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# E-GOVERNANCE IN INDIAN UNIVERSITIES: A CONCEPTUAL FRAMEWORK

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## ABSTRACT

*The insight, of university administration and systems in India, is considered the most common issue for all the stakeholders engaged in higher education. Given the economic development, accelerated by the expanding base of higher education may lead to the reduction of other kinds of disparities- social, regional, and political, and its contribution in stabilizing our civil society at this juncture of volatility cannot be underestimated which in turn may help the process of speedy national development. On the one hand universities are finding it difficult to promote administrative efficiency, and on the other hand the higher education programmes are becoming unaffordable to many students. It is evident that the situation in various higher education institutions differ, mainly because of the different rules, administrative complexities and academic culture. There are many reasons why higher education institutions like Universities are finding it difficult to bring in transparency, efficiency, economy and good governance. In this connection, introducing e-governance in university administration holds the promise for, growth and development of Universities.*

## KEYWORDS

E-governance, Transparency, Efficiency, Administration.

## INTRODUCTION

Early on, it was realized that a strong, self-reliant and modern society could be built only on the foundations of higher education. Higher education has generally been recognized as a "public good". The public good nature of higher education warrants that the state should play a more active role in. Universities are the backbone of higher education and research to promote, socio-economic development of the society. The higher education system in India includes both private and public universities. Public universities are supported by the Government of India and the state governments, while private universities are mostly supported by various bodies and societies.

Universities in India are recognized by the University Grants Commission (UGC), which draws its power from the University Grants Commission Act, 1956. In addition, 16 Professional Councils are established, controlling different aspects of accreditation and coordination. The types of universities controlled by the UGC include Central universities, State universities, Deemed universities and Private universities. In addition to these universities, other institutions are granted the permission to autonomously award degrees, and while they are not called "university" by name, they act as such. They usually fall under the administrative control of the Department of Higher Education. In official documents they are called "autonomous bodies", university-level institutions.

In this connection, the first Prime Minister of India, Pandit Jawaharlal Nehru had said "A university stands for, humanism, tolerance, reason, progress, adventure of ideas and for the search of truth. It stands for the onward march of the human race towards even higher objectives. If the universities discharge their duty adequately, then' it is well with the nation and the people. But if this 'temple of learning' itself becomes a Horne of narrow bigotry and petty objectives, how then will the nation prosper or people grow in stature?" (Nehru, 1950). A vast responsibility, therefore, rests on our universities and educational institutions and those who guide their destinies. They have to keep their lights burning and must not stray from the right path even when passion convulses the multitude and blinds many amongst those whose duty it is to set an example to others.

## IMPORTANCE OF HIGHER EDUCATION

The insight of 'university administration in India' is considered the most common issue for all the stakeholders engaged in higher education. Given that the economic development, accelerated by the expanding base of higher education may lead to the reduction of other kinds of disparities—social, regional, and political, its contribution in stabilizing our civil society at this juncture of volatility cannot be underestimated which in turn may help the process of speedy national development (Gurmak, 2007). Education is not a unitary concept. Diverse kinds of practices go by the name of education: gurukul in ancient India, the gymnasium and academies in ancient Greece, monasteries of Buddhist and Christians, madrasas and pathsalas, the modern west-inspired schools, colleges and universities are all institutions which are meant to sustain educational practices.

But think of the differences among them. It might, however, be said that in spite of the differences, there is yet what may be called a core idea that these diverse practices share – the idea that any educational practice must involve teaching and learning (Mrinal, 2010). While this may be true, although there may be legitimate doubts about its being so, it may at best be thought of as a necessary condition and certainly not as a sufficient condition. For, think of the teaching and learning in practices such as the pursuit of a variegated agriculture, or to take an example from our time, cyber criminality, or driving a tractor, or being an air hostess or even playing chess. Teaching and learning involved in such practices, taken just by themselves, would not, in most people's thought count as education. Value of education lies in the fact, that it is a process aimed at enhancement of the self- if this word is not acceptable, enhancement of the person. Education targets the human being as a whole and aims with varying degrees of success or failure to seek the enlargement of its unity and prevention of its fragmentation. In its various forms and in its various stages, education involves engagement of different kinds – engagements that lead to such enhancement of the self or enlargement of the person.

## E-GOVERNANCE

Governance refers to the exercise of political, economic and administrative authority in the management of a country's affairs, including citizens' articulation of their interests and exercise of their legal rights and obligations. E-governance may be understood as the performance of this governance via the electronic medium in order to facilitate an efficient, speedy and transparent process of disseminating information to the public, and other agencies, and for performing government administration activities (UNDP, 2004). Similarly, the universities are indeed larger organizations, the administration of which needs, speed, accuracy, value creation and modernity.

Information Technology (IT) is said to be the technology of 21st century. There has been a huge growth in the field of information technology. Traditionally IT was used only to provide the back office support to organizations. Nowadays it plays a strategic role in organizations supporting many business functions and also shapes new strategies in organizations. The IT field has also been introduced in the field of administration called "E Governance". The Government of India is implementing the National e-Governance Plan (NeGP) with the objective of creating a transparent and accountable governance. To achieve this mission, the

Department of Electronics and Information Technology (DeitY), Government of India is rolling out more than 100,000 Common Service Centres (CSCs) on a Public-Private-Partnership (PPP) model. CSCs are the front-end delivery points for government, private and social sector services to citizens of India (ARC, 2007). CSC scheme provides a framework to build over a period of time, a model to meet local developmental challenges in a manner that encourages private sector and local community participation for creating sustainable livelihoods.

Under the CSC Scheme, a Special Purpose Vehicle (SPV)has been formed, so that the Government can progressively migrate to an e-Governance platform and enable services through the CSC network. The SPV named as 'CSC eGovernance Services India Limited' has been incorporated under the Companies Act 1956. The primary role of CSC SPV is to monitor the CSC Scheme and its outcomes on behalf of the Government at the National and State levels. CSC eco-system comprises of 1,00,000 Village Level Entrepreneurs (VLEs) spread across the country, 24 Service Center Agencies (SCAs), and 35 State Designated Agencies (SDAs).

As of 31st December 2012, over 1,00,000 CSCs are operational in thirty-three States and Union Territories. Among these, 100 percent CSCs have been rolled out in eleven States (Arunachal Pradesh, Chandigarh, Gujarat, Kerala, Madhya Pradesh, Manipur, Meghalaya, Mizoram, Pondicherry, Sikkim & Tripura). More than 70% of the rollout has been completed in nine States (Assam, Bihar, Chhattisgarh, Himachal Pradesh, Jharkhand, Maharashtra, Punjab, Uttarakhand and West Bengal). In about six States (Andhra Pradesh, Jammu & Kashmir, Lakshadweep, Odissa, Rajasthan and Uttar Pradesh) implementation of CSCs have crossed half-way mark. In the month of October 2012, 48,549 CSCs across 25 States and 21 SCAs are reported to have completed 119 lakh transactions worth about Rs. 245 crores.

The main aim of e-governance is to enable the government agencies to improve the relations with citizens and businesses by the use of modern information technologies like wide area network, mobile computing and the internet and also to facilitate better communication between various arms of the government. E-government uses information and communication technologies to promote more efficient and effective government and makes government more accountable to citizens. It facilitates improved access to government services and allows greater public access to information. The modern information technology services like the internet, mobile communication, wireless devices and a mix of other technologies are used to implement e- governance solutions. E- governance plays an important role in providing services to citizens and industry by providing easy availability and access to the information, for efficient management and making governance more accountable and transparent to the citizens.

## E-GOVERNANCE IN UNIVERSITIES

The main purpose of introducing e-governance in universities is to, promote transparency and efficiency in administration, improve service quality to students and other stake holders, provide educational access to larger sections of the society, and offer affordable education to the needy. The advancements in the information technologies, internet and the mobile communication provide opportunities to transform the relationship between university and students in new ways, thus contributing to the achievement of good education goals. The implementation of information technology may increase the broad participation of the students in the process of achieving good education goals at all levels by providing the possibility of online discussion groups and by enhancing the rapid development and effectiveness of the learning methods (UNESCO, 2005). Advantages for the administration involve that it may provide better service in terms of time, making governance more efficient and more effective. In addition, the transaction costs can be lowered and the services become more accessible.

Implementing e-governance in higher education institutions will enable effective monitoring of academic standards. Fry (2001) proposes that if universities are to compete in a global higher education market, they must introduce the technological advancements and use them as a strategic tool, capable of transforming educational and business practices. E-governance in education sector enables improved, learning, service delivery, student participation in the decision making process, thus making the administration transparent and effective and give universities a new channel of educational deployment (Naim, 2009). The effective use of IT services in educational Sector can greatly enhance efficiency of the existing system, decrease the costs, and increase transparency in the functioning of various departments.

In a broad sense e governance in educational sector provides better service delivery and the distribution of information to students and faculties using electronic means. This IT based E governance has also been introduced in the field of higher education. The implementation of e-governance in higher education has led to broader innovations (Sami & Mohmed, 2012). E-governance has enabled universities to expand their current geographical reach, to interact and serve the prospective students all around the world and to establish themselves as global education providers. E-governance can also be an important tool to the governing body of universities. In general, it provides following advantages to the administration namely; empowerment of faculty members, students by encouraging their participation in governance; transparency and clarity in administration, governance and admission process; and increased efficiency in learning outcome.

According to Sami & Mohmed (2012), The possible areas of implementation of e-governance in educational sector are:

**E-administration**: It involves the use of information and communication technology (ICT) in order to improve administration processes and internal working of the departments within an educational organisation.

**E- services**: The main aim is to improve the delivery of services to students by providing services online. Some examples of interactive services are: requests for documents, certificates, reading material, admit cards and id cards.

**E-Participation**: It promotes greater student, faculty and other stake holder participation enabled by ICTs in the decision-making process.

The use of Information Technology (IT) in every aspect of life has resulted in faster, easier and much better delivery of services by redefining the fundamental principles of delivery of services and operation of service sectors (Pradeep, 2000). Universities and higher educational organisations all around the world have started to use IT for providing better services to students and faculties. The information technology imparted, e-governance when applied in education will create huge impact on the functioning of the educational sector by revolutionising the way knowledge and skills are assimilated and transmitted. As a result, a wide range of IT applications are being custom developed and delivered in various educational organisations. Some of the areas of which have been immediately impacted are as under.

**Improved education system:** The quantity and quality of output from education system has been substantially improved with the introduction of e-governance in this sphere. However, in order to be really effective, the e-governance system deployed needs to go beyond mere computerisation of records or processes (Sachitanand, 2010). The implementation of the e-governance has been able to provide the management of educational institution information about the areas of concern so that adequate action can be taken. An integrated e-governance system can enable the authorities to analyze the performance of one of the best performing institute in related field and compare it with other colleges to identify the gap areas. This will allow all the lesser performing colleges to reduce the gap with better performing institutes. It will help in betterment of higher education and increase the number of employable students.

**Enhanced teaching tools:** There has been rapid development in learning technologies so as to turn them to advantage in learning. A student who is learning in a way that uses information and communication technologies (ICTs) is using e-learning. With the introduction of new technological initiatives, the structure of higher educational institutions has changed over the past decade. Scott (2000) supports this opinion that eLearning is now facilitating a more flexible learning approach. The impact of eLearning initiatives has direct effects on the future structure of universities on both strategic and tactical levels. The changing role of lecturers, the changeable learning environment and the design of eLearning facilities all contribute to a potentially more flexible organisational structure. The future delivery of education will be based through eLearning technology providing lecturers with superior teaching tools. The online methods enable more effective education and offer significant advantages over traditional teaching methods. This has been possible by technological implementation based environments such as bulletin boards, virtual lectures and eLibraries. In eLearning environment, lecturers can offer constant educational support, as students are able to communicate with classmates and lecturers, visit web sites and view course material regardless of their time and location.

**Multi-user centralised Information:** E-Governance has provided electronic information infrastructure to simplify service delivery, reduce duplication, and improve the level and speed of service at a lower cost. It allows for creating, managing, and sharing information electronically among the various university departments and the different courses offered by them. That is, information captured once can then be shared and re-used by all authorized users. This avoids manual transcription and re-entering of the same information repeatedly whenever a student goes to a new department of the University/ College, for some other service.

**Integrated services:** Different types of services offered by different departments like collecting fees, granting admission, providing access, monitoring attendance, teaching courses and conducting examinations etc., can be availed at one place (Shajee, 2010). This greatly facilitates the students by allowing them avail most of the services, as a single window concept to interact with instead of a number of unrelated entities, operating at different locations in different buildings.

**Anywhere, anytime information:** Delivery of public-domain information to students can be done without any official and student interaction. Students can obtain information related to university processes and procedures through an on-line system without interacting with any university official. In fact, e-governance allows any student quick, interactive access to a vast array of information, through computers at home or work or through kiosks in convenient public locations, because this access to information can be available at many different locations, around the clock, and hence there is no pressure on stakeholders to physically visit a university office.

**Cost reduction and affordability:** E-governance saves cost to universities and makes the education affordable to students. Putting services on the Internet gets rid of the wasted time that is spent on getting the services that otherwise would have been available only in the university. University/college websites are managed through a content management tool. This tool makes it easier to make changes on university web pages. This, in turn, reduces the time and energy required to keep university web pages up-to-date. E-Governance also provides hardware and software needed to create and update websites. This results in reduction of licensing fees and increases the ability of the university to maintain its online presence.

**Improved decision making:** The ability of e-Governance to provide centralised information helps the governing bodies, and other decision makers to perform extensive analysis of stored data to provide answers to the queries of the students and other stake holders. This facilitates taking well informed decisions for student facilitation and assessing their impact over the intended section of the students. This in turn helps them to formulate more effective strategies and policies for betterment of governance.

**Protection of information:** The centralised information approach of e-Governance keeps all information at one place in electronic form. This approach of making information secure prevents it against any theft or leakage. Information backup system helps in protecting the information from getting lost due to natural calamities such as fires, earthquakes, and floods.

## OBJECTIVES OF THIS STUDY

The authors of this paper are conducting a larger study to understand, whether introduction of e-governance can be a strategic management tool for the Universities. This is the first study of its kind and therefore there is a need, first to create a conceptual framework. Hence this exploratory study was conducted, to develop a conceptual framework, so as to figure out the parameters, and characteristic features needed for the e-governance facility, for effective administration of universities.

## RESEARCH METHODOLOGY

The authors, after detailed review of the available research, visited 14 universities in Karnataka state of India and interviewed, 140 respondents, out of which, 40 students, 34 teachers, and remaining 66 are administrators like deputy registrars, asst. registrars, office superintends, and clerical staff to understand the characteristic features of effective e-governance model if introduced, for effective administration of the universities. All the respondents were asked the same set of predetermined questions, to elicit descriptive data. Using the theme emerged from this descriptive data the conceptual framework for e-governance of universities was prepared which is described as under.

## CONCEPTUAL FRAMEWORK FOR E-GOVERNANCE OF UNIVERSITIES

**Front end features**: Front end features of e-governance software for universities, shall have accessibility through multiple devices like, computers, tablets, mobile phones and televisions. Front end features should provide opportunities to the users, for referring information online, for downloading information and for uploading the information. Users should have simple identity and passwords, which they can remember easily, say their mobile phone number and their names. In order to avoid, misuse of identify and passwords, every time an attempt is made to login, a sms alert should be sent to the registered phone number or one-time password is sent to the said phone number. It should be user friendly, capable of guiding the users on how to navigate it. It should be user driven, in which the user is able get all he wants online without having to call the support staff.

**Back end features**: The system should be able to establish and store the identity of users, for the purpose of security. There should be zero downtime and the facility should be active around the clock every day. There should be multiple security layers, to prevent the attack from viruses and hackers. Data should get copied concurrently either in a second server at another location or in the cloud, for quick and safe retrieval. Back end staff should be on duty around the clock to attend machine problems and user queries.

## USER FACILITIES

**Information access**: Any administrative information *not classified as private and confidential* should be available to stake holders free of cost. Such information should include the facilities available, the cost payable, faculty details, library services, reading material, courses, syllabus, research and consultancy, university calendar, statutory approvals, funds received and spent, balance sheet, accreditation etc. Such information should be authentic and updated.

**Admission facilities**: Students should be able to, access the course details, apply online for admission, upload the photo, signature and certificates for this purpose, pay the fees, take the admission test, face the interview and get admitted to the course online, without having to visit the university or the college.

**Online learning**: Students should have the option to attend the classes either online from home or by coming to the college/ university. Lectures in respect of the absented class hours should be available in the portal for access. The reading material, the case studies, the power point slides, the class timings, the lesson plans and other details should all be updated regularly and made available around the clock.

**Monitoring facilities**: Those who fund the education like, parents and guardians shall have the option to monitor online, the attendance and academic performance of the student. For this purpose, the college / university shall update the attendance, test scores, internal assessments, and final marks of the students from time to time and provide access to the parents.

**Examination facilities**: Students should be able to enrol for examination, pay the examination fees, take online examination, and get the results without having to do it manually.

**Interlinking the affiliated colleges:** If the university has affiliated colleges or multiple campuses, the data base of all of them should be interlinked so as to make available all the information at one place.

**Student welfare services**: The portal shall provide services about student welfare facilities like, hostel, mess, scholarship, medical and ambulance, security alert, distress call facility, facilities for special groups (like differently able, sexual minorities, foreigners), protection against ragging or sexual harassment, internet, laundry, sports and entertainment etc.

**Exit facilities**: Students should be able to complete all the exit formalities, like applying for the transfer certificate, official transcript, cancellation of admission, midway discontinuation etc., without having to visit the college/ university.

## ISSUES AND CHALLENGES

Introducing e-governance in universities need standard infrastructure, like hardware, software, broadband connectivity and trained staff. The benefits of e-Governance are not easy to achieve and must go far beyond mere computerization of education processes. The successful implementation not only presents technical challenges but also asks for a fundamental change in the manner in which the education sector operates today. In fact, the challenges that are most likely to occur would be how to adapt with reinvention of the Education processes and functions and related issues of new responsibilities for employees, faculties and students. It also raises important questions in terms of protecting information from unauthorized changes and safeguarding personal privacy. Proper user authentication

and access control mechanisms need to be implemented in order to ensure that only authorized users can have access a particular piece of information. Another important issue is the cost involved in implementing the e-governance. Lack of trained staff is another important issue in implementing the e governance system. Hence training is of vital necessity in familiarizing users with computer and internet technology.

## CONCLUSION

The most important driving force behind e-governance is innovation. To achieve a world class standard in education, it is imperative to have an improved and innovated means of access to information all over the world which is possible only by the introduction of information technology based e-governance in educational institutions. For achieving the goals of efficient administration and to meet the challenges of globalisation, international competition and technology development, it is necessary to implement effective and responsive e-governance into education sector. The way in which higher education is designed, implemented and delivered is changing with the introduction of e-governance. Higher educational institutions have been traditionally static in their functioning and delivery of programs. However as there is an increased demand for quality learning, there is a need for higher educational institutions to broaden their geographical limits to introduce e-governance initiatives. E-governance provides higher educational institutions, the competence to face competition and exceed expectations.

The ways to enhance learning by enabling access to universal information are possible with the introduction of e governance initiatives. For lecturers, e governance programmes represent a change in the way teaching was imparted. For students, e governance has provided an alternative to the ways learning was done by implementing the means in which learning can take place outside the lecture hall. E governance will change the way Students relate to institutions as much as it changes how students relate to each other. It will bring forth, new concepts of governance, both in terms of needs and responsibilities.

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# EMPIRICAL ANALYSIS ON THE ADOPTION OF QUALITY MANAGEMENT PRACTICES IN INFORMATION TECHNOLOGY SECTOR IN INDIA

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## ABSTRACT

*The Information Technology sector in India is found to be highly successful in the global scenario in term of its performance. The Indian "brand" image for affordable speed and quality is found to be in a growing trend. Intense quality and productivity improvements built client value and today these Indian companies deliver a wider range of software development tasks, as well as benefits in new service segments such as product design and information science (IS) outsourcing. Many firms have met top certification requirements for quality standards in demand around the world. Globalization has created a tough competition for India in the world market and India is forced to adopt Quality management practices that will contribute towards the enhancement towards productivity. Software Professionals are expected to take an active part in the implementation of quality management practices to remain highly competitive in the market by going for continuous process improvement and in the production of defect free products. It is in this scenario the study has been carried out to study the adoption of quality management practices in the IT sector as per the opinion of software professionals in the organization. Data for the study is collected from Software Professionals belonging to Organizations which emphasise more on the implementation of quality management practices and the sample for the study comprises of 170 respondents. The research design chosen for this study is descriptive and convenience sampling which is a non-probability sampling method is used. Primary data are collected using a structured questionnaire. Various statistical tools and techniques like chi- square tests, Correlation, Weighted average test, H test, U test etc. are used for analysis and interpretation.*

## KEYWORDS

quality, information technology, software professionals.

## INTRODUCTION

The perception of India in the global economy has gone for a dramatic shift due to the significant mark it has made on the world map. The contributions made by the IT industry towards the country's GDP has led to a steady growth of the Indian economy. India's IT industry is supposed to provide world class technology solutions across the globe. Due to innovation and process improvement Indian economy has gone for a shift from an agricultural based economy to a knowledge driven economy. India today is considered to be the topmost offshoring destination for IT companies across the world. Having proven its capabilities in delivering both on-shore and off-shore services to global clients, emerging technologies now offer an entire new gamut of opportunities for top IT firms in India. India's cost competitiveness in providing IT services, which is relatively cheaper when compared to many of the developed countries, continues to be the mainstay of its Unique Selling Proposition (USP) in the global sourcing market. The Indian IT sector is expected to grow at a rate of 12-14 per cent for FY2016 in constant currency terms. Indian IT's core competencies and strengths have attracted significant investments from major countries.

Effective integration of information technology into an organization's business processes has become increasingly crucial to prosperity. IT includes such items as the systems software, application software, computer hardware, networks and databases associated with managing an organization's information. When it comes to implementing quality standards in the IT realm, organizations face tremendous pressure to deliver systems and technologies that meets the ver-changing needs embedded with the required quality systems. The industry as a whole has fallen short of delivering technology that people understand and can use. Performance of IT organizations can be substantially improved by ensuring that tactical decisions support and integrate quality in their operations. Experiences convey that quality improvements in IT delivery and service support can be achieved by introducing such considerations as user satisfaction, integration and flexibility early on in the decision process and reinforcing them throughout the review process.

Organizations in an age of cut throat competition is forced to design their products and render services as per customer requirements. Therefore, quality measures and standards should be based on customer wants and needs. Quality should therefore be made a shared responsibility among employees with greater emphasis on clear standards and measurements. Dashboard measurements which provide quality status information clearly and quickly should be given due importance in this perspective. Knowledge sharing practices relative to quality management should be given greater significance. Continuous process improvement and adequate preventive measures should be taken to prevent the organization from rendering defective products and services.

## REVIEW OF LITERATURE

- Ogbari, M. E. and Borishade, T. T. (2015) examined the relationship between total quality management and customer satisfaction in service industries. It aimed to evaluate the relationship between of top management commitments and customer retentions as well as to examine the influence of organizational reputation on customer's continuous patronage. Relying solely on secondary data collected from various archival sources, findings shows that strong relationships exists between total quality management and customer satisfaction in the achievement of organizational goals especially in the current dispensation of globalization and stiff competitions. The authors recommend a holistic adoption of TQM and customer services tenets and its entrenchment as policies in all organizations for quality customer services and satisfactions.
- Suby Khanam1, Faisal Talib2, Jamshed Siddiqui (2014) in their comprehensive study reviewed a total of 153 TQM/IT related research papers from different sources and 89 articles were finally filtered out. The paper reflects the extent of work undertaken in the area as well as tries to restructure and organize the available knowledge on TQM and IT in ICT industry
- Rahul Singh (etal) 2014 understood the importance of Total Quality Management philosophy or Business Excellence Models – Strategy and attempted to integrate the concept of TQM implementation within a broader perspective of business as a part of corporate strategy in an organization. The concerns and issues for TQM implementation are discussed. The paper attempts to give a holistic perspective of TQM implementation as a part of Business Excellence Strategy Implementation. Large companies had higher Implementation levels across almost all practices except for teamwork and open organization when compared to small - and medium - sized companies. TQM practices were statistically more significant in manufacturing companies compared to service companies and firms having a higher degree of innovation also showed higher levels of TQM practice implementation.

- Patange Vidyut Chandra (2013) in their paper focused on the crucial aspects of TQM right from introducing concepts in an organization, especially for those who have not traditionally tuned themselves too much with understanding customer needs and business processes. Major focus is on empowerments, as it is understood to play very crucial role during identify the management culture before attempting to install TQM, TQM for success or failure assured due to this planning. Visionary leadership may offer an overriding perspective for someone instituting TQM. Institutionalizing TQM principles as an organization's culture process for managing the transition from the existing system to the new system with synergies.
- Harjeev Kumar Khanna, S C Laroiya, D. D. Sharma (2010) in their study explored the current practices adopted by manufacturing organizations in India. The main objective of the paper is to provide empirical evidence on top management's awareness and understanding of the quality management and its role towards business survival and competitiveness. Only 50 organizations participated in the survey. The survey findings indicate that Indian organizations are well aware of TQM practices. But implementation level is low than the awareness level. The factors that are implemented more are process management (mean-3.84), customer focus (3.78) and top management commitment (mean3.57)

## RESEARCH METHODOLOGY

Research design is an arrangement of conditions for collection and analysis of data in a manner that aims to combine relevance to the research purpose with economy in procedure.

**TYPE OF RESEARCH DESIGN:** The type of research design adopted in this study is **Descriptive Research.** Descriptive research includes surveys and fact finding enquiries of different kinds and it can report only what has happened. The purpose of the research is description of the state of affairs as it exists at present. Descriptive research, also known as statistical research, describes data and characteristics about the population or phenomenon being studied. Descriptive research answers the questions who, what, when, where and how.

**SAMPLING METHOD:** The sampling method used in this study is Convenience Sampling which is a non - probability Sampling method.

**SAMPLE SIZE:** Sample size determination is the act of choosing the number of observations or replicates to include in a statistical sample. The sample size is an important feature of any empirical study in which the goal is to make inferences about a population from a sample. The sample size for the study is 170 which is finalized through a pilot study.

**DATA COLLECTION:** Data collection is a systematic approach to gathering information from a variety of sources to get a complete and accurate picture of an area of interest. In this study responses are collected through two different sources. The sources of data collection are Primary data collection and Secondary data collection. Primary data are collected through a structured questionnaire. Secondary data are collected through journals, magazines etc.

## HYPOTHESES

**H01**: Continuous innovation and improvement does not have a significant impact on the Quality Management practices in the IT sector.

**H02:** Product and Service Design and Top Management commitment towards quality are independent.

**H03:** There is no significant difference in the opinion of respondents towards the various quality management practices that contribute towards customer benefits.

**H04:** Benchmarking practices with world class IT organizations do not have a significant impact of product and service quality.

## OBJECTIVES OF THE STUDY

1. To study the necessity of IT sector in adopting Quality Management systems and the features which enhances its effectiveness.
2. To find out the influence of top management commitment towards quality management systems through continuous innovation and improvement in product design and service quality
3. To know the various quality management practices in IT organizations that play a vital role in rendering better customer benefits
4. To analyse the impact of benchmarking practices on product and service quality.

**TABLE 1.1: NECESSITY TO GO FOR QUALITY MANAGEMENT SYSTEMS**

| S. No. | Modules | No. of Respondents | Percentage |
|---|---|---|---|
| 1 | Quality Culture | 22 | 13 |
| 2 | Enhanced Product & Service design | 39 | 23 |
| 3 | Customer Focus | 51 | 30 |
| 4 | Continuous innovation & Improvement | 46 | 27 |
| 5 | Team Work | 12 | 7 |
| **Total** | | **170** | **100** |

The table above depicts that 30% of the respondents are of the opinion that the main drive to go for quality management systems is customer focus, 27% prefer quality systems mainly because of continuous innovation and improvement, 23% of the respondents are for enhanced product and service design, 13% prefer to have it mainly to establish a quality culture and only 7% of them are for team work.

Majority of the respondents prefer to have quality management systems in the organization mainly because of customer focus.

**TABLE 1.2: TRANSPARENCY IN MAINTAINING QUALITY MANAGEMENT SYSTEMS**

| S. No. | Opinion | No. of Respondents | Percentage |
|---|---|---|---|
| 1 | Yes | 119 | 70 |
| 2 | No | 51 | 30 |
| Total | | 170 | 100 |

From the above table, it is found that 70% of the respondents feel that there is transparency in maintaining quality management systems and 30% of them have a negative opinion in this regard.

