism for protection against risk has several adverse implications for stability of agriculture production, farm income, and livelihood, investment in farming and application and adoption of improved technology. In the recent times the farmer's suicides are increasing, because of agriculture distress. Farmers course of action to low risk low yield cropping pattern instead of high risk and high yield cropping pattern to mitigate the twin risk of yield and price. It is to be noted that the suicides of farmers as an indication of our failure to manage risks in agriculture. Agricultural risk is associated with negative outcomes that stem from imperfectly predictable biological, climatic and price variables. There is a need to control the downside or reduce the negative effect of the risk from its consequences. According to ISO, organizations manage risk by identifying it, analyzing it and then evaluating whether the risk should be modified by risk treatment in order to satisfy their risk criteria. According to IEC the standards on risk management deals with risk assessment concepts risk assessment process, selection of risk assessment techniques, and also highlighted the questions. According to ISO risk management can be applied to an entire organization, at its many areas and levels, at any time, as well as to specific function, projects and activities. With these new standards in risk management, present study focused on risk management in agriculture on farming activity, thus provides the scope for our present study.

**OBJECTIVES**

1. To explain the concepts of risk and risk management.
2. To survey the opinion of agricultural producers on risk and risk management strategies in agriculture among the producers of dry land farming.
3. To examine crisis situations and their possible causes based on producer's experience.
4. To survey the risk management strategies and information sources currently applied in farming and also those that producers plan to apply in the future.
5. To analyze and compare production, market, financial, institutional and personal risks.

**RESEARCH METHODOLOGY**

Prakasam district is purposively selected for the purpose of the study, district is none among the few and district is recognized as first suicides on account of crop failure in Indian agriculture. Survey method is used for data collection, primary data collected on farmer's risk perception, experience, information source from among the formers of the district and problems experienced while dealing with risk. Personal interview schedule method is used for data collection, information collected by using face-to-face information collection mode. Stratified sampling method is used for sampling plan, rating scale method and other simple statistical tools; percentages, averages are used for analysis purpose.

## REVIEW OF LITERATURE

Planning commission (2007) report of working Group on "Risk management of agriculture" for the five year plan, the report highlighted different types of risks, problems related to risk and risk management. The present study, "research schedule" designed, on the grounds of the Planning commission (2007) working group report. The primary objective of the study is to provide basis for debate by surveying Indian literature and analyzing risk related data and make suggestions for the decision makers of agriculture for discussing a possible future Indian risk management strategy in agriculture. The government of India already recognized the importance of risk management in agriculture and made great efforts to investigate the possibilities of a national level risk management system. Beside national level strategies there is a need for enhancing the regional level risk management strategies. The present study aims at district level risk management strategies applied and factors affecting the applied risk management strategies among the producers of dry land District. The objective of the survey is to explore farmer's point of view and his experience on risk and risk management strategies, for the purpose face-to-face survey method is used to collect information. Tests applied to analyze the opinions of farmers regarding each risk factor, the reasons and consequences of crises where such incident occurred, to compare the risk management instruments and their capability and information sources currently and information sources currently applied in farming. Statistics is concern with the aggregate and not just the individual data items or isolated measurement of certain variables. Stratified sampling method is used for the survey; the point of this method is to divide the heterogeneous population into homogenous subgroups, so called strata. Strata are mutually exclusive, so every element in the population must be assigned to only one stratum. The elements of the sample are randomly selected from each stratum; the main characteristic of the proportional allocation is that it uses a sampling fraction in each of the strata that is proportional to that of one's found in population the sample can be considered representation which makes it possible to examine the features of the population on a relatively small sample. Prakasam District is divided into 56, mandals and 1041 gram panchayats, since the gram panchayat is too small a unit to be considered as a planning and monitoring unit, the next unit in hierarchy i.e. mandal has been considered as the planning unit for various agricultural and allied activities. Information collected for a period of five years, 2011 to 2016 month of May. Season ends in the month of March and April which is followed with summer month May, the information is collected in the summer May of 2016.

## RESULTS: RISK MANAGEMENT STRATEGIES IN DRY LAND FARMING - PRAKASAM DISTRICT OF ANDHRA PRADESH

## 1. GENERAL KNOWLEDGE ON RISK AND RISK MANAGEMENT

## 1.1 FACTORS AFFECTING FARMING ACTIVITY

Success of agricultural production depends on the combined effect of several risk factors in case of which the subjective opinion of the farmers defines how risk they consider each of these factors. Decision of what resources and to what extent to use to offset these risks also depends on how farmers judge these factors. With the above illustration it is asked in the research schedule, factors affecting their farming activity.

TABLE 1.1: SHOWING FACTORS AFFECTING FARMING ACTIVITY

S. No	Risk factors (source of risk)	overall average respondents on scale (1 to 7)
1.	Illness	3.7 (Moderate Effect)
2.	Debt	5.23 (Large Effect)
3.	Political measures	3.67 (Moderate Effect)
4.	Technology process	2.63 (Negligible Effect)
5.	Weather and natural disasters	6.97 (Large Effect)
6.	Monsoon delay & climate change	5.73 (Large Effect)
7.	Animal disease and epidemic	2.21 (Negligible Effect)
8.	Difficulties in selling farm products	2.63 (Negligible Effect)
9.	Volatility of prices	5.68 (Large Effect)
10.	Input market	4.81 (Moderate Effect)

Respondents were asked to rate the listed factors according to farmer's personal opinion. Respondents had the possibility to rate each factor on a scale of 1-7 where 1 means that the given factor has no effect on farming while in case at agricultural production. As per the table 1.1, overall average show that debit, delay in monsoon and effect of climate change, weather and Natural disasters volatility of price has large effect on farming, illness of the farmer political measures and inputs market has moderate effect and Technology process, animal disease and epidemic and difficulties in selling farm products has negligible effect.

## 1.2 APPLIED RISK MANAGEMENT INSTRUMENTS

Besides knowing farmer's subjective perception on the effect of given factors and experiences related to risk or even crisis, it is highly relevant to identify specific risk reduction methods applied by the farmers.

TABLE 1.2: SHOWING APPLIED RISK MANAGEMENT INSTRUMENTS

S. No	Risk management instruments	No of farmers	Contribution in percentage %
1.	Crop insurance	74	15.16
2.	Livestock insurance	49	10.04
3.	Property insurance	5	1.02
4.	Marketing contracts	17	3.48
5.	Production contracts	26	5.32
6.	Vertical integration	14	2.86
7.	Off-farm employment	48	9.83
8.	Off-farm investments	--	--
9.	Diversification	44	9.01
10.	Hedging	15	3.37
11.	Holding financial reserves	66	13.09
12.	Using government programs	98	20.08
13.	Holding farm inputs and farm...	15	3.07
14.	On farm employment	189	38.72
15.	Total	504	100

In research schedule, several widely used risk management instruments are listed, from which the farmers had to select the ones they currently used popular risk management instruments include, on-farm employment 189 farmers in (38.72%), crop and livestock insurance 74 farmers in (15.16%) and 49 in (10.04%), off-farm employment 48 farmers in (9.88%), sale of assets 217 in (43.05%) and holding financial reserves 66 in (13.09%). Beside there are other tools used in dealing with risk which include holding of farm inputs and farm produced 15 in (3.07%), using government programs 98 in (20.08%), hedging 15 in (3.37%) diversification 44 in (9.01%), off-farm employment 48 farmers in (9.83%), vertical integration 14 in (2.86%), Production contract 26 in (5.32%), marketing contract 7 in (1.38%), property insurance 5 in (1.02%). Sale of assets and use of government programs are the main tools mostly farmers rely on.

## 1.3 FARMER'S INFORMATION SOURCE

TABLE 1.3: SHOWING FARMER'S INFORMATION SOURCE

S. No	Risk management instruments	No of farmers	Contribution in percentage %
1.	kisan call center	48	9.83
2.	Educational courses	3	0.61
3.	Personal data	--	--
4.	Farmers union	73	14.95
5.	Radio programs	--	--
6.	Technical books	7	1.43
7.	Other farmers	67	13.72
8.	TV programs	421	86.27
9.	Print press	28	5.73
10.	Suppliers	53	10.86
11.	Buyers	18	3.68
12.	Internet	5	1.02
13.	Consultant	7	1.43
15.	Total	504	100

Widely used information sources are listed, from which farmers had to select the ones they currently use. Most of the farmers 421 in (86.27%) dependent on T.V Programs as a source of information. Beside T.V programs farmers also use other farmers 67 in (13.72%), farmers union 73 in (14.95%), suppliers 53 in (10.86%) and kisan call center 48 in (9.83%). Other sources for information are also used in farming internet 5 in (1.02%), buyers 18 in (3.68%), print press 28 in (5.73%), technical books 2 in (1.43%), educational courses 3 in (0.61%), consultant 7 in (1.43%) and print press 28 in (5.73%). Hence it can be construed that majority of the farmers mainly depend on T.V programs as a source of information. Radio programs, personal data collection and educational courses are not popular information sources.

## 1.4 FARMERS EXPERIENCE ON RISK AND CRISIS

TABLE 1.4: SHOWING FARMERS EXPERIENCE ON RISK AND CRISIS

S. No	Risk management instruments	No of Respondents	Contribution in percentage %
1.	YES	488	96.82
2.	NO	16	3.18
3.	TOTAL	504	100

It is asked in the schedule about farmers experience on risk and crises situation in farming activity. In last five years, figure shows 488 farmers in (96.82%) responded says 'yes' where as 16 of the farmers 6 in (3.17%) says 'No'. Hence it can be construed that severity of risk is very high in the District.

## 1.5 CAUSES FOR RISK AND CRISES SITUATION

It is asked in the research schedule, causes for crises in farmers, from which farmers had to select type of risk affecting their farming farmers opinion on causes for crises situation in farming, climatic events 448 in (91.80%), Delay in monsoon and effect of climate change 422 in (96.72%), Market condition 473 in (96.93%), Farmers poor health 175 in (35.86%), Policy measures 39 in (7.9%) and biological aspects, Hence it can be construed that severity of risk is very high in farming, According to the table 1.5.

TABLE 1.5: SHOWING CAUSES FOR RISK AND CRISES SITUATION

S. No	Risk management instruments	No of farmers	Contribution in percentage %
1.	Climatic events	448	91.8
2.	Delay in monsoon & effect of climate change	472	96.72
3.	Animal Disease & Epidemic(biological aspects)	131	26.84
4.	Policy measures	39	7.99
5.	Market conditions	473	96.93
6.	Farmers poor health	175	35.86
7.	Total	488	100

## 2 PRODUCTION RISK

## 2.1 MAIN ATTRIBUTES OF CRISIS SITUATION

TABLE 2.1: SHOWING MAIN ATTRIBUTES OF CRISIS SITUATION

S. No	Attributes of Crisis	Crop Production	Live Stock Production
1.	Affected Revenue as a Percentage of Total Revenue	61.47	10.32
2.	Average frequency of crisis situation	02.96	01.44

Agriculture is associated with many types of risk that expose farmers to potential losses. It is important to understand what accidental loss occurs in farming, main attributes of crisis situation, affected revenue as a percentage of total livestock and frequency of crises situation. With the above illustration it is asked in the schedule attributes of crisis situation experienced in crop production. The overall average percentage loss in farming is 61.46 and number of occurrences of crises situation is overall average of frequency of crises situation that is 2.96 in average. It is also asked in the schedule attributes of crisis situation experienced in livestock production. The overall average of affected revenue as % of total revenue of livestock production is 10.32%. Overall average frequency of crisis situation is 1.44 in livestock production, according to the table 2.1.

## 2.2 METHODS CAPABLE OF REDUCING RISK

It is asked in the schedule to evaluate different risk reducing methods in terms of both crop and livestock production according to farmer's personal experience. The respondents could rate the different methods according to the system, namely rating each method on a scale ranging from 1 to 7 where one means that the given method is unsuitable to reduce risk and 7 refers to the high efficiency of the method. It is asked in the schedule to evaluate capability of reducing risk in crop and livestock production. Respondents was the possibility to rate each method on a scale of 1-7 where it means that the give method has no effect on farming while in case of 7 the method has great effect.

TABLE 2.2: SHOWING METHODS CAPABLE OF REDUCING RISK

S. No	Risk management instruments	Overall average of the respondents on the scale (1 to 7)
1.	Young animals for self breeding	5.34 (very effective)
2.	Ex-post medical treatment	5.73 (very effective)
3.	Preventive medical treatment	5.91 (very effective)
4.	Technology improvement	3.67 (moderate effective)
5.	Preventive plant protection	5.23 (very effective)
6.	Relay planting	5.65 (very effective)
7.	Crop rotation	5.98 (very effective)

The overall average shows young animals for self-breeding, ex-post medical treatment, preventive medical treatment, Preventive plant protection, relay planting, crop protection are very effective methods whereas technology improvement is moderate effect, according to the table 2.2.

### 3. MARKETING RISK

#### 3.1 PROBLEM RELATED TO AVAILABILITY, QUALITY, AND COST OF AN INPUT

TABLE 3.1: SHOWING PROBLEM RELATED TO AVAILABILITY, QUALITY, AND COST OF AN INPUT

S. No	Problem related to availability, quality, and cost of an input experienced	No of Respondents	Contribution in percentage %
1.	YES	362	74.18
2.	NO	126	25.81
3.	TOTAL	488	100

Production as a source of risk concerns variation in output also arising from availability, quality and cost of an input. With the above assumption it is asked in the research schedule farmers experience on availability, quality and cost of an input. Respondents were asked to answer 'Yes' or 'No', on the problem of availability quality and cost of an input. 362 farmers in (74.18%), responded says 'Yes' and 81 in (25.81%) says 'No' as shown in the table 3.1.

### 4. FINANCIAL RISK

#### 4.1 FARMER'S PERCEPTION OF ACCESS TO CREDIT

TABLE 4.1: SHOWING FARMER'S PERCEPTION OF ACCESS TO CREDIT

S. No	Risk management instruments	No of Respondents	Contribution in percentage %
1.	There is timely access but with hard conditions and high cost	12	2.45
2.	There is timely access but with reasonable cost and conditions	73	14.95
3.	Cost and conditions are reasonable but requires long procedure	119	24.38
4.	There is no access to credit at all	284	58.19
5.	Total	488	100

Beside it is also asked about farmer's perception of access to credit, farmers opinion on access to credit, there is no access to credit at all 284 in (58.19%), cost and conditions are reasonable but requires long procedure 119 (24.38%), there is timely access but with reasonable cost and conditions 73 in (14.95%), there is timely access but with hard conditions and high cost 12 (2.45%). Hence it is construed that majority of the farmers have mixed opinion on access to credit.

### 5. PERSONAL RISK

#### 5.1 FARMER'S PERSONAL PROBLEMS

TABLE 5.1: SHOWING FARMER'S PERSONAL PROBLEMS

S. No	Farmer's experience on personal problems	No of Respondents	Contribution in percentage %
1.	YES	396	81.14
2.	NO	92	18.85
3.	TOTAL	488	100

To analyze the personal problems farmers, it is asked in the schedule problems like death, injuring or poor health (illness) experienced by the principal operator of the farm. According to the table 5.1, farmers 396 in (81.14%) responded 'No' and 92 in (18.85%) responded 'Yes'.

#### 5.2 FARMERS PARTICIPATE IN ANY KIND OF PROFESSIONAL TRAINING (VOCATIONAL TRAINING)

TABLE 5.2: SHOWING FARMERS PARTICIPATE IN ANY KIND OF PROFESSIONAL TRAINING

S. No	Farmers participate in any kind of professional training	No of Respondents	Contribution in percentage %
1.	YES	474	97.13
2.	NO	14	2.86
3.	TOTAL	488	100

It is also asked in the research schedule, farmer participated in any kind of professional training related to their farming activity. According to the table 5.2, 474 farmers in (97.13%) responded says 'No' and 14 in (2.86%) says 'Yes'. Hence it is construed that participation in farm related training is very low.

### FINDINGS

- Suicides of farmers as an indication of our failure, to manage risks in agriculture the study is an important step towards strengthening risk management in Indian agriculture. The agrarian distress of late is assuming lot of significance and should be handled urgently. Sources of risk perceived by farmers of the five categories of risk that have been identified, price and production risk were perceived as the most important source among the farmers of the District.
- Focus of public policy has been on three front's viz. food security, growth and employment generation. Our limited marginal surplus, our comfort zone regarding international agricultural price movements is very narrow and, we could not take much advantage of the opportunities thrown open by WTO agreement. The position cannot improve unless we are able to improve the production and grading and quality standards.
- It is observed that extension of technology is in the private hands by way of transfer of technology agreements entered into by these MNCs with the seed producing firms. Hence cost effective Farm-Firm linkage is the need of the hour on the input risk management front.
- The major risks in purchase of agricultural inputs for small farmers are availability risk, access risk, price risk, quality risk, and usage risk. The major issues in input markets are inefficient and imbalanced use of inputs and environmental concerns. Some of the strategies for risk management could be recognition of interdependence of input markets, developmental marketing, ethical business management, client and location specific promotion, etc.
- Price supports have been the principal means by which farmers have received some protection against market risks. The price support policy has its limitations as well. In some of the crops, the support prices have been consistently fixed higher than the counter-factual market price. As a result, stocks have ballooned. As these policies are not sustainable indefinitely, farmers face a policy risk depending on the way stocks are reduced.
- In case of the District there is severe loss. The farmer's are ruined in times of natural calamities or the prevalence of a disease of the crop. The return in cash is mostly once in a year. If there is a good crop, the farmer's are getting more return otherwise not. It means, the return from agricultural products is irregular. During abnormal times, international trade situations, the farmer is rendered helpless. He is unable to provide for the national market alone but for international market as well.
- In many cases there is only one crop, thus, after sowing, harvesting, etc., machinery, land, labor and capital remains idle, there is less use of capital and investment lacks rationality. All farm operations in the District are seasonal in nature, by devoting some time on the farm, farmer's are taking up and expanding other non-farm occupations and thus earn higher total family income.
- Usage of by-products of the farm is not fully utilized for lack of sufficient livestock on the farm. Fertility of soil is not being properly maintained for lack of suitable rotations.



- Farmers are unable to predict the future to use several aids, most of the farmer's are not in touch with extension and research specialist from state agricultural college/universities. They do not know about the supply and demand forces which cause variation in prices and are not making use of outlook materials available from agricultural colleges, Government, commercial sources and newspapers.
- Futures trading are a market based institution for trading price risks which allows farmers to hedge against market risks. However, transactions costs are a formidable barrier to the participation of farmers in futures markets.
- Rainfall and drought risks dominate agriculture in the District. At an aggregate level, irrigated agriculture is found to be more stable than un-irrigated agriculture, irrigation sources also depend on rainfall, and irregular rainfall and very low rainfall have effect on irrigated agriculture too.
- Lack of managerial skills among the farmers due to illiteracy, small size of holding, scarcity of resources, lack of awareness and business attitude are the causes for high risk and low income.
- There are 19 cold storage units with capacity of 5000 Mts each. Majority part of the space in terms id occupied by Bengal gram, about 10 to 15 percent of the space id occupied by chilies, beside coriander is also stored in these unites.

## SUGGESTIONS

- Public policy in agriculture trade needs to be modified to enable us to emerge as a grain power, to take advantage of the emerging opportunities in the global arena post-WTO agreement.
- As a result, except for a few wealthy farmers well connected to urban and international markets, high value crops are very risky. The growth of processing and development of transport and market infrastructure can help in enlarging markets and enhancing the elasticity of demand.
- Government supporting organic farming with sustainable applications there is a need for certification of organic production and new infrastructure like fruit ripening chambers and cold storage to be improved which are creating marketing opportunities for farmers, which is not found in the district.
- To protect farmers against production risks, the Central Government together with the State Governments offers crop insurance; scheme as yet covers a small minority of farmers. It is important to increase the penetration of crop insurance in agriculture; this is possible only by bring awareness because most of the farmers believe crop insurance cannot pay off its cost.
- For the benefit of small and marginal farmers, the banking and cooperative institution and farmer's SHGs, could play this role and hedge in the futures market, aggregators can hedge on behalf of the farmers in the futures market, as they have the requisite knowledge and operational skills need to participate in the future market.

## CONCLUSION

Risk exposure of agricultural holding will increase in the future which make farmers face huge losses more frequently. To deal with risk in agriculture it is the duty of the farmer to apply adequate risk management strategies and tools. Global economic environment, effect of climate change, poor management practices enhances the problem of risk in Indian agriculture. Applying low risk technologies, diversification, agricultural insurances, hedging, contracting, policy regulations, information support, effective use of natural resources and professional training will play an increasingly important role in the risk management practices of the farmers. There is a need for holistic approach to bring farm stability, profitability, effective use of natural resources, effective use of government programmes and skillful management; it is possible by selecting integrated farming as low risk activity.

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**THE IMPACT OF IFRS ON FINANCIAL STATEMENTS WITH SPECIAL REFERENCE TO WIPRO LTD.**

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**ABSTRACT**

*Accounting is the art of recording transactions in the most efficient manner. IFRS signifies the uniform accounting standard which brings in harmonisation of the business activities world-wide. Convergence with IFRS refers to the act of achieving harmony with IFRS and to design and maintain national accounting standards in line with the International Accounting Standards (IAS). The objective of this paper is to study the difference between IFRS and Ind AS, the opportunities and challenges faced by Indian companies in the process of convergence to IFRS, to study the measures taken to address the challenges faced by Indian companies and to study the impact of IFRS on financial statements of WIPRO LTD. The required secondary data was collected from the Annual Reports, Research articles from Journals, newspapers, Reports and official website of ICAI and IFRS. The study reveals that the adoption of IFRS has resulted in significant change in the values of Assets and Liabilities of the financial statements. The main cause for the variation in total assets and liabilities is due to the reclassification of the equity and liability and the difference in the concept of revenue recognition as well.*

**KEYWORDS**

IFRS, accounting standard, ICAI, convergence, IGAAP.

**ABBREVIATION**

ASB	Accounting Standards Board
FDI	Foreign Direct Investment
FS	Financial Statements
GAAP	Generally Accepted Accounting Principles
IAS	International Accounting Standards
IFRS	International Financial Reporting Standards
IGAAP	Indian Generally Accepted Accounting Principles
INDAS	Indian Accounting Standards
IT	Income Tax
JV	Joint Venture
NBFC	Non-banking Financial Company
OCI	other comprehensive income
SME	Small and Medium Enterprises
SOCE	Statement of Changes in Equity
SOPF	Statement of Financial Position
SOPL	Statement of Profit & Loss account

**INTRODUCTION**

Accounting is the art of recording transactions in the most efficient manner. Accounting standards are the set standards which guides the accurate application of the accounting principles in the preparation and presentation of accounts. The different nations in the world follow their own accounting standards which best suits to their economic, social and legal environment in general. But the advent of globalisation has drastically changed the face of business activities across the world. Globalisation has set forth the need to adopt a uniform standard in the financial reporting by the companies. IFRS signifies the uniform accounting standard which brings in harmonisation of the business activities world-wide.

The world has witnessed the transformation of the closed economies into open economies and to cater to this global scenario, the International Accounting Standards Board (IASB) framed the International Financial Reporting Standards (IFRS) to enable consistency, comparability and uniformity in Accounting all over the world. International Financial Reporting Standards (IFRS) introduced by International Accounting Standards Board (IASB) is a standard method of financial reporting that has gained momentum worldwide. Since its inception in April 2001, IASB which was originally known as IASC (International Accounting Standards Committee) adopted the principle-based standards, interpretations and frame work which is popularly known as IFRS. The IASC was formed in 1973 and till 2001, it has formulated 41 International Accounting Standards (IAS) and IASB has added 8 new standards which are collectively known as the current IFRS.

Many countries have already recognized the need to adopt the universal accounting standards and are in the path of implementation whilst a few nations are still reluctant to adopt the same. But the issues related to convergence of IFRS have not really reduced the importance of this approach. At the advent of globalization, an emerging economy like India also needs to flourish. In the present global scenario, India cannot afford to sustain in the world market in isolation from the

developments and innovations taking place worldwide. By adopting IFRS, Indian companies will not only be at par with the other multinational companies but shall also improve India's position in the global market.

## IFRS IN THE GLOBAL CONTEXT

Due to the globalisation and liberalisation, the world has shrunk into a single global village. Today, a huge number of business entities and multi-national companies are establishing their business in various other countries of the world. In the emerging economies, the corporate entities are entering the global markets with the sole intention of fulfilling their capital fund requirements. They achieve this goal by getting their securities listed in the stock exchanges of other nations. But the inconsistency associated with the use of different accounting practices and standards by different countries posed serious problems for the users of financial reports across the nations. These problems led to the inefficiency in the working of capital markets across the globe. The increasing rigidity in the business transactions need to be reduced which was made possible by the globalisation of capital markets with a single set of high quality accounting standards. This single set of globally accepted accounting standards has made many countries to pursue convergence of the national accounting standards with the international accounting standards.

## IFRS IN THE INDIAN CONTEXT

The drastic economic development in India since the industrial policy, 1991 has led to the increased attention towards accounting standards to ensure consistency and transparency in the financial reporting by the Indian companies. In India, the Institute of Chartered Accountants of India (ICAI) is the premier accounting body which established the Accounting Standard Board (ASB) in April, 1977. ICAI act as the accounting standard setting body in the country which has been successful in formulating high quality accounting standards for the maintenance of accounts and preparation of financial statements. In the present global scenario in India, ASB of ICAI is formulating accounting standards based on the International Financial Reporting Standards. This will be done by modifying the present accounting standards on par with the IFRS with a view to ensure consistency and compatibility with the economic and legal environment in the country.

## CONVERGENCE WITH IFRS

The continued globalization has significantly increased the need for convergence of various national accounting standards with the IFRS. At its 269<sup>th</sup> meeting, the Council of ICAI decided that public sector entities such as stock listed firms, banking institutions, insurance sectors and large-sized organizations have to converge with IFRS for accounting period commencing on or after 1 April, 2011. Convergence with IFRS refers to the act of achieving harmony with IFRS and to design and maintain national accounting standards in accordance with the IAS. This transition will enable the Indian companies to comply with the International Financial Reporting Standards in the preparation of their financial statements.

## MANDATORY IMPLEMENTATION IN INDIA

As per the Ministry of Corporate Affairs notification on 16th Feb 2015, the following are the companies' mandatory implementation in India:

- For accounting periods beginning on or after 1st April 2016 (with comparatives as on 31st March 2016)
  - Listed companies with net worth of Rs. 500 Cr. or more
  - Companies in the process of listing with net worth of Rs. 500 Cr. or more
  - Holding, Subsidiary, Joint Venture or Associate of the above companies
- For accounting periods beginning on or after 1st April 2017 (with comparatives as on 31st March 2017)
  - Listed companies having net worth of less than Rs. 500 Cr.
  - Unlisted companies having net worth of Rs. 250 Cr. or more but less than Rs. 500 Cr.
  - Holding, Subsidiary, JV or associate of the above companies
- The above norms do not apply to the following companies:
  - Companies listed or in the process of listing on SME exchanges
  - Insurance, banking and NBFCs

## LITERATURE REVIEW

Ali & Ustundag (2009) in their work examined the development process of Financial Reporting Standards across the globe and its practical outcome in a developing country. They highlighted that Turkey has experienced several limitations in adoption of IFRS such as complexity in structure of the International standards, lack of potential knowledge and other adverse effects in application and enforcement issues.

Dr. Mahender K. Sharma & Jignesh R. Vaja (2013) examined the information available on IFRS adoption process in India. It also focuses on the adoption procedure of IFRS in India and the benefit for India in adopting IFRS. The paper discusses the difficulties faced by the shareholders in the process of adoption of IFRS in India. The study reveals that the regulatory authorities and judiciary must implement efficient monitoring system of regulatory compliance with IFRS. With the help of this system, the professionals and regulators should ensure necessary changes in the existing laws for IFRS implementation process.

Dr. Titto Varghese (2014) analyzed the information in adopting IFRS in India. It also highlighted the IFRS adoption procedure in India and the benefits for India in adopting IFRS. The study discusses the problems faced by the major players of the corporate world in the process of adoption of IFRS in India. Lastly, the study brings out the ways through which these problems can be solved.

Dr. U.V. Panchal (2012) studied on challenges in the convergence with IFRS faced by India.

Ms. Archana Patro and Dr. V.K. Gupta (2012) examined the awareness of IFRS among the Indian students in management discipline and went through the level of planning for adoption of the standards. The study reveals that it would help the business schools and universities in deciding the adoption of IFRS in Indian accounting syllabus.

Pawan Jain (2011) discussed the stakeholder's problems in the process of adoption of IFRS in India.

Rakesh H M (2013) in their work examined the relationship between adoption of IFRS and FDI and its effect in the economy of India. It reveals that the adoption of IFRS is a positive step with positive direction. Although it is facing implementation issues and challenges, the benefits are going to outweigh the challenges. With adoption, Indian companies will produce more credible financial statements that will not only be uniform but also provide a basis for better comparison and interpretation. They invariably boost the investors' trust and attract an international financial transaction which is the basis for economic growth of nations.

Sarbapriya Ray (2011) examined the objectives of adopting IFRS in the Indian accounting platform, the distinction between IFRS and Indian GAAP and the procedure of convergence which has to be adopted to synchronize Indian AS with IFRS and major deviation existed between IFRS and IGAAP. The study concludes that a similar global reporting language will ensure that shareholders' funds will be moved easily across the global market and IFRS implementation in India will accelerate investors' confidence in investing in the Indian capital market and therefore IFRS implementation will provide better opportunity for compatibility of financial statements prepared across the world.

Titus Rudra and Dipanjan Bhattacharjee (2012) focused on Earning Management in India and the influence of IFRS.

## OBJECTIVES OF THE STUDY

1. To study the difference between IFRS and Ind AS.
2. To study the Opportunities and Challenges faced by Indian Companies in the process of Convergence to IFRS.
3. To study the measures taken to address the Challenges faced by Indian companies in the implementation process.
4. To study the impact of IFRS on Financial statements of Wipro Ltd

**METHODOLOGY**

The present study is based on secondary data collected through annual reports of Wipro Ltd during the year 2015-16 and other details are collected from the Journals, Newspapers, Reports and official website of ICAI and IFRS. The scope of the study includes phase-wise implementation of IFRS in India and analysis of the major difference between IFRS and Ind AS. The study uses tables & Graphs to predict the changes of financial statement between IFRS & IGAAP in amount wise & percentages wise.

**DIFFERENCE BETWEEN IFRS AND Ind AS**

Basis	IFRS	Ind AS
1. Presentation of Financial Statements	<ul style="list-style-type: none"> <li>Specifies line items to be presented in SOPL, OCI, SOFP and SOCE.</li> <li>Recent amendment guidance on additional line items, clarifications on aggregation etc.</li> <li>Nature-wise or functional classification of expenses permitted.</li> </ul>	<ul style="list-style-type: none"> <li>No such guidance given.</li> <li>The format of FS is governed by the revised schedule III.</li> <li>The amendments of IAS 1 are not yet carried out through in India.</li> <li>Only nature-wise classification permitted.</li> </ul>
2. Cash Flows	<ul style="list-style-type: none"> <li>Interest &amp; dividend may be classified as operating, investing or financing activities in a consistent manner.</li> </ul>	<ul style="list-style-type: none"> <li>Classified depends on nature of enterprise</li> <li>Financing companies – interest paid &amp; interest &amp; dividends received as operating flows &amp; dividends paid as financing flow</li> <li>Other companies – interest &amp; dividends received as investing flows and those paid as financing flows</li> </ul>
3. Taxes	<ul style="list-style-type: none"> <li>If goodwill amount is zero, the deferred tax benefit is recognised in SOPL</li> </ul>	<ul style="list-style-type: none"> <li>Here, if goodwill amount is zero, the deferred tax benefit is recognised in OCI as capital reserve</li> </ul>
4. Leases	<ul style="list-style-type: none"> <li>Leasehold land can be classified as investment property</li> </ul>	<ul style="list-style-type: none"> <li>Leasehold land cannot be classified as investment property</li> </ul>
5. Employee benefits	<ul style="list-style-type: none"> <li>The discount rate taken to measure PV of obligation has the reference to market yields on high grade corporate bonds or government bonds</li> </ul>	<ul style="list-style-type: none"> <li>Companies in India should use only government bond rates, but subsidiaries or associates outside India may use corporate bond rate</li> </ul>
6. Government grants	<ul style="list-style-type: none"> <li>Asset related grants can be either set up as deferred income or deducted from asset value</li> </ul>	<ul style="list-style-type: none"> <li>Asset related grant can only be set up by setting up deferred income</li> </ul>
7. Investment property	<ul style="list-style-type: none"> <li>Can be subsequently measured at cost or FV</li> </ul>	<ul style="list-style-type: none"> <li>Can be subsequently measured only at cost</li> </ul>
8. Investments in associates & Joint Venture	<ul style="list-style-type: none"> <li>Excess of investor's share in net assets of associate over the cost of investment is recognised in the SOPL immediately</li> </ul>	<ul style="list-style-type: none"> <li>Such excess is recognised in the equity as capital reserve</li> </ul>
9. Effect of changes in exchange rate	<ul style="list-style-type: none"> <li>Exchange differences are recognised in SOPL or OCI as the case may be</li> </ul>	<ul style="list-style-type: none"> <li>Entity may continue to apply the policy adopted for the FS under previous GAAP while preparing their 1st Ind AS FS</li> </ul>
10. Events after reporting period	<ul style="list-style-type: none"> <li>When entity breaches a long term loan on or before the reporting date (&amp; thus the liability becomes payable on demand), an agreement by the lender after the reporting period but before authorisation of FS not to demand the payment, is NOT considered as an adjusting event</li> </ul>	<ul style="list-style-type: none"> <li>When entity breaches a long term loan on or before the reporting date (&amp; thus the liability becomes payable on demand), an agreement by the lender after the reporting period but before authorisation of FS not to demand the payment, is considered as an adjusting even</li> </ul>

**OPPORTUNITIES**

The implementation of IFRS for reporting financial purposes have benefitted globally. There are several advantages for the companies in adopting IFRS as per the studies conducted by the researchers. The financial information can be easily accessed by the investors, corporate world and regulators. Transparency in the recorded information, management of global operations and reduced cost of capital are some important benefits in the adoption of IFRS. The following are some of the benefits in adopting IFRS in India as well as globally:

- BETTER ACCESS TO GLOBAL CAPITAL MARKETS**

Indian economy has been emerged as a strong economy during the last decade due to the impact of globalisation. Indian companies are starting their operations globally and acquiring some business as well. In the process of this expansion, companies need funds at cheaper cost which is usually available in American, European and Japanese markets. In order to meet the regulatory guidelines in the global markets, Indian companies must report their financial information as per IFRS. Thus adoption of IFRS not only helps Indian companies in accessing global capital markets but also availability of funds at cheaper cost.

- EASIER GLOBAL MARKET COMPARABILITY**

The main objective of IFRS is to report financial results of the companies. The comparison of two companies becomes easier with the adoption of IFRS. Investors, Lenders and Bankers can find it very easy to compare the two financial statements where IFRS procedure is followed. Thus companies adopting IFRS for reporting their financial information get easy accessibility to various global markets and financial institutions.

- EASY GLOBAL MARKET LISTING**

Indian companies require funds for their operations and expansion which are not limited to the economic and political boundaries of India. Indian companies are acquiring entities globally also. Indian companies are getting listed in European and American Capital Markets through raising funds from these markets. One of the major requirements for getting listed on European Markets is the preparation of accounts as per IFRS standards. A few Indian Companies have started preparing their Financial Statements as per IFRS, who have already raised funds through the European capital markets.

- BETTER QUALITY OF FINANCIAL REPORTING**

A qualitative financial reporting is possible with the adoption of IFRS due to the scientific application of Accounting Principles and improved reliability of financial statements. IFRS follows a concept of true value which help the Indian companies to reflect the exact worth of their assets in the financial statements. IFRS is very consistent, reliable and easy to adopt ensuring better qualitative financial reporting as it is prepared by a single body IASB, London.

- ELIMINATION OF MULTIPLE REPORTING**

Indian companies with multinational operations have to adopt their accounting procedures according to the particular country's reporting standards. At the same time, companies operating in Indian markets have to report according to Indian accounting standards. Thus there is a requirement of multiple financial reporting for the same company. Adoption of IFRS helps to eliminate the multiple financial reporting standards by these companies as they are following a common set of financial reporting system. As IFRS is globally accepted, multinational companies can record their financial information and statements in a single system.

**PROBLEMS AND CHALLENGES**

IFRS are formulated by International Accounting Standard Board (IASB). However, the Institute of Chartered Accountants of India (ICAI) is responsible for convergence of Indian Accounting Standards with IFRS. Institute of Chartered Accountants of India set up a task force to study and suggest a way for adopting IFRS in India. On the recommendation of task force, a three phased programme has been initiated to adapt to IFRS in India. Accounting Professionals in India and across the world have added various benefits of adopting IFRS. In spite of these benefits, adoption of IFRS in India is also having some problems and challenges. Few of them have been listed below:

- **AWARENESS OF IFRS PRACTICES**

Adoption of IFRS means a new set of complete reporting standards have to be implemented and awareness about these reporting standards are still not known to the stakeholders like Firms, Banks, Stock Exchanges, Commodity Exchanges etc. To bring a complete awareness of these standards among these parties is a difficult task and also the difference in GAAP and IFRS is very wide.

- **TRAINING AND EDUCATION**

There is a lack of training facilities and academic courses on IFRS that leads to major challenges for the adoption of IFRS. India does not have enough number of fully trained professionals to carry out this task of adoption of IFRS. However, Accountants, Government officials, Chief Executive Officers and Chief Information officers are trying for a smooth adoption process in India.

- **LEGAL CONSIDERATION**

IFRS does not recognise the existing laws which provide some guidelines on the preparation of financial statements in India such as SEBI regulations, Banking Laws, FEMA etc. In India, Accounting practices are governed by Indian GAAP and Companies Act. The regulatory and legal authorities in India will have to make necessary amendments to ensure a smooth implementation of IFRS.

- **TAXATION EFFECT**

The convergence of IFRS would affect most of the items in the financial statements and thereby tax liabilities also would undergo a change. A complete change in Tax laws is necessary in order to converge it with IFRS, which is a major challenge for a country like India. Thus the taxation law should address the treatment of tax liabilities in convergence from Indian GAAP to IFRS.

- **FAIR VALUE AS MEASUREMENT BASE**

IFRS uses fair value as a measurement base in majority items in the financial statements. The fair value accounting process can bring a lot of instability and subjectivity to the financial statements. Any adjustments to the fair value may result in profit or loss which reflects in both Income Statement and Balance Sheet. Indian companies who have been preparing their financial statements on Historical Cost Basis will have tough time while shifting to Fair Value Accounting.

- **FINANCIAL REPORTING SYSTEM**

The companies in India must ensure that the existing reporting system of business is amended to match with the requirements of IFRS. To adopt IFRS in India, enough control systems have to be put in place to reduce the business disruption during the transition. This can be possible by proper internal control and reporting system. The IT platform should be in such a way as to support all the requirements of reporting levels of IFRS. For this, India should take some guidelines from the countries which have adopted the IFRS and have similar economic, political and social conditions.

- **TIME AND COST**

Companies in Australia and in the European Union took more than a year to complete the IFRS transition, and some companies took more than two years. But in Indian scenario, we have got some delay in the process from the very beginning. In other countries, regulators were more scientific in final interpretations two to three years in advance of IFRS deadline and provided step-by-step transition road maps for companies. In India, ICAI took so long to finalize the standard and thus increased the confusion around standard interpretation. The IFRS transition is expected to cost Indian companies between Rs. 30 lakhs to 1 crore. Fifty percent of adopters had to setup new IT systems to accommodate IFRS.