**INTERVAL ESTIMATION**

n = 170

p = 119/170=0.70

q = 1-p = 0.30

$z\alpha/2$ = 1.96 at 95% confidence level

**Standard error = $\sqrt{pq/n}$ =** $\sqrt{(0.70)(0.30)/170}$

**Interval Estimation = [p ± $z\alpha$/n(standard error)]**

= [0.70 ± (1.96)*($\sqrt{(0.70)(0.30)/170}$)]

It is inferred that at 95% confidence Interval, the respondent's opinion about transparency in maintaining quality management systems lies between 0.67 and 0.73 in the sample statistic and therefore it may be in the range of 67% and 73% in the population parameter.

**TABLE 1.3: QUALITY MANAGEMENT FEATURES ENHANCING THE EFFECTIVENESS OF IT SERVICES**

| S. No | Factors | R1 | R2 | R3 | R4 | R5 | R6 | R7 | Total | W. Avg | Rank |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | Top Management Commitment | 10 | 12 | 23 | 29 | 30 | 38 | 28 | 567 | 20.25 | **6** |
| 2 | Benchmarking | 33 | 31 | 20 | 37 | 14 | 11 | 24 | 753 | 26.89 | **3** |
| 3 | Training & Education | 6 | 11 | 17 | 32 | 40 | 44 | 20 | 549 | 19.60 | **7** |
| 4 | Customer Focus | 12 | 22 | 36 | 41 | 30 | 19 | 10 | 698 | 24.92 | **4** |
| 5 | Product & Service Design | 48 | 30 | 31 | 22 | 20 | 10 | 9 | 848 | 30.28 | **1** |
| 6 | Continuous process improvement | 31 | 38 | 32 | 21 | 13 | 12 | 23 | 775 | 27.67 | **2** |
| 7 | Team Work | 21 | 30 | 18 | 36 | 12 | 30 | 23 | 680 | 24.28 | **5** |

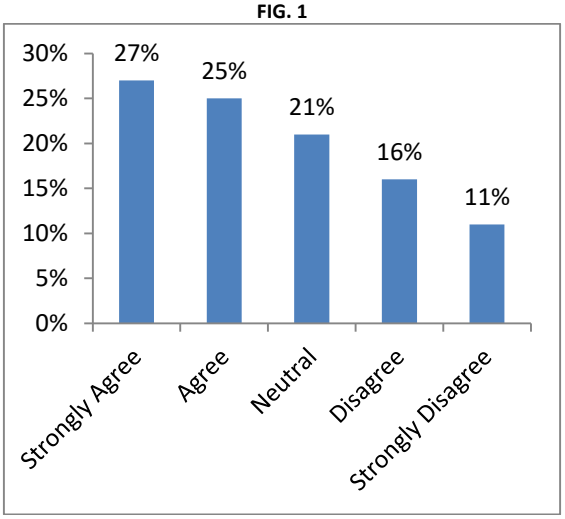
The above table depicts that product and service design is supposed to draw special attention in enhancing the effectiveness of IT services as it is ranked 1st by majority of the respondents followed by continuous process improvement and benchmarking practices which are ranked 2nd and third respectively. Customer focus occupies the 4th position followed by teamwork, top management commitment and effective training programmes.

**Inference:** It is inferred that product and service design is considered to be a significant feature of quality management in enhancing the effectiveness of IT services.

**TABLE 2.1: SIGNIFICANCE OF CONTINUOUS INNOVATION AND IMPROVEMENT IN IMPLEMENTATION OF QUALITY MANAGEMENT SYSTEMS**

| S. No. | Opinion | No. of Respondents | Percentage |
|---|---|---|---|
| 1 | Strongly Agree | 49 | 27 |
| 2 | Agree | 40 | 25 |
| 3 | Neutral | 36 | 21 |
| 4 | Disagree | 27 | 16 |
| 5 | Strongly Disagree | 18 | 11 |
| **Total** | | **170** | **100** |

**FIG. 1**




The above table depicts that 27% of the respondents strongly agree that continuous innovation and improvement is vital for implementation of quality management systems in IT organizations and 25% of the respondents agree in this regard. 21 of the respondents have a neutral opinion, 16% disagree and 11% strongly disagree towards the significant role played by continuous innovation and improvement in the Quality Management systems in the It organizations.

**Inference:** Majority of the respondents are found to have a strong opinion that continuous innovation and improvement plays a significant role in the quality management systems in the organisation.

**$H_0$:** Continuous innovation and improvement does not have a significant impact on the Quality Management practices in the IT sector

**$H_1$:** Continuous innovation and improvement have a significant impact on the Quality Management practices in the IT sector

**TABLE 2.2: CHI-SQUARE TEST FOR GOODNESS OF FIT**

| Oij<br>Observed Frequency | Eij<br>Expected Frequency | Oij - Eij | (Oij - Eij)2/ Eij |
|---|---|---|---|
| 49 | 34 | 15 | 6.6 |
| 40 | 34 | 6 | 1.05 |
| 36 | 34 | 2 | 0.117 |
| 27 | 34 | 7 | 1.44 |
| 18 | 34 | 16 | 7.529 |
| **Calculated value of χ2** | | | **16.736** |

α = 0.05
n = 5
Degrees of freedom: n-1 = 5-1 = 4
Table Value = 9.488
**Eij = Oij / n =** 170/5 = 34
**χ2 =Σi(Oij - Eij)2/ Eij =** 16.736
Calculated value > Table value
16.736 > 9.488
Hence **$H_0$ is rejected.** Hence it can be concluded that Continuous innovation and improvement have a significant impact on the Quality Management practices in the IT sector.

**TABLE 2.3: TOP MANAGEMENT'S COMMITMENT TOWARDS PRODUCT AND SERVICE QUALITY**

| S. No. | Statements | SA | A | N | D | SD | Total |
|---|---|---|---|---|---|---|---|
| 1 | Good Product Design | 27 | 45 | 39 | 32 | 27 | **170** |
| 2 | Service Quality | 45 | 36 | 25 | 34 | 30 | **170** |
| 3 | Top Management's Commitment | 21 | 27 | 32 | 44 | 46 | **170** |
| **Total** | | **93** | **108** | **96** | **110** | **103** | **51 0** |

**CHI-SQUARE TEST**

**$H_0$ (Null hypothesis) :** Product and service design is not dependent upon the top management's commitment towards quality.

**$H_1$(Alternate hypothesis)** :Product and service design is dependent upon the top management's commitment towards quality.

**Calculation:**

Degrees of freedom= (c-1) (r-1)

= (5-1) (3-1) = (4)*(2) = 8

Significance level = 95% = 0.05 (error value)

Chi square (calculated value) = 25

Chi square (tabulated value) = 15.507

| Oi | Ei | (Oi-Ei)^2 | (Oi-Ei)^2/Ei |
|---|---|---|---|
| 27 | 31 | 16 | 0.5161 |
| 45 | 36 | 81 | 2.25 |
| 39 | 32 | 49 | 1.53125 |
| 32 | 36.7 | 22.09 | 0.60190 |
| 37 | 34.3 | 7.29 | 0.21253 |
| 45 | 31 | 196 | 6.32258 |
| 36 | 36 | 0 | 0 |
| 25 | 32 | 49 | 1.53125 |
| 34 | 36.7 | 7.29 | 0.19863 |
| 30 | 34.3 | 18.49 | 0.53906 |
| 21 | 31 | 100 | 3.22580 |
| 27 | 36 | 81 | 2.25 |
| 32 | 32 | 0 | 0 |
| 44 | 36.7 | 53.29 | 1.45204 |
| 46 | 34.3 | 136.89 | 3.9909 |
| **Calculated value** | | | **25** |

$\chi_{cal} = \sum(O_{ij}-E_{ij})^2 / \sum E_{ij} = 25$

**Since 25 > 15.507 (c.v>t.v)**

Therefore, **$H_0$ is rejected**.

It can therefore be concluded that Product and service design is dependent upon the top management's commitment towards quality.

**TABLE 2.4: CORRELATION BETWEEN TOP MANAGEMENT COMMITMENT AND IMPLEMENTATION OF QUALITY MANAGEMENT SYSTEMS IN IT ORGANISATIONS KARL PEARSON'S CO-EFFICIENT OF CORRELATION**

| X | Y | $X^2$ | $Y^2$ | XY |
|---|---|---|---|---|
| 52 | 49 | 2704 | 2401 | 2548 |
| 63 | 50 | 3969 | 2500 | 3150 |
| 41 | 36 | 1681 | 1296 | 1476 |
| 9 | 27 | 81 | 729 | 243 |
| 5 | 18 | 25 | 324 | 90 |
| **ΣX = 170** | **ΣY = 170** | **Σ $X^2$ = 8460** | **$Y^2$ = 7250** | **Σ XY = 7507** |

$$r = \frac{n\,\Sigma xy - (\Sigma X)(\Sigma Y)}{\sqrt{(n(\Sigma X^2) - (\Sigma X)^2}\,\sqrt{(n(\Sigma Y^2) - (\Sigma Y)^2}}$$

$$r = \frac{5(7507) - (170)(170)}{\sqrt{5(8460) - (170)^2}\,\sqrt{5(7250) - (170)^2}}$$

**r = 0.87**

Thus, r is positive

**Conclusion:** Henceit is concluded that top management commitment has a significant impact on the quality management practices in the organization since they are positively correlated with each other as the value of 'r' is positive and nearer to one.

**TABLE 3.1: CUSTOMER BENEFITS OF USING QUALITY MANAGEMENT SYSTEMS IN INFORMATION TECHNOLOGY ORGANISATIONS**

| S.No | CUSTOMER BENEFITS | R1 | R2 | R3 | R4 | R5 | TOTAL | W.AVG | RANK |
|---|---|---|---|---|---|---|---|---|---|
| 1 | Accuracy | 33 | 30 | 48 | 22 | 29 | 526 | 35 | 1 |
| 2 | Reliability | 18 | 23 | 43 | 34 | 50 | 437 | 29 | 5 |
| 3 | Consistency | 19 | 27 | 53 | 31 | 36 | 480 | 32 | 3 |
| 4 | Efficiency | 25 | 28 | 30 | 52 | 35 | 466 | 31 | 4 |
| 5 | Flexibility | 32 | 37 | 23 | 38 | 40 | 493 | 33 | 2 |

The above table reveals that accuracy is the most significant customer benefit of using quality management systems in IT companies since it is ranked 1st by majority of the respondents, followed by Flexibility, Consistency, Efficiency and finally Reliability which are ranked 2nd, 3rd, 4th and 5th respectively.

It can therefore be concluded that accuracy is the most significant customer benefit that IT companies deliver because of the implementation of quality management systems in the organization.

**TABLE 3.2: KRUSKAL-WALLIS TEST (OR) H TEST**

| S. No | BENEFITS | SA | A | N | D | SD |
|---|---|---|---|---|---|---|
| 1 | Accuracy (A) | 33 | 30 | 48 | 22 | 29 |
| 2 | Flexibility (B) | 32 | 37 | 23 | 38 | 40 |
| 3 | Consistency (C) | 22 | 27 | 53 | 31 | 36 |

**$H_0$**: There is no significant difference in the opinion of the respondents towards the benefits that customers get because of implementation of quality management systems.

**$H_1$**: There is significant difference in the opinion of the respondents towards the benefits that customers get because of implementation of quality management systems.

| Values | Attribute | Rank |
|---|---|---|
| 22 | C | 1 |
| 23 | B | 2 |
| 26 | A | 3 |
| 27 | C | 4 |
| 29 | A | 5 |
| 31 | C | 6 |
| 32 | B | 7 |
| 33 | A | 8 |
| 34 | A | 9 |
| 36 | C | 10 |
| 37 | B | 11 |
| 38 | B | 12 |
| 40 | B | 13 |
| 48 | A | 14 |
| 53 | C | 15 |

$R_1$ = Σ Ranks of A = 3+5+8+9+14 = 39
$R_2$= ΣRanks of B = 2+7+11+12+13 = 45
$R_3$ = ΣRanks of C = 1+4+6+10+15 = 36

**H** $$= (12/n(n+1)\left[\left(\frac{R1^2}{n1}\right)+\left(\frac{R2^2}{n2}\right)+\left(\frac{R3^2}{n3}\right)\right]-3(n+1)$$

$$H = \frac{12}{15\,(15+1)}\left[\frac{(39)^2}{5}+\frac{(45)^2}{5}+\frac{(36)^2}{5}\right] - 3\,(15+1)$$

H = 0.05 (969) – 48 = 0.06
Calculated value = 0.45

**Table value**

From $\chi^2$- table with degree of freedom (K-1) = 3-1 = 2. Table value = 5.991

**Conclusion**

Calculated value <Table value: 0.45 <5.991.

**Accept $H_0$**

The table value of $\chi^2$ for degree of freedom 2 at 95% level of significance is 5.991. Comparing calculated value and table value of $\chi^2$, it was found that calculated value is lesser than table value. Hence $H_0$ is accepted. Therefore, there is no significant difference in the opinion of the respondents towards the benefits that customers get because of implementation of quality management systems.

**TABLE 3.3: RANKING OF QUALITY MANAGEMENT PRACTICES CONTRIBUTING TOWARDS THE VARIOUS CUSTOMER BENEFITS**

| S. No. | Factors | R1 | R2 | R3 | R4 | R5 | Total | W.Avg | Rank |
|---|---|---|---|---|---|---|---|---|---|
| 1 | Employee Involvement | 44 | 31 | 25 | 34 | 36 | 523 | 34.87 | **1** |
| 2 | Quality Circles | 36 | 24 | 43 | 27 | 40 | 499 | 33.27 | **3** |
| 3 | Teamwork | 22 | 38 | 30 | 41 | 39 | 473 | 31.53 | **4** |
| 4 | Training & Education | 30 | 22 | 39 | 36 | 43 | 470 | 31.33 | **5** |
| 5 | Employee Encouragement | 21 | 45 | 43 | 26 | 35 | 501 | 33.40 | **2** |

When the various quality management practices that are considered to be vital for customer benefits are analysed it is found that employee involvement is considered to be the most significant factor as it is ranked 1st by majority of the respondents followed by employee encouragement and quality circles which are ranked 2nd and 3rd respectively. Teamwork occupies the fourth position and training and education imparted towards enhancement of quality management practices is found to be the least preferred option.

**TABLE 3.4: MANN-WHITNEY U-TEST**

| Functions | HI | I | FI | SI | NI |
|---|---|---|---|---|---|
| Employee Involvement | 54 | 32 | 48 | 21 | 18 |
| Employee Encouragement | 23 | 46 | 19 | 30 | 25 |

$H_0$: There is no significant difference in the opinion of respondents towards the various quality management practices that contributes towards customer benefits
$H_1$: There is significant difference in the opinion of respondents towards the various quality management factors that contributes towards customer benefits ($\mu_1 \neq \mu_2$)

| Values | Attribute | Rank |
|---|---|---|
| 18 | A | 1 |
| | B | 2 |
| 21 | A | 3 |
| 23 | B | 4 |
| 25 | B | 5 |
| 30 | B | 6 |
| 32 | A | 7 |
| 46 | B | 8 |
| 48 | A | 9 |
| 54 | A | 10 |

**Calculation**

$R_1$ = Σ Ranks of A = 1+3+7+9+10 = 30

$R_2$= Σ Ranks of B = 2+4+5+6+8 = 25

Where n1 =5, n2=5

$$\mu_u = \frac{n1 * n_2}{2}$$

$$\mu_u = 5*5/2 = 12.5$$

$$\sigma_u^2 = \frac{n_1 n_2 (n_1 + n_2 + 1)}{12}$$

$$\sigma_u^2 = 5*5(5+5+1) / 12 = 22.92$$

$$\sigma_u = 4.79$$

$$U_1 = n_1 n_2 + \{n_1 (n_1+1)/2\} - R_1$$
$$= 5*5 + \{5(5+1)/2\} - 30$$
$$U_1 = 10$$

$$U_2 = n_1 n_2 + \{n_2 (n_2+1)/2\} - R_2$$
$$= 5*5 + \{5(5+1)/2\} - 25$$
$$U_2 = 15$$

$$\left.\begin{array}{l} U_1 = 10 \\ U_2 = 15 \\ Z = \dfrac{U - \mu_u}{\sigma_u} \end{array}\right\} \quad U = \min = 10$$

$$Z = -0.521$$

$$|Z| = 0.521$$

**Table value**

At α = 5% for 2-tail

Table value = 1.96

Calculated value <Table value

0.521< 1.96

**Accept $H_0$.** The table value at 95% level of significance for 2-tail is 1.96. Comparing calculated value and table value, it is found that calculated value is lesser than table value. Hence $H_0$ is accepted. Hence it can be concluded that there is no significant difference in the opinion of respondents towards the various quality management practices that contributes towards customer benefits.

**TABLE 4.1: SIGNIFICANCE OF BENCHMARKING IN ENFORCING EFFECTIVE QUALITY MANAGEMENT SYSTEMS**

| S. No. | Degree | No. of respondents | Percentage |
|---|---|---|---|
| 1 | Large Extent | 31 | 18 |
| 2 | Reasonable Extent | 43 | 25 |
| 3 | Average | 49 | 29 |
| 4 | Certain | 32 | 19 |
| 5 | Not at all | 15 | 9 |
| **Total** | | **170** | **100** |

It is observed from the above table that 18% of the professionals feel that benchmarking practices for enforcing quality management systems is vital, 29% of the respondents have got a moderate opinion towards the significance of benchmarking in enforcing effective quality management systems, 25% of the respondents say its significance is only to a reasonable extent, 19% are certain about it and 9% have got a negative opinion in this regard.

It can therefore be inferred that majority of the respondents feel that benchmarking practices play a significant role in enforcing quality management systems in the organization.

**$H_0$ (Null Hypothesis):** There is no significant difference in the opinion of the respondents towards influence of benchmarking practices in enforcing quality management systems.

**$H_1$ (Alternative Hypothesis):** There is significant difference in the opinion of the respondents towards influence of benchmarking practices in enforcing quality management systems.

**TABLE 4.2: CHI – SQUARE TEST FOR GOODNESS OF FIT**

| Oij Observed Frequency | Eij Expected Frequency | Oij - Eij | (Oij - Eij)2/ Eij |
|---|---|---|---|
| 31 | 34 | 3 | 0.264 |
| 43 | 34 | 9 | 2.382 |
| 49 | 34 | 15 | 6.617 |
| 32 | 34 | 2 | 0.117 |
| 15 | 34 | 19 | 10.617 |
| **Calculated value of χ2** | | | **19.997** |

α = 0.05

n = 5

Degrees of freedom: n-1 = 5-1 = 4

Table Value = 9.488

$E_{ij} = O_{ij} / n$ = 170/5 = 34

$\chi 2 = \Sigma_i (O_{ij} - E_{ij})^2 / E_{ij}$ = 19.997

Calculated value > Table value

19.997 > 9.488

Hence **$H_0$ is rejected.**

**Conclusion:**

Since the calculated value (19.997) is greater than Table Value (9.488), it is inferred that there is significant difference in the opinion of the respondents towards data protection.

## SUMMARY OF FINDINGS

The necessity of IT sector in adopting quality management practices revealed that customer focus is the key driver for opting for quality management practices in organization as it is considered to be the preferred option for majority of the respondents and more than 70% of the respondents taken for the study feel that quality management practices are transparent. Product and Service design is considered to be the key attribute that enhances the effectiveness of IT services. Continuous innovation and improvement have a significant impact on the Quality Management practices in the IT sector. Testing of hypothesis revealed Continuous innovation and improvement have a significant impact on the Quality Management practices in the IT sector. It is also found that product and service design is dependent upon the top management's commitment towards quality. Top management commitment has a significant impact on the quality management practices in the organization since they are positively correlated with each other as the value of 'r' is positive and nearer to one.

Accuracy is the most significant customer benefit of using quality management systems in IT companies since it is ranked 1st by majority of the respondents. No significant difference in the opinion of the respondents towards the benefits that customers get because of implementation of quality management systems. Employee involvement is considered to be the most significant Quality Management practice in contributing towards customer benefits. When the hypothesis is tested to identify whether there are any significant differences in the opinion of respondents towards the various quality management practices towards customer benefits, it is rejected as per the study. Therefore, the customer benefits are found to have equal influence from the various quality management practices. It is found through the study that that benchmarking practices play a significant role in enforcing quality management systems in the organization and testing of hypothesis also reflected the same results.

## CONCLUSION

Integration of information technology into an organization's business processes has become increasingly crucial to prosperity. Effective quality management practices are vital for the productivity of the organization as well as to have a competitive edge in the global scenario. Continuous improvement and innovation is found to play a crucial role in the implementation of quality management practices. Top management commitment towards quality is more vital in this regard. Product and service quality is supposed to play a crucial role. Accuracy is the most significant customer benefit of using quality management systems in IT. Benchmarking practices is supposed to have a powerful impact and hence great care can be taken by the IT organizations with other organizations with more efficiency and productivity. Quality standards should have customer focus and it should focus on their wants and needs. Impartation of quality should be made a shared responsibility among employees with greater emphasis on clear standards and measurements.

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# IMPACT OF FOREIGN DIRECT INVESTMENT INFLOWS ON BRAZILIAN ECONOMY

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## ABSTRACT

*Finance is the major economic problem for the developing economies as they do not have the money for the investments which is necessary for the development of the nation. Developing nations tries to get direct and indirect investments to solve the finance problems in the form of foreign capital and reform their investment policies to get the foreign investments in their country. Due to the changes, there has been changes in the of Foreign Direct Investment inflows in the Brazilian economy. The study is conducted to know the determinants for FDI inflow in Brazil and its impact on economic growth of the country. The study revealed that R&D GDP and EXR are the determinants which significantly influence the FDI inflows in Brazil. They act as the important macroeconomic determinants and pull factors of FDI inflows in Brazil. The study also reveals that FDI is not a significant factor influencing the level of economic growth in Brazil. The results of Economic Growth Model and Foreign Direct Investment Model show that FDI plays a limited role in enhancing the level of economic growth in the country.*

## KEYWORDS

Brazilian economy, foreign direct investment (FDI).

## INTRODUCTION

Finance is the major economic problem for the developing economies as they do not have the money for the investments which is necessary for the development of the nation. Developing nations tries to get direct and indirect investments to solve the finance problems in the form of foreign capital. Earlier commercial banks provide them loans, but after 1980s, after drying up of capital these banks also refused to give loans to countries which forced developing nations to reform their investment policies to get the foreign investments in their country.

Foreign direct investment (FDI) is a process whereby the residents of the source country attain ownership of assets with the intention to control the production, distribution and other activities of a firm in the host country. The International Monetary Fund's Balance of Payments Manual defines FDI as, "an investment that is made to acquire a lasting interest in an enterprise operating in an economy other than that of the investor, the investor's purpose being to have an effective voice in the management of the enterprise". The United Nations World Investment Report (UNCTAD, 1999) defines FDI as, "an investment involving a long-term relationship and reflecting a lasting interest and control of a resident entity in one economy (foreign direct investor or parent enterprise) in an enterprise resident in an economy other than that of the foreign direct investor (FDI enterprise, affiliate enterprise or foreign affiliate)".

Direct investment across national borders is a distinct feature of international economics, which has gained intense attention of all the countries of the world recently. Foreign direct investment is deemed to be a growth catalyst since it is usually accompanied by entrepreneurial, managerial and technical skills which are indispensable for economic growth (Humphrey, 1960). Foreign direct investment is one of the most strategic and vital tools for developing a country's competitiveness and efforts must be made to garner huge share of FDI in the country (Badar, 2006). Going by this ideology FDI is being sought by most of the developing countries of the world for promoting the cause of economic development.

FDI to developing countries in the 1990s was the leading source of external financing and has become a key component of national development strategies for almost all the countries in the world as a vehicle for technology flows and an important source of non-debt inflows for attaining competitive efficiency by creating a meaningful network of global interconnections. FDI provide opportunities to host countries to enhance their economic development and opens new opportunities to home countries to optimize their earnings by employing their ideal resources.

Many developing countries including Brazil made significant progress due to lower barriers of trade, easy finance availability and FDI liberalization along with decreased transport and communications costs and made options available to the firms where to produce and sell.

From the recent past, it has been perceived that foreign direct investment plays a developmental role. Governments are of point of view that foreign direct investment can help the countries to pass through the phase of stagnation and bypass poverty. Since mid-eighties, there has been huge growth of foreign direct investment resulting into changes in the particular's countries attributes such as changes in technology, privatization, change in trade norms, managerial expertise, etc. The role of Foreign Direct Investment is very crucial in enhancing the welfare of host country as of the benefits like innovation, better technology, better managerial techniques, development of skills, enhanced capital, creation of more job opportunities and improvement in the working condition of employees and development of industrial sector in the host country (Caves, 1974; Haddad and Harrison, 1993; Perez, 1997; and Markusen and Venables, 1999). Foreign Direct Investment inflow, which comes as a composite bundle of tangible and intangible asset, which along with the domestic investments increases the growth of the country by efficiently using resources and expands markets by increasing exports.

## REVIEW OF LITERATURE

To increase the flow of FDI inflows, so far many studies have been conducted around the globe over the different period of time for exploring the determinants of FDI inflows in an economy. **Bhagwati, J.N (1978),** in his study analyzed the impact of FDI on international trade. He concluded that countries actively pursuing export led growth strategy can reap enormous benefits from FDI. **Cho (2004)** points out that the attractiveness of the economic conditions in host countries; the policy framework towards the private sector, trade and industry, and FDI and its implementation by host governments; and the investment strategies of multinational enterprises are three factors influencing FDI inflows in an economy. **Singh (2005)** in his study explores the uneven beginnings of FDI, in India and examines the developments (economic and political) relating to the trends in two sectors: industry and infrastructure. The study concludes that the impact of the reforms

in India on the policy environment for FDI presents a mixed picture. The industrial reforms have gone far, though they need to be supplemented by more infrastructure reforms, which are a critical missing link. **Chowdhury and Mavrotas (2006)** examines the causal relationship between FDI and economic growth by using an innovative econometric methodology to study the direction of causality between the two variables and found that it is GDP that causes FDI in the case of Chile and not vice versa, while for both Malaysia and Thailand, there is a strong evidence of a bi-directional causality between the two variables. **Khaliq and Noy (2007)** investigates the impact of foreign direct investment (FDI) on economic growth using detailed sectoral data for FDI inflows to Indonesia over the period 1997-2006 and found in the aggregate level, FDI is observed to have a positive effect on economic growth. However, when accounting for the different average growth performance across sectors, the beneficial impact of FDI is no longer apparent. When examining different impacts across sectors, estimation results show that the composition of FDI matters for its effect on economic growth with very few sectors showing positive impact of FDI and one sector even showing a robust negative impact of FDI inflows. **Crespo and Fontoura (2007)** in their paper analyze the factors determining the existence, dimensions and sign of FDI spillovers. They identify that FDI spillovers depend on many factors like absorptive capacities of domestic firms and regions, the technological gap, or the export capacity. **Sharma (2011)** also identifies that complexity in doing business, insufficient growth of service sector, lack of adequate infrastructure and lack of skilled manpower are significant factors influencing FDI inflows. **Solomon (2011)** analyses how the levels of economic development, human capital, financial development and the qualities of the economic and political environments in host countries simultaneously affects the impact of aggregate inflows of Foreign Direct Investment (FDI) on economic growth. The results show that the level of economic development, human capital and quality of the political environment all significantly affect the relationship between inward FDI and growth. **Almfraji and Almsafir (2014)** examined the relationships between FDI and EG, especially the effects of FDI on EG, from 1994 up to 2012 and found that FDI-EG relation is significantly positive, but in some cases it is negative or even null. And within the relation, there exist several influencing factors such as the adequate levels of human capital, the well-developed financial markets, the complementarity between domestic and foreign investment and the open trade regimes, etc. **Melnyk, et al. (2014)** investigates the impact of foreign direct investing on economic development of post Comecon transition economy countries by using Neoclassical growth theory model is used to analyze the effects of FDI on economic growth and the results showed significant FDI influence on economic growth of host countries. **Zekarias (2016)** analyzed the impact of Foreign Direct Investment (FDI) on Economic growth in 14 Eastern Africa countries by employing 34 years (1980-2013) panel data, using dynamic GMM estimators after checking for autocorrelation and model specification tests and confirms that FDI has positive and marginally significant effect of FDI on economic growth, the rate of economic conditional convergence at 5%, absence of significant crowding out effect moving from FDI to domestic investment, interdependence of domestic investment and trade openness in the sub-region.

## OBJECTIVES OF THE STUDY

The objective of the study is to evaluate the impact of FDI on the economy. To achieve the objectives of the paper, the study has been done for the period of 1991-2014.