**SUGGESTIONS**

- Government of India and the Institute of Chartered Accountants of India (ICAI) should take proper steps to organize conferences, workshops, and other awareness programs in order to create awareness among the accounting professionals and concerns regarding the IFRS standards.
- Institute of chartered account of India need to introduce the IFRS course for students at the post-matric levels.
- ICAI should give specialised training to the accounting professionals.
- For the purpose of assisting its members, the ICAI council has to form an expert advisory committee to answer queries from its members.
- Auditors should work closely throughout the implementation process documentation.
- In order to ensure a minimum quality standard in teaching accounting and auditing courses in all Indian universities, workshop, seminars etc., initiative is necessary for curriculum development and training-the-trainer's activities.
- Taxation laws should address the treatment of tax liabilities arising on convergence in India.
- Guidance notes issued by ICAI for providing quick guidance on accounting issues need timely revision.

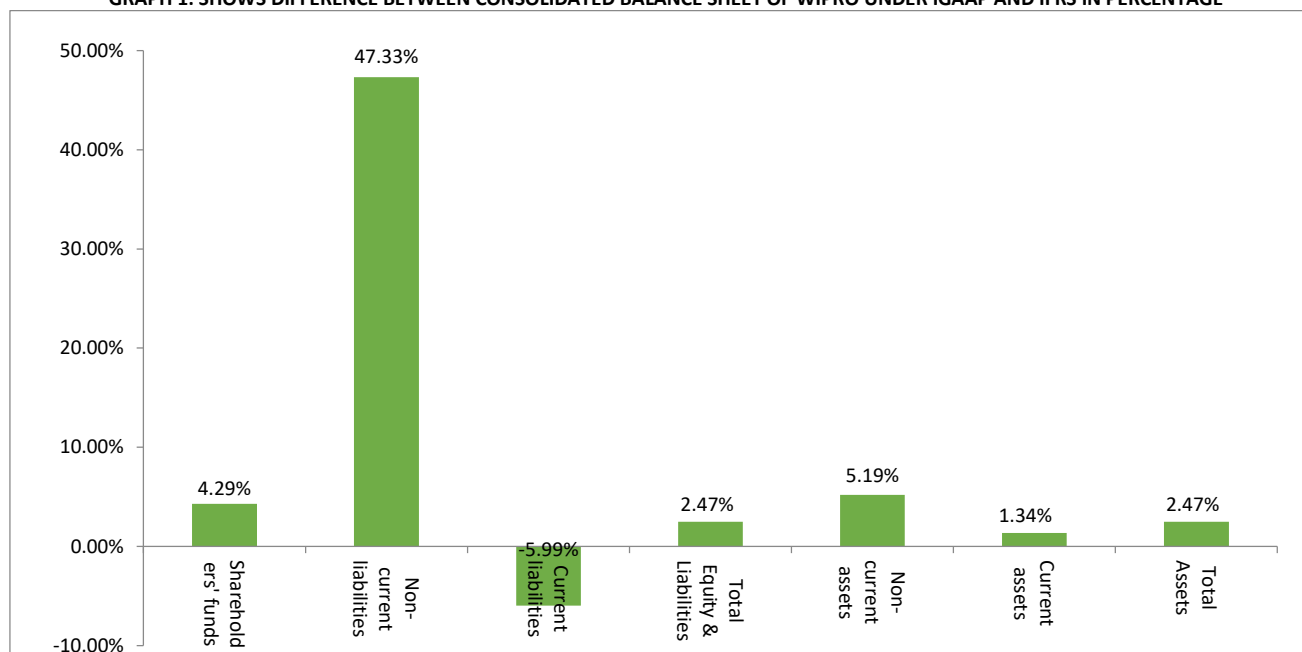
## DATA ANALYSIS AND INTERPRETATION

TABLE 1: DIFFERENCE BETWEEN CONSOLIDATED BALANCE SHEET OF WIPRO UNDER IGAAP AND IFRS (Rs. in Millions)

	As IGAAP	As IFRS	Difference	%
<b>EQUITY AND LIABILITIES</b>				
<b>Shareholders' funds</b>				
Share capital	4,941	4941	0	0.00
Reserves and surplus	4,41,945	461137	19,192	4.34
<b>Total Equity</b>	<b>4,46,886</b>	<b>466078</b>	19,192	4.29
<b>Minority interest</b>	2,224	2224	0	0.00
<b>Non-current liabilities</b>				
Long term borrowings	17,361	17480	119	0.69
Deferred tax liabilities (net)	644	5108	4,464	693.17
Other long term liabilities	3,195	15456	12,261	383.76
Long term provisions	4,632	14	-4,618	-99.70
<b>Total Non-Current Liability</b>	<b>25,832</b>	<b>38058</b>	12,226	47.33
<b>Current liabilities</b>			0	
Short term borrowings	1,02,650	107860	5,210	5.08
Trade payables	68,390	68187	-203	-0.30
Other current liabilities	36,129	41252	5,123	14.18
Short term provisions	25,319	1262	-24,057	-95.02
<b>Total Current Liabilities</b>	<b>2,32,488</b>	<b>218561</b>	-13,927	-5.99
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>7,07,430</b>	<b>724921</b>	17,491	2.47
<b>ASSETS</b>				
<b>Non-current assets</b>				
Goodwill	1,00,870	1,01,991	1,121	1.11
Fixed assets				
Tangible assets	58,072	64952	6,880	11.85
Intangible assets	1,121	15841	14,720	1313.11
Capital work-in-progress	3,806	260	-3,546	-93.17
Non-current investments	4,422	4907	485	10.97
Deferred tax assets (net)	2,210	3800	1,590	71.95
Long term loans and advances	34,766	11751	-23,015	-66.20
Other non-current assets	3,241	15828	12,587	388.37
<b>Total Non-Current assets</b>	<b>2,08,508</b>	<b>219330</b>	10,822	5.19
<b>Current assets</b>				
Current investments	1,27,330	132944	5,614	4.41
Inventories	5,391	5390	-1	-0.02
Trade receivables	1,02,390	102380	-10	-0.01
Cash and bank balances	1,35,039	99049	-35,990	-26.65
Short term loans and advances	61,786	61760	-26	-0.04
Other current assets	66,986	104068	37,082	55.36
<b>Total Current Assets</b>	<b>4,98,922</b>	<b>505591</b>	6,669	1.34
<b>TOTAL ASSETS</b>	<b>7,07,430</b>	<b>724921</b>	17,491	2.47

Source: Annual report of Wipro for 2016

GRAPH 1: SHOWS DIFFERENCE BETWEEN CONSOLIDATED BALANCE SHEET OF WIPRO UNDER IGAAP AND IFRS IN PERCENTAGE



Source: Annual report of Wipro for 2016

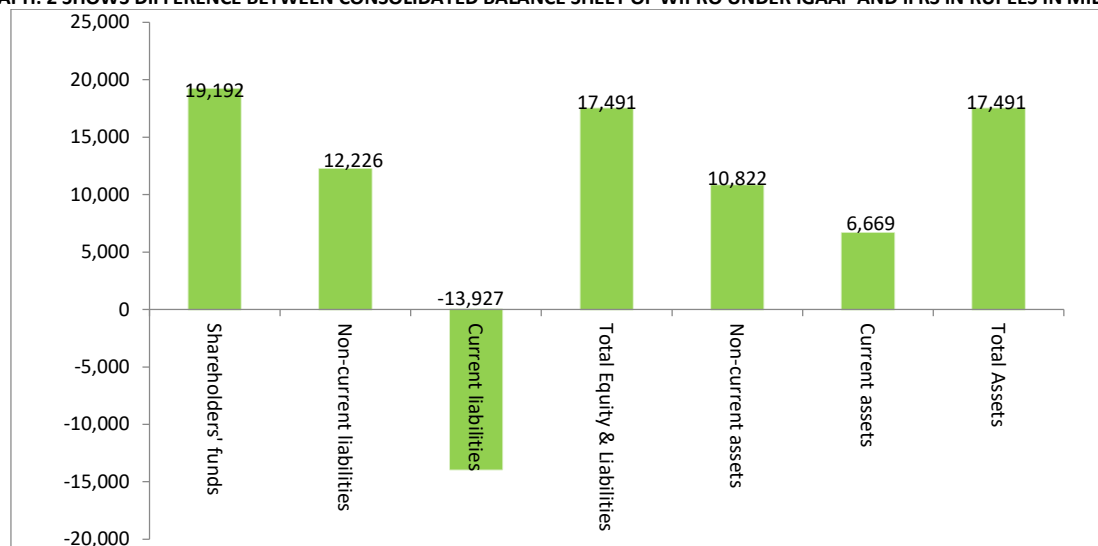
**INFERENCE**

Graph 1 shows detailed analysis of the Consolidated Balance Sheet of WIPRO Ltd as on 31<sup>st</sup> March, 2016 shows that there are few areas of difference between IGAAP and IFRS figures in the statement. The total equity has increased by 4.29% in IFRS compared to the Indian Accounting Standards while the treatment of minority interest remains the same in both.

Among the non-current liabilities, when the long term borrowings shows below 0% difference, the deferred tax liabilities (693.17%) and other long term borrowings (383.76%) shows a substantial increase in IFRS in relation to IGAAP. But at the same time, there is a huge fall in the long term provisions in IFRS which is quite noticeable. Similarly, while the items like short term borrowings, trade payables and other current liability values shows a nominal increase, there has been a drastic fall by 95.02 % in the value of short term provisions under IFRS compared to IGAAP.

It is also observed that the total non-current liabilities show a substantial increase of 47 % in the values under IFRS. This is because the costs of lease and interest payments are treated at their fair values (IFRS3: Business Combinations) which is not the case with IGAAP. The current liabilities too differ by 5.33%. As per IFRS, the total current liabilities are also too less compared to IGAAP.

**GRAPH: 2 SHOWS DIFFERENCE BETWEEN CONSOLIDATED BALANCE SHEET OF WIPRO UNDER IGAAP AND IFRS IN RUPEES IN MILLIONS**



Source: Annual report of Wipro for 2016

**INFERENCE**

Graph 2 shows detailed analysis of the Consolidated Balance Sheet of WIPRO Ltd as on 31<sup>st</sup> March, 2016 and there are few areas of difference between IGAAP and IFRS figures in rupees.

In the case of shareholders fund, there is a difference of Rs 19,192 million for IGAAP compared with IFRS. Non-current liabilities have a difference of Rs 12,226 million between IFRS and IGAAP. However, in the case of current liabilities IGAAP is having a negative difference of Rs 13,927 million compared with IFRS. The total equities and liabilities amount is more in IFRS than IGAAP with a difference of Rs 17,491 million.

The asset side is also having more value in IFRS with Non-current assets having a difference of Rs 10,822 million and Current asset having a difference of Rs 6,669 million when compared with IGAAP. Hence there is an aggregate difference of Rs 17,491 million in IFRS as compared to IGAAP.

**FINDINGS**

- The equity and liabilities has increased by Rs. 19,192 million i.e. 4.29% in IFRS as compared to IGAAP.
- There is a substantial increase in the Non-current liabilities by Rs. 12,226 million i.e. 47.33% in IFRS as compared to IGAAP.
- On the contrary, the Current liabilities has decreased by Rs. 13,927 million i.e. 5.99% in IFRS in comparison with IGAAP.
- The Non-current assets show a comparative increase of Rs. 10,822 million i.e. 5.19% in IFRS.
- At the same time, the Current assets shows a nominal increase of Rs 6,669 million i.e. 1.34% in IFRS
- On the whole, the total equity and liabilities as well as total assets have increased by Rs. 17,491 million i.e. 2.47% in IFRS as compared to IGAAP.

**CONCLUSION**

India, being one of the emerging economies in the world, the convergence and adoption of IFRS for the financial reporting is a necessity for the companies. The main objective of this research is to learn the difference between IFRS and Ind AS. Based on the above discussion, it can be concluded that there is a considerable difference between the treatment of Assets and Liabilities of Financial statements in IFRS compared to IGAAP. The main cause for the variation in total assets and liabilities is due to the reclassification of the equity and liability and the difference in the concept of revenue recognition as well. It is also visible that the transition without difficulties and proper implementation process would require a complete change in format of accounts, accounting policies and disclosure requirements. Therefore, all beneficiaries concerned with financial reporting should take the responsibility of international harmonization and convergence. The fact is that IFRS is more a fair value principle based approach with limited implementation. Hence all accountants, whether practicing or non-practicing have to participate and contribute effectively to the convergence process. It is possible for the Indian companies to implement IFRS in the prevailing conditions since the fundamentals are strong. Research is in fact needed for the smooth functioning in the adoption of IFRS. Here, the WIPRO Ltd. has given a priority to adopt IFRS to replace the historical cost based financial statements. It is found that there is a positive difference in the values of various heads in the Balance Sheet of WIPRO Ltd as on 2015-16. Since WIPRO being a multinational corporation having branches across the globe, it is advantageous for the Company to report the financial Statements as per IFRS.

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# A STUDY ON THE FACTORS MOTIVATING WOMEN TO BECOME ENTREPRENEURS IN THE SELECTED TALUKS OF RAMANATHAPURAM DISTRICT

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ASST. PROFESSOR OF COMMERCE  
DR. ZAKIR HUSAIN COLLEGE  
ILAYANGUDI

## ABSTRACT

Women entrepreneurs are those women who take the lead and organize the business or industry and provide employment to others. For developing countries like India, women entrepreneurship is of vital necessity to achieve rapid, all-round and regionally and socially balanced economic growth. The development of Indian women will be the biggest source of enrichment for our countries. Hence, empowering women entrepreneur is essential for achieving the goals of sustainable development of the nation. This study is conducted to examine the demographic profile of the women entrepreneurs in the selected Taluks of Ramanathapuram District, to analyse the factors motivating women entrepreneurs in the selected Taluks of Ramanathapuram District and to provide rank order to the factors motivating the women entrepreneurs in the study area. The present study is conducted to examine the factors motivating the women entrepreneurs in four Taluks namely Kadaladi, Kamuthakudi, Kilakkarai and Paramakudi in Ramanathapuram District. From each Taluk 30 women entrepreneur respondents were selected for the study. 120 women entrepreneurs have been selected by applying convenient sampling method for the purpose of the study. The findings of the study are, 36% of the respondents are belonging to 26-35 years age group of the entrepreneurs. 32% of the respondents are between the age of 36 to 45 year and 17% of the respondents are Above 45 years. On applying weighted ranking method relating to factors motivating women to become entrepreneurs, it is inferred that the most of the women entrepreneurs have given first rank to 'To meet Financial needs', second rank to 'To be Economically Independents', third rank to 'Lack of other Employment Opportunities' and fourth rank to 'To continue in the Family Occupation'.

## KEYWORDS

women entrepreneurs, motivation, financial independence.

## INTRODUCTION

Women entrepreneurs are those women who take the lead and organize the business or industry and provide employment to others. Women entrepreneurs play an important role in local economies and a large percentage of micro-enterprises in developing countries are undertaken by women. Women entrepreneurship contributes to the economic well-being of the family and communities and also reduces poverty.

## IMPORTANCE OF WOMEN ENTREPRENEURS

For developing countries like India, women entrepreneurship is of vital necessity to achieve rapid, all-round and regionally and socially balanced economic growth. Women in India, constitute nearly half of the total population. But their participation in economic activities is very low. It is now widely accepted that if national development has to be purposeful and relevant, women have to be full-fledged participants in economic activities. The development of women as entrepreneurs will generate multi-faceted socio-economic benefit to the country. Participation of women in economic activities is now emerging as a universal phenomenon.

## STATEMENT OF THE PROBLEM

The development of Indian women will be the biggest source of enrichment for our countries. Hence, empowering women entrepreneur is essential for achieving the goals of sustainable development of the nation. Increasing socio-economic awareness, need for additional income, utilization of spare time, constant motivation by the Government institutions, education social status and the impact of role models are some of factors responsible for the development of women entrepreneurship in India. The study aims at analyzing the factors motivating the women to become entrepreneurs in the selected Taluks of Ramanathapuram District.

## OBJECTIVES OF THE STUDY

1. To examine the demographic profile of the women entrepreneurs in the selected Taluks of Ramanathapuram District.
2. To analyse the factors motivating women entrepreneurs in the selected Taluks of Ramanathapuram District.
3. To provide rank order to the factors motivating the women entrepreneurs in the study area.

## METHODOLOGY

For the purpose of the study primary data have been collected from women entrepreneur respondents in the selected four Taluks of Ramanathapuram District with the help of an interview schedule.

### SAMPLING

120 women entrepreneurs have been selected by applying convenient sampling method for the purpose of the study.

### TOOLS USED

For the purpose of the study percentage analysis and ranking method were used to analyse the collected data.

### SCOPE OF THE STUDY

The present study is conducted to examine the factors motivating the women entrepreneurs in four Taluks namely Kadaladi, Kamuthi, Kilakkarai and Paramakudi in Ramanathapuram District. From each Taluk 30 women entrepreneur respondents were selected for the study.

TABLE 1: DEMOGRAPHIC PROFILE OF THE RESPONDENTS

Age	No. of Respondents	Percentage
Upto 25	18	15
26 to 35	43	36
36 to 45	38	32
Above 45	21	17
Total	120	100

Source: Primary Data.

**TABLE 2: MARITAL STATUS OF THE RESPONDENTS**

Marital Status	No. of Respondents	Percentage
Single	24	20
Married	81	68
Divorced	9	7
Widowed	6	5
<b>Total</b>	<b>120</b>	<b>100</b>

Source: Primary Data.

**TABLE 3: EDUCATIONAL QUALIFICATION OF THE RESPONDENTS**

Educational Qualification	No. of Respondents	Percentage
Illiterate	17	14
Upto HSC	54	45
Higher Secondary	34	28
Degree	9	8
Others	6	5
<b>Total</b>	<b>120</b>	<b>100</b>

Source: Primary Data.

**TABLE 4: MONTHLY INCOME OF THE RESPONDENTS**

Monthly Income	No. of Respondents	Percentage
Less than Rs.5,000	4	3
Rs.5000 to 10000	47	39
Rs.10001 to 15000	52	44
More than Rs.15000	17	14
<b>Total</b>	<b>120</b>	<b>100</b>

Source: Primary Data.

**TABLE 5: NATURE OF BUSINESS**

Nature of Business	No. of Respondents	Percentage
Production	28	23
Trading	71	59
Service	21	18
<b>Total</b>	<b>120</b>	<b>100</b>

Source: Primary Data.

**TABLE 6: INITIAL INVESTMENT IN THE BUSINESS**

Initial Investment	No. of Respondents	Percentage
Below Rs.20000	51	43
Rs.20000 to 40000	28	23
Rs.40001 to 60000	14	12
Rs.60001 to 80000	11	9
Rs.80001 to 100000	9	7
Above Rs.100000	7	6
<b>Total</b>	<b>120</b>	<b>100</b>

Source: Primary Data.

**TABLE 7: SOURCE OF CAPITAL**

Source of Capital	No. of Respondents	Percentage
Owned	82	68
Borrowed	38	32
<b>Total</b>	<b>120</b>	<b>100</b>

Source: Primary Data.

**TABLE 8: FAMILY EXPENDITURE PER MONTH**

Expenditure	No. of Respondents	Percentage
Upto Rs.5000	51	43
Rs.5001 to 10000	43	36
Rs.10001 to 15000	11	9
Rs.15001 to 20000	9	7
Above Rs.20000	6	5
<b>Total</b>	<b>120</b>	<b>100</b>

Source: Primary Data.

TABLE 9: FACTORS MOTIVATING WOMEN TO BECOME ENTREPRENEURS

S. No.	Factors	Total Score	Rank
1	To meet financial needs	1237	1
2	To be economically independent	1193	2
3	Lack of other employment opportunities	1084	3
4	To continue in the family occupation	973	4
5	Supplement the family income	898	5
6	To improve social financial status	863	6
7	Profit making aspiration	812	7
8	To attain the sense of achievement	792	8
9	As passing time activity	761	9
10	Encouragements by friends	714	10
11	Dissatisfaction with existing job	697	11
12	Encouragement by family members	676	12

Source: Primary Data.

## FINDINGS

- 36% of the respondents are belonging to 26-35 years age group of the entrepreneurs. 32% of the respondents are between the age of 36 to 45 year and 17% of the respondents are Above 45 years.
- 68% of the respondents are in the married category, 20% of the respondents belongs to single category, 7% of the respondents are divorced and 5% of the respondents are widowed.
- 45% of the respondents have completed Upto HSC, 28% of the respondents have completed higher secondary, 14% of the respondents are illiterate and 8% of the respondents are degree holders.
- 44% of the respondents are earning income of Rs. 10001-15000 every month, 39% of the respondents are earning Rs.5000-10000 per month.
- 59% of the respondents have engaged themselves in trading activity, 23% of the respondents are in production sector and 18% of the respondents are in the service sector.
- 43% of the respondents have invested capital below Rs.20000 for their business, 23% of the respondents have invested Rs.20001-40000 and 12% of the respondents have invested Rs.40001-60000.
- Sources of the capital of 68% of the respondents are from owned funds and 32% of the respondents have borrowed their capital.
- 43% of the respondents spend upto Rs.5000 per month for their family and 36% of the respondents spend Rs.5001-10000 per month.
- On applying weighted ranking method relating to factors motivating women to become entrepreneurs, it is inferred that the most of the women entrepreneurs have given first rank to 'To meet Financial needs', second rank to 'To be Economically Independents', third rank to 'Lack of other Employment Opportunities' and fourth rank to 'To continue in the Family Occupation'.

## CONCLUSION

On analyzing the twelve factors which motivated the women to become entrepreneurs, most of the respondents feel that their financial needs motivated them to become entrepreneurs. Many respondents like to be financially independent, this factor also motivated them to become entrepreneurs.

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# AN ANALYSIS OF NABARD IN PROMOTING AGRICULTURE AND RURAL INFRASTRUCTURE IN THE STATE OF J & K

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## ABSTRACT

*This paper reviews the contribution of National Bank for Agriculture and Rural Development (NABARD) in rural development and roles it has been playing in propelling up this sector in terms of the policy, research and its implementation. The Eighth Five Year Plan witnessed deceleration in public investment in agriculture and rural infrastructure. In this backdrop, RIDF was created in 1995-96 to support infrastructure development in the rural sector. The approach taken was to trace the development of micro-finance and looking clearly at the role of NABARD in the organization of the sector and then the particular SHGs funded by the banks. This paper provides a comprehensive look about sector-wise amount sanctioned under RIDF Projects, Agency wise Bank loan disbursed to SHGs and Outstanding against SHGs, Progress under SHGs Banks Linkage Programme in Jammu and Kashmir State, and financial progress of KCC loans in Jammu and Kashmir.*


## KEYWORDS

rural development, RIDF, Jammu & Kashmir, self help group, KCC.

## ABBREVIATIONS AND ACRONYMS

FIF	: Financial Inclusion Fund.
FITF	: Financial Inclusion Technology Fund.
J & K	: Jammu and Kashmir.
SLBC	: State Level Banker's Committee
NABARD	: National Bank for Agriculture and Rural Development.
KCC	: Kisan Credit Card
RIDF	: Rural Infrastructure Development Fund
SHPI	: Self Help Promoting Institutions

## INTRODUCTION

 National Bank for Agriculture and Rural Development (NABARD) is an apex bank with a mandate for facilitating credit flow for promotion and development of agriculture, small scale industries, cottage and village industries, handicrafts and other rural crafts. It also has the mandate to support all other economic activities in rural areas including strengthening of infrastructure, promoting integrated and sustainable rural development and secure prosperity of rural areas. Since the creation of RIDF, National bank for agriculture and rural development (NABARD) has been supporting rural infrastructure development in the state of Jammu and Kashmir.

## OBJECTIVES OF THE STUDY

The focus of the study is on the following objectives:

1. To review the activities of NABARD in rural infrastructure of J&K.
2. To review the sector wise amount sanctioned under RIDF Projects in J&K.
3. To study the bank loan disbursed to SHGs in J&K.
4. To study the financial position of KCC loans in J&K.

## METHODOLOGY ADOPTED

The study of significant part depends on secondary sources. But the information has also been obtained from primary sources which include interviews, observations, opinion, notes, etc. of the persons concerned with the National Bank for Agriculture and Rural Development (NABARD). The primary information was also gathered through discussion with persons in NABARD, District Industries centre (DIC), and Chief Agriculture office. Materials for the present study were also collected from the published records available in the libraries of different institutions of J&K, and District Industries Centre, various Economic survey, magazines, journals, and annual reports, have also been gone through to obtain information pertaining to the present study.

## LIMITATIONS OF THE STUDY

The present study suffers from certain limitations. The study is based on the information from secondary source which reduce the degree of consistency. However, attempt has been made to collect maximum information from the official record of NABARD and J&K in particular on the various aspects of the study. Most of the departments neither publish the information nor do they allow the outsiders an access to their records, internal workings etc. Data availability is restricted on the cause of maintaining privacy. So it was difficult to collect all the necessary data from grass-root level.

## NABARD'S INTERVENTIONS FOR RURAL INFRASTRUCTURE IN THE STATE

Jammu and Kashmir State has been approved loan for projects under rural roads, rural bridges, minor irrigation, soil conservation, watershed development, schools, rural drinking water supply etc. Since 1995-96, the interventions of NABARD for rural infrastructure development in the State have been as follows:

TABLE 1: SECTOR-WISE AMOUNT SANCTIONED UNDER RIDF PROJECTS IN J&amp;K

Sector Wise Projects	No. of Projects	Amount Sanctioned	Amount Disbursed	Benefits of the project
Irrigation	347	33637.73	25358.53	61,573.68Hectares
Soil Conservation (Flood Protection)	52	10774.80	8574.64	12,748Hectares
Roads	1677	296798.78	238059.75	11,784.12Km
Bridges	261	40400.05	31183.32	-
Public Health Institutions	117	15017.39	10655.05	-
Infrastructure for Rural Education Institutions	1860	3183.56	2414.00	50,054 Students
Rural Drinking Water Supply	283	28520.66	14642.95	11,31,244Souls
Animal Husbandry/Seep Husbandry	79	2299.10	1535.58	16.14lakh people
Others W/S /Agriculture/Horticulture Farms/RMY	34	3225.65	2077.97	-
Total	4710	433857.72	338733.00	

Brackets indicate percentage share

## FINANCIAL INCLUSION

As per the census, 2011, the total population of the state is 12548926 out of which 73% is the rural population. Although the banking sector expanded the branch network significantly but the inequalities in the banking services still exist. Banks in the first phase covered all 795 unbanked villages with population of over 2000 allotted by the SLBC. 401026 households were covered and 441157 savings accounts were opened in these villages as on 30th September, 2014. In the second phase SLBC identified 5582 unbanked villages with population less than 2000 and allotted among banks. These villages include 1393 unbaked villages already incorporated under financial inclusion plan –II for providing banking services under “Extension of Swabhimaan” and beyond programme of GOI, Ministry of Finance for coverage up to March, 2015 and beyond. 831 Villages out of targeted 1504 villages for 2014-15 were covered by banks up to September, 2014. As per the NSSO data, in percentage terms 55.25% villages were covered during this period.

## STEPS TAKEN BY NABARD J&K RELATING TO FINANCIAL INCLUSION ARE AS UNDER

- Awareness programmes on financial inclusion/ financial literacy/ smart card distribution are being conducted on regular basis.
- J&K Grameen bank has been sanctioned 45 awareness programmes on financial inclusion/ financial literacy with financial assistance of ₹ 12.15 lakh.
- Flex boards on financial inclusion are being installed by NABARD in all districts of J&K under financial literacy drive.
- NABARD is creating awareness among rural masses through advertisement on financial inclusion on radio.
- Two capacity building programmes have been sanctioned to J&K Grameen bank with financial assistance of ₹ 0.30 lakh.

## SHGs – BANK LINAGE PROGRAMME

The SHGs-Bank Linkage Programme launched by NABARD is an important strategy in promoting financial inclusion and inclusive growth. The programme has resulted in SHGs being credit linked.

TABLE 2: STATUS OF SHGS BANK LINAGE PROGRAMME (NO. AS ON 2014-15)

Particulars	Total SHG formed	Saving Linked SHGs	Credit linked SHGs	Loans disbursed (Rs in Crore)
31.03.2013	8632	7108	6595	45.14
31.03.2014	10808 (25.21)	9207 (29.53)	7222 (9.51)	51.11 (13.23)
30.09.2014	12066 (11.64)	10456 (13.57)	7923 (9.71)	54.87 (7.36)

A bracket indicates percentage increase over previous year/period.

## INITIATIVES OF NABARD FOR PROMOTION AND CREDIT LINKAGES OF SHG's WITH BANKS

- NABARD organizes capacity building programmes for the benefit of SHG members enabling them to setup income generating units.
- Various workshops for bankers and Govt. departments, for bank linkage SHG are also being conducted.
- NABARD conducted various SHG orientation awareness programmes for NGOs, SHG members, Bankers and Govt. officials.
- To organize training and capacity building programmes for NGOs and bankers enabling them to act as Self Help Promoting Institutions (SHPI).
- Exhibitions for display and sale of products prepared by SHG members are also organized / sponsored by NABARD.
- To develop connection with the state Govt. to rope Govt. machinery especially ICDS workers for effective promotion of SHG formation.
- Three projects have been sanctioned by NABARD for 3 districts, i.e., Poonch, Doda and Kupwara which have been declared backward by Govt. of India for formation of Women Self Help Groups (WSHGs).

## KISAN CREDIT CARD (KCC) SCHEME IN JAMMU AND KASHMIR

The Kisan credit Card has emerged as a highly innovative credit delivery mechanism to meet the production credit requirements of the farmers in a timely and hassle free manner. Modified KCC Scheme aims to provide adequate and timely credit support from the banking system under a single window to the farmers for their cultivation and other needs. As on 31-3-2014 the number of KCCs issued stood at 653286 as against 803586 KCC sanctioned. In percentage terms 81.30% KCC were issued of the sanctioned number. Similarly, as against Rs. 522426.36 lakh sanctioned Rs 463047.29 lakh was disbursed measuring 88.63% of sanctioned amount. In the number of KCCs issued 73.75% were issued by commercial banks followed by 15.30% share of RRBs and 10.95% share belongs to co-operative banks. In the amount of credit advanced under KCC scheme share of commercial banks is again highest i.e. 81.44% followed by 14.91% share of RRBs and 3.65% share of co-operative banks. This is cumulatively more than progress made under KCC during last 7-8 years.

TABLE 3: PHYSICAL AND FINANCIAL PROGRESS ACHIEVED UNDER KISAN CREDIT CARD SCHEME IN J&amp;K STATE (Amount in lakh)

Name of the Bank	Commercial Banks	Cooperative Banks	RRB	Total
Total number of KCC Sanctioned	537668	83871	182047	803586
Amount	401696.70	19807.95	100921.71	522426.36
Total number of KCC issued	481776 (73.75)	71548 (10.95)	99962 (15.30)	653286 (100.00)
Amount	377105.35 (81.44)	16906.76 (3.65)	69035.18 (14.91)	463047.29 (100.00)

A bracket indicates percentage share

## CONCLUSION

NABARD has an important role to play in the development of Jammu and Kashmir. It is one of the most important inputs in economic development. NABARD has been termed as the fuel of economic progress and the prime mover of economic growth and development. As a state with unique features and a strategic location,

the speedy development of Jammu and Kashmir needs an integrated approach. In a nutshell, the study concludes with the observation that NABARD's activities are playing a pivotal role in the State of Jammu and Kashmir's economic development. State finance should also receive proper attention in order to ensure better financial management. A sound policy should be devised to exploit the potential in the sectors of strength. The development of potential sectors such as horticulture, handloom and handicrafts, biotechnology, tourism and information technology will have strong inter-linkages with the rest of the sectors.

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# THE INFLUENCE OF ADVERTISING CREATIVITY, GENDER, AND PRODUCT CATEGORY TOWARD CONSUMER ATTITUDES ON ADVERTISING, CONSUMER ATTITUDES ON BRAND TO THE PURCHASE INTENTION

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## ABSTRACT

Advertising became one of the important part for businesses in the marketing activities of products and services. Ads may provide one method of effective expenditure to communicate with a broad audience So that the appeal could be created, need creativity in making high ad Creativity also can attract consumer involvement in the process of purchasing decisions on products and services on offer through advertisements. With the design of conceptual of (1) message (creative and noncreative), (2) gender (men and women) and (3) product category (durable and consumer good) as an independent variable will be influenced to attitude towards the ad, attitude towards the brand and purchase intentions. The hypothesis proven, that it does not look different responses attitude toward the ads, attitude toward the brand and the desire to buy the product offerings delivered through ad creative or not creative for the durable product (high involvement) ( $p > 0.05$ , two-tailed). This shows to the male consumer durable product marketing messages delivered through ads creative or non-creative ads in the same effect. And these results show that variable Attitude and Attitude toward brands, give more positive response to the attitude toward the ads, attitude toward the brand and purchase intention if the message conveyed through creative advertising for consumer products (low involvement). ( $P < 0.05$ , two-tailed). This study shows that gender is a very significant effect in response to the message conveyed by the publicity and advertising. Female consumers to significantly will respond more positively the product offerings delivered through creative advertising. In response to the creative advertising messages also seen significant differences between men and women. Women respond more positively the product offerings delivered through creative advertising both for products and consumer durable than men

## KEYWORDS

creativity advertising, gender, durable goods, consumer goods, purchase intention.

## 1. INTRODUCTION

The marketing activities more difficult because of the changing consumer behavior is increasingly fragmented impacting increasingly difficult of delivering marketing messages with so much media available (Alif, 2006). Market competition as a result of so many products and brands in a category created competition is very hard (hyper competition). The changes that occur in the market makes marketers must implement an appropriate strategy to survive and follow the market changes, and even appeared as a market leader (Alif, 2006; Alif 2009/2010)

Advertising became one of the important part for businesses in the product marketing activities. Ads may provide one method of effective expenditure to communicate with a wide audience. For example, prime-time television an average of 30 seconds, during the 1999-2000 television network reaching nearly 10 million viewers households (Belch and Belch, 2009).

Ads can also be used to create and express the brand image and brand value of the company as a very important asset for the company in selling products or services in a variety of functional and emotional attributes. Another advantage ads can be integrated into the power within the consumer when the differences are accepted by the other elements of the marketing mix is difficult to accomplish. That's why the popular advertising campaign will reach consumers' attention and driving sales of generic (Belch and Belch 2009; Alif, 2008/2009).

For the continuity of the company, advertising communication popping up with various forms of persuasion. Rent a brand alternated periodically with the information that is continually added and expanded. The amount of advertising and product information circulating in the fragmented consumer market makes sense began divided into several sub-segments due to the number of products in the market more and more.

Therefore, any form of advertising presentation should receive attention. Not as delivering messages, but should have a good appeal that is informative, rational or emotional nature. So that the appeal could be created, need creativity in making high ads. Creativity also can attract consumer involvement in the process of purchasing decisions on products and services on offer through advertisements. A number of creative ads that show managed to attract the attention of consumers (Belch and Belch 2009; Alif, 2006; Alif, 2009/2010 and Alif, 2008/2009)

In the field of advertising, creativity used to attract attention, which makes advertising always remember, and enhance the persuasive comparison that will eventually drive the behavior of future consumption (Belch and Belch, 2007). Surely creativity in advertising will not give the same results, it depends on how consumer engagement and gender in the advertising trust, within the meaning of the success of an ad depends on how consumers respond these ads, and how consumers consider in buying a product.

However, in its development, advertising becomes clutter, over exposed and often evoke irritation that led to the effectiveness of advertising began to decline and become increasingly expensive (Cappo, 2002, Alif, 2009b). Ries and Ries (2002) has seen that kind of reality in advertising practices in the United States to describe the ad is no longer sufficiently effective in instilling brand name into the minds of consumers. In fact, the brand cannot be built without winning the battle in the minds of consumers (Ries and Ries, 2002). Because of the power of a brand lies in what consumers learn, feel, see and hear about the brand that is the consumer experience from time to time. In other words, the power of a brand lies in what is in the minds of consumers (Hoeffer and Keller, 2002; 79).

An advertisement will be said to be successful if consumers remember and is expected to consider the advertising message. Advertisers use many tactics and techniques to increase consumer interest in advertising their advertising, including the use of creative packaging and display, as a strategy to achieve a profit (O'Connor, Willemain, and MacLachlan, 1996).

The composition of the creativity dimensions in the form of divergence, resolution, elaboration and synthesis (O'Quin and Besemer 1989) applied to advertising design, composition with regard to the authenticity of the ad (for example, an advertising stimulus and advertising design unique or different from other ad). The resolution is the logical aspects of advertising (for example, going to the advertised product solves the practical needs of the target audience or consumer). And elaboration and synthesis is the level of construction and craft of advertising (for example, a message that is well constructed and clearly). Then, creativity in advertising is very important in building a successful communication strategy.

The challenges faced by advertisers is to choose the appropriate type as a creative stimulus to put into advertising to generate profitable output, for instance using the spokesperson cartoon as a creative stimulus, or use a popular topic of conversation among professionals (White and Smith 2001).

Some papers have also been researching on the significance of creativity on ads include: Measuring Trust in Advertising (Soh, Reid & King, 2009), Creativity Via Cartoon Spokespeople in Print Add (Heiser & Sierra, 2008), Finding The Keys to Creativity in Ad Agencies (Verbeke, Franses & Blanc, 2008). Broadly speaking journals bersar above mentions that the rational model of Perceptive seen as an effective model in an effort corporation producer of goods and services to build public trust over the ads served by the corporation concerned.

Furthermore, it is explained that the cultural aspect also plays an important role in the effort to build public trust on advertising due to cultural factors may shape perceptions and attitudes of consumers towards a particular brand. One of the sub-culture that had a role in shaping perceptions and attitudes toward certain



brands is mainly psychological aspects of sex. Creative ad also plays an important role in shaping public confidence in advertising. In this context, the ad is considered creative and effective in shaping public trust in advertising is advertising that takes into account the cultural community in which the ad is served.

Considering the above conditions and refer to the journals previously above, this study will try to re-examine the role of advertising creativity as an important marketing communication tools for companies in marketing their products by taking into account a number of variables that may affect it.

Gender is a variable that needs to be considered in the delivery of advertising messages. Some research shows men and women often differ in how they process the message delivered to them (Meyers-Levy, 1989).

The admission process is relatively short messages and through shortcuts (heuristics) occur in men, but women often use a more detailed elaboration of the content of the message (Krugman 1996). Furthermore, women sometimes encountered greater sensitivity to receive the relevant facts of the information it receives than men (Lenney 1977; Meyers-Levy and Sternthal 1991).

Women and men also empirically found to differ in how they receive and process messages (Meyers-Levy 1989). Compared to men, women are often involved in more detail in elaborating the specific message. Men and women process messages differently depending on the wealth of messages and information accessibility. This is due to the men and women use different strategies message processing. So research in this study will include a gender effect in receipt of advertising messages either advertising creative and advertising are not creative, so it can be understood how it might impact their decision on acceptance of the products offered.

Areas of low involvement and high engagement products will affect consumers in elaborating marketing messages received. Petty and Cacciopo (1986) described the concept of elaboration likelihood model (ELM). Drivers will be more elaborate message if they feel more involved, because the message is considered important to offer products that they use a central service in processing the message. Conversely, if a product is considered not too important, and consumers do not feel involved, they will tend to use the periphery (peripheral route) and only cares about the instructions that are considered attractive from a message (Petty, Cacciopo and Schuman 1983).

Products with high involvement usually considered unusual, relevant, and bring the risk of purchase, so it is necessary consideration more closely in the buying process. While products with low involvement, is the product of a common, easy to use and has a small risk in the buying process so that only a low to stimulate thinking. It explains that the product category will influence the consumer considerations in elaborating marketing messages through ads.

Related to the above background, this paper will discuss the influence of advertising creativity, gender, and product category toward consumer attitudes on advertising, brand, and consumer buying interest.

## 2. LITERATURE REVIEW

### 2.1 MARKETING CONCEPTS

A good marketing concept should have real concept, as described by that which the core concepts of marketing consists of the needs, desires and demands; product, value, satisfaction, quality, exchange, transactions and relationships and market (Philip Kotler and Gary Armstrong, 1997).

The most basic concept underlying marketing is a human need. Humans have complex needs, eat, drink, clothing and others. Needs arising from the taste will be formed desire is a form of human needs generated by culture and individual personality. Humans have the desire to eat when they are hungry, the desire to drink when they are thirsty and like it so. From the creation of this great desire, it will create a demand, demand is the human desire backed by purchasing power.