## RESEARCH METHODOLOGY

### DATA COLLECTION

This study is based on secondary data. The required data have been collected from various sources i.e. World Investment Reports, United Nations, Country Reports on Economic Policy and Trade Practice- Bureau of Economic and Business Affairs, U.S. Department of State and from websites of World Bank, IMF, WTO, UNCTAD, etc. It is a time series data and the relevant data have been collected for the period 1991 to 2014**.**

### SELECTION OF VARIABLES

Existing literature was used to choose the right group of variables that clarifies the differences in the flow of the country. As per specifications of UNCTAD, different variable combinations were made. Simple and multiple regression methods are applied to find out the explanatory variables of the FDI inflows in the country in two steps. In the first step, all variables are taken into consideration in the estimable model and in the second stage, few variables which are insignificant are dropped to avoid the problem of multi-co linearity, otherwise the results would have been biased and untrue. Following are the macroeconomic indicators which are considered as the pull factors like: total trade (TRADEGDP), research and development expenditure (R&D GDP), financial position (FIN. Position), exchange rate (EXR), foreign exchange reserves (RESERVES GDP), and foreign direct investment (FDI), foreign direct investment growth rate (FDIG) and level of economic growth (GDPG) are used in the model to gauge the impact.

### MODEL BUILDING

Further, to study the impact of foreign direct investment on economic growth, two models were framed and fitted. The foreign direct investment model shows the factors influencing the foreign direct investment in Brazil. The economic growth model depicts the contribution of foreign direct investment to economic growth. The two model equations are expressed below:

FDI = f [TRADEGDP, RESGDP, R&DGDP, FIN. Position, EXR.]

GDPG = f [FDIG]

Where,

| | | |
|---|---|---|
| FDI | = | Foreign Direct Investment |
| GDP | = | Gross Domestic Product |
| TRADE GDP | = | Total Trade as percentage of GDP. |
| RES GDP | = | Foreign Exchange Reserves as percentage of GDP. |
| R&D GDP | = | Research & development expenditure as percentage of GDP. |
| FIN. Position | = | Ratio of external debts to exports (Financial Position) |
| EXR | = | Exchange rate |
| GDPG | = | Level of Economic Growth |
| FDIG | = | Foreign Direct Investment Growth. |

Regression analysis (Simple & Multiple Regression) was carried out using relevant econometric techniques. Simple regression method was used to measure the impact of FDI flows on economic growth (proxied by GDP growth). Further, multiple regression analysis was used to identify the major variables which have impact on foreign direct investment. Relevant econometric tests such as coefficient of determination R2, Durbin–Watson [D-W] statistic, Standard error of coefficients, T Statistics and F- ratio were carried out in order to assess the relative significance, desirability and reliability of model estimation parameters.

## FINDINGS AND DISCUSSION

### MODEL – I

FDI = f [TRADEGDP, RESGDP, R&DGDP, FIN. Position, EXR.]

### HYPOTHESIS

*H1: There exists a significant impact between FDI and determinants of FDI.*

**TABLE 1: CORRELATION MATRIX OF FDI AND DETERMINANTS OF FDI**

| Correlations[a] | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | FDI | GDP | FIN Pos | TRADE GDP | RES GDP | R&D GDP | EXR |
| FDI | Pearson Correlation | 1 | | | | | | |
| | Sig. (2-tailed) | | | | | | | |
| | N | 24 | | | | | | |
| GDP | Pearson Correlation | .912** | 1 | | | | | |
| | Sig. (2-tailed) | .000 | | | | | | |
| | N | 24 | 24 | | | | | |
| FIN Pos | Pearson Correlation | -.536** | -.730** | 1 | | | | |
| | Sig. (2-tailed) | .007 | .000 | | | | | |
| | N | 24 | 24 | 24 | | | | |
| TRADE GDP | Pearson Correlation | .373 | .271 | -.554** | 1 | | | |
| | Sig. (2-tailed) | .072 | .200 | .005 | | | | |
| | N | 24 | 24 | 24 | 24 | | | |
| RES GDP | Pearson Correlation | .809** | .904** | -.723** | .413* | 1 | | |
| | Sig. (2-tailed) | .000 | .000 | .000 | .045 | | | |
| | N | 24 | 24 | 24 | 24 | 24 | | |
| R&D GDP | Pearson Correlation | .875** | .828** | -.671** | .624** | .814** | 1 | |
| | Sig. (2-tailed) | .000 | .000 | .000 | .001 | .000 | | |
| | N | 24 | 24 | 24 | 24 | 24 | 24 | |
| EXR | Pearson Correlation | .407* | .287 | -.407* | .847** | .373 | .712** | 1 |
| | Sig. (2-tailed) | .048 | .174 | .049 | .000 | .072 | .000 | |
| | N | 24 | 24 | 24 | 24 | 24 | 24 | 24 |
| **. Correlation is significant at the 0.01 level (2-tailed). | | | | | | | | |
| *. Correlation is significant at the 0.05 level (2-tailed). | | | | | | | | |
| a. Stat =Brazil | | | | | | | | |

A total of five sub hypothesis are tested with the help of regression analysis and explained statistically.

**TABLE 2: MODEL SUMMARY FDI AND DETERMINANTS OF FDI**

| Model Summary[a] | | | | | |
|---|---|---|---|---|---|
| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate | Durbin-Watson |
| 1 | .938[b] | .881 | .847 | 8409.59830525 | 1.403 |
| a. State = Brazil | | | | | |
| b. Predictors: (Constant), EXR, RES GDP, TRADE GDP, FIN Pos, R&D GDP | | | | | |

In the above table (Table 2), the R value represents the association that the dependent variable (FDI) has with all independent variable or predictors. The $R^2$ value (.881) depicts the amount of variance explained by all the independent variables (determinants) accounting in for Foreign Direct Investment (FDI). In case where the number of independent variables is more than 1, the adjusted R square values are considered which comes out to be.847 in this case. The value of adjusted R square depicts that determinants of FDI influence 84.7% of FDI.

**TABLE 3: ANNOVA TABLE - FDI AND DETERMINANTS OF FDI**

| ANOVA[a,b] | | | | | | |
|---|---|---|---|---|---|---|
| Model | | Sum of Squares | df | Mean Square | F | Sig. |
| 1 | Regression | 9388717599.615 | 5 | 1877743519.923 | 26.551 | .000[c] |
| | Residual | 1272984185.803 | 18 | 70721343.656 | | |
| | Total | 10661701785.418 | 23 | | | |
| a. State = Brazil | | | | | | |
| b. Dependent Variable: FDI | | | | | | |
| c. Predictors: (Constant), EXR, RES GDP, TRADE GDP, FIN Pos, R&D GDP | | | | | | |

The above table (Table 3) talks about the significance of the model. The Significance value (less than.05) confirms that the model is significant at 95% degree of freedom. In other words, it depicts that various determinants of FDI influences FDI. Further, in the analysis (B) values are calculated to check which determinant of FDI significantly influences the FDI.

**TABLE 4: COEFFICIENTS SUMMARY: FDI AND DETERMINANTS OF FDI**

| Coefficients[a,b] | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Model | | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. | Collinearity Statistics | |
| | | B | Std. Error | Beta | | | Tol | VIF |
| 1 | (Constant) | -167742.869 | 34977.471 | | -4.796 | .000 | | |
| | FIN Pos. | 5285.820 | 2991.041 | .238 | 1.767 | .094 | .367 | 2.725 |
| | TRADE GDP | 690.256 | 877.316 | .139 | .787 | .442 | .211 | 4.736 |
| | RES GDP | 650.853 | 920.542 | .126 | .707 | .489 | .209 | 4.784 |
| | **R&D GDP** | **184568.936** | **33594.248** | **1.223** | **5.494** | **.000** | **.134** | **7.476** |
| | **EXR** | **-12827.381** | **5051.743** | **-.532** | **-2.539** | **.021** | **.151** | **6.615** |
| a. State = Brazil | | | | | | | | |
| b. Dependent Variable: FDI | | | | | | | | |

The above table (Table 4) shows that R&D GDP and EXR are the determinants (p value <.05) which significantly influence the Foreign Direct Investment in Brazil. In other words, we can say that there are only two determinants of FDI named that R&D GDP and EXR which influence the FDI in Brazil.

A regression equation, thus has been drawn after eliminating the insignificant variables from the regression and thus the regression equation thus can be written as:

$Y = B_1X_1 + B_2X_2 + C$

FDI = 184568.936 (R&D GDP)+ -12827.381 (EXR) + (-167742.869)

**TABLE 5: SUMMARY OF SUB HYPOTHESIS FORMULATED**

| Hypothesis Formulated | Status of Acceptance |
|---|---|
| $H_1$1a : There is a significant impact between FDI and FIN Pos | Not Accepted |
| $H_1$1b : There is a significant impact between FDI and TRADE GDP | Not Accepted |
| $H_1$1c : There is a significant impact between FDI and RES GDP | Not Accepted |
| $H_1$1d : There is a significant impact between FDI and R&D GDP | Accepted |
| $H_1$1e : There is a significant impact between FDI and EXR | Accepted |

**MODEL – II**

GDP G = f [FDI G]

**HYPOTHESIS**

*H2: There exists a significant* impact *between GDP G and determinants of FDI G.*

**TABLE 6: CORRELATION MATRIX OF GDP G AND FDI G**

| Correlations[a] | | | |
|---|---|---|---|
| | | GDP G | FDI G |
| GDP G | Pearson Correlation | 1 | |
| | Sig. (2-tailed) | | |
| | N | 24 | |
| FDI G | Pearson Correlation | .377 | 1 |
| | Sig. (2-tailed) | .070 | |
| | N | 24 | 24 |
| **. Correlation is significant at the 0.01 level (2-tailed). | | | |
| *. Correlation is significant at the 0.05 level (2-tailed). | | | |
| a. Stat = Brazil | | | |

**TABLE 7: MODEL SUMMARY GDP G AND FDI G**

| Model Summary[a] | | | | | |
|---|---|---|---|---|---|
| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate | Durbin-Watson |
| 1 | .377[b] | .142 | .103 | 2.16635338 | 1.561 |
| a. State = Brazil | | | | | |
| b. Predictors: (Constant), FDI G | | | | | |

In the above table (Table 7), the R value represents the association that the dependent variable (GDP) has with independent variable or predictor. The $R^2$ value (.142) depicts the amount of variance explained by the independent variables (FDI G) accounting in for GDP growth.

**TABLE 8: ANNOVA TABLE – GDP G AND FDI G**

| ANOVA[a,b] | | | | | | |
|---|---|---|---|---|---|---|
| Model | | Sum of Squares | df | Mean Square | F | Sig. |
| 1 | Regression | 17.087 | 1 | 17.087 | 3.641 | .070[c] |
| | Residual | 103.248 | 22 | 4.693 | | |
| | Total | 120.335 | 23 | | | |
| a. State = Brazil | | | | | | |
| b. Dependent Variable: GDP G | | | | | | |
| c. Predictors: (Constant), FDI G | | | | | | |

The above table (Table 8) talks about the significance of the model. The Significance value (more than.05) confirms that the model is not significant at 95% degree of freedom. In other words, it depicts that FDI Growth does not scientifically influence GDP Growth. Further, in the analysis (B) values are calculated to check the level of insignificance.

**TABLE 9: COEFFICIENTS SUMMARY: FDI AND DETERMINANTS OF FDI**

| Coefficients[a,b] | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Model | | Unstandardized Coefficients | | Standardized Coefficients | T | Sig. | Collinearity Statistics | |
| | | B | Std. Error | Beta | | | Tol | VIF |
| 1 | (Constant) | 2.369 | .509 | | 4.655 | .000 | | |
| | FDI G | .016 | .009 | .377 | 1.908 | .070 | 1.000 | 1.000 |
| a. State = Brazil | | | | | | | | |
| b. Dependent Variable: GDP G | | | | | | | | |

The above table (Table 9) shows that FDI Growth is the factor (p value >.05) which significantly does not influence the GDP Growth in Brazil. In other words, we can say that that FDI Growth does not scientifically influence the GDP Growth in Brazil.

**TABLE 10: SUMMARY OF SUB HYPOTHESIS FORMULATED**

| Hypothesis Formulated | Status of Acceptance |
|---|---|
| $H_1$2a : There is a significant impact between GDP G and FDI G | Not Accepted |

## CONCLUSION

It has been found that R&D GDP and EXR are the determinants which significantly influence the FDI inflows in Brazil. They act as the important macroeconomic determinants and pull factors of FDI inflows in Brazil. Thus, it is concluded that the above analysis is successful in identifying those variables which are important in attracting FDI inflows to the country. The study also reveals that FDI is not a significant factor influencing the level of economic growth in Brazil. The results of Economic Growth Model and Foreign Direct Investment Model show that FDI plays a limited role in enhancing the level of economic growth in the country.

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# A STUDY OF ORGANIZATIONAL INVESTMENT IN EMPLOYEE TRAINING, WORK ENGAGEMENT AND TURNOVER INTENTION: A CROSS-LEVEL MEDIATION ANALYSIS

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## ABSTRACT

*Previous studies have shown that job resources (e.g., social support, autonomy, performance feedback, skill variety, and learning opportunities) are important antecedents of work engagement. However, the role of employee training in fostering work engagement has received limited research attention. The aim of the present study was to examine the direct effect of organizational investment in employee training on work engagement and the partial mediating effects (self-efficacy and person-job fit) therein. The relationship between work engagement and turnover intention also was incorporated into the study. The study statistically analysed 253 valid data collecting from the hotel industry in Taiwan. The results of hierarchical linear modeling revealed that organizational investment in employee training had a direct effect on work engagement and that the cross-level relationship was partially mediated by self-efficacy and person-job fit. The result of regression analysis also demonstrated that work engagement was negatively related to turnover intention. Conclusion and directions for future research were also provided.*

## KEYWORDS

employee training, person-job fit, self-efficacy, turnover intention, work engagement.

## INTRODUCTION

Past research indicates that employees' work engagement can be fostered when the organization provides employees with job resources, such as performance feedback and learning opportunities for education, growth, and development and enable them to achieve their work goals (Bakker & Demerouti, 2007; Hakanen et al., 2006; Schaufeli & Bakker, 2004; Schaufeli & Salanova, 2007). Organizational investment in employee training (OIET) can be regarded as an important job resource (Deci and Ryan, 1985; Ryan & Frederick, 1997). The effect of OIET on enhancing an individual's work engagement has received limited research attention. Thus, this study attempts to investigate the effect of OIET on work engagement.

Personal resources (e.g. self-efficacy, optimism, resilience and self-esteem) are positive self-evaluations that refer to an individual's sense of his or her ability to successfully control and affect the environment (Hobfoll et al., 2003). Previous research on work engagement has shown that self-efficacy is a vital personal resource that enhances an individual's engagement at work (Bakker et al., 2008). This study predicts that self-efficacy (a personal resource) may serve as a partial mediation mechanism linking OIET (a job resource) and work engagement.

Scroggins (2008) and Hamid and Yahya (2011) provided the link between P-J fit and work engagement by indicating that employees who fit well with their jobs could increase their work engagement and subsequently benefit the organization. This study speculates that P–J fit may serve as a partial mediator of the OIET-work engagement relationship.

With regard to the outcomes of work engagement, it has been found that work engagement is associated with in-role performance (Schaufeli et al., 2006b), turnover intention (Schaufeli & Bakker, 2004), customer satisfaction (Salanova et al., 2005) and financial returns (Xanthopoulou, Bakker, Demerouti, & Schaufeli, 2009). There is evidence that highly engaged employees are generally engrossed in and dedicated to their work (Bakker & Demerouti, 2008), and hence they are less likely to leave their organization. In line with past research, this study also examines the influence of work engagement on turnover intention.

The relationships among OIET, self-efficacy, P-J fit, work engagement, and turnover intention through cross-level analysis remain unexplored. To fill in this void, this study investigates the direct effect of OIET on work engagement, as well as the cross-level mediating effects of self-efficacy and P-J fit. The influence of work engagement on turnover intention also is incorporated into the study. Social exchange theory, reinforcement theory and work adjustment theory are used in this study because they provide theoretical bases for depicting the relationships among the variables investigated.

## REVIEW OF LITERATURE

### ORGANIZATIONAL INVESTMENT IN EMPLOYEE TRAINING AND WORK ENGAGEMENT

Work engagement reflects positive work experience in organizational life which generates positive benefits to the organization (Park & Gursoy, 2012). The concept of work engagement evolved in the mid 1990's (Harris, 2006) and was conceptualized by Kahn (1990) as employees' emotional attachment to their work roles. Specifically, work engagement refers to the extent to which employees are enthusiastic and motivated in their role performance. May et al. (2004) conceptualized engagement as employees' commitment to work by bringing their physical, emotional, and cognitive resources to perform role-related tasks. May et al. pointed out that most jobs involve some level of physical exertion and challenges, as well as emotional (exhaustion) and cognitive demands.

Schaufeli and Bakker (2004) defined work engagement as an affective-motivational and work-related state of fulfilment in employees that is characterized by vigour, dedication and absorption (Macey & Schneider, 2008; May et al., 2004). Vigour is characterized by high levels of energy and mental toughness while working, a willingness to exert an effort in one's work and perseverance in the face of difficulties. Dedication is intense involvement in one's work and deriving a sense of significance, enthusiasm, inspiration, pride and challenge. Absorption is being so fully engrossed in one's work that time seems to pass quickly (Schaufeli & Bakker, 2004, 2010). Engaged employees usually find their work meaningful and inspirational and are energetic and engrossed in it (Bakker & Demerouti, 2008).

As mentioned earlier, work engagement is fostered by various job resources (Bakker & Demerouti, 2007; Schaufeli & Salanova, 2007). There is evidence that employees' work engagement can be greatly enhanced when the organization offers job resources such as performance feedback and learning opportunities that provide possibilities for education, growth and development and enable employees to achieve their work goals (Bakker & Demerouti, 2007; Schaufeli & Bakker, 2004; Schaufeli & Salanova, 2007). In this instance, organizational investment in employee training can be viewed as an important job resource (Deci & Ryan, 1985; Ryan & Frederick, 1997).

Organizational investment in employee training (OIET) is defined as the extent to which an organization is committed to help their employees learn and acquire new skills/competencies that enable them to meet job requirements or move to new positions (Lee & Bruvold, 2003). Organizations investing in employee training imply that they support employees' professional growth and are seeking to develop a long-term relationship with their employees (Allen et al., 2003; Lee & Bruvold, 2003).

Kuvaas and Dysvik (2009) examined the relationships among PIED, intrinsic motivation, work effort, work quality and organizational citizenship behaviour (OCB) from three cross-sectional surveys conducted in organizations in Norway. Their empirical results show that the relationship between PIED and work effort was mediated by intrinsic motivation, and that intrinsic motivation also moderated the relationship between PIED and OCB. From the above-mentioned research, it is apparent that OIET has significant psychological and behavioural effects on employee outcomes.

Social exchange theory (Blau, 1964) and the norm of reciprocity (Gouldner, 1960) provide a link between OIET and work engagement. When organizations invest training in their employees, the employees tend to reciprocate in positive ways (Cropanzano & Mitchell, 2005). Dysvik and Kuvaas (2008) indicated that providing

sufficient training can be regarded as a social exchange between the employer and its employees. The affective aspects of OIET may influence employees' perceptions and encourage them to increase their work engagement. In view of the above, the following hypothesis is developed.

**H1: Organizational investment in employee training has a positive influence on work engagement.**

**ORGANIZATIONAL INVESTMENT IN EMPLOYEE TRAINING, SELF-EFFICACY, AND WORK ENGAGEMENT**

Rooted in the very core of Bandura's (1997, 1986) social cognitive theory, self-efficacy refers to an individual's belief in his or her capacity to organize and execute a course of action needed to meet the demands of a situation. Self-efficacy beliefs enable individuals to determine the amount of effort they will exert during a task, in particular, the determination they will exhibit and the amount of time they will persevere to accomplish an objective when faced with a challenging situation. High self-efficacy results in feelings of serenity when attempting to perform complicated tasks and activities. In contrast, low self-efficacy results in a belief that tasks are more difficult than they seem, which leads to anxiety, stress, despair and a narrow view of possible problem resolution.

Reinforcement theory is widely used to motivate employees in the workplace. The theory focuses on the environmental factors that contribute to shape employees' attitudes and behaviours (Redmond & Housell, 2013). Therefore, the motivational aspect of the theory may help to draw a connection between OIET and self-efficacy. Organizational inducements in terms of IET not only improve employees' KSAs but also enhance their beliefs in their capability to successfully perform certain tasks. Previous research shows that organizations devoted to developing through training the skills and competencies that employees need to remain competitive can increase employees' sense of self-efficacy (Gibson, 2001b; Orpen, 1999; Torkzadeh et al., 1999). With this in mind, this study proposes that value added by OIET can foster an employees' self-efficacy and thus develops the following hypothesis.

**H2: Organizational investment in employee training has a positive influence on self-efficacy.**

With regard to the relationship between self-efficacy and work engagement, previous research shows that self-efficacy is an important personal resource that promotes an individual's engagement at work (Bakker et al., 2008). Evidence also indicates that self-efficacious students reported higher levels of engagement (Llorens et al., 2007). In view of the above, this study expects a positive association between self-efficacy and work engagement.

Moreover, because of its motivational potential, self-efficacy may also serve as a mediating mechanism linking OIET and work engagement. According to reinforcement theory, on the one hand, OIET lets employees understand their roles well and develop the needed KSAs to perform their tasks (Suazo et al., 2009); on the other hand, OIET signals that employees are highly valued by the organization, which may boost their self-efficacy, and in turn further increase their work engagement. Therefore, the following hypothesis was developed.

**H3: Self-efficacy partially mediates the relationship between organizational investment in employee training and work engagement.**

**ORGANIZATIONAL INVESTMENT IN EMPLOYEE TRAINING, PERSON-JOB FIT, AND WORK ENGAGEMENT**

Person-job fit (P-J fit) is widely explored by fit scholars. Edwards (1991) conceptualized P-J fit in terms of two distinct forms, namely, needs-supplies fit (N-S fit) and demands-abilities fit (D-A fit). The N-S fit exists when the supplies (e.g., pay, benefits, training, interesting and challenging work, promotion opportunities, recognition, good working conditions, etc.) offered from jobs are compatible with the needs, preferences, and desires of employees. The D-A fit could be achieved when employees bring sufficient knowledge, skills and abilities (KSAs) to meet the job demands.

Kristof-Brown et al. (2002) indicated that employees are likely to experience a good P-J fit when they are enthusiastic about their work and have the necessary KSAs and experience to perform their work well. Following Kristof-Brown et al. (2002), the present study regards D-A fit as P-J fit and defines it as the degree to which employees perceive the match between their KSAs and job demands.

P-J fit leading to positive attitudinal and behavioural outcomes is well documented in the literature, for instance, as related to job satisfaction (Cable & DeRue, 2002; Lauver & Kristof-Brown, 2001), affective organizational commitment (Greguras & Diefendorff, 2009), job performance (Caldwell & O'Reilly, 1990; O'Reilly et al., 1992) and intentions to quit (Saks & Ashforth, 1997). Previous research also shows that employees who meet their job requirements (P-J fit) are likely to be actively engaged in their work roles and consequently achieve their work goals (Hamid & Yahya, 2011; Scroggins, 2008). Hence, a positive relationship between P-J fit and work engagement can be expected.

Drawing from work adjustment theory (Dawes & Lofquist, 1984), P-J fit indicates an interaction between an employee and the environment. According to the theory, an employee's fit is based on the correspondence or match between the employee's attributes (i.e. KSAs) and the environment (i.e. OIET). When well-trained employees become skilled and competent in their work (Saeed & Asghar, 2012), they are likely to increase their work engagement. The following hypotheses were developed.

**H4: Organizational investment in employee training has a positive influence on P-J fit.**

**H5: P-J fit partially mediates the relationship between organizational investment in employee training and work engagement.**

**WORK ENGAGEMENT AND TURNOVER INTENTION**

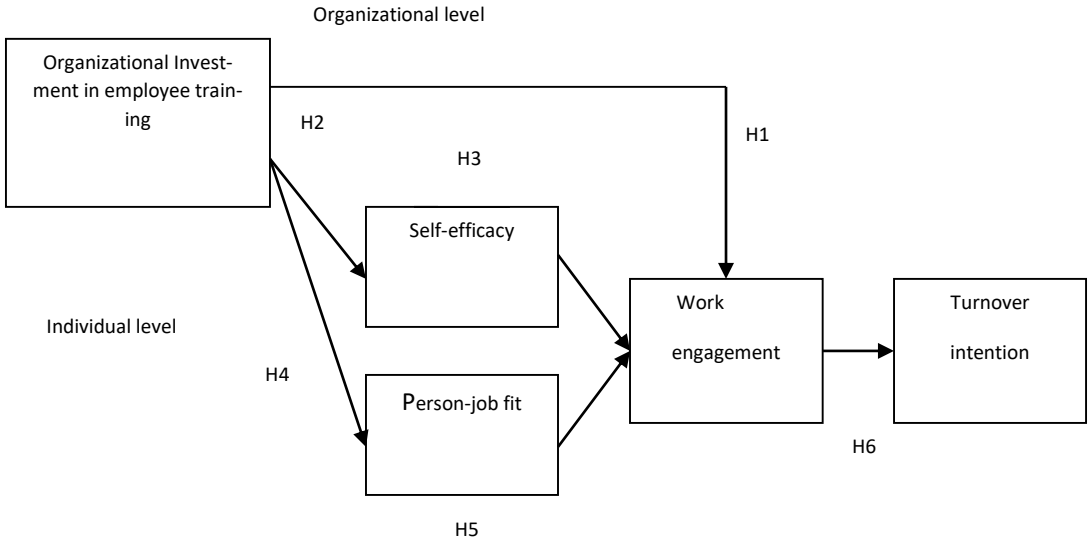
Turnover intention refers to an employee's intention to pursue a career outside his current employer. Prior to leaving the employer, the employee has come to a decision point whether to resign or not. The attitude–behavior theory (Fishbein & Ajzen, 1975) states that one's intention to engage in a specific behavior is the close predictor of that behavior. Lambert et al. (2001) in their study has shown a significant association between turnover intentions and actual turnover. Hence, one method to determine actual turnover is through turnover intentions.

A negative relationship between work engagement and turnover intention was found in previous studies. For instance, Harter et al. (2002) and Saks (2006) found that work engagement had a positive relationship with employees' job satisfaction and a negative relationship with turnover intention. Schaufeli and Bakker (2004) also demonstrated that work engagement mediated the influences of job resources on turnover intention. Similar to previous research, the current study expects an inverse relationship between work engagement and turnover intention. The following hypothesis was developed.

**H6: Work engagement has a negative influence on turnover intention.**

Based on the relevant literature explored above, a research model was developed and is presented below (Figure 1).

FIGURE 1: RESEARCH MODEL




## RESEARCH METHODOLOGY

### SAMPLE AND PROCEDURE

The data for this study was collected from 20 hotels in Taiwan. The human resource (HR) manager of each hotel was requested to provide assistance in distributing questionnaires to service employees. Given that the number of employees in each hotel differed, 20 to 35 questionnaires were distributed to each hotel. Participants were randomly chosen by the HR managers. In total, 500 questionnaires were sent out. The HR managers were requested to return the completed questionnaires in a stamped envelope addressed to the researcher.

The questionnaire included OIET, self-efficacy, P-J fit, person–organization (P-O) fit, work engagement, turnover intention and demographic questions (i.e. sex, age, and tenure). Previous research suggests that a portion of the data aggregated to a cross-level can reduce the presence of common method variance (Peng et al., 2006). In this study, organizational investment in employee training refers to an organization's commitment to help their employees learn and acquire new skills/competencies that enable them to meet job requirements or move to new positions (Lee & Bruvold, 2003). Hence, employee training data aggregating at the organizational level is plausible.

Moreover, all data were self-reported and collected during the same period of time. Thus, Harman's one-factor test (Anderson & Bateman, 1997) was conducted to test if common method variance (CMV) exists. Using principal component analysis (PCA) on the question items yielded 4 factors with eigenvalues greater than 1.0, which accounted for 63.343% of the total variance. The common method bias seemed to be absent (Podsakoff and Organ, 1986; Podsakoff et al., 2003) as the first factor did not account for the majority of the variance (20.280%).

Of the 500 questionnaires distributed, 318 completed questionnaires were returned. With 42 invalid questionnaires (incomplete data), 253 questionnaires were kept for analysis, representing a response rate of 50.6%. In terms of demographics, 55.7% of the respondents were male, 44.3% were female. As for age, 66.8% of the respondents were between 30 and 35 years old, 29.6% were between 36 and 40 years old and only 3.6% were 41 years or older. While 18.6% of the respondents had a college/bachelor's degree, 88.6% held a master's degree or above. With regard to organizational tenure, 71% had tenures of less than 10 years, 20.8% had tenure from 11 to 15 years and only 8.2% had tenure of more than 16 years.

## MEASURES

Except for the demographic control variables (i.e. sex, age, and tenure), all the items were scored on a 5-point Likert response scale ranging from 1 (strongly disagree) to 5 (strongly agree). A higher score indicates greater variable strength.