The product is a tool to satisfy the human desire for the product can be consumed, products may be either physical or services. The product has value and can give satisfaction to its customers if it has a good quality. If the product has a good quality and able to give satisfaction to the consumer, the next stage is the creation of exchanges, transactions and relationships between providers / sellers with buyers. Forming the market that will bring together between demand and supply.

The marketing mix is one of the main concepts in modern marketing. Kotler and Armstrong (1996) defines a tactical marketing mix that can be controlled, which are incorporated by the company to produce the desired response in the target. While the definition of the marketing mix according Darliple and Parson (1995: 11) is as follows:

"Marketing mix is the specific collection of actions and associated instruments employed by an organization to stimulate acceptance of its ideas, products, or services."

From these definitions can be interpreted that the marketing mix / marketing mix is a set of specific activities and other related instruments are used by organizations to encourage acceptance of an idea, product, or service.

The marketing mix consists of everything you can do to influence the demand for its products. The marketing mix can be grouped become four (4) components important for the company, known as the "four P" (Kotler and Armstrong, 2003).

In fact, 4P reflect the views of the seller about the marketing tools that can be used to influence buyers. From the buyer's standpoint, each marketing tool should be designed to provide benefits to customers. From the standpoint of marketing fused accepted as a buyer needs and wants, cost, convenience and communication, known as 4C.

Marketers see himself was selling products, while consumers view themselves middle purchase value or the solution to the problems. Actually consumers are interested not only in price, but they take into account all costs to acquire, use and dispose of products. Consumers want to get their products and services easy and pleasant as possible. And finally they want communication as comfortable as possible.

### 2.2 INTEGRATED MARKETING COMMUNICATION (IMC)

A number of fundamental changes that occur in human life has also affected their lifestyle. Consumers now splintered into small molecules that have the preference and lifestyle of each. One thing that was followed by the development of a variety of media that serves the information needs of the consumer groups. These conditions make fundamental changes in the world of marketing communications (Alif, 2010, Alif, 2008,2009).

Many companies are reviewing their marketing communications efforts, recognizing the cost to communicate with consumers increasingly bloated because of the changing habits of media (media habits) consumers. This led to an integrated approach in the form of integrated marketing communications (IMC) IMC becomes important through coordination of the various elements of promotion and marketing activities to be able to communicate with customers the company can be done more effectively and efficiently.

American Association of Advertising Agencies defines that integrated marketing communications as a marketing communication planning concepts realized an added value of a comprehensive planning and to evaluate the strategic role of a wide variety of communication. For example, in general advertising, direct response, sales promotion and public relations can be combined with a variety of disciplines to achieve purity, consistency, impact communication maximum (Schultz, 1993) Schultz notes integrated marketing describes as an approach to "big-picture" for planning of marketing and promotional programs that can be coordinated with a variety of communication functions.

Nowadays, the awareness of the company developed into a total marketing communications strategy that is starting to realize how all aspects of a company's marketing activity, are no longer just communication with the customer or sale. This led many companies now embraced IMC perspective.

Tom Duncan and Sandra Moriaty (1998) stated IMC is a "new generation" of a marketing approach that will be used many companies to focus more on the results obtained, maintain and build good relationships with customers and stakeholders (stakeholders) others. They built a base model that emphasizes the importance of marketing communications management of the entire company or brand communication as their collective, maintenance or weakness customers and good relationships with stakeholders (stakeholders) that can be driven into the value - the value of a brand.

In the perspective of IMC, the company utilizes all communication tools to create a quality brand contact with the target audience. Integrated marketing communication tools include personal selling, advertising, trade promotion, direct sales, public relations, sponsorship, exhibitions, packaging, point-of-sale (POS), Internet, word of mouth, and corporate identity (Smith, 1998). In this context, companies can use the marketing communications mix are appropriate and effective to

achieve its business objectives. For example, Nike received the negative publicity of the allegations (allegation) submitted a number of non-governmental organizations regarding working conditions in some factories in South East Asia that undermines its image in many young customers. The company then uses public relations efforts in an attempt to address these allegations and establish a corporate image back to its customers (Belch and Belch, 2009).

Similarly, the use philanthropies strategy by helping earthquake victims in West Sumatra accounted for Rp. 1 billion by PT Japfa Comfeed Indonesia to enhance the brand and providing clean water in Nusa Tenggara Timur by Aqua Danone Indonesia they convey through advertising as corporate social responsibility of the companies (Alif, 2008, 2009).

It explains the correlation and coherence between the disciplines of public relations and discipline of marketing communications, including advertising, which could free realm (domain) knowledge of each discipline to coordinate, collaborate and complement each other to achieve a certain goal that evoke the brand's reputation and the company, which will have an impact on the generation of profits or profits.

### 2.3 ADVERTISING

Advertising is defined as the delivery of non-personal communication about the organization, product, service or idea that space or time is paid as well as its sponsor can be defined (Belch and Belch, 2009). Aspects of this payment as a reflection of the time and space used for advertising messages are generic to be purchased through the media where the ads are placed.

Non-personal component of the ads includes the media (television, radio, magazines, and newspapers) to transform messages to individuals of a strong group within the same time. Advertising is an important part of many marketers in the promotion mix (promotion mix) due to ads can provide an effective method of expenditure to communicate with a wide audience. For example, prime-time television an average of 30 seconds, during the 1999-2000 television network reaching nearly 10 million viewers households (Belch and Belch, 2009).

Moreover, ads can also be used to create and express the brand image and brand value of the company as a very important asset for the company in selling products or services in a variety of functional and emotional attributes. Another advantage ads can be integrated into the power within the consumer when the differences are accepted by the other elements of the marketing mix is difficult to accomplish. That's why the popular advertising campaign will reach consumers' attention and driving sales of generic (Belch and Belch, 2009).

However, advertising becomes clutter, over exposed and often evoke irritation that led to the effectiveness of advertising began to decline and become increasingly expensive (Cappo, 2002, Alif, 2009b). Ries and Ries (2002) has seen that kind of reality in advertising practices in the United States to describe the ad is no longer sufficiently effective in instilling brand name into the minds of consumers. In fact, the brand cannot be built without winning the battle in the minds of consumers (Ries and Ries, 2002).

Because of the power of a brand lies in what consumers learn, feel, see and hear about the brand that is the consumer experience from time to time. In other words, the power of a brand lies in what is in the minds of consumers (Hoeffer and Keller, 2002).

### 2.4 CREATIVE ADVERTISING

Given the magnitude of advertising expenditure incurred marketers, the advertising campaign created would have to really be able to create awareness, interest, desire and action plan (AIDA) in market target. (Belch & Belch, 2009).

One of the most important ways to the creation of AIDA is through the delivery of creative advertising (Belch & Belch 2009; Alif, 1, 2, 3). Therefore, creativity is an important factor to consider in creating an ads. When the message of the ads, and consumers increasingly busy clutter (multi-tasking), then the creativity of advertising messages a thing that can break through and grab the attention of consumers. Therefore, creativity being very important.

Most of the advertising practitioner assess creativity in advertising is not something that appears suddenly, rather it is a process. To get the creative advertising and success is to do a number of measures and approaches (approach) are well organized. This does not mean there is a definite right way to follow in order to produce creative ads. Creative advertising is the responsibility of the team in changing the entire information about the product such as the attributes or benefits of the product to the destination specified communication into a form of creative concepts capable of conveying a marketing message to the audience and be able to increase the volume of product sales (Morissan, 2010)

Creative advertising is also advertising that comes from original ideas, artistic value and aesthetic as well as capable of winning the award. Besides that, there is another view that is a creative advertising is advertising that draws attention and is able to give effect to the audience.

Dimensions of the creative includes two (2) dimensions:

#### a. Informative or Rational Fascination

The appeal of informative or rational emphasis on meeting the needs of consumers on the practical aspects, functional and usability of a product. And also emphasizes the attributes of a product or benefit or reason to have or use a brand (brand) specific products. Advertising messages with informative or rational appeal emphasizes the point, learning, and the sense conveyed by an advertisement.

#### b. Emotional Attractiveness

Emotional appeal is the appeal associated or connected with social and psychological needs of consumers in the purchase of a product. Not a little motif consumer purchases are emotional because they feel about a brand may be more important than the knowledge they have of the brand.

### 2.5 GENDER DIFFERENCES AGAINST ACCEPTANCE MESSAGE

Kind of testing the gender issue to be attractive for several reasons. First, the emergence of gender differences become attractive in the rights we have as the type of ad that has a target for one or both consumer groups and investigations and research on gender has a long history (such as Curry and Menasco; Davis 1970; Ferber and Lee, 1974; Schmitt, Leclerc and Dube Rioux, 1988). Second, recognition and repetition of gender will be interesting facts caused two sizes commonly used as an indicator in the ads to make it as effective ads (Singh and Churchill, 1986). Third, the two measures could be helpful in distinguishing differences in consumption. Distinguishing between these two mechanisms to be difficult but it is an important issue.

Some papers show men and women often differ in how they process the message delivered to them (Meyers-Levy, 1989). The digestion process relatively short messages and through shortcuts (heuristics) occur in men, but women often use a more detailed elaboration of the content of the message (Giligan 1982; Krugman 1966). Furthermore, women sometimes encountered greater sensitivity to receive the relevant facts of the information it receives than men (Farina 1982; Lenney 1977; Meyers-Levy and Sternthal 1991).

Gender differences in information processing is also explored by Darley and Smith (1995). They confirmed that women will respond to the message instructions substantial, while men tend to use shortcuts (heuristics) and consider substantial attention to the instructions.

From a number of studies on gender and women's information processing seem more sequentially in problem-solving strategies and make fewer mistakes when performing tasks that require working memory. Women are usually more comprehensive, low limit elaboration, doing a good job and low context incompatibility. Women are sensitive to relevant information because it is easier to encourage people to engage messages elaborated on the message is not low inappropriateness. Women more likely to be changed by the message subtly product. Greater use of macro and micro information when shopping.

Conversely men are more impulsive receive global strategy, more likely adopt strategies and the hypotheses, are likely to be involved in the selection mode processing of multiple cues and high elaboration threshold. Less likely to be changed by the message subtly product. Men are not motivated to get involved in the elaboration of the detailed messages unless driven by situational factors seem high impropriety message.

This research looks women and men process the message differently depending on the fact the message and the accessibility of information. Women tend to use the central route, while men tend to use peripheral route in processing the message (Belch & Belch, 2009). This fact becomes important in understanding how gender influences in response to messages delivered through more detailed publicity, compared with messages advertising more outline.

### 2.6 PRODUCT CATEGORIES AND CONSUMER ENGAGEMENT

At the time of taking the decision to purchase a product or service consumers make a number of considerations before making a purchase. Therefore, it is important to know a number of things that influence consumer decision-making process, one of which is obtained through the messages it receives, both through advertising and publicity coverage.

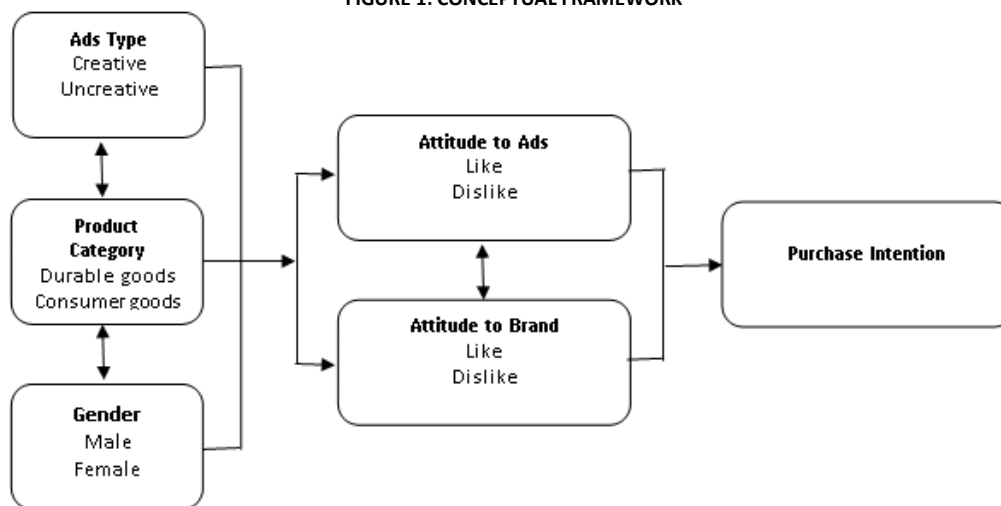
There are five stages in the customer decision making process. The first stage when consumers are aware of the needs that must be fulfilled (problem recognition). The second is the stage of information (information search). Later stages to compare a product with other products (alternative evaluation). Next is the decision to make a purchase (purchase decision), and the last is when consumers make an evaluation after making a purchase (post purchase decision) (Belch and Belch, 2009). Because it is said to be choosing a product is not a single decision, but a series of decisions. Some of the options can sometimes be quickly and easily retrieved, but also many options that require time, attention and effort in concluding and verifying information, consider options, test and evaluate the results and persuade others. It is called "friction decision". The decision process is slowed by each congestion (bottlenecks) time consuming and friction points. When you can identify and minimize multiple jam decision for the customer, then the decision time can be reduced by more than half. It is, thus, to double its sales and market share of a product or service (Silverman, 2001).

## 2.7 CONCEPTUAL FRAMEWORK

Response cognitive approach to advertising, has been widely used in various studies, both academic research and advertising practitioner. This approach focuses on the assertion type of consumer response to advertising messages are presented and how their responses related to attitudes toward the ad (Aad), toward the brand (Ab) and an interest in buying/purchase intense (Belch & Belch, 2009).

Specifically, this study intends to see how the consumer response represented by each gender, both men and women, in receiving messages conveyed through advertising (advertising) that is creative or not creative, the product category is not quickly consumed / durable (durable products) with high involvement and rapid product consumed (fast moving consumers goods) with low involvement.

FIGURE 1: CONCEPTUAL FRAMEWORK



This type of advertising, gender and product categories is the independent variable in this study, while attitudes toward the ads, attitude toward the brand and the desire to buy is described as affected variable.

## 3. HYPOTHESIS

Based on the previous part above, there are some hypotheses as follows:

H1. Especially for the male consumer

- It does not look different responses attitude toward the ads, attitude toward the brand and the desire to buy the product offerings delivered through creative ads for durable products (high involvement)
- It will provide a more positive response to the attitude toward the ads, attitude toward the brand and purchase intention if the message conveyed through creative advertising for consumer products (low involvement).

H2. Especially for women consumers will behave toward the ads, attitude toward the brand and the desire to buy more positive if the advertising message is creatively made for:

- Durable products (high involvement product)
- Consumer products (low involvement product)

H3. Especially for the advertising messages are not creatively made in a product offering:

- Durable products (high involvement product)
- Consumer products (low involvement product)

## 4. METHODOLOGY

This study is hypothesis testing in accordance with the objective being to examine and explain the response of each gender to the messages conveyed by the level of creativity of advertising that drive the decision to buy a durable product and consumer goods. This hypothesis will be tested by an experimental method, which is a causal research that explains the causal connection, so it can better explain the effect of advertising creativity and influence product category (durable and consumer goods) among each gender.

By describing the factorial design, it is possible to show a combination of independent variables with one another that affect the response variable (Solso, Johnson & Beal, 1999). In this study will be examined consumers' responses of each gender on ads creativity type with respect to:

- Type of advertising messages delivered through two levels, the advertising message based on its creativity, to a product offered to consumers.
- The categories of consumers through two levels according to gender (male or female)
- The product category through two levels, the product durable and consumer goods.

Thus the experimental design of this study will be: 2 types of advertising messages (creative, non-creative) x 2 gender (male, female) x 2 categories of products (durables, consumer) are mutually influencing one another among the factors in this design.

Prior research experiments conducted, first performed Pilot Study 1 involving 40 subjects who represent a group that will be involved in the experiment. The first pilot study was conducted transform and determine the extent to which respondents were aware of product categories (and consumer durables) relevant as research objects. Because the study will be conducted with the involvement of the subject employees of a company in South Jakarta, the product (both durable and consumer goods) in question leads to products that are closer to life in the employee's own environment. For example, such as buying a house, a car, the determination of banks to investment products, insurance, laptop computers, mobile phones, motorcycles, for products that represent durable product. Medium for consumer goods are products such as candy, soap, shampoo, and fast food.

Having found the product categories that represent consumer goods and durable product, then do the initial test (pretest) to 40 respondents to know of some consumer goods and durable product that was selected as the object of the experiment was going to do. To the 40 respondents will be given some similar products

in the category of consumer goods and durable product, that found the brand and corporate brand that will be used in experiments as well as the reason the subject of buying a product that will be used in research.

II pilot study involves 40 subjects of employees to see if they understand the message conveyed in the advertising message is delivered in a creative or not creative and understand the difference between the two. In addition, they also asked for his opinion on whether the level of creativity of advertising used to understand the purpose preaching, and the extent of the ad creative to attract their attention.

The second pilot study aims to ensure that the instrument is used as the object actually understood by the subjects as an instrument that is decent and the public based on the ads creativity. It is expected the internal validity of the study can be controlled better and not affected by factors beyond the others (Solso, Johnson & Beal, 1999).

Once the rest of the instrument can be received and understood by the subjects in pilot studies that have been done, then conducted a major study in the form of experimental studies. The number of respondents who will be subjects in this experimental study as many as 200-240 people employees / employee in South Jakarta to the employees / employee is willing to participate in the study. Each subject randomly is inserted into one of the cells (treatments) research. Thus, each subject has the same opportunity to go into every cell research (Solso, Johnson & Beal, 1999).

Subjects, then, will receive treatment based on the manipulation of messages in each cell research. Subjects then filling out a questionnaire on attitudes toward the ad (Aad), attitudes toward the brand (Aab) and the desire to buy.

## 5. RESULTS AND DISCUSSIONS

Having regard to the application of One-Way ANOVA procedure that will be tested Hypothesis 1a and 1b as follows:

### Hypothesis Testing 1a

$H_0 = \mu_{111} \neq \mu_{211}$

$H_1 = \mu_{111} = \mu_{211}$ ;

TABLE 1

Measurement	Contrast	Value	Std. Error	t	df	Sign (2-tailed)
Attitude (Aad)	$\mu_{111} - \mu_{211}$	0,0506	0,16465	0,307	253	0,759
Attitude toward brands (Aab)	$\mu_{111} - \mu_{211}$	-0,2750	0,15105	-1,820	253	0,070
Purchase Intention	$\mu_{111} - \mu_{211}$	-0,1760	0,20373	-0,864	253	0,388

These results show that the hypothesis 1a proven, that it does not look different responses attitude toward the ads, attitude toward the brand and the desire to buy the product offerings delivered through ad creative or not creative for the durable product (high involvement) ( $p > 0.05$ , two-tailed). This shows to the male consumer durable product marketing messages delivered through ads creative or non-creative ads in the same effect.

### Hypothesis Testing 1b

$H_0 = \mu_{212} \neq \mu_{112}$

$H_1 = \mu_{212} = \mu_{112}$ ;

TABLE 2

Measurement	Contrast	Value	Std. Error	T	df	Sign (2-tailed)
Attitude (Aad)	$\mu_{212} - \mu_{112}$	0,4969	0,16584	2,996	253	0,003
Attitude toward brands (Aab)	$\mu_{212} - \mu_{112}$	0,5239	0,15213	3,444	253	0,001
Purchase Intention	$\mu_{212} - \mu_{112}$	0,3490	0,20519	1,701	253	0,090

ANOVA results showed that the hypothesis 1b is only partially supported (partially supported), specifically for variable Attitude and Attitude toward brands, give more positive response to the attitude toward the ads, attitude toward the brand and purchase intention if the message conveyed through creative advertising for consumer products (low involvement). ( $P < 0.05$ , two-tailed).

### Hypothesis Testing 2

$H_0 = \mu_{212} \neq \mu_{112}$

$H_1 = \mu_{212} = \mu_{112}$ ;

TABLE 3

Measurement	Contrast	Value	Std. Error	T	df	Sign (2-tailed)
Attitude (Aad)	$\mu_{212} - \mu_{112}$	0,4969	0,16584	2,996	253	0,003
Attitude toward brands (Aab)	$\mu_{212} - \mu_{112}$	0,5239	0,15213	3,444	253	0,001
Purchase Intention	$\mu_{212} - \mu_{112}$	0,3490	0,20519	1,701	253	0,090

ANOVA results showed that the hypothesis 2 particularly for women consumers will behave toward the ads, attitude toward the brand and the desire to buy more positive if the advertising message is creatively good for:

- Durable products (high involvement product)
- Consumer products (low involvement product)

### Hypothesis Testing 3

a)  $H_0 = \mu_{121} \leq \mu_{111}$     b)  $H_0 = \mu_{122} \leq \mu_{112}$

a)  $H_1 = \mu_{121} > \mu_{111}$     b)  $H_1 = \mu_{122} > \mu_{112}$

TABLE 4

Measurement	Contrast	Value	Std. Error	t	df	Sign (2-tailed)
Attitude (Aad)	$\mu 121 - \mu 111$	0,3333	0,16081	2,073	253	0,039
	$\mu 122 - \mu 112$	0,5991	0,16584	3,612	253	0,000
Attitude toward brands (Aab)	$\mu 121 - \mu 111$	0,4000	0,14752	2,712	253	0,007
	$\mu 122 - \mu 112$	0,5175	0,15213	3,402	253	0,001
Purchase Intention	$\mu 121 - \mu 111$	0,3382	0,19897	1,700	253	0,090
	$\mu 122 - \mu 112$	0,6554	0,20519	3,194	253	0,002

ANOVA test results showed that the results are in accordance with the direction of the hypothesis and to say hypotheses 3a and 3b proven ( $p < 0,05$ , 2 tailed). Consumer's women will be on the ads, attitude toward the brand and the desire to buy a more negative compared to male consumers. It's back to support what has been tested by Meyers-Levy and Maheswaran (1989), which explains that the female consumer would be likely to use the central route in processing the message, and a more thorough and detailed process the messages as compared to male consumers, who tend to use peripheral route or shortcuts (heuristics) in processing the message.

Convention in the public relations practice confirms that the message superior publicity than advertising because of the credibility factor is raised from the support of a third party, or third party endorsement. Nevertheless, a number of previous studies still have not been able to prove that a message publicity is better in generating a positive response of consumers (Hallahan, 1999a, 1999b Hallahan, Michaelson & Stacks, 2007).

The research found that the gender factor is an important factor that can affect the processing of the message. As has been tested by Meyers-Levy and Maheswaran (1989), men and women have different ways of processing the marketing messages. Moreover, in the context of the Elaboration Likelihood Model (ELM) in the processing of the message, men tend to process the message by following the peripheral route, in the sense that only tend to take shortcuts (heuristics) in processing the message. Thus men will tend to only utilize a number of instructions in the message to conclude, without considering in more detail than the messages being delivered.

Unlike women, in the context of ELM in the processing of the message, women tend to process the message to follow the route of the center. This means that women are more careful and listen to messages in more detail before giving a response to the message sent to them. This is what seems to cause that creative advertising message further enrich their knowledge of the products offered and also make them respond more positively the products offered through creative advertising.

Although it is not too strong, the product turns factors also influence consumer response delivered through creative advertising. Especially for the male consumer, they will tend to be more like an advertising message if offered consumer products. Average for durables, consumer shows that they increase attention to the message sent through publicity, although not until there is a significant difference with the message conveyed through advertising.

## 5. CONCLUSION

This study shows that gender is a very significant effect in response to the message conveyed by the publicity and advertising. Female consumers to significantly will respond more positively the product offerings delivered through creative advertising. In response to the creative advertising messages also seen significant differences between men and women. Women respond more positively the product offerings delivered through creative advertising both for products and consumer durable than men. It is clear that women are more active consumers and careful in listening and considering a number of instructions outline. Conversely male consumers who tend to process messages through heuristic in which more interested in the messages conveyed through advertising, especially for consumer products. There was a slight increase in the attention to a more detailed message through creative ads when the product offered is a durable product, though not seen a significant difference between the message creative and non-creative ads for consumer goods.

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## INDIAN PLASTIC INDUSTRY: PAST, PRESENT AND FUTURE

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## ABSTRACT

*The Plastic Industry has emerged as a leading industrial sector in India. In the history of India's industrial revolution, no industry has taken such great rides as the plastic industry. The plastic industry shapes the world we live in today whether it is industrial, technological or commodities used on regular basis. Since last decade with the advent of new and improved technologies, the industry has gained greater importance with the production of better and improved quality of plastics which has supported the radical change in human life and its day to day activities and even the plastic culture is dominant to every part of Indian economy. The paper is mainly focused on the past performance and present scenario of plastic industry in India and also put light on the future prospect of this industry. The contribution of plastic industry to the economic development of the country since its inception has been discussed with the reference of historical background and the present status of it. For the general reader it can imbibe a holistic idea of the Indian Plastic Industry along with its current strengths and limitations.*

## KEYWORDS

Indian plastic industry, polymer, historical background, present scenario, future forecast.

## INTRODUCTION

The Indian Plastic Industry is one of the fastest growing industries in India at present and offering great investment opportunities. India is a favoured destination for overseas investors and offers the advantages of an open economy, increasing liberalization, a stable democratic political scenario, highly skilled work force with fluency in English. Various overseas players wish to explore the Indian market and invest in opportunities thrown open by the country, projected to be world number 3 in plastics consumption in coming years.

The Indian Plastic Industry has made promising beginning with the production of polystyrene in 1957 and thereafter, significant progress has been made and the industry has grown and diversified rapidly. Currently, the Indian plastics industry is spread across the country, employing about 4 million people and over 2,000 exporters. It operates more than 30,000 processing units, of which 85 per cent to 90 per cent are small and medium enterprises (SMEs). Such potential Indian market has motivated the entrepreneurs in the country to acquire technical expertise, achieve high quality standards and build capacities in various facets of the booming plastic industry. The Phenomenal developments in the plastic machinery sector are coupled with the developments in the petrochemical sector, both of which support the plastic processing sector. The Indian plastic industry has taken great strides and in the past few decades, the industry has grown to the status of a leading sector in the country with a sizable base.

After liberalization, the Government of India has been quite supportive and made several policies to promote plastic industry. The Petrochemical Department of India is in the process of setting up a development council to promote the development of downstream sectors in India. This clearly illustrates that the Government of India is quite positive and supportive to new investments in India. In fact, many foreign entrepreneurs have been able to set up 100% owned companies in India in the plastics processing and machinery industry sectors. Foreign equity participation in the petrochemical industry has been increased to a 51% stake.

## REVIEW OF LITERATURE

The Indian Plastic Industry has undergone dramatic changes since its inception be in the form of government initiatives or be it the number of players entering or their fluctuations in their operating scale. In the coming days, plastic will definitely have a bigger role to play particularly because of its wide utilization areas and diverse applicability. Although some controversies have crept in due to inadequate knowledge of the production techniques and their extent of adverse effects; still the industry believes that modern R & D efforts and government initiatives encouraging plastic usage will definitely help in overcoming these discrepancies. The plastic industry in India is highly heterogeneous in nature due to the diverse nature and size of firms playing in the field.

Since independence, plastic industry in India has been playing a predominant role in shaping our lives. As it an indispensable item in our day to day activity, so its importance cannot be undermined. Since last decade with the advent of new and improved technologies, the industry has gained greater importance with the production of better and improved quality of polymers (plastics) which has supported the radical change in human life and its day to day activities. The name "plastic" has been coined from "plastikos" - a Greek word meaning capable of being shaped or molded. The material is formed by repeating units of monomers forming long chains consisting of large molecules and characterized by light weight, high corrosion resistance and low melting points. Presently, there exist about 50 different types of plastics. Broadly plastics can be classified into two types namely (a) Thermosetting (can be softened or molded into a particular shape by applying heat and pressure only once) and (b) Thermoplastic.

India is one of the most promising exporters of plastics among developing countries. The Indian plastics industry produces and exports a wide range of raw materials, plastic moulded extruded goods, polyester films, laminates, moulded/ soft luggage items, writing instruments, plastic woven sacks and bags, PVC leather cloth and sheeting, packaging, consumer goods, sanitary fittings, electrical accessories, laboratory/ medical surgical ware and travel ware, among other products.

## IMPORTANCE OF THE STUDY

Plastic material is gaining notable importance in different spheres of activity and the per capita consumption is increasing at a fast pace. Continuous advancements and developments in Plastic technology, processing machineries, expertise, and cost effective manufacturing is fast replacing the typical materials. On the basis of value added share, the Indian Plastic industry is about 0.5% of India's GDP. The export of plastic products also yields about 1% of the country's exports. The sector has a large presence of small scale companies in the industry, which account for more than 50% turnover of the industry and provides employment to an estimated 0.4 million people in the country. Approximately Rs.100 billion are invested in the form of fixed assets in the plastic processing industry. The contribution of the plastic industry in the economic growth of countries the world has been great. Apart the contribution in the economic development, it is playing a vital role in the growth of various key sectors in the country such as: Automotive, Construction, Electronics, Healthcare, Textiles, and FMCG etc. Its demand has been growing rapidly.

## STATEMENT OF THE PROBLEM

The plastic goods industry in India has bright prospects and at the same time serious problems stored for it in the time to come. The Indian Plastic industry is facing severe demand crunch in the domestic industry for quite some time. Demand for major polymers was 10% lower in the present financial year as compared to the same period last year. The slowdown demand is adversely affecting the industry comprising of 15 raw material producers and there are about 26,000 processing units in the country with adverse impact on the employment of 3.3 million people associated with this industry. There are tremendous investment opportunities in downstream investments to the tune of \$ 3.7 billion in coming few years. This will create millions of unskilled and semi-skilled jobs and change the export profile



from raw materials to value added plastics products. But the unprecedented growth in the use of plastics as a packing material has created a serious problem of solid waste disposal. Plastic is a non-biodegradable substance and creates problems of environmental pollution.

Many advanced countries are seriously thinking of reverting back to conventional packing materials, thereby dealing big blow to this industry. However, Indian plastic industry may thrive on the recycling of the used plastic material for which ragpickers can make valuable contribution. Recycling solves the problem of waste disposal, lessens the burden on raw materials, lightens the pressure on the biosphere and provides jobs to millions. It may be mentioned here that this process needs technological development and upgradation.

In the light of above conceptual facts and figure, the main problems under study are understanding of the present scenario Plastic Industries in India with the reference of past performance and estimate the future prospects of Plastic Industry in India.

## OBJECTIVES OF THE STUDY

The Indian plastic industry clearly has the potential to continue its fast growth. However, over the next few years, competition in the industry is expected to increase considerably, as a result of global trends, which will become applicable to the liberalizing economy of country. To survive the competition, both polymer manufacturers and processors will need to adopt radically new methods and approaches to reduce costs, improve market and customer service and management of performance. The per capita consumption of plastics in India is well below the world average. However it also reflects the many years growth ahead, as the country's economy continues to grow and upgrade the usage of products. Translating the expected growth rate into incremental demand, it is obvious that the country will remain one of the largest sources of additional demand for almost all kinds of plastics.

In this context, a study of the cause of maximum employment generation and poor production in Indian plastic industry and suggest proper measure for better manufacturing planning system of management through perspective planning is needed.

## RESEARCH METHODOLOGY

The research is being conducted with the help of standard statistics and references. We have taken help of both sources of data viz, Primary Data and Secondary Data. While collecting primary data, interview method has been executed. While drafting the paper, literary portion has compiled with the help of different Books, Journals, Newspapers / Economic Dailies, Government Publications and Websites etc.

## DISCUSSION

### HISTORICAL BACKGROUND

Indian plastic industry has made significant achievements in the country ever since it made a promising beginning with the start of production of polystyrene in 1957. The industry is growing at a rapid pace and the per capita consumption of plastics in the country has increased several times as compared to the earlier decade. The chronology of production of polymers is summarized as under

- 1957 - Polystyrene
- 1959 - LDPE
- 1961 - PVC
- 1968 - HDPE
- 1978 - Polypropylene

The immense potential of Indian plastic industry has motivated Indian manufacturers to acquire technical expertise, achieve superior quality standards and build capacities in different facets of the booming plastic industry. Substantial developments in the plastic machinery sector coupled with matching developments in the petrochemical sector, both of which support the plastic processing industry, have facilitated the plastic processors to develop capacities to cater both the domestic as well as overseas exports.

### INDIAN PLASTICS INDUSTRY DURING 1992-2010

The historical growth of the plastics industry over the last few decades is at an impressive 12-14%, which is twice the GDP growth. The major driver of this growth is the increased standard of living of people in India. It is estimated that almost 35% of the 1 billion populations has a purchasing power equivalent to that in European countries. After liberalization of the economy in 1992, the Government of India has been quite supportive of industry in general, taking many steps over the years for the conducive growth of business. These measures favouring economic growth are being continuously taken by the Indian Government, irrespective of the change in power. The Government of India is endeavouring to achieve GDP growth of more than 7% in the next 10 years. It is quite possible that plastics could grow at 14%, based on historical performance. The Indian plastics industry is quite upbeat about the future potential of plastics in India, believing that the Plastics industry was expected to grow between 10% to 12% during this period. At that time, the present per capita consumption was 4 Kgs, likely to reach beyond 7 Kgs by 2010. Consumption level, which was expected to reach 8 million tons by 2010, could touch 10 million tons, if some of the constraints such as infrastructure etc are eliminated.

The Indian plastics industry functions with its unique market dynamics, of which, www.plastemart.com has been a successful part. www.plastemart.com has attempted to address these queries in "Synopsis of the Indian Plastics Industry: 1992-2010"; the past 18 years and what the future holds for the overseas investors.

### INDIAN PLASTIC INDUSTRY DURING 2011 - 2015

The Indian Plastic industry witnessed strong growth, with strong off-take from industries like packaging, automotive and infrastructure sector during the financial year of 2012-13. However, the consumption of Plastics in India increased by only 6% in the year 2011-12, which shows significant slowdown in the consumption of Plastics in our country in the last year. The Indian plastic processing sector comprises three segments namely injection molding, blow molding and extrusion, catering to the requirements of a wide array of applications like packaging, automobile, consumer durables, healthcare, among others. According to the All India Plastics Manufacturers' Association (AIPMA), domestic consumption of plastic has been growing at 10-12% CAGR over the last decade. Plastic consumption in India is estimated to reach the 12.5 million tonnes mark making India the 3rd largest consumer of plastics in 2012 after US and China. The size of the plastic processing industry, which currently stands at Rs. 850 billion (9 million tones), is expected to touch Rs 1 trillion (12.5 million tones) in 2013 and Rs 1.3 trillion (18.9 million tones) by 2015. Employment increased close to 4 million in 2012 and is estimated to be 7 million by 2015 from the current 3.5 million-plus people.

In 2014, exports of Indian plastics stood at around US\$ 7,916.94 million, compared to US\$ 7,088.08 million in 2013. Indian plastics exports have grown at a rate of 11.69 per cent in 2014, compared to the previous financial year. China is the major importer of plastic products from India which was estimated at around US\$ 869 million in 2014, followed by USA at US\$ 819.93 million and UAE at US\$ 386.18 million. Products from the Indian plastics industry are exported to more than 150 countries across the globe. China is the major importer of plastic products from India which was estimated at around US\$ 869 million in 2014, followed by USA at US\$ 819.93 million and UAE at US\$ 386.18 million.

### PLASTIC INDUSTRIES IN INDIA: PRESENT SCENARIO

The Indian Plastic industry is at the verge of high growth rate over about 10%-12% which is contributed by high growth rates, in turn, from the end-user industries. This trend has mainly been driving the automotive sector, since the economy is already showing signs of recovery from the downturn. As the Plastic industry is heavily dependent on automotive sector, launching of new cars in the small segments are expected to drive the demand for plastics. India is likely to dominate the rest of the world's Plastic with the domestic per capita consumption. Indian government has identified the petrochemicals industry as a 'high priority' sector, as it is owing to the fact that plastics play an important role in providing the basic necessities for everyday use, while it is conserving the scarce natural resources. Plastic plays a significant role in the key sectors of the economy, including agriculture, water management, automobiles, transportation, construction, telecommunication and electronics, besides defence and aerospace, computers and power transmissions.

As of now the Indian Plastic industry has enormous potential for growth as polymer use in India is far below the world level. With increasing competition in the global market and the constant drive to improve our living standards, the scope for use of plastics is bound to increase manifold and make the production double in the coming years.

A wide variety of plastics raw materials are produced to meet the material needs of different sectors of the economy. These polymeric materials are broadly categorized as commodity, engineering and specialty plastics. Commodity plastics are the major products that account for bulk of the plastics and in turn for petrochemical industry. Commodity plastics comprise of Polyethylene (PE), Polypropylene (PP), Polyvinyl Chloride (PVC) and Polystyrene. While engineering and specialty plastics are plastics that exhibit superior mechanical and thermal properties in a wide range of conditions over and above more commonly used commodity plastics and are used for specific purpose. These include styrene derivatives (PS/EPS & SAN/ABS), polycarbonate, poly methyl methacrylate, polycarbonates, poly oxymethylene (POM) plastics etc.

### AN OVERVIEW OF INDIAN PROCESSING INDUSTRY

- India Per Capita Consumption of Virgin 11 kg & Recycled 3.8 kg
- Virgin Polymer consumption in the year 14-15 - 14 MMT
- No. of Converting / Processing units – in organised sector - 30,000 plus in unorganized sector 20,000
- No of processing Machines - 113,000
- Processing Capacity - 30 MMT
- Processing Capacity CARG - 13 % last 5 years
- No. of Plastics Machinery Manufacturing units in India 200 plus
- Investment in Machinery US\$ 5 Billion Investment required for next 5 years around 10 Billion US\$ (Project Investments)
- Size of Plastic & Polymer Industry –Rupees 1,44,000 Crores

### FUTURE FORECAST OF GROWTH IN INDIAN PLASTIC INDUSTRY

The Indian plastic industry is quite upbeat about the future potential of plastics in India. The plastic sector in India has expanded at 9% CAGR (Compound Annual Growth Rate) over the last five years and is the biggest contributor to India's GDP growth. It is estimated that the sector will grow at a rate of 15% per annum in next few years. The industry currently provides employment to 3 million people. However, with per capita consumption increasing rapidly, which is likely to reach 12.3 million tons, the sector has potential to generate more employment in coming years. High growth in retail packaging, pipes, bulk packaging and agricultural use has triggered the polymer demand.

The per capita consumption of plastics in India is well below the world average and it also reflects the many years of growth ahead, as the country's economy continues to grow and upgrade the usage of products. Translating the expected growth rate into incremental demand, it is obvious that the country will remain one of the largest sources of additional demand for almost all kinds of plastics. Also, with the huge investments in infrastructure development happening in the recent times, the plastic industry will emerge as a giant in the industrial scenario of India.

Hence, it is clear that plastics will continue to be a growth industry, with boosting prospects for fresh investments in polymerization and downstream processing capacity. This is in contrast to the situation in various other countries, where growth prospects are limited, either because of stagnant demand or due to the historical over building. In such countries, the overall outlook would be far less promising, with the key imperatives being cost cutting and capacity rationalization.

### FINDINGS

The plastic goods have universal acceptability and their production and use will grow unhindered. The per capita consumption of plastics in India at 3.6 kg is far below the global average of 21.5 kg. Thus there is great scope for expanding this industry. Products from the Indian plastics industry are exported to more than 150 countries with the major trading partners being China, the US, the UAE, Turkey, Italy, the UK, Indonesia, Germany, Vietnam, Bangladesh, Nigeria, Pakistan, South Africa, Brazil, Singapore, Saudi Arabia, Nepal, Egypt, Sri Lanka and the Netherlands. With per capita consumption of plastics expected to grow rapidly to 20 kgs by 2020 from the current 8 kgs, the processing industry is looking at growth to cater to the increasing demand from across India.

Currently, the Indian plastic industry is highly fragmented with an estimate of around 30,000 firms and over 4 million employees. The top 100 players of Indian plastic industry account for just 20% of the industry turnover. Barring 10 to 15% of the firms that can be categorized as medium scale enterprises, most of the units operate on a small – scale basis.