***Organizational investment in employee training:*** In this study, OIET was examined at the organizational level and was measured by seven items that were modified from the work of Kuvaas and Dysvik (2009). An example of an item for the scale is, 'By investing time and money in employee development, my organization demonstrates that it actually invests in its employees'. Scores were calculated by taking the average of the seven items. The Cronbach's α for this scale was 0.897.

***Self-efficacy:*** Self-efficacy was measured with an eight-item scale developed by Chen et al. (2001). An example of an item for the scale is, 'When facing difficult tasks, I am certain that I will accomplish them'. Scores were calculated by taking the average of the eight items. The Cronbach's α for this scale was 0.861.

***Person-job fit:*** P-J fit was measured with a three-item demands-abilities scale developed by Cable and DeRue (2002). An example of an item for the scale is, 'My abilities and training are a good fit with the requirements of my job'. Scores were calculated by taking the average of the three items. The Cronbach's α for this scale was 0.816.

***Work engagement:*** Work engagement was measured with the short, nine-item version of the Utrecht Work Engagement Scale (Schaufeli et al., 2006). This scale includes three items for each of the three underlying dimensions of work engagement. Example items included 'At work, I feel bursting with energy' (vigour); 'I am enthusiastic about my job' (dedication) and 'I get carried away when I am working' (absorption). Scores were calculated by taking the average of the nine items, as recommended by Schaufeli et al. (2006). The Cronbach's α for this scale was 0.916.

***Turnover intention:*** Turnover intention was measured with a four-item scale developed by Kelloway, Gottlieb and Barham (1999). The following is an example of an item for the scale: 'I am thinking about leaving this organization'. Higher scores indicate greater intent to leave one's current place of employment. Scores were calculated by taking the average of the four items. The Cronbach's α for this scale was 0.926.

***Control variables:*** Sex, age, education, and tenure were controlled to prevent their influence on turnover intention (Ucho et al., 2012). The study coded sex as 0 = men and 1 = women. Respondents with a college/bachelor's degree were coded as 0, whereas those with a master's degree or above were coded as 1. Age was measured in continuous numbers. Tenure was measured by the number of years the respondents had worked for in their current organizations.

***P-O fit:*** P-O fit concerns how an employee matches an organization's values, goals and mission (Lauver & Kristof-Brown, 2001). Past research reports that employees are less likely to leave their organizations when they perceived high P–O fit (Elfenbein & O'Reilly 2007; Verquer et al., 2003). Hence, P-O fit was controlled for in the present study and was measured with a three-item scale developed by Cable and DeRue (2002). Here is an example of an item for the scale: 'The things that I value in life are very similar to the things that my organization values'. Scores were calculated by taking the average of the three items. The Cronbach's α for this scale was 0.817.

## DATA AGGREGATION

To examine the appropriateness of data aggregation, this study examined the interrater agreement of OIET by calculating the rwg(j) values (James et al., 1984). For this purpose, a normal distribution of the expected error variance was used (LeBreton & Senter, 2008). The mean rwg(j) across the organization was found to

be 0.844 for IET, thereby demonstrating a high level of interrater agreement (Mathieu & Schulze, 2006). According to the suggestion of Bliese (2000), this study also calculated intraclass correlation coefficients [ICCs; i.e. ICC(1) and ICC(2)]. The study obtained an ICC(1) value of 0.125 for OIET, thereby meeting the standard value of 0.12 (James, 1982). Moreover, the study also obtained an ICC(2) value of 0.610 for OIET, thereby meeting the standard value of 0.6 (Lin & Peng, 2008). This study conceptualized OIET at the organization level. Thus, the aforementioned results show that the data aggregation was appropriate.

## RESULTS

Hierarchical linear modeling (HLM) software version 6.08 (Raudenbush & Bryk, 2002) was used to test the cross-level direct and mediating effects. A null model was executed to test whether work engagement would vary according to different organizations. Table 1 presents the mean estimation of work engagement intercept ($\gamma_{00}$) = 3.511, the between-organization variance of work engagement ($\tau_{00}$) = 0.037 and the within-organization variance of work engagement ($\sigma^2$) = 0.304. The ICC of work engagement was found to be 10.9% (0.037/[0.037+0.304]), which indicates that 10.9% of the variance of work engagement was due to between-organization variance and 89.1% was due to within-organization variance. These findings suggest that HLM analysis is necessary if the between-organization variance of work engagement is to be considered (Cohen, 1988).

Moreover, to satisfy the rule of the dependent variable (DV) on within-organization variance and between-organization variance (Hofmann, 1997), this study examined independent–dependent relationships. In the intercepts-as-outcome model 1 (Table 1), $\gamma_{01}$ = 0.634 ($p$<0.01), which indicates that OIET positively affected work engagement. Thus, hypothesis 1 was supported. In the intercepts-as-outcome model 2 (Table 3), $\gamma_{01}$ = 0515 ($p$<0.001), thereby indicating a positive relationship between IET and self-efficacy. Thus, hypothesis 2 was supported.

Using the mediation approach suggested by Mathieu and Taylor (2007), this study further examined the cross-level mediation hypotheses. First, the relationship between the independent variable (IV) and the DV was examined. Second, the relationship between the IV and the mediator was tested. Third, the relationship between the mediator and the DV was examined when the IV was included in the model. The meditation condition is said to be satisfied if the relationship between the IV and DV is not significant while that between the mediator and DV remains significant.

To test the cross-level mediation hypothesis (H3), OIET (the IV) was tested at the organization level, whereas self-efficacy (the mediating variable) and work engagement (the DV) were tested at the individual level. Table 1 shows that the results satisfied the first three conditions depicted by Mathieu and Taylor (2007). With regard to the last condition, the intercepts-as-outcome model 3 shows that $\gamma_{01}$ (0.342; $p$<0.05) was still significant after self-efficacy was included in the model. This result demonstrates that self-efficacy had a partial mediating effect on the relationship between OIET and work engagement. Therefore, hypothesis 3 was supported.

**TABLE 1: HIERACTCHICAL LINEAR MODELING ANALYSIS: ORGANIZATIONAL INVESTMENT IN EMPLOYEE TRAINING, SELF-EFFICACY, AND WORK ENGAGEMENT**

| Variables | Null model | Intercepts-as-outcome model-1 (H1) X→Y | Intercepts-as-outcome model-2 (H2) X→M | Intercepts-as-outcome model-3 (H3) X→M→Y |
|---|---|---|---|---|
| Intercept $\gamma_{00}$($\tau_{00}$) | 3.511*** | 1.134 | 2.173*** | -0.074 |
| **Control variable** | | | | |
| Gender $\gamma_{10}$ | | 0.102 | 0.001 | 0.072 |
| Age $\gamma_{20}$ | | -0.004 | 0.051 | -0.068 |
| Tenure $\gamma_{30}$ | | -0.012 | 0.103 | -0.027 |
| P-O fit $\gamma_{40}$ | | -0.014 | -0.122 | 0.009 |
| **Individual level** | | | | |
| Self-efficacy $\gamma_{50}$ | | | | 0.413*** |
| P-J fit $\gamma_{60}$ | | | | |
| **Organizational level** | | | | |
| Organizational investment in employee training $\gamma_{01}$ | | 0.634** | 0.515*** | 0.342* |
| $\sigma^2$ | 0.304 | 0.307 | 0.219 | 0.227 |
| Deviance | 439.330 | 439.458 | 356.876 | 391.509 |

*Note*. Companies $N$=23; Employees $N$=253. *$p$<0.05, **$p$<0.01, ***$p$<0.001.
H1 represents Hypothesis 1, H2 represents Hypothesis 2, H3 represents Hypothesis 3.
X refers to the independent variable; M refers to the mediator; Y refers to the dependent variable.

With regard to the relationships between OIET and P-J fit, the intercepts-as-outcome model 2 in Table 2 shows that $\gamma_{01}$ = 0565 ($p$<0.01), thereby indicating the positive effects of OIET on P-J fit. The results support hypothesis 4. In terms of the cross-level mediation hypothesis (H5), OIET (the IV) was tested at the organizational level, whereas P-J fit and work engagement (the DVs) were tested at the individual level. The results, shown in Table 2, indicate that the first three conditions of Mathieu and Taylor's approach were satisfied. Further, the intercepts-as-outcome model 3 shows that $\gamma_{01}$ (0.330; $p$<0.05) was still significant after P-J fit was included in the model. This finding demonstrates that P-J fit played a partial mediating role in OIET and work engagement. Thus, hypothesis 5 was supported.

**TABLE 2: HIERACTCHICAL LINEAR MODELING ANALYSIS: ORGANIZATIONAL INVESTMENT IN EMPLOYEE TRAINING, P-J FIT, AND WORK ENGAGEMENT**

| Variables | Null model | Intercepts-as-outcome model-1 (H1) X→Y | Intercepts-as-outcome model-2 (H2) X→M | Intercepts-as-outcome model-3 (H3) X→M→Y |
|---|---|---|---|---|
| Intercept $\gamma_{00}$($\tau_{00}$) | 3.511*** | 1.134 | 1.088 | 0.439 |
| **Control variable** | | | | |
| Gender $\gamma_{10}$ | | 0.102 | 0.166* | 0.024 |
| Age $\gamma_{20}$ | | -0.004 | 0.089 | -0.051 |
| Tenure $\gamma_{30}$ | | -0.012 | 0.074 | -0.067 |
| P-O fit $\gamma_{40}$ | | -0.014 | 0.045 | -0.028 |
| **Individual level** | | | | |
| Self-efficacy $\gamma_{50}$ | | | | |
| P-J fit $\gamma_{60}$ | | | | 0.560*** |
| **Organizational level** | | | | |
| Organizational investment in employee training $\gamma_{01}$ | | 0.634** | 0.565** | 0.330* |
| $\sigma^2$ | 0.304 | 0.307 | 0.286 | 0.217 |
| Deviance | 439.330 | 439.458 | 415.231 | 372.855 |

*Note*. Companies $N$=23; Employees $N$=253. *$p$<0.05, **$p$<0.01, ***$p$<0.001.
H1represents Hypothesis 1, H2 represents Hypothesis 2, H3 represents Hypothesis 3.
X refers to the independent variable; M refers to the mediator; Y refers to the dependent variable.

Multiple regression analysis was conducted to test the relationship between work engagement and turnover intention. Controlled for sex, age, tenure, and P-O fit, the results shown in Table 3 exhibit that work engagement was negatively related to turnover intention ($\beta$ = -0.187; $p$<0.01), hence supporting hypothesis 6.

**TABLE 3: RESULTS FOR REGRESSION ANALYSIS**

| | Turnover intention | |
|---|---|---|
| Control variables | $\beta$ | $\beta$ |
| Gender | 0.131* | 0.148* |
| Age | -0.056 | -0.057 |
| Tenure | -0.080 | -0.081 |
| P-O fit | 0.031 | 0.030 |
| Independent variable Work engagement | | |
| *F* | | -0.187** |
| $R^2$ | 1.794 | 3.312** |
| Adj. $R^2$ | 0.028 | 0.063 |
| $\Delta R^2$ | 0.012 | 0.044 |
| | 0.028 | 0.035 |

*Note*. *N*=253. $p$<0.05*, $p$<0.01**
$\beta$ represents standardized regression coefficients.

## DISCUSSION

The results of HLM analysis reveal that the OIET indeed had a significant influence on work engagement, supporting hypothesis 1. Such a finding is consistent with those of previous research (Bakker & Demerouti, 2007; Schaufeli & Salanova, 2007) that OIET is indeed an important job resource that can increase employees' work engagement. Based on social exchange theory, OIET may make the organization seem supportive and reliable, thus eliciting positive and reciprocal responses from employees through their increased level of work engagement.

The results of cross-level mediating hypotheses show that the OIET was positively related to self-efficacy and P–J fit and that self-efficacy and P-J fit partially mediated the OIET-work engagement relationship. The results support hypotheses 2, 3, 4 and 5. According to reinforcement theory or work adjustment theory, the significant relationship between OIET and self-efficacy as well as the relationship between OIET and P-J fit imply that organizations committed to developing via training the KSAs that employees need to remain competitive can enhance employees' self-efficacy beliefs (Gibson, 2001b; Orpen, 1999; Tannenbaum et al., 1991; Torkzadeh et al., 1999) and P-J fit, and subsequently increase their level of work engagement. The results of the study also indicate that highly engaged employees have fewer intentions to leave their current organization, which is in line with the results of previous studies (Harter et al., 2002; Saks, 2006; Schaufeli & Bakker, 2004).

## CONCLUSION

This study explored the direct influence of OIET on work engagement as well as the cross-level mediating effects of self-efficacy and P-J fit. In addition to the discovery of a direct relationship between OIET and work engagement, the results reveal that the relationship is partially mediated by self-efficacy and P-J fit. The results also demonstrate that work engagement is negatively related to turnover intention. Such findings add new insights to the extant management literature.

## LIMITATIONS AND DIRECTIONS FOR FUTURE RESEARCH

This study primarily focused on the hotel industry in Taiwan. Future researchers can consider studying employees from different industries (e.g., manufacturing industry) to expand the generalization of the research findings. Moreover, the current study considered only employee work engagement and turnover intention. Future researchers could explore the effect of OIET on other important work outcomes, such as in-role performance, contextual performance and/or customer-oriented behaviour, through cross-level analysis.

In addition to self-efficacy and P-J fit examined in this study, psychological contract may be an important process factor that mediates the relationship between employee training and work outcomes. A poor psychological contract tends to act as a demotivator, which can be reflected in lower levels of employee performance and commitment and higher levels of absenteeism and turnover (Beardwell & Claydon, 2007). However, fulfilment of the psychological contract creates a feeling of being valued, increases trust and leads to positive outcomes for the organization and employee (Shapiro, 2000). This psychological variable could be investigated in future research.

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# ENTREPRENEURSHIP: IN A DYNAMIC WAY

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## ABSTRACT

*As in the whole world, in our country, there were a lot of industrial opportunities aroused due to liberalization and all. So a lot of opportunities for people in entrepreneurship field. There is a new growth for potential entrepreneurs in a higher manner which makes the national economic structure making it more important to know the fundamentals of entrepreneurship. Such knowledge involves to provide a brief introduction on why Entrepreneurship and to make clear why some individuals more entrepreneurial than others and to reflect the role of government in entrepreneurial development. To bring out the dynamic ways to design entrepreneurship and followed suggestions*

## KEYWORDS

entrepreneurship, industrial opportunities.

## INTRODUCTION

As manager and leader, the entrepreneur is one of the characters which strongly influences business around the world including in each country. This explains the need to understand the profile of such a character, characteristics and mode of action in situations they face. In general, an entrepreneur is a person who creates new business, taking risks in achieving the objectives which they propose to make profits and growth by identifying some important opportunities. Entrepreneur manages important resources, which draws from different sources on a major power to persuade those **E**ntrepreneurs are key importance in translating creativity into economic output. Consequently, entrepreneurship is a subject of great interest. Entrepreneurship is the development of a business from the ground up-coming up with an idea and turning it into profitable business. An entrepreneur is someone who can take any idea, whether it be a product and or service and have the skill set, will and courage to take extreme risk to do whatever it takes to turn that concept into reality and not only bring it into market, but make it as viable product or service that people want or need. In the past, many new technologies emerged, which at a given time were considered highly innovative. These technologies led rapid economic growths, so transformations and changes to the way business operated.

## OBJECTIVES OF THIS STUDY

1. To provide a brief introduction on why Entrepreneurship.
2. To make clear why some individuals more entrepreneurial than others.
3. To reflect the role of government in entrepreneurial development.
4. To bring out the dynamic ways to design entrepreneurship and followed suggestions.

## STATEMENT OF PROBLEM

This paper focused mainly to introduce need of entrepreneurship. Why some shines in entrepreneurial activities. The relevance of entrepreneurship is so high and how government motivate entrepreneur and also dynamic ways to design & bring out suggestions on this study.

## WHY ENTREPRENEURSHIP?

Entrepreneurship is a dynamic process of creating incremental wealth. The wealth is created by individuals who assume the major risks in terms of equity, time and of career commitment.

Entrepreneurship is a tool or mechanism that can be used to open the minds of individuals and organisations. It is the added-value of Creativity and Innovation which focuses on investing in human capital by enhancing and fostering the can-do attitude. It is not only business start-ups, SMEs, the profit and social enterprise sectors. Entrepreneurship is 'an individual's ability to turn Ideas into Action' and its value to society cannot be underestimated or dismissed.

## WHY SOME INDIVIDUALS MORE ENTREPRENEURIAL THAN OTHERS?

why some people are more entrepreneurial than others, but the answer is straightforward: personality. Indeed, individual differences in creativity, ambition, and risk-taking explain why some people have much more potential for entrepreneurship than others, and valid personality measures can help us identify who the entrepreneurs of tomorrow will be. Of course, there are also socio-political factors contributing to entrepreneurship. Still, in any country at any given point of time there will be more and less entrepreneurial people and a country's economic and social development is much more dependent on the former.

Interestingly, people with the same ability profile (equally smart, competent and educated individuals) can show dramatic differences in entrepreneurial potential: some may be motivated only by their personal career success and "sell their souls" to big corporations, whilst others will do whatever they can to work for themselves and "be their own boss". This difference highlights the rebellious, impulsive and risk-prone nature of entrepreneurial people compared to their less entrepreneurial counterparts, but there is also a difference in ability: entrepreneurial individuals see more opportunities, make more connections, and produce more novel ideas, than their less entrepreneurial peers, and this ability is not measured by typical IQ tests. It would seem, then, that the essential force underlying entrepreneurship is the desire and ability to invent something new, something that has the potential to improve the lives of many others (not just one's own) and add value to society.

Although when we think of entrepreneurial people we tend to think of successful businessmen, creating a business is neither necessary nor sufficient for entrepreneurship, just as being a manager or politician by no means a sign of good leadership. Without the personality traits, you would still be drinking bad coffee, going to the library, and posting letters. This is why you should care about entrepreneurship, and why that implies caring about personality: Personality rules the world, and the more power a person has, the more important is personality. Entrepreneurship is just another process by which this influence occurs; it is (like leadership) the natural consequence of differences in personality and yet another proof that the personality of some is much more influential than others'

## SOME ELEMENTS MAKING ENTREPRENEURS SUCCESSFUL MORE THAN OTHERS

1. **SELF-EFFICACY**

It refers to the extent to which a person believes that they can organize and effectively execute actions to produce given attainments. The entrepreneurs high in self efficacy will outperform those who are lower dimensions. The human functioning is motivated, regulated and directed by the ongoing exercise of self efficacy.

2. **OPPORTUNITY RECOGNITION**

Individuals differ greatly in their abilities to capture, recognize and make effective use of abstract and changing information opportunity recognition suggests that the ability to identify high potential from low potential opportunities and to spot obstacles and that would lead to creation of superior ventures.

3. **PERSEVERANCE**

Entrepreneurs try to create and sell "new combinations and as such they encounter substantial uncertainty regarding market acceptability and buyers demand.

## ROLE OF GOVERNMENT FOR ENTREPRENEURSHIP PROMOTION

Small and Medium-sized Enterprises (SMEs) in market economies are the engine of economic development. Owing to their private ownership, entrepreneurial spirit, their flexibility and adaptability as well as their potential to react to challenges and changing environments, SMEs contribute to sustainable growth and employment generation in a significant manner.

SMEs have strategic importance for each national economy due a wide range of reasons. Logically, the government shows such an interest in supporting entrepreneurship and SMEs. There is no simpler way to create new job positions, increasing GDP and rising standard of population than supporting entrepreneurship and encouraging and supporting people who dare to start their own business. Every surviving and successful business means new jobs and growth of GDP.

Enhancing the business environment for domestic and foreign investment and supporting entrepreneurship) as one of the goal. Promoting entrepreneurship and more rapid private sector development, but without appropriate operationalization and without clear description of the role and position of government and governmental institutions in obtaining this goal.

Therefore, designing a comprehensive, coherent and consistent approach of Council of Ministers and entity governments to entrepreneurship and SMEs in the form of government support strategy to entrepreneurship and SMEs is an absolute priority. A comprehensive government approach to entrepreneurship and SMEs would provide for a full coordination of activities of numerous governmental institutions (chambers of commerce, employment bureaus, etc.) and NGOs dealing with entrepreneurship and SMEs. With no pretension of defining the role of government in supporting entrepreneurship and SMEs, we believe that apart from designing a comprehensive entrepreneurship and SMEs strategy, the development of national SME support institutions and networks is one of key condition for success. There are no doubts that governments should create different types of support institutions:

(i) To provide information on regulations, standards, taxation, customs duties, marketing issues;

(ii) To advise on business planning, marketing and accountancy, quality control and assurance;

(iii) To create incubator units providing the space and infrastructure for business beginners and innovative companies, and helping them to solve technological problems, and to search for know-how and promote innovation; and

(iv) To help in looking for partners.

## DYNAMIC WAYS TO DESIGN ENTREPRENEURSHIP AND SUGGESTIONS FOLLOWED

Investing in education and vocational education and training as means to strengthen the entrepreneurship skills. This should be coupled with more flexible labour market policies that encourage skills combination and labor mobility.

Governments and regional economic communities should enact agreements and strategies aimed at improving the regulatory environment for business and promotion competition.

Attract investments in the most dynamic sectors. The key objective should be to diversify towards a mix of primary, manufacturing and services sectors.

Make more efficient use of the business incubator model to facilitate the establishment and growth of small and medium enterprises (SMEs). The business incubators will support SMALL enterprises with start-up capital, innovative ideas and growth prospects. It is well established that SMEs play a key role in creating employment, developing a skilled workforce and responding to various market demands.

The emerging economies (BRICS) were providing sources of investment, transferring skills and know-how, and creating opportunities for our country India's integration into the global economy.

## CONCLUSION

Entrepreneurship is a dynamic process of creating incremental wealth. The wealth is created by individuals who assume the major risks in terms of equity, time and of career commitment of providing value for product or service. For very competitive market some individual shines better than others due to their personality, self-efficacy and opportunity recognition. The need of the day is therefore, to identify and encourage the entrepreneurs with global perspective through Entrepreneurship and its marketing. Business starts up &transfers, existence of entrepreneurs within to embark on innovative ventures and growth of business help to achieve this balance. There is a positive relation between entrepreneurship and economy growth.

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# PARTICIPATION OF WOMEN IN SOCIO-ECONOMIC DECISION MAKING: A COMPARISON BETWEEN JOINT FAMILY AND NUCLEAR FAMILY

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**ABSTRACT**

*The research was conducted to study the participation of women in decision making in joint families and nuclear families. It is presumed that all important decisions in the family are taken by male heads of the families and participation of women in decision making is normally ignored. The involvement of women in decision making is necessary because one half population is female in India. A sample of 500 women respondents was selected from the five blocks of the District Udham Singh Nagar (Uttrakhand) through simple random sampling method. The result reveals that participation of women in decision making in nuclear families is greater almost in all respects compare to joint families. The main objective of this study is to make comparison between joint family women and nuclear family women in participation of women in social decision making in family matters.*

**KEYWORDS**

decision making, joint family, nuclear family, social, status

## INTRODUCTION

Women occupy an important status in family life, particularly in India, since time immemorial. As the literature reveals women use to enjoy a very high status such as economical, social and political during Vedic period which deteriorated during Medieval and British period till introduction of various laws favoring women and a number of agitation by several social activist-Raja Ram Mohan Roy, Ishwar Chandra Vidyasagar, Jyotirao Phule, Guru Nanak Dev and etc. The status of women deteriorated to the extent that their life were confined to four walls of the house and they had no say in any decision-making.

Decision-making is all pervasive. Be it a business organization or government organization or a club or even a family. In families a number of decisions are taken in various situations and circumstances. They may be economic, social, political, religious and professional decisions. But it is presumed that all important decisions in the family are taken by male heads of the families and participation of women in decision-making is normally ignored but in course of time owing to various women emancipation movements. Status of women has improve at the society has started recognizing her role in important family matters.

In this paper a humble attempt is made to study the status of women in family life regarding their participation in social decision-making in various areas. But during the course of time the structure of family has also been changing its shape. Decade back, the structure of families was normally in the form of joint family but owing to industrialization and development in technology, infrastructure, communication, transportation, impact on western culture of Indian society etc. gave rise to nuclear family. Therefore it is desirable to study the degree of participation of women in social decision-making in joint families and nuclear families separately.

## REVIEW OF LITERATURE

1. Malkit (1998) conducted study on decision making power among women, related to social obligations, which include decisions regarding age at marriage, mate selection, dowry, expenditure on marriage and education of children also showed relatively high role of women, dowry was more or less a female domain with 78.3 percent, women having high role in it, followed by decisions related to age at marriage of son and daughter.
2. M. U. Rashid, M. M. Islam (2011) concluded in their studies that women play significant decision-making role in education, social and development aspects of the family leaving comparatively less participation in economic activities of the family. Nearly half of the respondents had medium participation in the family decision making role, while the rest of women had high and low participation in equal proportion. They found that education qualification of women helps to play significant role in family decision-making.
3. Kiani. M (2012)he found out in his study that women of the new generations compare to women of the old generations who have been married for a short time had lower participation in family decisions. Men's education prepares the ground for their change of attitude and acceptance of new norm. Thus it increase men's participation in doing household chores and women's participation in family decisions change the pattern of the family decisions and adjust the structure of patriarchal power pyramid.
4. Jan M., Akhtar S. (2008) concluded in their study that women possess low decision-making power in their families, married and unmarried women holds egalitarian decision-making power related to their health of children. Women possess familial decision-making power related to education of children and marriage of their children. Married and unmarried women mainly possess non-specific decision-making power for participation in local government and masculine decision-making power in choice for income generating activity. Married and unmarried women also hold familial decision-making power for visiting to their relatives. Women also possess masculine decision power visiting to their friends and familial decision making power for sale and purchases of property.
5. Acharya D.R., Bell J. S., simkhanda P., Teilingen E. R. V., Regmi P. R.(2010) concluded in their study that many factors affects the ability of women to take part in the decision-making process in the household. Women from middle and lower class have the least decision-making power, which suggests involving them in education and decent employment to minimise their dependency on the family members and husband/father. In the household, husband –wife relation are central to women's autonomy in decision-making, and improved communication between them can deserve sustained support. Women are excluded from decision-making by more than just lack of education.
6. Zafar S., Batool Z., Bano S., found in their study that by encouraging women role and status in society and providing them education, rights to participate in decision-making can be enhanced. They suggested (i) proper education facilities should be provided for females without discrimination in the rural areas (ii)

Government should give proper chance to women to make better use of their productive capabilities in different fields (iii) women rights in family need protections (iv) male and female discrimination should be eliminated by the government and society should improve the existing status and role of women.

7. Sharma S., Rao P. K., Sharma R. (2013) find out that women participate in all type of farm activities and do more work as compare to male workers but their participation in decision-making related to farm and income generating activities is low. They also concluded that decision related to buying and selling land, machines and other agricultural implements, improvement of harvest and livestocks management were mainly taken by the head of the family or husband.

## OBJECTIVES

1. To study the participation of women in social decision making in family matters.
2. To make comparison between joint family and nuclear family women in view of (1).

## HYPOTHESIS

1. Null hypothesis $H_0$ = There is no significant difference in decision-making by women in joint family and nuclear family.
2. Alternative hypothesis $H_1$ = There is significant difference in decision making by women in joint family and nuclear family.

## RESEARCH METHODOLOGY

To know the participation of women in social decision making the study was conducted in five blocks namely- Jaspur, Kashipur, Bazpur, Sitarganj and Khatima District of Udham Singh Nagar which is one of the district of Uttrakhand. The sample size were 500 head women in the families out of which 250 were head of the joint families and 250 were head of the nuclear families to assess women's participation in social decision making. The data were collected with the help of questionnaires/interview schedule. Some respondents were not able to understand the question of the questionnaires than the head of the family women were explain the broad objective of this study by the researcher in easy understandable form. Secondary data related to women's decision-making were obtained from various publications book, websites, published and unpublished research paper, article, newspapers and journals.

To measure the role of women in social decision-making, a five point rating scale was developed and five types of responses No participation, low participation, medium participation, high participation and very high participation in social decision-making were obtained from the respondents. The corresponding scores assigned to each response were 1, 2, 3, 4 and 5 respectively. After collecting the data the chi-square test was used in numerical table and value of chi-square was ascertained on the basis of degree of freedom. The rejection and acceptance of the hypothesis was decided on the basis of significance/insignificance of the relevant statistic at 0.05 and 0.01 level of significance.

## RESULTS AND DISCUSSION

For the sake of this study social decisions assumed that such decision are taken by elder male member of the family and role of women in this regard is almost ignored. Therefore, the study focuses at looking into the extent to which women have their say in social decisions of the family. For the sake of this study a few selected social activities have been taken like- marriage, widow remarriage, relation maintain with blood-relatives, friends and their families, business partners and colleagues and join the social organizations like- NGO and other.