### CONCLUSION

To conclude, we may opine that huge growth opportunities in India for plastics due to lower per capita consumption as compared to world average. Flexible packaging industry poised for strong growth, insulated from the current economic scenario due to huge and diversified consumer base. New applications and innovations in packaging development is driving growth in India which is ably supported by the current and upcoming domestic PE Capacities. The major uses of plastics are in the packaging industry, building industry and in the manufacturing of pipes, fittings, electrical accessories, consumer goods, house-ware, toys, and furniture and in host of other spheres of life. The per capita consumption of plastics in India increasing rapidly and the sector has potential to generate more employment in coming years. The high growth in the different plastic products has triggered the polymer demand. It is expected that plastics will continue to grow dynamically.

A time has come when plastics industry has the capacity to influence the progress of all other sectors. Plastic industry is regarded as 'sunrise' industry due to its increasing versatility and burgeoning worldwide demand. No wonder we are living in the plastic age. On the whole plastics are essential for today's standard of living and they help in improving the quality of life.

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# STUDY THE POSSIBILITY OF THE APPLICATION OF QUALITY MANAGEMENT IN BUSINESS ACCOUNTING AT THE MINISTRY OF INDUSTRY AND TRADE OF JORDAN

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## ABSTRACT

*The study aims to find out the obstacles and the foundations of the possibility of the application of quality management in the accounting work at the Ministry of Industry and Trade of Jordan and the views of accountants who hold a cash qualifications and working in business accounting in the application of the elements of total quality and the factors necessary to do so, it was found that he does not have and obstacles in the application of quality management in the accounting business, the ministry was working on plans to train staff to work as a team and staff participation in the activities of cost Corporation.*

## KEYWORDS

quality management, the ministry of industry and trade of Jordan.

## INTRODUCTION



Overall quality has become the focus of most of flag States as the mainstay of modern management model That allows it to keep up with developments through the International keep pace with international developments and local in order to adapt to the total quality management depends on the application of advanced methods of quality management.

It aims to continuously improve and develop and achieve the highest possible levels in the practices, processes and outcomes and services was launched institutions to adopt Total Quality concepts and their application in order to work on continuous improvement in the product as well as raising the efficiency of its staff in order to ensure access to good outcomes has overall quality to provide tools and integrated approaches that help enterprises, especially the economic ones to achieve satisfactory results that continuity and the success of any adopted its founder is aspired to this institution.

The concept of total quality management emerged since the period of time and especially in developed countries such as Japan, which is directly related to all aspects of the process of administrative and operational any organization and is interested in focusing on quality in production and service delivery with the effective participation of the leadership in pay, improve and need to focus on customers and their needs and gather information of them and a joint dialogue with them, and pay attention to the concept of work.

Until the application of total quality in the accounting business must know the obstacles facing implementation.

Where The Ministry of Industry and Trade of Jordan and one of the most relevant economic tinges Government institutions, which increased the importance of the ministry with the increase in economic activity in the Kingdom, which give a lot of strengths and provided it with a significant correlation process economic and falls to the ministry of many tasks:

- A. Encourage domestic industry and investment provide the right conditions to it.
- B. Industrial property protection.
- C. Awareness and guidance to the consumer and the merchant.
- D. Market surveillance.

## PROBLEM OF THE RESEARCH

Considers economic institutions, including the Ministry of Industry and Trade of Jordan of the most important economic nature institutions in Jordan, where he assigns them roles and prominent task in the development of the local economy and Jordan's contribution to the organization of legitimate commerce and the importance of the role played by and keep up a lot of developments in the various fields, this situation has created a legacy historically thickly in the vocabulary of process Administrative, economic, because there must be a stronger factor in her career, and factors affecting the weakness in their work.

Hence the problem of study in the field of detection capability in response to this ministry to quality management requirements, what the dimensions of a relationship correlation with all elements of the process and operational structure of the ministry, and thus the availability of the ingredients necessary for the application of Total Quality in the Accounting Department for Business, And the extent of the existence of obstacles for this application, which will be identified through attempts to

**Answer required for the following questions:**

1. What are the difficulties that limit the application of quality in business accounting in the ministry?
2. Is there a focus on the client?
3. How much attention the training and development of staff skills (accountants)
4. How much attention and appreciation and respect for the participation of staff (accountants) in the development of the ministry?
5. What are the obstacles facing the application of total quality in the accounting business in the ministry?

## IMPORTANCE OF THE RESEARCH

The research in this area has a very large importance through goals that are achievable, where she helps:

1. To know the opinions and previous experiences in the application of quality management and give a picture of what his people interested in this area.
2. Help interested scholars and researchers in this field, especially the concept of universal institutions that have direct contact with people's quality management.
3. Help to know the elements of the application of the elements of total quality management in the accounting business.

## OBJECTIVES OF THE RESEARCH

The overall objective of the study to identify the obstacles and problems that prevent the application of Total Quality in the Ministry of Industry and Trade of Jordan as well as other target, including:

1. To identify the extent to which the achievements of the Ministry of Industry and Trade of Jordan to provide the elements of the application of total quality management in business accounting.
2. To identify the obstacles to the application of total quality in business accounting at the Ministry of Industry and Trade of Jordan.

## RESEARCH METHODOLOGY

This study adopted a total quality management in business accounting at the Ministry of Industry and Trade of Jordan, mainly the descriptive approach where information was collected through personal interview staff (accountants) as well as references and studies on this topic and publications in the official.

Where the study population consisted of all workers in the departments of accounting, finance, or obtaining a financial discipline and engaged in acts of accounting.

## LITERATURE REVIEW

Study (Shaheen, 2004) titled quality management systems in the organization's success and the product, showed that credit goes to the Japanese in creating a favorable climate for many of the administrative modern concepts, notably the concept of total quality management, it helps to provide a product or service the highest degree possible, through the encouragement of a culture of quality at the level of the organization to form a comprehensive program completed basic elements of management and senior members and customers a collective responsibility and continuously improve to get into the atmosphere of excellence.

Humaidhi study (2000), the title of senior management attitudes towards the application of ISO 9000 standards in the company Saudi Basic Industries Corp. aimed this study was to identify trends in senior management towards the implementation of international quality standards. And towards the application of the three axes of international quality (quality control system, in operation within the organization, and auxiliary systems).

Ahmadi Study (2000) entitled continuous quality improvement: the concept and how the application in health organizations, reviewed this study the importance of total quality in the work of health facilities and benefits that may be available when you use this system, and discusses the evolution of the general concept of quality, and the need to maintain the continuous quality improvement.

Study (Farajat 2005) titled overall quality and their applications in administrative reform, the aim of this study was to define quality management, through a detailed explanation of the concept in addition to discussing the way for the American quality control procedures and the way Goran and put Crosby of steps to improve the quality.

Study (Azzam 2004) theme overview of the quality management to discuss foundation for total quality management to focus on quality, productivity and inclusiveness, competitiveness and the definition of total quality and the elements and principles of the study also addressed the need for attention to developing strategies for public application of total quality in the framework of scientific model also confirmed the time of the assessment and improvement the continued existence to ensure inclusiveness and the highest ratios compete.

Theoretical framework:-

### THE CONCEPT OF TOTAL QUALITY MANAGEMENT

The concept of total quality management concepts of modern, which aims to improve and develop performance management on an ongoing basis and that by responding to the requirements of the client where a lot of people understand the quality that it (a good quality) or (indigenous) and there are other definitions, including:

- Complete satisfaction, Armand Vijum 1956.
- Conformity with the requirements, Crosbi1989.
- Accuracy use at the discretion of the beneficiary, Joseph Juran 1989.
- Expected degree of consistency and reliable market Consistency low cost, Deming 1986.

Where these concepts have evolved influenced modern guidance at the thought of quality, which includes:

- A. Development operations to include operations general description and follow the entrance systems and take advantage of the work teams.
- B. Commitment to continuous improvement.
- C. Overall audit of the results of the application of this concept.
- D. Described the plan and how the application and determine the necessary resources to plan application.
- E. The use of statistical methods for continuous development and measure the level of performance and improved.

### HISTORICAL DEVELOPMENT OF THE CONCEPT OF TOTAL QUALITY MANAGEMENT

The concept of total quality noon management a long time ago, but interest in it as a function of the administration had been delayed to a time not long ago, where he became a job equivalent to the rest of the administrative functions and began to draw attention in a lot of organizations and considering the march of this development, we find that relay entrances sophisticated quality through its development did not affect many in the management thought, where he was stable development, within the summary of test series, viewing statistical existence. The intellectuals who contribute staring them in the clear understanding of this development:

1. Edward Deming: began improvements on the business conducted by the statistical in 1940 and continued to do so by working with Japan to succeed and so focused on directing operations, and expand the use of statistical methods, and work to reduce distractions.
2. Joseph M. Juran: He began his career in the fifties through the formulation of a set is biased ideas, by working for the benefit of Japan, focused on the participation of the administration and planning of quality and continuous improvement have.
3. Philip Cosby: his interest began with this concept through an emphasis on output, so by reducing the defects in the performance, which will make it the first to call the concept of zero defects, is also interested in developing the standards that measure the imbalance, but the total cost of quality.

### GOALS OVERALL QUALITY

The main aim of the application of total quality management program is to develop the quality of services and products with the progress in reducing costs and minimizing the time and effort to improve service provided to customers and gain satisfaction.

The main purpose of his presence includes three benefits of a major task, namely:

1. Reduce costs: that quality work requires the right things the right way from the first time and that means reducing the damaged stuff or re-completed and thus reduce costs.
2. Reduce the time required to accomplish the tasks for the client: that the procedures established by the institution for the completion of the services the customer has focused on achieving goals, monitor, and thus this is a long and rigid measures came often, which had a negative impact on the customer.
3. Achieving unity: by developing products and services according to customers' desire, that lack of attention to quality leads to increased time to perform and accomplish tasks and increase business control and thereby increasing complaints of beneficiaries of these services.
4. Creating an environment that supports and maintains continuous development.
5. The involvement of all employees in development.
6. Education management and staff how to identify and analyze problems and to control them.
7. Improve profitability and productivity.
8. Increase efficiency to increase cooperation between the departments and encourage teamwork.
9. Staff training in the style of the development processes increased ability to attract customers.

### THE PRINCIPLES OF QUALITY MANAGEMENT

1. Focus on the customer, whether an employee or references which leads to achieve the right performance at the Download responsibility of each of them.
2. Focus on operations and product or service, and therefore continuous finding solutions to the problems that stand in the way products and services.
3. Prevention of mistakes before they occur, and to focus on the use of accepted standards for measuring the quality of the product or service during the process.
4. Make decisions based on facts, and adopt the concept of the founders of solving problems through continuous improvement of opportunity, relying on the existence of an efficient system of information systems facility.

5. Nutrition feedback, which contribute to the activation of the role of effective communication, and the investigation of the process of success, with the correct all the facilities and infested with bugs.

## THE IMPACT OF QUALITY MANAGEMENT AT THE MINISTRY OF INDUSTRY AND TRADE OF JORDAN

The Ministry of Industry and Commerce and one of the most important economic nature Government institutions have been allocated this study to highlight on them and to find out the extent to which its business with this new concept.

Where she worked as a ministry to implement the elements of the concept of quality management so that was the concept large its impact by focusing on the preparation of programs and studies related to the industry and organize industrial record for industrial projects list in the Jordan and the follow-up industrial production in terms of production capacity, quality control, regulate and monitor trade and domestic and foreign prepare certain studies including Total Quality Management Program.

The concept of total quality management requires the use of consultants, which aims to strengthen the ministry experience and help them in light of the problems that will arise, especially in the early stages of the application. Where she worked in the ministry that this requirement has been able to provide various services for (177) company where these companies take advantage of a total of (404) service in which the elements of total quality available was the integration of related activities of the European project to another program (jump) has been working on providing the consulting sector through training (85) consultant and develop a partnership between the academic sector and the private sector strategy where the service of (38) by Dr. program for each available factory where the elements of quality management and cooperation with consultation Center at the University of Jordan.

Given the importance posed by the objectives of the ministry, which require great efforts to achieve and carried out by a large group of districts have been finding the elements of quality management in the work of the Ministry of Industry and Trade of Jordan shows that the environment of the Interior includes a range of strengths of the computer such as the use of high-level and application of computerized systems dramatically, the external environment has included a range of opportunities and linked excellent relations.

## ELEMENTS OF QUALITY MANAGEMENT

1. **FOCUS ON THE CLIENT** to be the wishes and needs of the beneficiaries and renewable changing is that pays and moves all activities within the organization to achieve the satisfaction of beneficiaries.
2. **SUPPORT** and the support of senior management's responsibility Quality located primarily on the organization's administration. It is responsible for providing resources and training staff and administrators and provide them facilities for them, and requires the patience and follow-up In light of a well-defined strategy through its ability to develop long-term vision and be able to change to The culture of the organization to improve quality.
3. **TEAM WORK PARTICIPATION OF WORKERS:** All individual's cooperation within the departments, sections and units at all levels of management and the administration should realize that non-managers who can provide valuable contributions, and this requires training methods work teams and take collective decisions.
4. **TRAINING WORKERS:** The cases of creativity and excellence in the work relies mainly on training, total quality management improved performance.
5. **RESPECT AND APPRECIATION OF EMPLOYEES:** There is communication and mutual respect between leaders and employees, regardless of their level of job performance and to provide an objective and establishing the principle of rewarding excellence and creativity.
6. **PERMANENT IMPROVEMENT:** The desire Permanent organization to achieve a gradual and substantial improvement in all activities, products and services as the reference method comparisons is most commonly used for the continuous improvement and development.
7. **THE EXISTENCE OF A COMMON VISION BETWEEN MANAGEMENT AND WORKERS:** The vision and strategic senior management answers traded between the parties within the organization at all levels so that vision represents a trend A unified organization to work on fading duplicate efforts or opposes it.
8. **SPREAD THE CULTURE OF QUALITY:** Among workers in the organized groups through the formulation of a clear message to the organization include quality as a basis for providing all of the services and that these are the ruling to transfer the Constitution for all administrative functions and departments, sections and units of the organization.

## CHARACTERISTICS AND ATTRIBUTES OF QUALITY MANAGEMENT

The total quality management philosophy administrative contemporary roots derived from the theories of management philosophy, it focuses on the quality of the product or service is based on the principle of participation of all employees in achieving quality and everyone bears responsibility for it. A culture that relies on spreading the values of cooperation in order to succeed in work and achieve the organization's goals And help the emergence of ideas and competitive adoption of the principle of long-term yield as she philosophy believes in the appropriateness of the means with the ends, quality ascertains not guarantee the quality of the two parties it is also an integrated system ensures States and organizations through outstanding production reputation and prestige by high between the countries and organizations, and usually follow scientific methods in solving problems, which is governed by a Code of Ethics is to provide confidence in the It also allows the organization's ability to adapt rapidly emerging in various variables at various levels and the internal and external branches including additional new variables.

## THE IMPORTANCE OF QUALITY MANAGEMENT

Which is the best use of resources, human and material available and perform the job properly from the first time and provide the service in a saturation of the learner's needs, including back to the community benefit, where he developed some standards to measure performance and find a variety of means to raise the morale of the employees and this leads to the following:

- A - High efficiency in performance.
- B- Working relationships and employ best.
- C- To unify the continuity of quality objectives.
- D- Increased innovation and continuous improvement
- E- Encourage and develop the skills of workers:
  - Orderly solutions to problem.
  - Coordinating collaborative efforts.
  - Labor relations and employ best.
  - Improved communication and cooperation.
  - The existence of a scientific environment better.
  - Vision Clear and conscious of each element of the institution.
  - Raising the efficiency of the processes within the organization while increasing the productivity of workers.

## CONCLUSIONS

1. available elements of top management support for the concept of total quality in business accounting degrees above where the Ministry of Industry and Trade of Jordan is working to provide modern working tools and reduce costs in the belief in the continuous introduction of the administrative processes and accounting improvements.
2. the ingredients are available team building, which is considered one of the elements of the application of Total Quality.
3. there are elements of a focus on the customer as one of the elements of the application of Total Quality.



4. Their constituents and staff development.
5. the elements of respect and appreciation and employee participation in the works of improvement and development available, but the study found that there are still obstacles affecting the application of Total Quality summed lack of clarity quality strategy for the community study.

### RECOMMENDATIONS

1. It must be emphasized to continue to comply with all elements of total quality management and standards that guarantee the accuracy of inputs to deal with this concept.
2. makes sure the commitment of all staff underpinnings that ensure optimal use of management style.
3. need the attention of all concerned granted full planning on the basis of scientific meet the challenges faced by the Ministry of Industry and Trade of Jordan in terms of its goals and tasks and the amount of work which.
4. Work on the use of the style of work that result in teamwork masterly integration
5. the rehabilitation and training of all staff on how to deal with all the elements that make up the concept of total quality management.

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## FINANCIAL INTEGRATION IN INDIA: AN ANALYSIS OF POST REFORMS PERIOD

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**ABSTRACT**

*Financial integration in India has been examined in this study. Given the importance of financial integration that, it enhances the economic growth, it is essential to examine this issue. In this study monthly data has been used between April 1995 to March 2015 on exchange rate, call rates, money supply (M3), National stock exchange (NSE), Bombay Stock Exchange (BSE) and Foreign Direct Investment (FDI). The study, by using multivariate Johansen co-integration approach, found that there is a robust integration in the variables of interest. However, for reaping the benefits of financial integration, integration in the markets is a necessary but not the sufficient condition, unless market is stable.*

**KEYWORDS**

stock prices, interest rate, money supply, exchange rate, FDI, cointegration.

**1. INTRODUCTION**

The degree of financial integration around the globe substantially increased in the late 1980s, particularly, between developing and industrial countries. Many countries introduced market oriented reforms along with subsequent deregulation which facilitated vast capital flows especially to the Asian economies (Ho, 2009). Underlying this process, a key factor has been the globalization of the investment which gives incentive to diversify risk, involved in this market and seek higher rates of return. At the same time a series of recent financial crisis like the Mexican peso crisis in December 1994, in July 1997 the collapse of the Thai Bhat actuated the Asian crisis, in August 1998 the Russia crisis and in January 1999 financial crisis in Brazil, intensified the concerns associated with the risk of precipitous reversals which may represent a significant cost in capital flows. In the entire above crisis some sort of misaligned fundamentals like unstable financial markets and flimsy financial system, that gives rise to the risks related with the cross border financial transactions and weak regulatory and structural supervisions, played a role (Jain and Bhanumurthy, 2005).

Globalization has had an immense impinge on the economy of India. The financial market of India, (comprises of primary market, FDIs, pension funds, banking and insurance, and asset management segment) remained moribund due to stringent economic controls under Foreign Exchange Regulation Act (FERA). The reforms took place amidst two serious crises, (i.e. Balance of Payments crisis that endangered the credibility of the economy and pushed it to the brink of default and second is the severe threat of insolvency that banking system confronted due to defective accounting policies), in the early 1990s (Varma, 1998). Whereas, deregulation of India's financial market started in 1992 in the wake of liberalisation process, as an integral part of economic and structural reforms of 1991 (Bhoi and Dhal, 1998). The process of reforms since then rolled out in multiple directions. One of the main objectives of these reforms has been to develop several segments of the financial markets into an integrated one, in order to reduce arbitrage opportunities through their inter-linkages and thereby high level of efficiency in the market operations. This implies a surge in the capital flows and equalisation of prices and returns on the trade of financial assets.

At present, in India, the financial market, as it became organised in the earlier 19<sup>th</sup> century with the securities exchange in Mumbai, Ahmedabad, and Kolkata, is more elevated than many other sectors. There were only eight securities exchanges in the early 1960s whereas; today there are 24 regional securities exchanges in India. The market encountered many new companies traversing across different industry segments and the business also started to expand. The major part of the India's financial system is regulated and supervised by the Reserve Bank of India (RBI). Whereas mutual funds, capital market and other capital market intermediaries of India are regulated by Securities and Exchange Board of India (SEBI), which came into prominence after the turbulence experienced by the capital markets of India in April 1988. The integrated financial systems, via formal agreements, have numerous advantages. Most important one is that it provides better access, especially to small and medium-sized firms facing credit constraints, to broader financial and capital markets. Further integration leads to risks minimisation with enhanced portfolio diversification and thereby enhanced economic growth (Ho, 2009). However, the effective integration of this market depends upon certain characteristics; buyers and sellers of the financial product should be in large number, market forces (i.e. demand and supply) should determine the price of the product, free flow of resources from one to another segment of the markets, in order to wipe out the arbitrage opportunity, and the rates prevailing in the various segments of the market should move in tandem (Bhoi and Dhal, 1998).