**TABLE 1: DISTRIBUTION OF THE RESPONDENTS ACCORDING TO THEIR PARTICIPATION IN DECISION MAKING IN DIFFERENT FAMILY MATTERS**

| S.no | Decision-Making | Family women | | | | (chi-square) |
|---|---|---|---|---|---|---|
| | | Joint n=250 | | Nuclear n=250 | | |
| 1. | Marriage | **N** | **%** | **N** | **%** | 85.512$^{HS}$ |
| | 1 | 17 | 6.8 | 0 | 0 | |
| | 2 | 55 | 2.2 | 17 | 6.8 | |
| | 3 | 111 | 44.4 | 130 | 52 | |
| | 4 | 57 | 22.8 | 88 | 35.2 | |
| | 5 | 10 | 04 | 15 | 06 | |
| 2. | Widow remarriage | | | | | |
| | 1 | 33 | 13.2 | 16 | 6.4 | 42.482$^{HS}$ |
| | 2 | 75 | 30 | 56 | 22.4 | |
| | 3 | 102 | 40.8 | 114 | 45.6 | |
| | 4 | 35 | 14 | 49 | 19.6 | |
| | 5 | 5 | 02 | 15 | 06 | |
| 3. | Maintain social Relation with blood-relative | | | | | |
| | 1 | 03 | 1.2 | 00 | 00 | 26.7839$^{HS}$ |
| | 2 | 32 | 12.8 | 23 | 9.2 | |
| | 3 | 125 | 50 | 107 | 42.8 | |
| | 4 | 77 | 30.8 | 105 | 42 | |
| | 5 | 13 | 5.2 | 15 | 06 | |
| 4 | Maintain social Relation with friends and their family | | | | | |
| | 1 | 15 | 06 | 05 | 02 | 24.6596$^{HS}$ |
| | 2 | 37 | 14.8 | 22 | 8.8 | |
| | 3 | 98 | 39.2 | 105 | 42 | |
| | 4 | 90 | 36 | 100 | 40 | |
| | 5 | 10 | 04 | 18 | 7.2 | |
| 5 | Maintain social relation with business partner and colleagues | | | | | |
| | 1 | 05 | 02 | 03 | 1.2 | 26.1181$^{HS}$ |
| | 2 | 43 | 17.2 | 22 | 8.8 | |
| | 3 | 112 | 44.8 | 120 | 48 | |
| | 4 | 80 | 32 | 87 | 34.8 | |
| | 5 | 10 | 04 | 18 | 7.2 | |
| 6 | To Join social organizations like- NGO and other | | | | | |
| | 1 | 08 | 3.2 | 04 | 1.6 | 18.5323$^{HS}$ |
| | 2 | 47 | 18.8 | 26 | 10.4 | |
| | 3 | 100 | 40 | 110 | 44 | |
| | 4 | 75 | 30 | 89 | 35.6 | |
| | 5 | 20 | 08 | 21 | 8.4 | |

1=No participation, 2=low participation, 3=medium participation, 4= high participation, 5= very high participation
Table value at 0.01=13.2767, 0.05=9.4877, with 4 df.
HS= highly significant at 0.05 and 0.01 level.

## ANALYSIS OF RESULTS

1. **Marriage**- In the joint family women participation is high till first and second score which is no and low participation, but in nuclear family women participation is high in medium, high and very high scores. The chi-square value reveals that there is highly significance difference between the joint family and nuclear family women regarding decision making about marriage.
2. **Widow remarriage**- The majority of joint family women respondent participation is highest in the third score but it is less than nuclear family women respondents. In fourth and fifth score nuclear family women respondents participation is high compare than joint family women. It shows that nuclear family women participation is high than the joint family women.
3. **Social relation with blood relatives**- The joint family women respondent participation is high in third score than nuclear family women. It reveals that majority of joint family women take decisions with their husband/father but nuclear family women take more decisions along with their husband/father.
4. **Social relation with friends and their family**- The joint family women takes no and low participation in decision making and nuclear family women take part in medium, high and very high decision making about to maintain social relation with friends and their families.
5. **Social relation with business partners and colleagues**- In the joint family women take few decisions about maintaining their relation with friends and their family because male member of the family take decisions behalf of them. But in the nuclear family women have more freedom to decisions about maintain their relation with friends and their family.
6. **Joining social organizations**- Similarly in this area joint family women have minimum freedom to take decision about joining social institution but nuclear family women have more freedom to join the social institutions.

## CONCLUSION

Woman is the most important part of the family but there is very high difference between a joint family women and a nuclear family women. There is significant difference between the joint family women and nuclear family women regarding decision making about marriage, widow remarriage, maintaining social relation with blood-relatives, friends and their families, business partners and colleagues and joining the social organizations. Thus the above discussion reveals that participation of women in decision making in nuclear families is greater, almost in all respect as compared to joint families. This might be due to the obvious fact that in comparison to joint families women in nuclear families have less control of their in-laws and other elderly members. In nuclear families the husband happens to be the head of the family and takes almost all decisions but consultancy and advice play an important role in reaching the final decisions. In nuclear families wives act as true consultant and advisor because no other member in the family is capable of extending their advice, this results in high participation of women in decision-making in nuclear families.

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# A STUDY OF INVESTORS' PERCEPTION TOWARDS STOCK MARKET IN JALANDHAR

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## ABSTRACT

*Investment in stock market or capital market is considered as one of the important destinations for investing one's funds. The investments made in stock market are considered to be more risky as compared to the other forms of investments such as investments in real estate, gold, bonds, bank deposits etc. But at the same time the investment in stock market are more liquid than investment in real estate and bonds. In this paper an attempt has been made to know the perception of the investors towards investment in stock market. A survey of 200 investors has been done for this purpose.*

## KEYWORDS

Bombay stock exchange, equity shares, preference shares, investment, national stock exchange, dividend.

## INTRODUCTION

A stock market or share market now a day is a virtual market where buyers and sellers sitting at distant places can buy and sell shares by using the technology i.e. through internet. Stock market is not a physical market and all the transactions are done online. The volume and value of transactions may vary from a few rupees to billions of rupees in single transactions. There are variety of buyers and sellers such as individual investors, Foreign Institutional Investors, Domestic Institutional Investors, Large Brokerage Houses, Insurance Companies, Mutual Funds etc.

## HISTORY OF STOCK MARKET

It is believed that in the middle of 13th century, Venetian bankers started trading in Government Securities. In 14th Century banks in Verona and Pisa also began to trade in Government Securities. It is believed that the Dutch East India Company was the first joint stock company to get a fixed capital stock and by consequence of which regular trading in stock happened on Amsterdam Exchange. Stock market is said to be the barometer of any economy. There are stock exchanges in almost every country of the world. Some of the leading stock exchanges in the world include New York Stock Exchange, NADAQ QMX, Tokyo Stock Exchange, London Stock Exchange, Shanghai Stock Exchange, Hong Kong Stock Exchange etc.

## INDIAN STOCK EXCHANGES

In India as of now there are two leading stock exchanges i.e. Bombay Stock Exchange, popularly known as BSE and National Stock Exchange (NSE). Bombay Stock Exchange which got established in the year 1875 is supposed to be the Asia's first stock exchange. About 5,600 companies are listed on Bombay Stock Exchange. The benchmark index of Bombay Stock Exchange is known as S&P BSE SENSEX. The index has been uses the Free Float Market Capitalization Methodology for computation of SENSEX.

The other leading stock exchange of India is National Stock Exchange which was established in the year 1992. The National Stock Exchange was the brain child of leading financial institutions of the country such as IFCI Limited, State Bank of India, Life Insurance Corporation of India, IDFC Limited and Stock Holding Corporation of India etc. It was set up at the behest of the Government of India. The benchmark index of National Stock Exchange is known as NIFTY 50.

## TYPES OF SHARES

Section 43 of the Companies Act, 2013 states that there are two types of shares:

(1) Preference Shares
(2) Equity Shares

**Preference Shares**- Preference shares are called by this name because they have priority in respect of the following two things

(a) Priority in relation to the receipt of dividend before any dividend is paid to equity shareholders
(b) Priority in relation to the refund of capital before the equity shares, in case the company is wound up

In addition to these above two rights, preference shares may have some more rights like right to participate in extra profits after giving dividend to equity shares at a specified rate and right to receive premium at the time of redemption

**Equity Shares**: Equity shares do not have any fixed rate of dividend because dividends are paid to them only when some profits are left after fixed dividend has been paid to preference shareholders. If the company earns no profits in a particular year, equity shareholders will not receive anything. But if a company earns more profits, then after giving fixed dividends to preference shareholders all the profits will be available for equity shareholders only. As far as the return of capital to equity shareholders is concerned, it will be returned to them only after preference share capital is returned in full. Equity shareholders have the right to vote and power to manage the company's affairs.

## DISTINCTION BETWEEN PREFERENCE SHARES AND EQUITY SHARES

**TABLE 1**

| Sr. No. | Basis of Distinction | Preference Shares | Equity Shares |
|---|---|---|---|
| 1 | Preferential right regarding payment of dividend | They have a right to receive dividend before any dividend is paid to equity shareholders | Payment of dividend to equity shareholders is made after the payment of preference dividend |
| 2 | Preferential right as to the payment of capital | Preference shareholders have the right to return of capital in case of winding up, before any capital is returned to equity shareholders | Equity share capital is paid only after preference share capital is paid fully. |
| 3 | Rate of Dividend | Preference shareholders are paid dividend at a fixed rate | The rate of dividend on equity shares varies from year to year depending upon the quantum of available profits. |
| 4 | Arrears of dividend | If dividend is not paid on these shares in any year, the arrears of dividend may accumulate. | There is no provision for accumulation of dividend. |
| 5 | Voting Rights | Preference shareholders do not have any voting rights. | Equity shareholders enjoy voting rights. |
| 6 | Right to participate in management | They do not have a right to participate in the management of the company. | They have full right to participate in the management of the company. |

## REVIEW OF LITERATURE

**Walia and Kumar (2007)** studied the investors' preference towards traditional trading method and online trading of stocks. The major findings of the study included that Indian investors are conservative and they still prefer to trade through stock brokers.

**Srivastava, Yadav and Jain (2008)** in their study titled "Derivative Trading in Indian Stock Market: Broker's Perception" found that major contribution to the derivative markets come from High Net Worth individuals and proprietary investors.

**Srivastava (2010)** studied the changing perception of retail investors towards investment in stock market in post LPG (Liberalization, Privatization and Globalization) era. His study found some pulsating changes have taken place in the Indian business scenario and identified that outlook of the Indian investment environment has changed.

**Parihar and Sharma (2012)** found that salaried employees were reluctant to invest in stock market and preferred the traditional investments options such as Public Provident Fund (PPF), National Savings Certificates (NSC), Bank FDRs, Life Insurance etc.

## OBJECTIVES

1. To find out the profile of the investors investing in stock market.
2. To study the association between the gender of the investor and purpose of investment.
3. To study the association between age and amount of investment.
4. To study the association between income and purpose of investment.
5. To study the association between amount of investment and experience in the share market.

## SOURCES OF DATA

The primary data has been collected through a structured questionnaire.

**RESEARCH TOOLS AND TECHNIQUES**

The percentage method and Chi Square test has been applied using SPSS, Mega stat and Data Analysis Tool Pack.

**SCOPE OF THE STUDY**

The scope of the study is limited to 200 investors in Jalandhar City.

**HYPOTHESIS**

$H_0$: There is no association between the gender of the investor and purpose of investment.

$H_0$: There is no association between the age of the investor and amount of investment

$H_0$: There is no association between the income of the investor and occupation of the investor.

$H_0$: There is no association between amount of investment and quantum of experience in the share market.

## DISCUSSION

**OBJECTIVE 1: DEMOGRAPHIC PROFILE OF THE RESPONDENTS**

The respondents' demographic profile like gender, education, income, experience etc. is given in the following tables:

**TABLE 1: GENDER OF THE INVESTORS**

| Gender | Frequency | % |
|---|---|---|
| Male | 117 | 58.5 |
| Female | 83 | 41.5 |
| **Total** | **200** | **100** |

Source: Primary Data

The Table 1 above shows that out of 200 investors 117 are males whereas 83 are females.

**TABLE 2: EXPERIENCE IN STOCK MARKET**

| Experience in Stock Market | No. of Respondents | % |
|---|---|---|
| Less than 1 year | 76 | 38.00 |
| 1-3 Years | 59 | 29.50 |
| 3-5 Years | 26 | 13.00 |
| More than 5 years | 39 | 19.50 |
| **Total** | **200** | **100** |

Source: Primary Data

It is clear from the Table 2 above that 38% investors are having less than one year of experience whereas 19.50% investors have experience more than 5 years.

**TABLE 3: AGE OF THE INVESTORS**

| Age | No. of Respondents | % |
|---|---|---|
| Below 30 Years | 71 | 35.50 |
| 30-40 Years | 44 | 22.00 |
| 40-60 Years | 37 | 18.50 |
| Above 60 Years | 48 | 24.00 |
| **Total** | **200** | **100** |

Source: Primary Data

The Table 3 indicates that many youngsters are attracted towards stock market. 71 respondents are below the age of 30 years. Out of 200 respondents, 48 are above the age of 60 which shows that persons of all age groups are investing in the stock market.

**TABLE 4: ANNUAL INCOME OF THE INVESTORS**

| Income (₹ in Lakh) | No. of Respondents | % |
|---|---|---|
| Upto 3.00 Lakh | 56 | 28.00 |
| 3.00-5.00 Lakh | 52 | 26.00 |
| 5.00-10.00 Lakh | 53 | 26.50 |
| More than 10.00 Lakh | 39 | 19.50 |
| **Total** | **200** | **100** |

Source: Primary Data

It is clear from the Table 4 above that respondents come from the different income groups. The highest number of investors i.e. 28% have annual income less than ₹ 3 lakh whereas 19.5% investors have annual income more than ₹ 10 lakh.

**TABLE 5: AVERAGE AMOUNT OF INVESTMENT**

| Investment (₹ in Lakh) | No. of Respondents | % |
|---|---|---|
| Upto 0.50 Lakh | 59 | 29.50 |
| 0.50-1.00 Lakh | 45 | 22.50 |
| 1.00-2.00 Lakh | 45 | 22.50 |
| More than 2.00 Lakh | 51 | 25.50 |
| **Total** | **200** | **100** |

Source: Primary Data

It is clear from the Table 5 above that more than 50% of the investors have invested less than ₹ 1 Lakh. Only 51 investors out of 200 have invested more than ₹ 2 Lakh.

**TABLE 6: PURPOSE OF INVESTMENT**

| Purpose of Investment | No. of Respondents | % |
|---|---|---|
| Short-term Gains | 42 | 21.00 |
| Regular Dividend | 45 | 22.50 |
| Capital Appreciation | 83 | 41.50 |
| Tax Benefits | 30 | 15.00 |
| **Total** | **200** | **100** |

Source: Primary Data

The Table 6 above indicates that 83 respondents i.e. 41.5% invest for capital appreciation i.e. they are long-term investors which is a good sign.

**TABLE 7: OCCUPATION OF THE RESPONDENTS**

| Occupation | No. of Respondents | % |
|---|---|---|
| Students | 34 | 17.00 |
| Private Sector Employees | 97 | 48.50 |
| Self Employed | 44 | 22.00 |
| Govt. Employees | 25 | 12.50 |
| **Total** | **200** | **100** |

Source: Primary Data

It can be seen from the Table 7 that about 50% of the respondents are Private Sector Employees whereas Government Employees are less inclined towards investment in the stock market.

**TABLE 8: EDUCATIONAL QUALIFICATIONS OF THE RESPONDENTS**

| Educational Qualification | No. of Respondents | % |
|---|---|---|
| Under Graduate | 54 | 27.00 |
| Graduates | 101 | 50.50 |
| Post Graduates | 45 | 22.50 |
| **Total** | **200** | **100** |

Source: Primary Data

The Table 8 above shows that more than 50% of the respondents are graduates whereas 27% of the respondents are under graduate.

**Hypothesis 1: There is no association between the gender of the investor and purpose of investment:**

In order to test this hypothesis, the Chi-Square test has been used. Since, none of the cells have expected frequency less than 5, the condition for applying Chi-Square is fulfilled.

**TABLE 9: ASSOCIATION BETWEEN GENDER AND PURPOSE OF INVESTMENT**

| | | | Purpose | | | | |
|---|---|---|---|---|---|---|---|
| | | | **Short-term gain** | **Regular Dividend** | **Capital Appreciation** | **Tax Benefits** | **Total** |
| | **Male** | Observed | **27** | **25** | **50** | **15** | 117 |
| | | Expected | 24.57 | 25.74 | 49.14 | 17.55 | 117.00 |
| **Gender** | | % of column | 64.3% | 56.8% | 59.5% | 50.0% | 58.5% |
| | **Female** | Observed | **15** | **19** | **34** | **15** | 83 |
| | | Expected | 17.43 | 18.26 | 34.86 | 12.45 | 83.00 |
| | | % of column | 35.7% | 43.2% | 40.5% | 50.0% | 41.5% |
| | **Total** | Observed | 42 | 44 | 84 | 30 | 200 |
| | | Expected | 42.00 | 44.00 | 84.00 | 30.00 | 200.00 |
| | | % of column | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% |
| | | | **1.56** | **chi-square** | | | |
| | | | **3** | **df** | | | |
| | | | **.6686** | **p-value** | | | |

**Analysis and Interpretation**: The Table 9 shows that the calculated value of Chi-Square (1.56) at 3 degree of freedom and p-value.6686 is not significant at 5% level of significance. So, our hypothesis is accepted and we can conclude that there is no association between the gender of the investor and purpose of investment.

**Hypothesis 2: There is no significant association between the age of the investors and amount of investment.**

For testing this hypothesis, Chi-Square Test has been applied using Data Analysis Tool Pack of Excel.

**TABLE 10: ASSOCIATION BETWEEN AGE AND AMOUNT OF INVESTMENT**

| | | Amount of Investment | | | | |
|---|---|---|---|---|---|---|
| | | **Upto Rs. 0.5 L** | **Rs. 0.5-1L** | **Rs. 1L-2L** | **Above Rs.2L** | **Total** |
| **Less than 30 years** | Observed | **17** | **14** | **20** | **20** | 71 |
| | Expected | 20.95 | 15.98 | 15.98 | 18.11 | 71.00 |
| | % of row | 23.9% | 19.7% | 28.2% | 28.2% | 100.0% |
| **30-40 years** | Observed | **19** | **6** | **6** | **13** | 44 |
| | Expected | 12.98 | 9.90 | 9.90 | 11.22 | 44.00 |
| | % of row | 43.2% | 13.6% | 13.6% | 29.5% | 100.0% |
| **40-60 years** | Observed | **15** | **5** | **12** | **5** | 37 |
| | Expected | 10.92 | 8.33 | 8.33 | 9.44 | 37.00 |
| | % of row | 40.5% | 13.5% | 32.4% | 13.5% | 100.0% |
| **Above 60 years** | Observed | **8** | **20** | **7** | **13** | 48 |
| | Expected | 14.16 | 10.80 | 10.80 | 12.24 | 48.00 |
| | % of row | 16.7% | 41.7% | 14.6% | 27.1% | 100.0% |
| **Total** | Observed | 59 | 45 | 45 | 51 | 200 |
| | Expected | 59.00 | 45.00 | 45.00 | 51.00 | 200.00 |
| | % of row | 29.5% | 22.5% | 22.5% | 25.5% | 100.0% |
| | | **26.81** | **chi-square** | | | |
| | | **9** | **df** | | | |
| | | **.0015** | **p-value** | | | |

**Analysis and Interpretation**: It can be seen from the Table 10 above that calculated value of Chi-Square (26.81) at 9 degrees of freedom and p-value .0015 is significant at 5% level of significance. So, our hypothesis is not accepted and we can conclude that there is significant association between the age of the investor and amount of investment in the stock market.

**Hypothesis 3: There is no association between the income of the investor and occupation of the investors.**

For testing this hypothesis, Chi-Square Test has been used and the results of the test are given in Table 11 below.

**TABLE 11: ASSOCIATION BETWEEN INCOME AND OCCUPATION**

| | | | Occupation | | | | |
|---|---|---|---|---|---|---|---|
| | | | **Student** | **Pvt. Sector Empl.** | **Self Employed** | **Govt. Empl.** | **Total** |
| | **Upto Rs. 3 Lakh** | Observed | **14** | **23** | **13** | **5** | 55 |
| | | Expected | 9.08 | 26.68 | 11.83 | 7.43 | 55.00 |
| **Income** | | % of row | 25.5% | 41.8% | 23.6% | 9.1% | 100.0% |
| | **Rs. 3L-5L** | Observed | **4** | **25** | **14** | **8** | 51 |
| | | Expected | 8.42 | 24.74 | 10.97 | 6.89 | 51.00 |
| | | % of row | 7.8% | 49.0% | 27.5% | 15.7% | 100.0% |
| | **Rs. 5L-10L** | Observed | **4** | **32** | **10** | **5** | 51 |
| | | Expected | 8.42 | 24.74 | 10.97 | 6.89 | 51.00 |
| | | % of row | 7.8% | 62.7% | 19.6% | 9.8% | 100.0% |
| | **More than Rs. 10L** | Observed | **11** | **17** | **6** | **9** | 43 |
| | | Expected | 7.10 | 20.86 | 9.25 | 5.81 | 43.00 |
| | | % of row | 25.6% | 39.5% | 14.0% | 20.9% | 100.0% |
| | **Total** | Observed | 33 | 97 | 43 | 27 | 200 |
| | | Expected | 33.00 | 97.00 | 43.00 | 27.00 | 200.00 |
| | | % of row | 16.5% | 48.5% | 21.5% | 13.5% | 100.0% |
| | | | **18.24** | **chi-square** | | | |
| | | | **9** | **df** | | | |
| | | | **.0325** | **p-value** | | | |

**Analysis and Interpretation**: The Table 11 above shows that the calculated value of Chi-Square (18.24) at 9 degrees of freedom and p-value.0325 is significant at 5% level of significance. So, our hypothesis is not accepted and we can conclude that there is significant association between the occupation of the investors and income of the investors. But this association is not very strong.

**Hypothesis 4: There is no significant association between the amount of investment in the stock market and experience of the investor in the stock market**

This hypothesis has been tested by using Chi-Square Test and none of the cells have expected frequency less than 5.

**TABLE 12: ASSOCIATION BETWEEN AMOUNT OF INVESTMENT AND EXPERIENCE**

| | | | Amount of Investment | | | | |
|---|---|---|---|---|---|---|---|
| | | | Upto Rs. 0.5 L | Rs. 0.5-1L | Rs. 1L-2L | Above Rs.2L | Total |
| | Less than 1 year | Observed | **25** | **18** | **19** | **14** | 76 |
| | | Expected | 22.42 | 17.10 | 17.10 | 19.38 | 76.00 |
| **Experience** | | % of row | 32.9% | 23.7% | 25.0% | 18.4% | 100.0% |
| | 1-3 years | Observed | **14** | **7** | **19** | **19** | 59 |
| | | Expected | 17.41 | 13.28 | 13.28 | 15.05 | 59.00 |
| | | % of row | 23.7% | 11.9% | 32.2% | 32.2% | 100.0% |
| | 3-5 years | Observed | **11** | **1** | **1** | **13** | 26 |
| | | Expected | 7.67 | 5.85 | 5.85 | 6.63 | 26.00 |
| | | % of row | 42.3% | 3.8% | 3.8% | 50.0% | 100.0% |
| | More than 5 years | Observed | **9** | **19** | **6** | **5** | 39 |
| | | Expected | 11.51 | 8.78 | 8.78 | 9.95 | 39.00 |
| | | % of row | 23.1% | 48.7% | 15.4% | 12.8% | 100.0% |
| | Total | Observed | 59 | 45 | 45 | 51 | 200 |
| | | Expected | 59.00 | 45.00 | 45.00 | 51.00 | 200.00 |
| | | % of row | 29.5% | 22.5% | 22.5% | 25.5% | 100.0% |
| | | | 40.59 | chi-square | | | |
| | | | 9 | df | | | |
| | | | 5.93E-06 | p-value | | | |

**Analysis and Interpretation**: The table 12 indicates that calculated value of Chi-Square (40.59) at 9 degrees of freedom and p-value.5.93E-06 is significant at 5% level of significance. So, our hypothesis is not accepted and we can conclude that there is significant association between the experience of thee investors and amount of investment in the stock market. This association is very strong and it indicates that with the increase in the amount of experience the amount of investment is also increasing.

## FINDINGS

It is clear from the findings that as far as purpose of the investment is stock market is concerned it has got no association with the gender of the respondent. The age of the investor has got a very strong association with the amount of investment in the stock market. As the age is increasing the amount of investment is also increasing.

The study also finds an association between the income of the investor and occupation of the investor but this association is not very strong. But there is a very strong association between the experience of the investor and the amount of investment in the stock market. So the experience gives more confidence to the investors.

## CONCLUSION

The people from all walks of life are investing in the stock market. But, it very unfortunate that less than 1% of Indian population is investing in stock market. The government should encourage people to invest in the stock market by offering various incentives to the investors.

## LIMITATIONS

The study is limited to 200 respondents only and the area covered is very small i.e. Jalandhar City only.

## SCOPE FOR FURTHER RESEARCH

Since this study is just limited to one city only with few objectives. The further research can be conducted covering a broader area and more objectives.

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# ROLE OF ORGANISATIONS TO COMBAT STRESS AMONG EMPLOYEES IN IT SECTOR

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## ABSTRACT

*Stress is a conscious or unconscious psychological feeling or physical situation which comes as a result of physical or/and mental 'positive or negative pressure' to overwhelm adaptive capacities. Organisational stress has become a common problem throughout the world. Over the years, the impact of stress on the wellbeing of the person has increased. But stress has become a part of life. Stress is a naturally occurring phenomenon which can act as a motivator in the right situation. By employing strategies to help the employee manage stress, the organisations can help in improving health and overall quality of life. Firstly the employee should be able to recognise that he is in stress and secondly the organisation should develop stress reduction techniques or stress management techniques. This study is limited to Hyderabad only and it has taken into consideration IT employees who are working on full-time basis. It was concluded that the employees' are in stress and most of them are unaware about the stress. The management should play an active role in reducing stress among the employees through counselling, change in the organisational policies and transparency in the organisation.*

## KEYWORDS

counselling, health, performance, productivity, stress.

## INTRODUCTION

Information Technology (IT) sector has been beneficial to the economy in many areas. It not only helped India to gain a global scenario but it has also provided employment to many employees by giving them international exposure. It has redefined work and has given rich working environment with handsome pay. But nothing comes so smoothly and peacefully, the employees in IT sector are categorised with "stress". The term "stress" was coined by Dr. Hans Selye in 1936, one of the leading authorities who described the concept of stress in the Journal Nature as "the rate of all wear and tear caused by life." He defined stress as "the non-specific response of the body to any demand for change". According to him stress is a part and parcel of life and it cannot be avoided. If stress is understood and taken in a positive way, it can lead to beneficial outcomes.

There are two types of stress. Eustress and Distress. The Eustress consist of stress which is termed as a recurring, good and constructive stress. It involves the employees of today's business organizations who may learn to identify ways that stress negatively affecting their work performance. Identifying the negative effects may enable them to take necessary action to cope with stress. By sharing this knowledge employees can act as a vehicle to help the management in implementing appropriate stress reduction programs. The Distress which is also termed as the stress which has a rapid onset and is often viewed as an intense bad stress. The employers here gain insight as to how stress is actually negatively affecting employees work performance.

The following are the sources of organisational stress:

- Organisational policies
- Organisational structure
- Quality of leadership
- Change in job role and task

The following are the sources of non-organisational sources of stress:

- Family Issues
- Long, Uncertain Or Unsocial Hours,
- Working Away From Home,
- Taking Work Home,
- Domestic Pressures Such As Childcare Responsibilities And Taking Care Of Elderly People
- Financial Worries

## LITERATURE REVIEW

**Shane Schick, (2007),** stressed IT professionals who use a balance of problem-focused coping strategies and emotion-focused coping strategies are most successful in dealing with the stress of staying perpetually up-to-date. The study highlights the importance of monitoring the stress that results from the constant demand on IT professionals to update their technical skills because the threat of technical obsolescence may result in a higher rate of absenteeism, work burnout and a desire to change careers. Managers can help by providing IT professionals with concrete resources such as research time, opportunities to attend courses, and physical facilities that facilitate trial and error. IT professionals who deploy different combinations of coping strategies end up with different levels of distress. They fared best by using a combination of problem-focused coping and emotion-focused coping.

**Dr.Sameera, Head & Associate Professor, Department of Management Studies, Nimra Institute of Engineering & Technology, Ongole, India, Dr.Shakir Shaik, Nimra Institute of Engineering & Technology, Ongole** in their paper on A Study on Stress Management among the BPO Employees in Chennai City (January 2016), Most of the employees feel that they experience the stress at work. BPO industry should concentrate on managing stress and where the company is lacking for doing the same. Employees of the BPO should be made free from not only fear of quality of performance but also from other type of fear generating in their minds. Counselling and guidance, quality consciousness awareness programs, psychological support should be provided to the employees. The concept of working for five days in a week can be implemented in BPO, so that the employees can give more time to themselves and their family and discharge other social responsibilities. BPO's should arrange recreation facilities, YOGA camps, meditation camps, entertaining programs etc. The working environment should be safer. Work should be decentralised in the BPO Companies. Friendly environment from colleagues and especially boss should be ensured by the BPO companies. Employees should try to give quality output rather than fear from it in term of work.

According to **G.Latha and N. Panchanatham, Asst. Professor from Annamalai University,** published in their paper on Call Centre Employees: Is Work Life Stress a Challenge were of the opinion"(December 2010) that the call centre provides lot of job opportunities. But the employees are not clear about their personal growth

and development. The organizations should identify the sources of stress for their employees. Job feedback, workload and promotion opportunities are the major stressors for the call centre executives. Working conditions, job security, workplace politics, job satisfaction, changes taking place in the work place and interpersonal relations create medium stress among them. In giving job feedback, good performance and achievements are to be appreciated. The stress due to workload and poor working conditions can be reduced by improving the working conditions. Providing good canteen facility or cafeteria where employees can go for a break and refresh and giving them enough leisure time and holidays can really help. Taking the employees for a holiday outing can improve the interpersonal relations and reduce their stress level. The responsibility of the call centers is to provide a clear career path to its employees so that the stress due to job security and promotion opportunity can be eliminated. Open door policy and speedy solution to employee issues can improve job satisfaction and reduce workplace politics.

## OBJECTIVES

1. To study the factors causing stress among the employees
2. To study the recent practices adopted by the company to reduce stress
3. To suggest some measures to alleviate job Stress in IT sector

## RESEARCH METHODOLOGY

- **RESEARCH DESIGN**: Descriptive and Analytical
- **SOURCES OF DATA COLLECTION**: Primary data (Questionnaire method) and Secondary method (Books, Journals, Websites)
- **SAMPLING PLAN**: Convenience Sampling.
- **SAMPLE SIZE**: The sample size was 803 employees working in IT / ITES Sector in Hyderabad. 481 were male respondents and 322 were female respondents. On the whole, married respondents were 358 respondents, 420 were un-married respondents and the remaining 25 respondents were divorcee.
- **METHOD OF DATA ANALYSIS**:
- To test the reliability of the data, Cronbach's Alpha test in SPSS was used.
- Chi-square test and Correlation using Statistical Package for Social Science (SPSS) is used

## DATA ANALYSIS

**I. TESTS FOR RELIABILITY OF DATA**

It is considered to be a measure of scale reliability. it is inferred that the Cronbach's Alpha value is 0.852. Since the value is greater than 0.60, it can be concluded that the data is reliable.

**II. CHI-SQUARE DATA ANALYSIS**

1. $H_0$: There is no impact of marital status on balancing work and personal commitments due to stress.

$H_1$: There is impact of marital status on balancing work and personal commitments due to stress.

**TABLE 1**

**Chi-Square Tests**

| | Value | df | Asymp. Sig. (2-sided) |
|---|---|---|---|
| Pearson Chi-Square | 65.270[a] | 12 | .000 |
| Likelihood Ratio | 56.576 | 12 | .000 |
| Linear-by-Linear Association | 5.575 | 1 | .018 |
| N of Valid Cases | 803 | | |

**INFERENCE**

The above table shows that the Chi-Square value for impact of marital status on balancing work and personal commitments due to stress is 65.270 and the corresponding significant value is 0.000. As the calculated significant value is less than 0.05, the alternate hypothesis is accepted and the null hypothesis is rejected. Hence it can be concluded that there is impact of marital status on balancing work and personal commitments due to stress.

2. $H_0$: There is no relationship between employees always being overloaded with work on the employee showing dedication in work under stress

$H_1$: There is relationship between employee always being overloaded with work and the employee showing dedication in work under stress

**TABLE 2**

**Chi-Square Tests**

| | Value | df | Asymp. Sig. (2-sided) |
|---|---|---|---|
| Pearson Chi-Square | 92.588[a] | 16 | .000 |
| Likelihood Ratio | 95.179 | 16 | .000 |
| Linear-by-Linear Association | 2.582 | 1 | .108 |
| N of Valid Cases | 803 | | |

**INFERENCE**

The above table shows that the Chi-Square value for relationship between employee always being overloaded with work and the employee showing dedication in work under stress is 93.588 and the corresponding significant value is 0.000. As the calculated significant value is less than 0.05, the alternate hypothesis is accepted and the null hypothesis is rejected. Hence it can be concluded that there is relationship between employee always being overloaded with work and the employee showing dedication in work under stress.

3. $H_0$: There is no significant relationship between creation of a collaborative work environment program as a stress reliever and company's role in combatting stress

$H_1$: There is significant relationship between creation of a collaborative work environment program as a stress reliever and company's role in combatting stress.

TABLE 3

**Chi-Square Tests**

| | Value | df | Asymp. Sig. (2-sided) |
|---|---|---|---|
| Pearson Chi-Square | 203.563[a] | 24 | .000 |
| Likelihood Ratio | 186.243 | 24 | .000 |
| Linear-by-Linear Association | 30.787 | 1 | .000 |
| N of Valid Cases | 803 | | |

**INFERENCE**

The above table shows that the Chi-Square value for significant relationship between creation of a collaborative work environment program as a stress reliever and company's role in combatting stress is 203.563 and the corresponding significant value is 0.000. As the calculated significant value is less than 0.05, the alternate hypothesis is accepted and the null hypothesis is rejected. Hence it can be concluded that there is significant relationship between creation of a collaborative work environment program as a stress reliever and company's role in combatting stress.

4. $\boldsymbol{H_0}$: There is a relationship between conducting recreational programs and provision for social interaction

$\boldsymbol{H_1}$:. There is no relationship between conducting recreational programs and provision for social interaction

TABLE 4

**Chi-Square Tests**

| | Value | df | Asymp. Sig. (2-sided) |
|---|---|---|---|
| Pearson Chi-Square | 76.963[a] | 35 | .000 |
| Likelihood Ratio | 73.745 | 35 | .000 |
| Linear-by-Linear Association | 3.217 | 1 | .073 |
| N of Valid Cases | 803 | | |

**INFERENCE**

The above table shows that the Chi-Square value for relationship between conducting recreational programs and provision for social interaction is 76.963 and the corresponding significant value is 0.000. As the calculated significant value is less than 0.05, the alternate hypothesis is accepted and the null hypothesis is rejected. Hence it can be concluded that relationship between conducting recreational programs and provision for social interaction.

5.$\boldsymbol{H_0}$: There is no impact of age on preventing job stress by taking a positive approach

$\boldsymbol{H_1}$: There is impact of age on preventing job stress by taking a positive approach

TABLE 5

**Chi-Square Tests**

| | Value | df | Asymp. Sig. (2-sided) |
|---|---|---|---|
| Pearson Chi-Square | 29.997[a] | 16 | .018 |
| Likelihood Ratio | 32.274 | 16 | .009 |
| Linear-by-Linear Association | .747 | 1 | .387 |
| N of Valid Cases | 803 | | |

**INFERENCE**

The above table shows that the Chi-Square value for impact of age on preventing job stress by taking a positive approach is 29.997 and the corresponding significant value is 0.018. As the calculated significant value is less than 0.05, the alternate hypothesis is accepted and the null hypothesis is rejected. Hence it can be concluded that there is impact of age on preventing job stress by taking a positive approach.

## SUGGESTIONS

1. Conduct of programs on team-outings, family-day celebrations on regular basis should be a part of the company policy.
2. The company should focus on creating an inspiring workplace to be their top priority.
3. Communications are transparent and accessible
4. The work stress has an impact on the organisations and it is seen in the following ways. Decreasing commitment to work, increasing staff turn-over, impairing performance and productivity, increasing unsafe working practices and accident rates, increasing complaints from clients and customers, adversely affecting staff recruitment etc. Therefore the company should concentrate on reducing stress among the employees so that the performance and productivity is not at risk.
5. There should be counselling given to the employees who are stressed out. The employee counselling needs to be tracked carefully for which the counsellor appointed should be experienced and professional. The counsellor should be able to identify the problems of the employee and give him suggestions to reduce the stress.
6. Workplace flexibility should be given to the employees and there should be transparent performance appraisal of the employee's work.
7. Grievance handling is an effective tool to curb attrition, which is a serious concern among the IT companies. Grievance spreads fast in the organisation and it affects the employee's physical and mental wellbeing. This in turn affects his involvement of work and job satisfaction also. So therefore there should be proper grievance redressal procedure in the organisation.

8. From the individual perspective, the employee should have a positive approach towards any problem. They should practice yoga, meditation, fitness exercises to cope up with stress regularly. He should maintain proper balance between work and home.

## CONCLUSION

India being the global economy, organisations face various HR challenges. One of the core objectives of the organisation should be to reduce attrition among the employees by providing balanced strategies to keep the employees happy. The goal of the organisation should be to attain maximum productivity. As stress is high prevalent in IT sector, the employees are stressed due to organisational factors more than the non – organisational factors. The company should give clarity about the organisational policies and structure, performance appraisal methods, etc. The employees are not very clear about their job role and as such there is role conflict and role ambiguity in the minds of the employee. The employees are not considering the counsellor as trust-worthy so ultimately it is the duty of the counsellor appointed to build confidence in the minds of the employees and keep the matter confidential. The organisations consider various measures to combat stress. They provide employee assistance programs, recreational services, and sufficient breaks during working hours, etc. The organisation is to be transformed from the work – oriented organisation to employee – oriented organisation as employees are the life blood of the organisation. If the employees are not happy with the organisation then there will be no job satisfaction. This will impact the performance and productivity of the organisation as well.

## LIMITATIONS

1. Stress may be permanent or temporary, so the level of stress may vary according to the time and nature of stress.
2. The study covers only MNC's employees with special reference to BPO employees. As such the results obtained cannot be generalised to the entire IT industry.
3. The scope of the study is limited only to IT sector in Hyderabad.

## SCOPE OF RESEARCH

This topic examines the theoretical understanding of job stress in IT sector followed by empirical investigation. With this study in hand, an attempt will be made to find out all possible ways to reduce job stress. Workplace stress is physical and emotional responses that can happen when there is a conflict between job demands on the employee and the amount of control an employee has over meeting these demands. In general, the combination of high demands in a job and a low amount of control over the situation can lead to stress. Stress in the workplace can have many origins or come from one single event. It can impact on both employees and employers alike Occupational stress, hence, is found to be a mental and physical condition that calls in a detrimental effect on the individual's productivity, effectiveness, personal health and quality of work

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# THE EFFECT OF SOCIO-ECONOMIC FACTORS ON PUBLIC HEALTH SERVICE DELIVERY IN KENYA (A CASE OF MURANG'A COUNTY HOSPITALS)

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**ABSTRACT**

*Good health care is a fundamental need in the life of a person because it helps develop a positive self-image and also opens up the opportunities for the individual to do their daily duties as required of them. The study was both quantitative and qualitative.Descriptive analysis involved the use of frequencies in their absolute and relative forms (percentage). Inferential analysis was done to find out if there is any relationship between dependent and the independent variables of the study.The target population included a list of staff and patients. A sample of 475 respondents was drawn across the various categories of population that is staff and patients. Based on one-way ANOVA, the F value was 302.410 with a p-value 0.000 < 0.05 significance level means that the calculated F Value is statistically significant. The R value of the study was 0.863 and $R^2$ value of 0.745. This established a significance of 0.192 for lack of enough financial resources, a significance of 0.709 for facilities in the hospitals and a significance of 0.709 for education level respectively. The study recommended that there should be enough and equitable financial allocation to all the hospitals in Kenya so that they can adequately run their daily activities. In addition, there should also be proper education awareness about health facilities to patients from the experts. Findings from this study will be used by the policy makers as a guide to decision making on improvement of health services which will in turn improve health service delivery.*

**KEYWORDS**

Kenya, public health service, Murang'a county hospitals.

## 1.1 BACKGROUND OF THE STUDY

Public health services are the combination of all the programs, policies, and activities designed to promote a population's health and prevent disease and injury. Public health service focus on those delivery systems responsible for directly implementing public health services in most communities (Gilson, *et al.*2012)

How well a public health system is integrated depends on the density of organizations in the community and their ability and willingness to contribute to public health activities **(**Ali, 2014). Analysts often have speculated that an important source of the variation in public health practice observed across states and communities derives from how public health services are organized and delivered (Mpinga, ***Njau, 1999). The statutorily define ;2013***d powers and duties of the government's public health agencies differ, as does the extent to which these powers are exercised at the state level or delegated to the local level (Oviasuyi, ***;2014 Wanjau, 2012).This intricate inter-organizational and intergo***vernmental structure has complicated efforts to conduct comparative studies identifying the strengths and limitations of alternative delivery system configurations (Weyer, 2010).

Like other public goods, however, public health activities often do not have enough incentives to ensure that they will be fully provided through private, voluntary action (Montero, ***Wamala, 2010; Ensor ;2011****et al*., 2009). A traditional role for governmental public health agencies is to provide beneficial activities not sufficiently covered by private contributors while also stimulating and coordinating the contributions made by other organizations so as to minimize duplication and free-rider problems (Nzinga, ***An agency's success here will necessarily influence the integra .(2013***tion of the delivery system. (Bodadilla, 2008; USAID, 2011)

Financial management, in service organizations, has been a constraint and an obstacle to other functions that contribute to service delivery (Davis, ***Nordberg, ;2014 (2008***. They suggest an enlightened approach to finance in service organizations. This consists of more participative and positive approach where far from being an obstacle, it contributes to strategic planning, costing systems, personnel motivation, quality control, continued solvency, and keeping outsider's confidence in management (Barasa *et al*., 2012;Arhin-Tenkorang, 2000). There is a need to distinguish good costs that improves organizational capabilities and quality service delivery from "bad costs" that increase bureaucracy hence becoming obstacles to service delivery (Onyango, ***(2015***. Allocated resources for health flow through various layers of national and local government's institutions on their way to the health facilities (Wanjau, 2012). Financial accountability using monitoring, auditing and accounting mechanisms defined by the country legal and institutional framework is a prerequisite to ensure that allocated funds are used for the intended purposes, which is not true as seen in Kenya. (Davis, 2014)

Many countries in sub-Saharan Africa are unable to provide well equipped ward and provision of adequate quality and coverage of health services because of economic factors and scarce resources. This has prompted many countries to advocate for decentralization as a key factor to drive health sector reforms with a

view to maximizing the use of available resources in improving access and quality of health care services provided Onyango, (2015). Providing quality service has significant impact on customer satisfaction (Bobadilla, 2008; Nyongesa, 2014), customer retention and growth of organization (USAID, 2011; Onyango, 2013). However, the poor state of customer service in some public health facilities in Kenya has resulted in high turnover and weak morale among staff, making it difficult to guarantee 24-hour coverage resulting in, problems with patient care, increased cost of operations due to inefficiencies (Owino and Korir, 1997) leading to some of the patients to look for alternative providers and to spread negative image by word of mouth which affects potential clients hence impacting negatively on the growth of public hospital (Tam, 2005).

Along with Financial Management, education is critical in determining people's social and economic position and thus their health status (Palmer, 2011; Ndedda et al, 2011). There is good evidence that a low level of education is associated with poor health status. Educational attainment is strongly related to subsequent occupation and income level, whereas poor social circumstances in early life are associated with significant chances of low educational achievement (Cutler, ***.(2011 ,Educational achievement is not just a function of an individual's abilities and aspirations, but is influenced strongly by socio-economic circumstances ( Muasya*** 2016 Education level is more easily improved by society than income, occupation and other indices of socio-economic status (Ojakaa, 2012; Gilson and travis, 1997). In addition, unlike other socioeconomic determinants, educational achievement cannot be 'lost' once attained.

The potential benefits of integration, such as sharing resources and information, may be offset by the coordination problems, transaction costs, and loss of control associated with multi-organizational activities (Obwaka, 2013; Davis, 2014; Dustin, 2010). Health care institutions like hospitals, physicians' practices, and health insurers also are apt to join public health partnerships, particularly those addressing issues requiring both medical and public health interventions such as communicable disease control, chronic disease prevention, and vulnerable populations' access to care (Defo, 2014)

The Kenya health policy initiatives aims at responding to the following constraints: decline in health sector expenditure, increased cost of operations due to inefficiencies (Otieno, 2014), inefficient utilization of resources (Ombaka, 2015) centralized decision making, inequitable management information systems(Araba,2009), outdated health laws, inadequate management skills at the county level (Mahapatro, 2010), worsening poverty levels, increasing burden of disease, and rapid population growth. The challenge facing the government is to reverse these constraints. As a result of health sector reforms that have decentralized health services, services are integrated as one goes down the hierarchy of health structure from the national level to county levels. Under decentralization, the county handles supervisory responsibilities.

While there are efforts by the government and other stakeholders to improve provision of health services in Kenya, there are major gaps in relation to utilization of healthcare services especially at community level since policy makers and administrators have limited information on which to base decisions about the organization of responsibilities and the allocation of resources in public health (Davis, ***,Leeuw ;2014Various studies have been conducted to assess factors that .(2014 influence utilization of health services internationally and even in Kenya and some of the factors include; cost of health services and quality of services***.

The current literature acknowledges that there are multiple determinants of health, which recognize the role of, behaviour, economics and social factors (Ombaka, 2015), and the interconnectedness of these (Kitui, 2009; Wanjau, 2012). Patient satisfaction is a major determinant of quality health care delivery. Many studies have reported that there is a positive relation between patients' satisfaction and outcome (Mahapatro, 2010). Therefore, knowledge of the patterns that influence the use of public health and medical services in developing countries are needed to address this. Thus this study tried to build on the gaps left by earlier studies by investigating the relationship between Socio-economic factors and public health service delivery in Kenya.

## 1.2 STATEMENT OF THE RESEARCH PROBLEM

As noted from the background of the study, policy makers and administrators have very little information on which to base the decisions about the organization of responsibilities and the allocation of resources in public health (Leeuw, ***Obtaining a better understanding of delivery system configurations is critical .(2014 to comparative effectiveness research in public health on strategies to improve the availabili***ty and quality of public health services. Few studies conducted in Kenya revealed the following factors as influencing utilization of health services; cost/financing (Wanjau, 2012;Davis,2014), inadequate resources (Wamala,2010; Ndavi;( ***,unemployment ,(2009***awareness of health services, quality of health services, equity in healthcare provision and patient satisfaction and retention (Mahapatro, 2010). While the foregoing studies have been done covering utilization of public health service delivery in some regions in Kenya, for instance, Njuguna, (2014) in Kenyatta hospital, Otieno, (2014),Homabay County, and Kiruthu (2010) Nyeri referral hospital, no specific study has been conducted to ascertain the relationship between Socio-economic factors and public health service delivery apart from Muthoni (2015) which studies an assessment of the determinants of quality of health service delivery in Kenya, which as a component, is affecting decision making by both policy makers and administrators.

## 1.3 OBJECTIVES OF THE STUDY

### 1.3.1. GENERAL OBJECTIVE

The general objective of the current study is to establish the effect of Socio-economic factors in public health service delivery in Murang'a County hospitals.

### 1.3.2. SPECIFIC OBJECTIVES

The study was guided by the following specific objectives: -

1. To establish the relationship between financial resources and public health service delivery in Murang'a County hospitals.
2. To investigate the relationship between health facilities and public health service delivery in Murang'a County hospitals.
3. To determine the relationship between level of education of the patients and public health service delivery in Murang'a County hospitals.

## 1.4. HYPOTHESES

The study was guided by the following null hypotheses:

$Ho_1$: There is no significant relationship between financial resources and public health service delivery in Murang'a County hospitals

$Ho_2$: There is no significant relationship between health facilities and public health service delivery in Murang'a County hospitals.

$Ho_3$: There is significant relationship between level of education of patients and public health service delivery in Murang'a County hospitals.

## 1.5. SCOPE AND LIMITATIONS OF THE STUDY

### 1.5.1. SCOPE

This study was confined to Murang'a County Hospitals and it focused on socio-economic factors affecting public health service delivery.

### 1.5.2. LIMITATIONS OF THE STUDY

These included the following: the respondents were unwilling to give information for fear of victimization by the management, but this was overcome by clarifying to them that the information given will be treated confidential. The other problem was employees did not allow much time to be interrogated as their employer gave them minimal chance to attend to the questions raised.

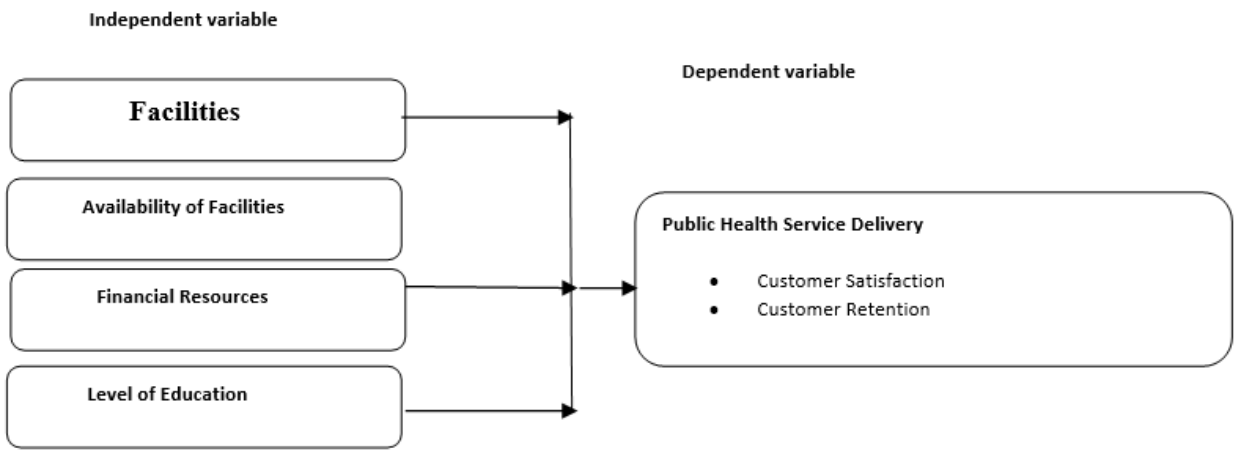
## 1.6. SIGNIFICANCE OF THE STUDY

The most pressing issue facing the public health sector in Kenya is how to improve public health service delivery to satisfy, attract, retain and maintain potential employees and customers. The findings of this study provide practical and theoretical insights to stake holders in the public health sector on the factors affecting public health service delivery in Kenya and Murang'a specifically. The findings also provide to the researchers and the academic fraternity an increase in knowledge on the factors affecting public health service delivery. The study forms part reference material that triggers research in suggested areas for research which is of interest to future scholars. Foremost, these study provides the government and all other stakeholders in public health sector a platform to review their public health sector policies with an aim to improve public health service delivery in public health community, particularly The County Government of Murang'a is enabled to identify the key gaps in the county public health service delivery and improve the health sector.

## 1.7. CONCEPTUAL FRAMEWORK

The current study was guided by the following conceptual framework, which explains the interrelationship between the variables. A conceptual framework is a scheme of variables a researcher operationalizes in order to achieve the set objectives (Oso & Onen 2005).

**FIGURE 1.1: CONCEPTUAL FRAMEWORK**




Source: Researcher, 2016

Figure 1 is a diagrammatic representation of the conceptual framework. It indicates the relationship between the independent and the dependent variables. Mugenda and Mugenda (2003) define a variable as a measurable characteristic that assumes different values among subjects. Independent variable is that which a researcher manipulates in order to determine its effects or influence on another variable. Dependent variable attempts to indicate the total influence arising from effects of the independent variables.Under this study, the Socio-economic factors influencing satisfaction of health service delivery to citizens by the health facilities are: availability of facilities, financial resources, and Level of education which are the independent variable while dependent variable is outcomes of health service delivery to citizens. These factors include; Customer satisfaction and Customer Retention.

## 2.0 LITERATURE REVIEW

**INTRODUCTION**

In this chapter the researcher presented two main parts namely theoretical framework and empirical literature review. The theoretical framework explains different theories that relate to the study; while empirical review considers the knowledge researchers conducted on a similar subject and afterwards identifies the gap to be investigated.

### 2.1 THEORETICAL REVIEW

**2.1.1. THE FULFILMENT AND DISCREPANCY THEORIES**

Broadly, there are two approaches of examining satisfaction. One theory suggests that people have the ability to understand their service experience and thus judge its quality (Parasuraman *et al.*, 1985). The second theory holds that people's satisfaction as an attitude is the summation of the very subjective assessments of the dimensions of the service experience (Tucker III, 2002; Linder-Pelz, 1982). This theory views satisfaction as a patterned way of thinking and behaviour.

The first approach examines satisfaction as perceptual. Theories that suggest that people understand the quality of their service delivery can be organized into two groups: those that focus on individuals' expectations and actual experiences and those whose focus is the comparative process between individuals (Cole, 2008). The underlying themes in theories that focus on individuals' expectations and actual experiences are the desires and the actual occurrences of the encounter. These theories further assume that differences in either variable affect the resulting level of satisfaction. Two of the widely discussed models in this approach are the fulfilment and discrepancy theories (Jaipaul and Rosenthal, 2003).

The fulfilment theory suggests that an individual's perception concerning the discrepancy between what is wanted and what is eventually obtained is responsible for the level of satisfaction that is ultimately achieved. Discrepancy theory differs from fulfilment theory in that, while considering the desires and what is obtained, the comparison takes into consideration the quantity of the goods or services that are desired by the individual. In each situation, key determining factors relate to an individual's perceptions of his or her unique situation. (Jaipaul and Rosenthal, 2003). These theories address many of the social psychological determinants of patient satisfaction, but do not necessarily address other aspects, such as the socio-demographic variables that permeate past and present research.

**2.1.2. ORGANIZATIONAL THEORY**

Organizational theory predicts that public health agencies will pursue differentiation, integration, and concentration within their delivery systems. This is to improve the community's health, based on their specific resources, priorities, and incentives (Gillies *et al.* 1993). Consequently, substantial differences across communities in the structural characteristics of local public health delivery systems are expected. This is consistent with the diversity of local communities. These systems are expected to evolve over time as organizations improve their performance in the face of changing health risks, market incentives, and policy priorities. The potential benefits of integration, such as sharing resources and information, may be offset by the coordination problems, transaction costs, and loss of control associated with multi-organizational activities (Lorange and Roos 1993). Studies of integration in public health suggest that partnerships and coalitions have the advantage of expanding the reach of governmental public health agencies (Roussos and Fawcett 2000; Zahner 2005).They note that empirical evidence regarding public health intergovernmental relationships is limited but indicates possible advantages in decentralization (Mays *et al.*, 2004; Wholey, Gregg, and Moscovice 2009) thus their findings confirm the theory.

**2.1.3. CLASSICAL PUBLIC ADMINISTRATION THEORY**

Classical public administration theory focuses on the idea that the role of politics and administration in a democratic society determines and enacts the will of the state and sets a policy by which majority rules. However, public policies are rarely unanimous, whether voted by the legislature or the people. The role of government is to serve as the "balance wheel" of the new systems of collaborative problem-solving. Its function is to activate the needed partnerships and to make sure that public values, broadly conceived, are effectively represented in the collaborative systems that are formulated for example public health service delivery. The government of the day since independence has tried to make the public values a reality through introduction of resources for the public service. The study suggests a paradigm shift from a democratic state to a democratic society in which "government is a crucial instrument of the public service, providing leadership, resources, tools, and rules" (Hersey, 2010).

**2.1.4. THEORETICAL LITERATURE REVIEW**

**2.1.4.1 SOCIO-ECONOMIC FACTORS**

Socio-economic factors are the nature of the competition faced by the organization or its services and financial resources available within the economy,.i.e. availability of facilities, staffing and financial resources and education level.