This has been extensively discerned in the literature also that the impact of financial integration is mixed. Empirical evidences, from some studies, show that the economies which are financially more integrated have done better than that of financially less integrated one. Obstfeld (1994) demonstrated that risk-sharing is alleviated by the financial integration which further leads to significant welfare gains. Various dimensions of the linkages among financial integration and the growth were examined by Edison and Warnock (2003) and of the view that integrated financial system leads to growth benefits. Ho (2009) is of the view that the process of financial integration benefitted developing countries the most. According to Ananchotikul, Piao, and Zoli (2015), financial integration, by improving allocation of savings and investment, ensures high productivity and living standards. On the other hand, according to Boyd and Smith (1992), Arteta *et al.*, (2001) and Kraay (1998), financial integration retards growth. However, Kose *et al.*, (2003) and Rogoff *et al.*, (2003) examined the effects of financial integration on developing countries and found that there is no robust causal relationship between growth and financial integration while, sometimes, lead to consumption volatility. The present study attempts to know the market integration in India by looking in an empirical perspective on this issue.

**2. DATA METHODOLOGY**

Monthly data of variables like exchange rate, call rate, money supply (M3), NSE (indices), BSE (indices) and FDI, from April 1995 to March 2015, culled out from the handbook of statistic on Indian economy, Reserve Bank of India. All the data has been transformed into natural logarithm to fulfil the linearity assumption of classical least square methods.

**2.1 TECHNIQUES AND TOOLS**

The technical details of the methods that are involved in assessing the financial markets integration in this study are as under.

**2.1.1 UNIT ROOT**

Johansen's cointegration approach implicitly assume that the variable should be integrated on order one i.e., I(1). To fulfil this standard assumption of the Johansen's cointegration techniques, Augmented Dickey-Fuller (ADF) test (Dickey and Fuller, 1981) is applied to comprehend the statistical properties of the time series using the model (1).



$$\Delta Y_t = \beta_0 + \beta_1 t + \delta Y_{t-1} + \sum_{j=1}^q \beta_j \Delta Y_{t-j} + \varepsilon_t \dots (1)$$

Where,  $\Delta$  is the difference parameters (i.e.,  $\Delta Y_1 = Y_t - Y_{t-1}$ ,  $Y_{t-1} = Y_{t-1} - Y_{t-2}$  and  $Y_n = Y_{n-1} - Y_{n-2}$ ) and so on.  $Y_t = Y_t - Y_{t-1}$  and  $\beta_0$  is the constant or drift,  $t$  is the time or trend variable while  $q$  is the number of lags length, on the basis of Akaike Information Criterion (AIC), and  $\varepsilon_t$  is a pure white noise error term.

### 2.1.2 PHILLIPS AND PERRON TEST

The asymptotic distribution of the Phillips and Perron test (PP) is same as the ADF test statistic, but Phillips and Perron developed a nonparametric statistical method without adding lagged difference to correct the serial correlation in the error terms (Phillips and Perron, 1988).

### 2.1.3 JOHANSEN COINTEGRATION

The Johansen cointegration is more prevalent and widely used technique. Its popularity arises because it allows one to determine the number of cointegrated equations in the case of multivariate system (Shahnoushi, et.al, 2009). Johansen (1988) started from the Vector Auto-Regression (VAR) of order ( $p$ ) model and its solution and reparameterization leads to equation (2).

$$\Delta Y_t = \mu + \Pi_{t-p} Y_{t-1} + \sum_{i=1}^{m-1} \Gamma_i \Delta Y_{t-i} + \beta \mu_t + \varepsilon_t \dots (2)$$

Where  $Y$  is a  $p$ -dimensional process and  $\Pi$  and the  $\Gamma$ 's are  $p \times p$  parameter matrices of the long and short run dynamics,  $\mu_t$  contains deterministic terms such as a constant, a linear trend and seasonal dummies and  $\varepsilon_t$  is a  $p$ -dimensional vector of white noise components. The numbers of the cointegrating vectors depend upon the rank of the coefficients matrices  $\Pi$ . If the rank ( $\Pi$ ) =  $n$ , i.e. the matrix  $\Pi$  has full rank, indicate that the vector process  $Y_t$  is stationary. But if the rank ( $\Pi$ ) = 0, i.e., the matrix  $\Pi$  is the null matrix, then there is no cointegration among the system and if the  $0 < \text{rank}(\Pi) = r < n$  then there are  $n \times r$  cointegrating vectors.

The heart of the Johansen procedure is simply to decompose  $\Pi$  into two matrices  $\alpha$  and  $\beta$  both of which are  $n \times r$  such that  $\Pi = \alpha\beta'$ . Whereas  $\alpha$  is known as the adjustment parameters in the vector error correction model and the  $\beta$  is the cointegrating vectors (Engle and Granger, 1987). In order to determine the number of cointegration equations in the multivariate system Johansen proposed two likelihood ratio tests namely; The trace test and the maximum eigenvalue test given by following equations (3 and 4):

$$J_{\text{trace}} = -T \sum_{i=r+1}^N \ln(1 - \hat{\lambda}_i) \dots (3)$$

$$\lambda_{\text{max}} = -T \ln(1 - \hat{\lambda}_{r+1}) \dots (4)$$

Here,  $T$  is the sample size and  $\lambda$  is the estimated value for the  $i^{\text{th}}$  ordered eigenvalue.

## 3. RESULTS AND DISCUSSION

Descriptive statistics of the variables of interest measured by the coefficients of variation show that except exchange rate all other variables are volatile [insert Table 1 here].

### 3.1 UNIT ROOT RESULTS

Time series modelling felicitous necessitates the one to conscious about the behaviour of the underlying series. The appropriation of the time series modelling is contingent on the statistical properties of the data. Among the various techniques, Augmented Dickey-Fuller and Phillips-Perron tests were conducted (because of their wider applicability in the literature) to understand the behaviour of the data. The result of the Augmented Dickey-Fuller and Phillips-Perron test explicates that all the variables are stationary at the first differences [i.e.,  $I(1)$ ] except call rate in Phillips-Perron test [insert Table 2 here].

### 3.2 JOHANSEN COINTEGRATION RESULTS

Johansen cointegration technique includes the various model specifications that depend upon the inclusion/exclusion of intercept and trend component in the model. In this study, firstly lag length is selected on the basis of Akaike Information Criterion (AIC), Schwarz Information Criterion (SC) and Hannan-Quinn Information Criterion (HQ) [insert Table 3 here]. Then linear unrestricted intercept with no trend is selected that represents the inclusion of intercept in the cointegrating space and exclusion of the trend [insert Table 4 here]. The result of trace and max-Eigen statistics further confirmed that the variables used in this study has two cointegrating vectors [insert Table 5 and 6 here].

The coefficients of the entire study as per priory expectation and are representing the macroeconomic relation.

### 3.3 LONG RUN COINTEGRATION RESULTS

The two normalized equations (5 and 6), explaining the impact of money supply, BSE, NSE and FDI on exchange rate and call rate, represent the real picture of macroeconomics. The sign of all the coefficients, except the variable which is normalized, are need to be reversed while normalizing the cointegrating coefficients.

$$ER = 0.88 + 3.71(M3) + 0.05(NSE) - 0.02(BSE) - 0.25(FDI) \dots (5)$$

$$CR = 6.66 - 5.39(M3) - 0.63(NSE) - 1.42(BSE) + 15.98(FDI) \dots (6)$$

The result of long run cointegration equations shows that money supply is positively related to the exchange rate and negatively related to the interest rate. Which implies that as the money supply increases interest rate declines and result in capital outflows following this exchange rate also depreciates (increases). Further the study found a direct relation between NSE and exchange rate. While BSE and FDI are found negatively related to the exchange rate which means that an increase in the stock prices and FDI decreases the exchange rate (appreciates). However, both NSE and BSE had a very little impact on exchange rate. For the interest rate model, barring FDI, all the variables are negatively related with the interest rate which elucidates that the financial system of India is highly contingent on the interest rate or in other words, interest rate is the driver of the Indian financial system. The result has the conformity with the macroeconomics relation [insert Table 7 here].

### 3.4 VECTOR ERROR CORRECTION MODEL RESULTS

The two cointegrating equations of the error correction model are statistically significant and the prominent diagnostic statistics (R-squared, Adjusted R-squared, F-statistic, Durbin-Watson statistics and Jarque Bera test statistic) satisfied the estimates of the model. Both the coefficients of the error correction term satisfy the conditions, that their sign should be negative, and are statistically significant at the 5% level. Their significance and the negative sign further confirmed the results of cointegration and values of the coefficients explain the speed of adjustment between the cointegrated vectors. The coefficient of the exchange rate shows the 1% disequilibrium which explain that one month need to restore the equilibrium, as the data used in the analysis is monthly in nature. Similarly, 18 months need to restore the complete equilibrium in the interest rate cointegrated vectors and it explains that exchange rate has a very high speed of adjustment than the interest rate [insert Table 8 here].

### 3.5 SHORT RUN RESULTS OF THE VECTOR ERROR CORRECTION MODEL

The result of vector error correction (short run coefficients) shows that only few variables responded as short run is immediate period. In the exchange rate model, Interest rate, money supply and NSE are statistically significant at the level of 5% and 10% while BSE and FDI are not significant. Similarly, in the interest rate model, only exchange rate and BSE are statistically significant at the 5% level. For money supply and NSE, only BSE responded and is statistically significant and for FDI as dependant variable, again only BSE highly responded in the short run [insert Table 9 here].

## 4. CONCLUSION

The present study examined the financial integration, by taking various variables like exchange rate, call rate, money supply (M3), NSE, BSE and FDI, in India for the period April 1995 to March 2015. All the variables become stationary after the first difference at the 5% level of significance. As all the variables had the same order of integration, therefore Johansen co-integration was applied to find the long-run relationship. The variables found to be cointegrated which explicates that

the financial markets are highly contingent on the exchange rate and interest rate. But to reap the positive benefits of integration, integration of financial markets should be more strengthened. However, efforts should be made for the greater stability of the economy to minimise the risks involved in these markets.

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## TABLES

TABLE 1: DESCRIPTIVE STATISTICS OF THE VARIABLES

Statistics	ER	CR	M3	NSE	BSE	FDI
Mean	45.91640	11.28689	35618.93	3109.603	4587.676	1157.388
SD	7.073644	8.950107	29595.50	2201.199	3010.247	1266.373
CV	15.40548	79.29648	83.08924	70.78714	65.61595	109.4165
Maximum	63.75214	80.00000	107303.5	8750.435	10795.30	6177.070
Minimum	31.37890	3.110000	5248.640	835.1875	1281.380	58.00000

**Note:** ER is exchange rate, CR is call rate, M3 is money supply, SD is standard deviation and CV is the coefficient of variation.

TABLE 2: UNIT ROOT TEST RESULTS

Variables	Phillips-Perron Test			Augmented Dickey Fuller Test		
	t-Statistics	Critical Value at 5%	P-Value	t-Statistic	Critical Value at 5%	P-Value
<i>ln</i> ER	-1.378684	-2.873390	0.5925	-1.536507	-2.873440	0.5135
$\Delta \ln$ ER	-11.21987	-2.873440	<b>0.0000*</b>	-11.30269	-2.873440	<b>0.0000*</b>
<i>ln</i> CR	-2.347043	-1.942153	<b>0.0186*</b>	-0.578584	-1.942176	0.4659
$\Delta \ln$ CR	-101.9870	-1.942159	<b>0.0001*</b>	-13.15277	-1.942176	<b>0.0000*</b>
<i>ln</i> M3	-1.563632	-2.873390	0.4996	-1.516123	-2.873390	0.5239
$\Delta \ln$ M3	-13.34191	-2.873440	<b>0.0000*</b>	-13.35963	-2.873440	<b>0.0000*</b>
<i>ln</i> NSE	-0.251852	-2.873390	0.9284	-0.384531	-2.873440	0.9083
$\Delta \ln$ NSE	-12.26635	-2.873440	<b>0.0000*</b>	-12.27418	-2.873440	<b>0.0000*</b>
<i>ln</i> BSE	-1.121527	-2.873390	0.7077	-1.077685	-2.873390	0.7249
$\Delta \ln$ BSE	-13.30473	-2.873440	<b>0.0000*</b>	-13.30473	-2.873440	<b>0.0000*</b>
<i>ln</i> FDI	-0.364305	-2.873390	0.9117	-0.499260	-2.873440	0.8877
$\Delta \ln$ FDI	-12.44380	-2.873440	<b>0.0000*</b>	-12.43569	-2.873440	<b>0.0000*</b>

**Note:** variables with prefix ' $\Delta$ ' indicates first difference and '\*' indicate significant at 5% level of significance

TABLE 3: LAG LENGTH SELECTION CRITERION RESULTS

Lag	Log-L	LR	FPE	AIC	SC	HQ
0	1985.453	NA	1.68e-15	-16.99101	-16.90215	-16.95518
1	3726.482	3377.447	7.41e-22	<b>-31.6264*</b>	<b>-31.00438*</b>	<b>-31.3756*</b>
2	3776.418	94.29983	<b>6.58e-22*</b>	-31.74608	-30.59080	-31.28022
3	3806.732	55.68300	6.92e-22	-31.69727	-30.00878	-31.01639
4	3836.449	53.05693	7.32e-22	-31.64334	-29.42164	-30.74745
5	3851.011	25.25033	8.84e-22	-31.45933	-28.70442	-30.34843
6	3882.096	<b>52.29656*</b>	9.29e-22	-31.41713	-28.12902	-30.09122
7	3901.021	30.86461	1.09e-21	-31.27056	-27.44924	-29.72964
8	3923.673	35.77734	1.23e-21	-31.15599	-26.80146	-29.40005

**Note:** LR is sequential modified Lag Range test statistic, FPE is Final Prediction Error, AIC is Akaike Information Criterion, SC is Schwarz Information Criterion and HQ is Hannan-Quinn Information Criterion.

TABLE 4: SUMMARY OF THE COINTEGRATION MODEL

Data Trend:	None	None	Linear	Linear	Quadratic
Test Type	No Intercept No Trend	Intercept No Trend	Intercept No Trend	Intercept Trend	Intercept Trend
Trace Statistics	2	2	2	2	2
Max-Eigen Statistics	2	2	2	2	2

TABLE 5: TRACE STATISTIC TEST RESULTS

Hypothesized No. of CE(s)	Eigenvalue	Trace Statistic	Critical Value	Prob.**
None *	0.366279	188.5185	95.75366	0.0000
At most 1 *	0.176189	79.49955	69.81889	0.0069
At most 2	0.071164	33.17788	47.85613	0.5470
At most 3	0.042846	15.53423	29.79707	0.7445
At most 4	0.018912	5.068088	15.49471	0.8015
At most 5	0.002110	0.504711	3.841466	0.4774

Note: \*\* indicates rejection of the Null hypothesis at the 5% level and \*\*\* indicates MacKinnon-Haug-Michelis (1999) p-values.

TABLE 6: MAX-EIGEN STATISTIC TEST RESULTS

Hypothesized No. of CE(s)	Eigenvalue	Max-Eigen Statistic	Critical Value	Prob.**
None *	0.366279	109.0189	40.07757	0.0000
At most 1 *	0.176189	46.32168	33.87687	0.0010
At most 2	0.071164	17.64365	27.58434	0.5250
At most 3	0.042846	10.46614	21.13162	0.7000
At most 4	0.018912	4.563377	14.26460	0.7956
At most 5	0.002110	0.504711	3.841466	0.4774

Note: \*\* indicates rejection of the Null hypothesis at the 5% level and \*\*\* indicates MacKinnon-Haug-Michelis (1999) p-values.

TABLE 7: LONG RESULTS OF THE COINTEGRATION

Cointegrating Equations:	Cointgration Eq1	Cointgration Eq2
ER <sub>(-1)</sub>	1.000000	0.000000
CR <sub>(-1)</sub>	0.000000	1.000000
M3 <sub>(-1)</sub>	-3.714584 (0.01552) [-239.365]	5.390507 (2.48976) [ 2.16507]
NSE <sub>(-1)</sub>	-0.057581 (0.02066) [-2.78738]	0.634384 (3.31431) [ 0.19141]
BSE <sub>(-1)</sub>	0.022610 (0.00336) [ 6.71993]	1.420924 (0.53981) [ 2.63226]
FDI <sub>(-1)</sub>	0.259054 (0.17523) [ 1.47838]	-15.98627 (28.1135) [-0.56863]
Constant	0.889594	6.665460

Note: figures in the parenthesis are the standard error and figures in brackets are the test statistics and (-1) indicates lag one.

TABLE 8: ERROR CORRECTION TERM OF THE VECTOR ERROR CORRECTION MODEL

Equations	Coefficient	t-Statistic	Prob.
Cointgration Eq1	-0.015013	-3.316930	0.0011*
Cointgration Eq2	-0.189080	-3.507070	0.0005*
Cointgration Eq1		Cointgration Eq2	
R-Squared	0.573420	R-squared	0.350294
Adjusted R-Squared	0.558582	Adjusted R-squared	0.327696
F-Statistic	38.64650	F-statistic	15.50080
Prob(F-Statistic)	0.0000*	Prob(F-statistic)	0.0000*
Durbin-Watson Stat	2.009451	Durbin-Watson stat	2.067362
Jaeque-Bera Test Statistic	79.42517	Jaeque-Bera test statistic	423.8912
Prob(Jaeque-Bera Test Statistic)	0.00000*	Prob (Jaeque-Bera test statistic)	0.00000*

Note: \*\* indicates significant at 5% level of significance.

TABLE 9: SHORT RUN RESULTS OF THE VECTOR ERROR CORRECTION MODEL

Dependent Variables → Independent Variables ↓	ER	CR	M3	NSE	BSE	FDI
ER		<b>8.318492</b> [2.96469] (0.0033)*	-0.033311 [-0.94229] (0.3470)	0.349434 [0.89713] (0.3706)	0.780297 [1.38650] (0.1669)	0.040573 [0.78310] (0.4344)
CR	<b>-0.003311</b> [-1.90438] (0.0581)**		-0.000971 (-1.21249) [0.2266]	-0.000797 [-0.09025] (0.9282)	0.009912 [0.77724] (0.4378)	-0.000212 [-0.18033] (0.8571)
M3	<b>1.417379</b> [0.426972] (0.0010)*	-1.608513 [-0.1030] (0.9180)		-3.044382 [-1.40469] (0.1615)	<b>-8.134314</b> [-2.5975] (0.0100)*	-0.386774 [-1.34163] (0.1810)
NSE	<b>0.256510</b> [1.687453] (0.0929)**	5.488199 [0.98737] (0.3245)	0.080840 [1.15437] (0.2495)		0.704693 [0.63208] (0.5280)	0.021100 [0.20558] (0.8373)
BSE	-0.020883 [-1.54570] (0.1236)	<b>1.444227</b> [2.92347] (0.0038)*	<b>-0.016077</b> [-2.58301] (0.0104)*	<b>0.178819</b> [2.60755] (0.0097)*		<b>0.023940</b> [2.62442] (0.0093)*
FDI	-1.679873 [-1.48841] (0.1380)	-49.0001 [-1.1873] (0.2363)	-0.464043 [-0.89248] (0.3731)	-2.914709 [-0.50877] (0.6114)	-4.08723 [-0.4937] (0.6219)	
Constant	<b>0.001995</b> [2.445906] (0.0152)*	-0.02939 [-0.9855] (0.3254)	0.000534 [1.42234] (0.1563)	<b>0.009542</b> [2.30496] (0.0221)*	0.008646 [1.44552] (0.1497)	<b>0.001224</b> [2.22347] (0.0272)*

**Note<sub>1</sub>:** '\*\*' indicates significant at 5% level of significance and '\*\*\*' indicates significance at 10% level of significance

**Note<sub>2</sub>:** figures in parenthesis are p-value and in brackets are t-statistics.

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