**2.1.4.1.1. FINANCIAL RESOURCES**

1) Financial management, in service organizations, has been a constraint and an obstacle to other functions that contribute to service delivery. They suggest an enlightened approach to finance in service organizations. (Kimanzi, ***Davis ;2014however according to Otieno 2014; Wanjau, 2012) the Ministry of (2014 Health has developed structures through inter-sectoral collaboration at various levels but health financing, service delivery, quality; accessibility and equity influence utilization of health services remain unresolved issue***. In contradiction RoK, 2001; Nordberg, ***states that Public hospitals in Kenya 2008 are in dire need of funding to rehabili***tate, redesign and equip them to ensure effective and efficient healthcare service delivery to Kenyans. The two biggest factors currently preventing healthcare from reaching a larger proportion of the population are the high cost of services, and poor access to health facilities Dustin (2010) but Arhin-Tenkorang (2000) argues that the situation consists of more participative and positive approach where far from being an obstacle, it contributes to strategic planning, costing systems, personnel motivation, quality control, continued solvency, and keeping outsider's confidence in management. According to Onyango (***Davis (2014), there is a need to distinguish good costs that improves organizational capabilities and quality service ;(2015 delivery from "bad cost***s" that increase bureaucracy hence becoming obstacles to service delivery. Financial accountability using monitoring, auditing and accounting mechanisms defined by the country legal and institutional framework is a prerequisite to ensure that allocated funds are used for the intended purposes (Davis, 2014)
2) In many developing countries, governments do not have the financial and technical capacity to effectively exercise such oversight and control functions, track and report on allocation, disbursement and use of financial resources. Political and bureaucratic leakage, fraud, abuse and corrupt practices are likely to occur at every stage of the process as a result of poorly managed expenditure systems, lack of effective auditing and supervision, organizational deficiencies and lax fiscal controls over the flow of public funds (Davis, ***Nordberg 2014***, ***Falsification of financial statements is more of a problem in proprietary .(2008 (private) hospitals. Executives will sometimes exaggerate revenue and misstate expenses in order to meet expectations of industry analysts and shareholders*** (Maureen, 2005). Low funding for Community Health Workers program in the country has adversely affected the delivery of healthcare services especially at the grass-roots. Most of the public hospitals in Kenya especially rural areas are in a bad state that has incapacitated them from offering efficient services to patients and to alleviate the deplorable condition proper measures must be taken into consideration (Maureen, 2005).

The GOK funds the health sector through budgetary allocations to the MOH and related government departments. However, tax revenues are unreliable sources of health finance, because of macro-economic conditions such as poor growth, national debt, and inflation, which often affect health allocations. A manifestation of the health budget shortfalls is the widespread lack of adequate drugs and pharmaceuticals, staff shortages, and poor maintenance of equipment, transport, and facilities. Over the past two decades, the GOK has pursued a policy of cost sharing to bridge the gap between actual budgets and the level of resources needed to fund public health sector activities. The revenue from the cost-sharing programme has continued to grow in absolute terms and as a percentage of the recurrent government budget. In 2002-03, cost sharing contributed over 8% of the recurrent expenditure and about 21 percent of the non-wage recurrent budget of the MOH.

The World Bank and IMF (2005) states that the number of people involved in decision making and service delivery and the dependency on the discretionary behaviour of the individuals provide opportunities for the leakage of funds. Furthermore, the difficult working condition and uncompetitive salaries can reduce the accountability of service provision, fostering absenteeism and low quality. To enhance active monitoring of service delivery by policymakers and citizens, as well as to increase accountability and good governance there should be practice of cost effectiveness. Although Kenya has had a long history of health care financing through the government, by in 1994, approving the Kenya Health Policy Framework (KHPF) as a blueprint for developing and managing health services, the perspective adopted is that of citizens accessing services and facing shortcomings to achieve this purpose in a cost-effective manner, Ndetei (2010).

**2.1.4.1.2. AVAILABILITY OF ENOUGH FACILITIES**

Many countries in sub-Saharan Africa are unable to provide well equipped wards and provision of adequate quality and coverage of health services because of economic factors and scarce resources. This has prompted many countries to advocate for decentralization as a key factor to drive health sector reforms with a view to maximizing the use of available resources in improving access and quality of health care services. Providing quality service has significant impact on customer satisfaction Nyongesa (2014), customer retention and growth of organization (Onyango, 2013). However, the poor state of customer service in public health facilities in Kenya has resulted in high turnover and weak morale among staff, making it difficult to guarantee 24-hour coverage resulting in, problems with patient care, increased cost of operations due to inefficiencies (Owino and Korir, 1997) leading to some of the patients seeking for alternative health service providers. The affected patients spread negative word by mouth which affects potential clients hence growth of the hospital (Tam, 2005).

Inequitable distribution of resources has led to poor management, underfunding and deteriorating infrastructure leading to fall in the quality of healthcare. Health care is labour-intensive, making human resources one of the most important inputs in health care service delivery (WHO 2010). Health care in Africa faces difficult challenges such as shortage of health workers, increased caseloads for health workers due to migration of skilled health personnel, and the double burden of disease and the HIV/AIDS scourge that affect both the general population and health personnel.

Currently, the funding for most healthcare facilities does not provide sufficient monies for capital improvements and certainly not for acquisitions of or development of new facilities. Rural healthcare facilities have struggled over the past several years with many of these facilities closing and leaving rural communities underserved. For example, in Illinois, the State has increased the timeliness of funding for rural facilities to improve healthcare service (Peterman, 2009).

**2.1.4.1.4. EDUCATION**

The relationship between level of education and patient satisfaction is ambiguous. For instance, some studies report that the level of education is positively associated with patient satisfaction (Mattson *et al*., 2005; Tucker III, 2002). Educational attainment is strongly related to subsequent occupation and income level, whereas poor social circumstances in early life are associated with significant chances of low educational achievement (Currie, ***,Cutler ;2007Educational .(2011 achievement is not just a function of an individual's abilities and aspirations, but is influenced strongly by socio-economic circumstances (Muasya, 201***6). In contrast, other research indicates that individuals with lower educational levels are likely to have increased levels of patient satisfaction (Barr, 2004, Barr *et al.,* 2000). Some literature has also demonstrated that there is no relationship between educational attainment and patient satisfaction (Rubin *et al*., 1993). Its influence is multifactorial largely due to the various influences that are manifest in other aspects of the patient satisfaction process.

**2.1.4.2. PATIENTS SATISFACTION**

Patients' satisfaction is a concept that is closely related to quality. The term has been defined from at least two perspectives. One, patients' satisfaction is seen as a measure of how health care products and services supplied by health systems meet or surpass the expectations of patients (Parasuraman *et al*., 1985). Second, the patient satisfaction theory (Tucker III and Adams, 2001) suggests that patient satisfaction with health care, as an attitude, is based on the summation of the very subjective assessments of the dimensions of the care experience. These dimensions can include interactions with providers, the ease of access, the burden of costs, and environmental issues such as cleanliness of the health care facility (Taylor, 1999). Regardless of the definition, patients' satisfaction is seen as a key indicator of quality within health systems. Vinagre and Venes (2008) offer a distinction between the terms quality and satisfaction. They suggest that quality is a judgment or evaluation that concerns performance pattern, which involves several service dimensions specific to the service delivered. Quality is believed to be determined more by external cues such as price and reputation. Satisfaction, however, is a global consumer response in which consumers reflect on their pleasure level. Satisfaction is based on service delivery predictions or norms that depend on past experiences, driven by conceptual cues such as equity or regret. Satisfaction is understood as being transitory and reflects a specific service experience.

## 2.2. EMPIRICAL LITERATURE

Studies on socio- economic factors affecting public health service delivery have been done by different researchers across the world as discussed in this section.

A study by Ojakaa, (2014), sought to investigate factors influencing motivation and retention of health care workers HCWs at primary health care facilities in three different settings in Kenya - the remote area of Turkana, the relatively accessible region of Machakos, and the disadvantaged informal urban settlement of Kibera in Nairobi. A cross-sectional cluster sample design was used to select 59 health facilities. Interviews with 404 health care workers were carried out that was grouped into 10 different types of service providers using structured questionnaire and a focus group discussion. Findings were analyzed using bivariate and multivariate methods of the associations and determinants of health worker motivation and retention. The levels of education and gender factors were lowest in

Turkana with female HCWs representing only 30% of the workers against a national average of 53%. A smaller proportion of HCWs in Turkana feel that they have adequate training for their jobs. Overall, 13% of the HCWs indicated that they had changed their job in the last 12 months and 20% indicated that they could leave their current job within the next two years. In terms of work environment, inadequate access to electricity, equipment, transport, housing, and the physical state of the health facility were cited as most critical, particularly in Turkana. The working environment is rated as better in private facilities. Adequate training, job security, salary, supervisor support, and manageable workload were identified as critical satisfaction factors. Family health care, salary, and terminal benefits were rated as important compensatory factors. The study concluded that there are distinct motivational and retention factors that affect HCWs in the three regions. Findings and policy implications from this study pointed to a set of recommendations to be implemented at national and county levels. These included gender mainstreaming, development of appropriate retention schemes, competitive compensation packages, strategies for career growth, establishment of a model HRH community, and the conduct of a discrete choice experiment. However, the study did not point out the socio-economic impacts in the settings, which the current study tried to establish in Kenya.

A study by Mutua, (2013), sought to establish the factors that affected consistency in supply of pharmaceutical products in government hospitals in Kenya. The study was carried out in Maragua district hospital with a sample size of 100 individuals comprising of management, procurement department, nursing department and the pharmacy department personnel. The researcher used stratified random sampling. Structured questionnaires and interviews were used to collect primary data. Financing was identified as a major problem. Legal requirements were bureaucratic and lengthened the procurement process leading to inconsistency in obtaining supplies. The hospital had no core tool for enhancing procurement performance. The legal framework needed review to reduce bureaucracy and shorten the process and training on procurement issues to all hospital procurement players was required to boost their knowledge. The hospital faced several challenges, which included shortage of staff in the procurement department and financial constraints. This study was carried out in Maragua and focused on supply of pharmaceutical products and procurement of staff but not entirely on socio-economic factors in the hospital which is the focus of the current study.

A study by Akacho (2014), sought to examine the factors that influence the provision of healthcare service delivery in Kenya a case of Uasin Gishu District Hospital in Eldoret. Provision of healthcare in public hospitals is achieved through the availability of enough staff, resources, facilities for the hospitals and good communication process that enables the hospital to run effectively. This research aimed at finding out the various factors influencing provision of health care service delivery in Kenya and majorly focused on the public health sectors in Kenya a case of Uasin Gishu District Hospital. This study was carried out in Eldoret Municipality in Rift Valley Province. The study used census method to carry out the survey as it targeted all staffs working in Uasin Gishu District hospital only. The study found out that poor communication on the part the management influenced the quality of performance among the staff. This is because as they fail to know their allocated and expectation at the work place. Poor communication between the staffs and the patients also was found to be a major contributor to the inefficient delivery of healthcare services in the hospitals as there was no enough time spent between the staffs and the patient, lack of enough staffing was also a major issue experienced in the hospital as there were fewer staffs compared to the number of patient leading to work overload of the staffs as they could not be in a position to handle all the patients present, lack of enough financial resources to help in the daily running of the hospital was a major challenge as there was no enough finances to equip the laboratories and buy enough medicines for the patients, finally the study found out that lack of enough facilities in the hospital such as poorly maintained wards and under stocked laboratories and lack of enough in the hospitals contribute to inadequate supply delivery. The study came up with conclusions that will help the Ministry of Health in Kenya to deal with the delivery of healthcare service in Kenya and recommended that there should be enough qualified staff so that each patient can be adequately attended to and that to happen the Ministry of Health needed to put much consideration to the people being employed and avoid corruption at place of work as this may lead to employment of under qualified staff, another recommendation was that there should be enough and equitable financial allocation to all the hospitals in Kenya so that they can adequately run their daily activities there should also be proper communication improvement among the staff member and this will ensure that there is enough and adequate service delivery lastly availability of facilities such as beds, laboratories should be provided to ease the work being done in the hospitals and ease the work of the staff and motivate them. This study narrowed onto staffing which is a sub-indicator of socio-economic factors which does not include all socio-economic factors researched on by the current study.

Another study was done by Ogolla (2013) on factors associated with home delivery in West Pokot County. The study sought to estimate the percentage of women who deliver at home in West Pokot County and establish the factors associated with home delivery in the area. The cross-sectional survey design was used. The study targeted 18,174 households between the months of April and July 2013. Six hundred mothers participated in the study. It was established that association between predictors and the place where the delivery took place was analysed by chi-square test () at 95% confidence interval. Factors with < 0.05 were considered statistically significant. These factors were entered into multivariate logistic regression model after controlling for confounding to ascertain how each one influenced home delivery. Odds ratio was used to determine the extent of association. Based on the mother's most recent births, 200 (33.3%) women delivered in a health facility while 400 (66.7%) delivered at home. Factors associated with home delivering were housewives (OR: 4.5, 95% CI: 2.1–9.5 ;) and low socio-economic status of 10 km (OR: 0.5, 9.5% CI: 0.3–0.7 ;). The findings of this study provide novel information for stakeholders responsible for maternal and child health in West Pokot County. This study was based in West Pokot while the current one is to be carried out in Murang'a County Hospital. Further, the study only looked at the influence of mothers and factors associated with home delivery in the area and not socio-economic impacts.

Study by Otieno, (2014), investigated factors that influence utilization of health services in Homa Bay County, Kenya. The study employed survey design and focused on health beneficiaries, District Health Management Team and other key health stakeholders, and used both quantitative and qualitative data. Quantitative data was collected through household interviews of 384 respondents and qualitative data was generated through Key Informant Interviews of 16 respondents. The study revealed that health financing, service delivery, quality, accessibility and equity influence utilization of health services in Homa Bay County. The study recommended that the government should allocate adequate budget towards health services, avail adequate trained health workers, and improve infrastructure in health facilities as well as drugs and other supplies. There is also need for further research on cultural factors influencing utilization of health services. However, the study focused on Homa Bay County which has different characteristics from Murang'a County therefore it was worthwhile carrying on another study in Murang'a hospitals.

According to study study by Wanjau, (2012), which sought to explore the factors affecting provision of service quality in the public health sector in Kenya, focusing on employee capability, technology, communication and financial resources. A total of one hundred and three respondents, comprising; sixteen doctors, thirty-two nurses, twenty-nine clinical officers, fourteen laboratory technologists and twelve pharmacists. Data was collected using closed and open ended questionnaires. The study found out that, low employee's capacity led to a decrease in provision of service quality public health sector by factor of 0.981 with while Inadequate Technology adoption in provision of health service led to a decrease in provision of service quality by a factor of 0.917. The ineffective communication channels affected delivery service quality in public health sector by a factor of 0.768 while insufficient financial resources resulted to decrease in provision of health service quality by factor of 0.671. This implied that low employee's capacity, low technology adoption, ineffective communication channels and insufficient fund affect delivery of quality service to patients in public health sector. This affects the quality of health service, perceptions, patient satisfaction and loyalty. In the paper the implications for policy included: comprehensive healthcare policy, addressing the plight of the worker, the working environment, the resources to enable the healthcare personnel perform effectively, and emotional intelligence management of the workforce. However, the paper concentrated on staffing and communication factors but not the entire socio-economic factors which the current study is analysed to fill the gap.

A study by Muthoni, (2015) states that, good health services are those which deliver effective, safe, quality personal and non-personal interventions to those who need then and where needed, with minimum waste of resources. The study investigated the factors affecting quality service delivery in the public health sector in Kenya and in specific the Murang'a County Hospital. The target population included doctors, nurses and lab technologists. The researcher used stratified random sampling to select a sample population. Data was collected by use of self-administered questionnaires, key informant interview guides and an observation checklist that were designed and developed by the researcher. The researcher used drop off method and interview schedules for collection of data. The reaction to the study was positive as a response of 80% was achieved. Descriptive analysis involved the use of frequencies in their absolute and relative forms (percentage). Inferential analysis was done to find out if there is any relationship between dependent and the independent variables of the study. The results of the study pointed to remuneration and training to be of great concern amongst health workers and affecting the level of quality. Health Institutions therefore need to pay attention to the two so as to ensure their employees are enthusiastic on delivering quality services. The study recommended regular reviews of job satisfaction in

the health sector to find out areas that need to be addressed so as to improve the quality and input of employees for institutions in the sector. Although the study was done in Murang'a county hospital, it pointed to remuneration and training to be of great concern amongst health workers and affecting the level of quality, it did not point out other socio-economic factors as seen in the current study.
Study by Ochieng, (2016) sought to examine Essential Health Packages delivery in service delivery in in public hospitals in Homabay County. The study used cross-sectional research design. Two hospitals were conveniently selected due to their municipality location. The study targeted 213 Health workers and 350 patients. Stratified sampling and proportionate sampling was used among different health workers. Sample size was determined by Yamane Formula. The study sampled 138 health workers and 186 patients. Questionnaire and key interview guide were used to collect data. The study established that there are inadequate health workers based on 138 (100%) health workers. Insufficient drugs were reported by 138 (100%) health workers, and 120 (64.5%) patients. 115 (83.3%) health workers say ambulances are not operational. 26 (18.8%) health workers noted lack medical equipment, 138 (100%) are aware of patients referred elsewhere due to lack of medical equipment. 153 (82.3%) and 135 (72.6%) patients' health access is hindered by cost and distance respectively. 159 (85.5%) patients don't always find services needed. 159 (85.5%) patients affected by long waiting time. It was concluded that low service provision/utilization rate in Homabay County results from lack of health workers, inadequate drugs, poor health infrastructure, and lack of access in terms of affordability, availability and distance. However the study used cross-sectional research and was based in Homabay County.

### 2.3. RESEARCH GAP

From the earlier studies available, it was noted that a number of studies regarding public health service delivery have been done, for instance availability of financial resources as indicated by Wanjau, ***Akacho ;(2012)***, (2014), Availability of resources as pointed out by Otieno, (2014), Staffing by Muthoni, (2015);Akacho,(2014),educational attainment by Ogolla,(***Supply and procurement of pharmaceutical products by Mutua,2013;Palmer,2011) and ,(2013 Retention and motivat***ion of health workers and staff by Ojakaa, 2014;Bodadilla,2008). However, hardly does one come across a study specifically addressing the relationship between Socio-economic factors and public health service delivery in Kenya with specific reference to Murang'a county hospitals. The scholars used different methodology, studied different geographical areas at different time periods and only looked at sub-indicators of the socio-economic factors. Therefore, this formed the basis of the current study by highlighting ways and means of enhancing county's overall health socio- economic factors as a strategy for a better Kenya.

## 3. RESEARCH METHODOLOGY

### 3.1. INTRODUCTION

This chapter discussed the research methodology and a general framework that was used in this study. The chapter presented specifically, the Research Design, Area of study, Population of the study, Sample size, Sampling procedures, Data Sources, Data collection instruments, Validity and Reliability of the instruments, Data analysis and presentation and Ethical considerations.

### 3.2. RESEARCH DESIGN

A research design according to Kothari (2004) is a conceptual structure within which research is conducted aimed at providing for the collection of relevant evidence with minimal expenditure of effort, time and money. Creswell (2009) defines research designs as plans and procedures for research that span the decisions from broad assumptions to detailed methods of data collection and analysis. The study was both the qualitative and quantitative in nature.
The study adopted descriptive research design in examining selected staff and patients. The study was both the qualitative and quantitative in nature. According to Mugenda and Mugenda (2003), a descriptive research design determines and reports the way things are. According to Cooper & Schindler (2003) a descriptive study tries to discover answers to the question who, what, when, which and sometimes how. Also Creswell (2003) observed that a descriptive research design is used when data is collected to describe persons, organizations, settings or phenomena. Descriptive design was ideal in this study as the study was carried out within a limited geographical scope and hence it is logistically easier and simpler to conduct. In agreement with Kothari (2008), the design also provides enough protection against biasness and helps maximize reliability.

### 3.3. POPULATION OF THE STUDY

According to Mugenda & Mugenda (2003) a population is an entire group of individuals, events or objects with some common observable characteristics. The target population for this study was 1938 people.

### 3.4. SAMPLING FRAME

Sampling is a procedure, process or technique of choosing a sub-group from a population to participate in the study (Ogula, 2005). It is the process of selecting a number of individuals for a study in such a way that the individuals selected represent the large group from which they were selected. Stratified sampling, purposive sampling and simple random sampling methods were used (Mugenda and Mugenda, 2003). The procedure was started with stratification of items, and then followed by sampling that is stratified random sampling (Kombo and Tramp, 2006). According to Mugenda and Mugenda (2003), stratified random sampling involves selecting subjects in such a way that the existing subgroups in the population are more or less reproduced in the sample.

#### 3.4.1 SAMPLING TECHNIQUES

According to Mugenda and Mugenda (2003), at least 25% of the cases per group are required for research. The study adopted a sample size consisting of 440 patients and 45 staff with a proportionate distribution of staff and patients from every hospital totalling to 485. In every ward (that is five wards from the five selected hospitals) the researcher used a sample of 9 staff giving a total of 45 staff. In the same vein a sample of 29 in- patients and 59 out-patients in every hospital was used that is the five hospitals selected from daily registration record giving a total of 440 patients. Stratified samplings, Purposive sampling and Simple random sampling were used to come up with sample size.
According to Mugenda and Mugenda (2003) stratified sampling involves classifying respondents in such a way that the existing subgroups in the population are more or less reproduced in the sample. This method is appropriate because it is able to represent not only the overall population but also the key sub groups of the population. The method was preferred because it helped minimize biasness. The subgroups are clinical officers, pharmacists, nurses, doctors, patients and health workers in the hospital. Stratified sampling was used to place the staff into categories based on the following characteristics; Head of department or staff on duty. Once the categories were established, the researcher developed a source list from which the staffs were randomly picked. Within the selected staff respondents, purposive sampling was used since it represented the characteristics confined in this study. Purposive sampling, groups participants according to selected criteria relevant to a particular research question (for example, out and in-patients in the county hospitals). Bryman and Bell (2011) affirm that purposive sampling is appropriate characteristics for the research topic. The study purposely selected Heads of department and the staff on duty.
Finally, simple random sampling was used in picking fifty-nine (59) out-patients from the daily registration record (that is the first fifty-nine that were accessed in every ward) which added to 295 out-patients in five selected hospitals. In the same vein 29 in-patients on the first twenty- nine beds in every ward in the five hospitals were used thus a total of 145 in-patients. The patients selected were those not critically ill. According to Fraenkel and Wallen (2000), a simple random sample is one in which each member of the population has an equal and independent chance of being selected, while a proportional sample is where the sample size is a fraction of the whole sample size. According to Mugenda and Mugenda (2003); simple random sampling minimizes biasness since it gives each sample an equal chance of being identified.

#### 3.4.2 SAMPLE SIZE

A sample is a smaller group or sub-group obtained from the accessible population (Mugenda and Mugenda, 1999). This subgroup is carefully selected so as to be representative of the whole population with the relevant characteristics. Each member or case in the sample is referred to as subject, respondent or interviewees. According to Mugenda and Mugenda (2003) a sample size of between 10 percent and 40 percent is a good representation of the target population. She proposes that if the population is a few hundred items 40% can be used while if the population is same few thousands, then 25% can be used but if more than 10,000 then 5% can be used. Since the population is 1938 which are a few thousands then 25% was used to determine the sample size. Based on the above, the study adopted a sample size of 25 percent (485) people which constituted 145 in-patients and 295 out- patients and 45 staff totalling to 485 in selected hospitals of Murang'a County. The in -patients were based on bed capacity while out- patients were based on daily registration records in department

TABLE 3.1: SAMPLE SIZE

| Strata | Population Staff and patients | Staff | in-Patients | Out-patients | Ratio | Sample Size |
|---|---|---|---|---|---|---|
| Murang'a general hospital | 615 | 75 | 270 | 270 | 25% | 154 |
| Kangema hospital | 180 | 20 | 10 | 150 | 25% | 45 |
| Muriranjas | 280 | 20 | 200 | 60 | 25% | 70 |
| Gaichanjiru | 210 | 10 | 0 | 200 | 25% | 53 |
| Kirwara | 241 | 25 | 16 | 200 | 25% | 60 |
| Maragua | 412 | 30 | 82 | 300 | 25% | 103 |
| Total | 1938 | 180 | 578 | 1180 | 25% | 485 |

**3.4.3 DATA COLLECTION PROCEDURE**

The study utilized both primary and secondary data. Primary data collection was collected through questionnaires while Secondary data was collected from Journals and Reports. The above sources were chosen due to the nature of the study as the respondents were required to give critical data that can be best collected using questionnaire whereas the general data was collected using information from the documentary records.

**3.4.4 DATA COLLECTION INSTRUMENTS**

Data was collected by use of semi-structured questionnaire comprising of close-ended questions. The questionnaires were administered using the drop and pick later method. The questions were five likert scale type from 1 to 5 such as strongly agree, disagree, neutral, agree and strongly disagree. The reason for choosing the questionnaire is because, as Kiess and Bloomquist (1985) observe, it offers considerable advantage in the administration: it presents an even stimulus potential to large numbers of people simultaneously and provides the investigations with an easy accumulation of data. Gay (1992) maintains that questionnaires give respondents freedom to express their view or opinion and also to make suggestions. In addition, it is cheap and easy to administer, data that is obtained by use of questionnaires is easy to arrange and analyze and, the researcher does not need to be physically present when the respondents are filling the questionnaires hence providing the respondents with a free conducive atmosphere to fill the questionnaires. Lastly, questionnaires can elicit information from respondents. Secondary data for this study was collected from journals, reports and official documents.

**3.5 PILOT STUDY**

A pilot study is a mini-version of a full scale or a trial run done in preparation of the complete study, it is mostly done to pre-test the research instruments this is according to (Compare Polit, *et al.* & Baker in Nursing Standard, 2002:33-44; Van Teijlingen & Hundley, 2001) Pilot study also helps in foreseeing the future attributes of the study to be done and avoid future failures hence avoid loss off money and time this is according to (Van Teijlingen & Hundley, 2001).

**3.5.1. VALIDITY**

Validity refers to the degree to which evidence and theory support the interpretation of test scores entailed by use of tests. The validity of instrument is the extent to which it does measure what it is supposed to measure. According to Mugenda and Mugenda (1999), Validity is the accuracy and meaningfulness of inferences, which are based on the research results. It is the degree to which results obtained from the analysis of the data actually represent the variables of the study. The research instrument was validated in terms of content and face validity. The content related technique measures the degree to which the questions items reflected the specific areas covered while face validity the study sought input from the expert in the area of speciality who assisted in framing questions that sourced relevant answers to the topic under investigation.

**3.5.2. RELIABILITY**

Reliability is the ability of a research instrument to consistently measure characteristics of interest over time i.e.by including the Socio- economic factors in the study. It is the degree to which a research instrument yields consistent results or data after repeated trials. If a researcher administers a test to a subject twice and gets the same score on the second administration as the first test, and then there is reliability of the instrument (Mugenda and Mugenda, 1999). Reliability is concerned with consistency, dependability or stability of a test (Nachmias and Nachmias, 2008). The researcher measured the reliability of the questionnaire to determine its consistency in testing what they are intended to measure. The test re-test technique was used to estimate the reliability of the instruments. This involved administering the same test twice to the same group of respondents who were identified for this purpose.

**3.6. DATA ANALYSIS AND PRESENTATION**

Data was analyzed through descriptive and inferential statistics. Descriptive analysis involved the use of frequencies in their absolute and relative forms (percentage). Inferential analysis was done to find out if there is any relationship between dependent and the independent variables of the study. The data was subjected to standardized statistical analysis techniques using statistical package for social sciences (SPSS version 18). Data was organized into frequency tables from which the means, percentages were calculated. Spearman rank correlation analysis was used to examine the relationships among the different aspects of quality of health care. One-way ANOVA technique was used to show if there is any statistical difference in public health service delivery. The qualitative data was generated from semi-structured questionnaire comprising of open ended questions which was categorized in themes in accordance with research objectives and reported in narrative form along with quantitative presentation. The qualitative data was used to reinforce the quantitative data.

**3.7. ETHICAL CONSIDERATIONS**

Prior to the commencement of data collection, the researcher obtained all the necessary documents, including an introduction letter from Murang'a University College. Audience with the sampled local authorities in the region was also sought to clarify the purpose of the study. Upon getting clearance, the researcher in person distributed the questionnaires to the sampled individuals. Assistance from the local authorities was sought.

The researcher explained to the respondents about the research and that the study was for academic purposes only. It was made clear that the participation was voluntary and that the respondents were free to decline or withdraw any time during the research period. Respondents were not coerced into participating in the study. The participation was with informed consent to make the choice to participate or not. They were guaranteed that their privacy will be protected by strict standard of anonymity. The study explored ways on how to mitigate the socio-economic factors that affect Public Health services in Kenya. All data used was acknowledged appropriately.

## 4. FINDINGS AND DISCUSSIONS

TABLE 4.1: CORRELATION BETWEEN SOCIAL ECONOMIC FACTORS AND SERVICE DELIVERY

| | | FACILITIES | LEVEL OF EDUCATION | FINANCIAL RESOURCES |
|---|---|---|---|---|
| FACILITIES | Pearson Correlation | 1 | .047 | .192** |
| | Sig. (2-tailed) | | .339 | .000 |
| | N | 420 | 420 | 420 |
| LEVEL OF EDUCATION | Pearson Correlation | .047 | 1 | .709** |
| | Sig. (2-tailed) | .339 | | .000 |
| | N | 420 | 420 | 420 |
| FINANCIAL RESOURCES | Pearson Correlation | .192** | .709** | 1 |
| | Sig. (2-tailed) | .000 | .000 | |
| | N | 420 | 420 | 420 |

**REGRESSION ON INDEPENDENT VARIABLES AND DEPENDENT VARIABLE**

In statistics, regression analysis is a statistical process for estimating the relationships among variables. It includes many techniques for modelling and analysing several variables, when the focus is on the relationship between a dependent and one or more independent variables. More specifically, regression analysis helps

one understand how the typical value of the dependent variable (or criterion) changes when one of the independent variables is varied, while the other independent variables are held fixed. Multiple regression attempts to determine whether a group of variables together predict a given dependent variable (Mugenda and Mugenda, 2010). In the study, multiple regressions were done since the study had more than one independent variable. The study was keen in finding out whether education, financial resource and organizational facilities influence service delivery. The general purpose of multiple linear regressions (the term was first used by Person, 1908) is to learn more about the relationship between several independent or predictor of variables and a dependent or criterion variable (Borg *et al,* 2010). A multiple regression model was fitted as discussed in chapter three. The multiple regression was done to test the model; $Y=\beta_0 + \beta_{1X1} + \beta_{2X2} + \beta_{3X3} + e$

Where

Y= service delivery

$\beta_0$=constant

$_{X1}$=education

$_{X2}$=health facilities

$_{X3}$=financial resources

e=error term

$\beta_{1,}$ ; i=1,….,3 are the model parameters

The multiple regression analysis in table 4.1 R value measures the goodness of prediction of the variances. In this case R value of 0.863 is a good predictor of the service delivery by the independent variables: Level of Education, availability of Facilities and Financial Resources. On the other hand, the $R^2$ is the coefficient of determination which is the dependent variable that can be explained by the independent variables. In this case the $R^2$ value of 0.745 means that 74.5% of the corresponding variation in Service Delivery can be explained by the independent variables Level of Education, health Facilities and Financial Resources. However, there are other variables not covered by the study which account for 25.5% of Service Delivery. This outcome shows that more of the Service Delivery in hospitals are controlled by the predictors; Education, Financial Resources and health Facilities. The more the value of the predictors, the more the chances of Service Delivery in hospitals. This finding is in line with that of Wanjau (2010) in his study in government hospitals which established that service delivery is influences by the level of Education, health Facilities and Financial Resources.

**TABLE 4.2: MODEL SUMMARY**

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
|---|---|---|---|---|
| 1 | .863[a] | .745 | .742 | .335 |

a. Predictors: (Constant), Facilities, Level of Education, Financial Resources

b. Dependent Variable: Service Delivery

**EFFECT OF SOCIO-ECONOMIC FACTORS ON SERVICE DELIVERY IN KENYA**

Based on ANOVA Table 4.2, the F value is 302.410 with a p-value 0.000 < 0.05 significance level means that the calculated F Value is statistically significant. Thus, the overall regression model for the Social Economic predictor has statistically significantly explained the variation in Service Delivery and that it did not happen by chance but because of the Level of Education, financial resources and Availability of facilities. The outcome of the ANOVA table further supports the classical public administration theory which focuses on the idea that the role of politics and administration in a democratic society determines and enacts the will of the state and sets a policy by which majority rules.

**TABLE 4.3: ANOVA**

| Model | | Sum of Squares | df | Mean Square | F | Sig. |
|---|---|---|---|---|---|---|
| 1 | Regression | 136.141 | 4 | 34.035 | 302.410 | .000[a] |
| | Residual | 46.707 | 415 | .113 | | |
| | Total | 182.848 | 419 | | | |

a. Predictors: (Constant), Facilities, Level of Education, Financial Resources

b. Dependent Variable: Service Delivery

**HYPOTHESES TESTING**

The results of hypotheses testing showed that all the three hypothesized relationships were significant. Education does not affect service delivery in hospitals at significance level of 0.05; the outcome shows a significance level of 0.000 which is less than 0.05 meaning we reject the null hypothesis and conclude that Education has effect on determining service delivery in hospitals.

Availability of facilities does not affect service delivery at significance level of 0.05, the outcome shows a significance level of 0.000 which is less than 0.05 meaning we reject the null hypothesis and conclude that availability of facilities has an effect on determining service delivery in hospitals. Financial resources do not affect service delivery at significance level of 0.05, the outcome shows a significance level of 0.000 which is more than 0.05 meaning we reject the null hypothesis and conclude that financial resources has effect on determining service delivery.

## 5. CONCLUSIONS AND RECOMMENDATIONS

### 5.1 INTRODUCTION

In this chapter, the researcher provided a summary of major findings as deduced by the study, including Conclusions, Recommendations and areas of further research.

### 5.2 SUMMARY OF FINDINGS

The study sought to investigate relationship between socio-economic factors and Public Health Service delivery in Kenya and the following were the study findings.

#### 5.2.1 AVAILABILITY OF FACILITIES AND HEALTHCARE SERVICE DELIVERY

The research concerning availability of facilities showed a significance level of 0.000 which is less than 0.05; the respondents believed that poor facilities influence the delivery of quality healthcare services in Kenya. Through these findings more facilities should be provided to the hospitals such as enough beds to stem congestion in wards, enough offices for the staff for improved and efficient delivery of services. These findings conquer with the findings from a previous study done by Wanjau (2012); Otieno (2014).

#### 5.2.2 FINANCIAL RESOURCES AND PROVISION OF HEALTHCARE SERVICE DELIVERY

Financial resources and its influence on provision of public Health service delivery in Kenya revealed a significance level of 0.000 which is more than 0.05. Finances have always been an important factor in any service delivery process and based on the findings of this study it is recommended that adequate finances should be allocated to all the healthcare services facilities. Proper management of the allocated finances should be emphasized to ensure equity in distribution of the finances to departments in the hospital. Financial accountability using monitoring, auditing and accounting mechanisms defined by the county legal and institutional framework is a prerequisite to ensure that allocated funds are used for the intended purposes and leakage is minimised.

#### 5.2.3 LEVEL OF EDUCATION AND PUBLIC HEALTH SERVICE DELIVERY

The level of Education and its influence on provision of public Health service delivery in Kenya showed a significance level of 0.000 which is less than 0.05, this revealed that the level of education is positively associated with patient satisfaction, the study confirmed that confidentiality of doctor's information to patients was an important factor in the service delivery process to patients. As a result, it is recommended that confidentiality of information in healthcare services provision and good working relationship between patients and service providers be emphasized

### 5.3 CONCLUSIONS

Provision of healthcare services, is greatly affected by availability of resources in their physical/material form. The quality of the healthcare service provided is compromised when these are not availed. Lack or inadequate financial resources also affect the provision of quality healthcare services. Respondents indicated

that lack of financial resources greatly affected the provision of quality healthcare services to the public as it impacted negatively on availability of facilities to help deliver the services. Education level of both the patient and the provider of healthcare services is the key to the quality of service provided. Respondents indicated that these affected sharing of information between patients and doctors compromising greatly the provision of quality healthcare services to the patients as the interaction and understanding level was low.

**5.4 RECOMMENDATIONS**

From the findings the study recommends adequate and quality health service provision in public health sectors all over the country the Government should pay attention to the management, resource allocation and construction of quality infrastructure to allow easy provision of quality health services. Adoption and the use of new technology through improved education system to make it easier to access the patient's records and early detection of diseases hence it will be easy to provide services to the patients. Cost of health services should be customer friendly, geographical distance to the nearest facility to be reduced and patient waiting time to increase utilization of health services in Murang'a County and Enough drugs and supplies and improved health infrastructure will reduce high mortality rates in Murang'a County

**5.5 CONTRIBUTION TO THE BODY OF KNOWLEDGE**

This study found out that lack of facilities greatly affected the provision of quality healthcare services as there was lack of enough facilities to help deliver the services. This affects hospital attendance and provision of quality healthcare service delivery. It is therefore advisable that the hospital stakeholders should equip the hospital with relevant facilities such as beddings, office space, Laboratories, and medicine.

**5.6 AREAS FOR FURTHER RESEARCH**

Drawing from the findings of the study and based on the existing research it is suggested that more research should be done to assess how the strategies of top management in public hospitals affect quality of healthcare services to the sick. Another area that research should be carried out is the area of relationship of patient and doctor and quality of service being provided in public healthcare centres because this is a sensitive and very important area when it comes to service.

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# A STUDY ON POSSIBLE PARTICIPATION OF MINING INDUSTRY IN MAKE IN INDIA CONCEPT

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## ABSTRACT

*The real intention of "Make in India concept is" Create, produce, manufacture products & solutions in India" and use it for our use and as well as export to other countries and avoid importing goods to save foreign exchange. Now, most of the products in India are still imported, we do not build aircrafts, helicopters, guns and do not manufacture computers, mobile phones etc. This major initiative is designed to facilitate investment, foster innovation, enhance skill development, product intellectual property and build best-in-class manufacturing infrastructure. There has never been a better time to Make in India. 'Make in India' programme aims to promote 25 sectors identified for investment in manufacturing which included Mining sector. This paper describes conceptual study about possible participation of Make in India in mining industry, which has a lot potential for growth.*

## KEYWORDS

make in India concept, sustainable mining, mining sector, mineral resources and coal industry.

## INTRODUCTION

In recent decade, India is amongst the leading developing counties. In the recent past this success story has taken a faster track and India is now matching the flag of the developing economies.

The "Make in India Campaign" with an objective to create jobs and skill enhancement, has put fire in the belly of India's growth story; at the same point of time this is paving the path of capital and technology investment in India. Mining is one of the most prominent sectors out of twenty five identified sectors under this campaign.

Importance of Mining is also emphasized with the fact that India has long been recognized as a nation well-endowed in natural mineral resources. The mining sector, therefore, is one of the most important sectors in India's economy and contributes about 2% to 3% to our GDP, but need of the hour is to increase this contribution to a significant magnitude, which not only will fuel the economic growth but will also reduce, India's import bill to great extent on account of crude; coal and metals, specially gold.

Major attributes to focus on for providing impetus to mining industry are as follows:

a) Shift from open cast to underground mines.
b) Holistic exploration model
c) Gap in skill development
d) Friendly statutory clearance model
e) Enabling tax model
f) Energy Management
g) Production of mining equipment in India

There is robust unanimity in the country to the 'Make in India' policy. This rare unanimity among us 'argumentative Indians' is due to the fact that Indians across the spectrum identify with the goals set out in the broad vision of the policy. We are also convinced that we have to address certain basic structural issues and we will be on our way to achieving this ambitious goal. The fundamentals are all there; we have a young educated population with a globally proven track record of entrepreneurial zeal, yearning for success, availability of variety of resources and even a long coastline. There is also the realization that the vast young population can be gainfully employed when manufacturing for the world is taken up on a large scale.

There are hurdles which have held the mining industry back. Principal among these are land availability, regulatory uncertainty, archaic labour laws and small size of mining properties. Complications, uncertainties and heart burns associated with land availability are too well known to be repeated. While it is a major hurdle in setting up almost any industry in India, it is specially challenging for mining industry as land requirement is very specific to occurrence of mineral and a host of other technical considerations leaving very little by way of choice to the prospective mine operator.

Mining industry has faced regulatory uncertainty in terms of statutory clearances stretching project construction timelines to the point of making these unviable. Labour laws are drawn and enforced with premise that engagement of labour is only to cheat on wages. While such motives do exist the prohibition of contact workings is like throwing the baby with the bathwater out. The positive role of engagement of contractors with specialized skill needs to be acknowledged, as it has been all over the developed world. The Indian industry is losing out on creation of workforces of specialized skill at a high price. The industry stalwarts here have to only note the status in shaft thinking activities, where skilled workforce, contractors and service providers are now an endangered species.

## CONCEPT OF MAKE IN INDIA

The concept was there earlier also, but not in this pace on the account of many internal and external problems.

Make in India/Start-up-India in real sense gives chance to propagate new creative young and generative brains to work in the interest of people of India. An attempt is invited in free atmosphere where there are no boundaries with government help and is open to all. Our country has huge number of intellectuals in almost every field from various families, cultural and linguistic background. Their enthusiasm is to be properly utilized for their and countries upliftment.

Indian Government is committed to transforming the nation into a global manufacturing hub with "Make in India" initiative. It has launched numerous other programmes such as skill India, start-up India, digital India etc. to complement this initiative.

### INDIAN MANUFACTURING & TECHNOLOGY SCENARIO

India is the fastest growing large economy in the world today. The IMF has kept projection for India growth in 2016-17 at 7.5% which is remarkable since this has been forecasted that the global growth downgrading to 3.2% in the same period.

Manufacturing Industry has emerged as one of the potential growth sectors in India. Indian manufacturing sector has potential to touch one trillion dollar by 2025. There is potential to account for 25-30% of country's GDP and create 90 Million jobs by 2025. One of the important needs of Make in India is to initiate in the existing and new institution laboratories and facilities to do research in various topics/areas of country.

By deep commitment and long term investment in existing and new R&D institutions headed by professional of proven capabilities we can draw our strength in manufacturing, engineering design and testing. Our country can develop through imitation, reverse engineering and licensing.

**"MAKE IN INDIA" IN MINING INDUSTRY**

India has long been recognized as a nation well endowed in natural mineral resources. Following is a brief summary of prospects of mining industry in our country:

1. The country has 302 billion tons of coal reserves.
2. India has 6th largest reserves of iron ore.
3. 8th largest reserves of bauxite.
4. It operates 3025 mines to extract different economically useful minerals.
5. It is 5th largest producer of iron ore and 6th largest producer of bauxite.
6. It is 3rd largest producing country of coal in the world.
7. The demand for various metals and minerals will grow substantially over the next 15 years.
8. The power and cement industries also aid growth in the metals and mining sector.
9. India's strategic location enables convenient exports.
10. India's per capita steel consumption is four times lower than the global average.

Coal India which produces almost 86% of coal production operates 225 underground mines and 175 open cast mines and 28 mixed mines with employees more than 3 lakhs and the highest single coal producing company in the world. About 92% coal is produced from o/c mines and only about 8% is from underground mines. Total wages cost is almost 50% of production coast.

Mining equipment manufacturers like BEML, caterpillar, Komatsu, Liebherr, Wirtgen, L&T, Voltas, HEC to name a few have invested substantially to start manufacturing of mining equipment in India. India may attract more foreign participation technologically & financially.

In mining, we extract any economically usable material from earth using mining equipments and machinery, usually larges sized and manpower to work safely with available facilities.

Such activities of development usually do take back seat in mining industry (common to many sectors in India) and following are observed generally, which needs overhaul.

1. All system/procedure/rules/circular in any producing company are to facilitate to production only.
2. New work or development cannot advance swiftly due to the rigid rules and work gets stuck up at one or other stage.
3. Industry (Production sector) and research/academic institution does not have one to one meetings.
4. Research oriented executives are not generally given importance and they feel frustrated after few years.
5. There is no knowledge transfer policy between academic and production institute.

**TECHNOLOGIES THAT CAN BE INDIGENOUSLY DEVELOPED FOR MINING**

There are lot areas in the mining industry where technologies can be indigenously developed. Such list of areas as below:

1. Enterprise resources Planning (ERP) up to mine operations level.
2. Mine equipment management system, operator independent dispatch system and linking with ERP.
3. Office Automation/e-office.
4. GPS based vehicle tracking system.
5. CCTV surveillance system.
6. Geo-fencing of mine boundaries.
7. Use of drones for the purpose of mine security, mine survey, mine surveillance etc.
8. Bio-metric attendance.
9. Preparation of Topographical map using satellite technology.
10. Document tracking system.
11. Fuel monitoring system.
12. Project management system.
13. Digitization of land records.
14. Equipment required in coal washeries.
15. Various spares of HEMM.

## CONCLUSIONS

The challenges which are faced by Indian mining industry today are forcing the companies to abandon the tradition approaches of running the mining operations and to accept the modern practices which are globally used by the smart mining companies. Some of these practices included the implementation of modern safety management system and automation for efficiently running the business of mining operations.

It is inferred that for the Indian Mining industry it is being realized that compliance to rules and regulations is a perquisite; however, it is not sufficient to achieve further reduction in accident and injury rates in mines. For mine automation to be effective, it is crucial to ensure integration of various subsystems of mining operations through exchange of data so that all subsystems work in a synchronous manner for smooth operation of mining system.

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# IMPACT OF FOREIGN DIRECT INVESTMENT INFLOWS ON INDIAN ECONOMY

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## ABSTRACT

*After 1991, there has been numerous structural changes in the policies of India. Due to the changes, there has been changes in the of Foreign Direct Investment inflows in the Indian economy. The study is conducted to know the determinants for FDI inflow in India and its impact on economic growth of the country. The study revealed that FINANCIAL POSITION, TRADE GDP and R&D GDP are the determinants which significantly influence the FDI inflows in India. They act as the important macroeconomic determinants and pull factors of FDI inflows in India. The study also reveals that FDI is not a significant factor influencing the level of economic growth in India. The results of Economic Growth Model and Foreign Direct Investment Model show that FDI plays a limited role in enhancing the level of economic growth in the country.*

## KEYWORDS

Indian economy, foreign direct investment (FDI).

## INTRODUCTION

Foreign direct investment (FDI) is a process whereby the residents of the source country attain ownership of assets with the intention to control the production, distribution and other activities of a firm in the host country. The International Monetary Fund's Balance of Payments Manual defines FDI as, "an investment that is made to acquire a lasting interest in an enterprise operating in an economy other than that of the investor, the investor's purpose being to have an effective voice in the management of the enterprise". The United Nations World Investment Report (UNCTAD, 1999) defines FDI as, "an investment involving a long-term relationship and reflecting a lasting interest and control of a resident entity in one economy (foreign direct investor or parent enterprise) in an enterprise resident in an economy other than that of the foreign direct investor (FDI enterprise, affiliate enterprise or foreign affiliate)".

Direct investment across national borders is a distinct feature of international economics, which has gained intense attention of all the countries of the world recently. Foreign direct investment is deemed to be a growth catalyst since it is usually accompanied by entrepreneurial, managerial and technical skills which are indispensable for economic growth (Humphrey, 1960). Foreign direct investment is one of the most strategic and vital tools for developing a country's competitiveness and efforts must be made to garner huge share of FDI in the country (Badar, 2006). Going by this ideology FDI is being sought by most of the developing countries of the world for promoting the cause of economic development.

FDI to developing countries in the 1990s was the leading source of external financing and has become a key component of national development strategies for almost all the countries in the world as a vehicle for technology flows and an important source of non-debt inflows for attaining competitive efficiency by creating a meaningful network of global interconnections. FDI provide opportunities to host countries to enhance their economic development and opens new opportunities to home countries to optimize their earnings by employing their ideal resources.

From the recent past, it has been perceived that foreign direct investment plays a developmental role. Governments are of point of view that foreign direct investment can help the countries to pass through the phase of stagnation and bypass poverty. Since mid-eighties, there has been huge growth of foreign direct investment resulting into changes in the particular's countries attributes such as changes in technology, privatization, change in trade norms, managerial expertise, etc. Foreign Direct Investment inflow, which comes as a composite bundle of tangible and intangible asset, which along with the domestic investments increases the growth of the country by efficiently using resources and expands markets by increasing exports.

## REVIEW OF LITERATURE

To increase the flow of FDI inflows, so far many studies have been conducted around the globe over the different period of time for exploring the determinants of FDI inflows in an economy. **Bhagwati, J.N (1978),** in his study analyzed the impact of FDI on international trade. He concluded that countries actively pursuing export led growth strategy can reap enormous benefits from FDI. **Cho (2004)** points out that the attractiveness of the economic conditions in host countries; the policy framework towards the private sector, trade and industry, and FDI and its implementation by host governments; and the investment strategies of multinational enterprises are three factors influencing FDI inflows in an economy. **Singh (2005)** in his study explores the uneven beginnings of FDI, in India and examines the developments (economic and political) relating to the trends in two sectors: industry and infrastructure. The study concludes that the impact of the reforms in India on the policy environment for FDI presents a mixed picture. The industrial reforms have gone far, though they need to be supplemented by more infrastructure reforms, which are a critical missing link. **Chowdhury and Mavrotas (2006)** examines the causal relationship between FDI and economic growth by using an innovative econometric methodology to study the direction of causality between the two variables and found that it is GDP that causes FDI in the case of Chile and not vice versa, while for both Malaysia and Thailand, there is a strong evidence of a bi-directional causality between the two variables. **Khaliq and Noy (2007)** investigates the impact of foreign direct investment (FDI) on economic growth using detailed sectoral data for FDI inflows to Indonesia over the period 1997-2006 and found in the aggregate level, FDI is observed to have a positive effect on economic growth. However, when accounting for the different average growth performance across sectors, the beneficial impact of FDI is no longer apparent. When examining different impacts across sectors, estimation results show that the composition of FDI matters for its effect on economic growth with very few sectors showing positive impact of FDI and one sector even showing a robust negative impact of FDI inflows. **Nuno and Maria (2007)** in their paper analyze the factors determining the existence, dimensions and sign of FDI spillovers. They identify that FDI spillovers depend on many factors like absorptive capacities of domestic firms and regions, the technological gap, or the export capacity. **Sharma (2011)** also identifies that complexity in doing business, insufficient growth of service sector, lack of adequate infrastructure and lack of skilled manpower are significant

factors influencing FDI inflows. **Solomon (2011)** analyses how the levels of economic development, human capital, financial development and the qualities of the economic and political environments in host countries simultaneously affects the impact of aggregate inflows of Foreign Direct Investment (FDI) on economic growth. The results show that the level of economic development, human capital and quality of the political environment all significantly affect the relationship between inward FDI and growth. **Almfraji and Almsafir (2014)** examined the relationships between FDI and EG, especially the effects of FDI on EG, from 1994 up to 2012 and found that FDI-EG relation is significantly positive, but in some cases it is negative or even null. And within the relation, there exist several influencing factors such as the adequate levels of human capital, the well-developed financial markets, the complementarity between domestic and foreign investment and the open trade regimes, etc. **Melnyk, et al. (2014)** investigates the impact of foreign direct investing on economic development of post Comecon transition economy countries by using Neoclassical growth theory model is used to analyze the effects of FDI on economic growth and the results showed significant FDI influence on economic growth of host countries. **Zekarias (2016)** analyzed the impact of Foreign Direct Investment (FDI) on Economic growth in 14 Eastern Africa countries by employing 34 years (1980-2013) panel data, using dynamic GMM estimators after checking for autocorrelation and model specification tests and confirms that FDI has positive and marginally significant effect of FDI on economic growth, the rate of economic conditional convergence at 5%, absence of significant crowding out effect moving from FDI to domestic investment, interdependence of domestic investment and trade openness in the sub-region.

## OBJECTIVES OF THE STUDY

The objective of the study is to evaluate the impact of FDI on the economy. To achieve the objectives of the paper, the study has been done for the period of 1991-2014 (Post Liberalization period).

## RESEARCH METHODOLOGY

### DATA COLLECTION

This study is based on secondary data. The required data have been collected from various sources i.e. World Investment Reports, Asian Development Bank's Reports, various Bulletins of Reserve Bank of India, publications from Ministry of Commerce, Govt. of India, Economic and Social Survey of Asia and the Pacific, United Nations, Asian Development Outlook, Country Reports on Economic Policy and Trade Practice- Bureau of Economic and Business Affairs, U.S. Department of State and from websites of World Bank, IMF, WTO, RBI, UNCTAD, EXIM Bank etc. It is a time series data and the relevant data have been collected for the period 1991 to 2014**.**

### SELECTION OF VARIABLES

Existing literature was used to choose the right group of variables that clarifies the differences in the flow of the country. As per specifications of UNCTAD, different variable combinations were made. Simple and multiple regression methods are applied to find out the explanatory variables of the FDI inflows in the country in two steps. In the first step, all variables are taken into consideration in the estimable model and in the second stage, few variables which are insignificant are dropped to avoid the problem of multi-co linearity, otherwise the results would have been biased and untrue. Following are the macroeconomic indicators which are considered as the pull factors like: total trade (TRADEGDP), research and development expenditure (R&D GDP), financial position (FIN. Position), exchange rate (EXR), foreign exchange reserves (RESERVES GDP), and foreign direct investment (FDI), foreign direct investment growth rate (FDIG) and level of economic growth (GDPG) are used in the model to gauge the impact.

### MODEL BUILDING

Further, to study the impact of foreign direct investment on economic growth, two models were framed and fitted. The foreign direct investment model shows the factors influencing the foreign direct investment in India. The economic growth model depicts the contribution of foreign direct investment to economic growth. The two model equations are expressed below:

FDI = f [TRADEGDP, RESGDP, R&DGDP, FIN. Position, EXR.]

GDPG = f [FDIG]

Where,

| | | |
|---|---|---|
| FDI | = | Foreign Direct Investment |
| GDP | = | Gross Domestic Product |
| TRADE GDP | = | Total Trade as percentage of GDP. |
| RES GDP | = | Foreign Exchange Reserves as percentage of GDP. |
| R&D GDP | = | Research & development expenditure as percentage of GDP. |
| FIN. Position (Financial Position) | = | Ratio of external debts to exports |
| EXR | = | Exchange rate |
| GDPG | = | Level of Economic Growth |
| FDIG | = | Foreign Direct Investment Growth. |

Regression analysis (Simple & Multiple Regression) was carried out using relevant econometric techniques. Simple regression method was used to measure the impact of FDI flows on economic growth (proxied by GDP growth). Further, multiple regression analysis was used to identify the major variables which have impact on foreign direct investment. Relevant econometric tests such as coefficient of determination R2, Durbin–Watson [D-W] statistic, Standard error of coefficients, T Statistics and F- ratio were carried out in order to assess the relative significance, desirability and reliability of model estimation parameters.

## FINDINGS AND DISCUSSION

### MODEL – I

FDI = f [TRADEGDP, RESGDP, R&DGDP, FIN. Position, EXR.]

**Hypothesis**

*H1: There exists a significant impact between FDI and determinants of FDI.*

**TABLE 1: CORRELATION MATRIX OF FDI AND DETERMINANTS OF FDI**

| Correlations[a] | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | FDI | GDP | FIN Pos | TRADE GDP | RES GDP | R&D GDP | EXR |
| FDI | Pearson Correlation | 1 | | | | | | |
| | Sig. (2-tailed) | | | | | | | |
| | N | 24 | | | | | | |
| GDP | Pearson Correlation | .883** | 1 | | | | | |
| | Sig. (2-tailed) | .000 | | | | | | |
| | N | 24 | 24 | | | | | |
| FIN Pos | Pearson Correlation | -.717** | -.732** | 1 | | | | |
| | Sig. (2-tailed) | .000 | .000 | | | | | |
| | N | 24 | 24 | 24 | | | | |
| TRADE GDP | Pearson Correlation | .904** | .940** | -.866** | 1 | | | |
| | Sig. (2-tailed) | .000 | .000 | .000 | | | | |
| | N | 24 | 24 | 24 | 24 | | | |
| RES GDP | Pearson Correlation | .745** | .683** | -.895** | .842** | 1 | | |
| | Sig. (2-tailed) | .000 | .000 | .000 | .000 | | | |
| | N | 24 | 24 | 24 | 24 | 24 | | |
| R&D GDP | Pearson Correlation | .741** | .783** | -.967** | .863** | .817** | 1 | |
| | Sig. (2-tailed) | .000 | .000 | .000 | .000 | .000 | | |
| | N | 24 | 24 | 24 | 24 | 24 | 24 | |
| EXR | Pearson Correlation | .605** | .746** | -.848** | .752** | .692** | .918** | 1 |
| | Sig. (2-tailed) | .002 | .000 | .000 | .000 | .000 | .000 | |
| | N | 24 | 24 | 24 | 24 | 24 | 24 | 24 |

**. Correlation is significant at the 0.01 level (2-tailed).
*. Correlation is significant at the 0.05 level (2-tailed).
a. Stat = India

A total of five sub hypothesis are tested with the help of regression analysis and explained statistically.

**TABLE 2: MODEL SUMMARY FDI AND DETERMINANTS OF FDI**

| Model Summary[a] | | | | | |
|---|---|---|---|---|---|
| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate | Durbin-Watson |
| 1 | .938[b] | .880 | .846 | 5753.83538134 | 1.413 |
| a. State = India | | | | | |
| b. Predictors: (Constant), EXR, RES GDP, TRADE GDP, FIN Pos, R&D GDP | | | | | |

In the above table (Table 2), the R value represents the association that the dependent variable (FDI) has with all independent variable or predictors. The $R^2$ value (.880) depicts the amount of variance explained by all the independent variables (determinants) accounting in for Foreign Direct Investment (FDI). In case where the number of independent variables is more than 1, the adjusted R square values are considered which comes out to be.846 in this case. The value of adjusted R square depicts that determinants of FDI influence 84.6% of FDI.

**TABLE 3: ANNOVA TABLE - FDI AND DETERMINANTS OF FDI**

| ANOVA[a,b] | | | | | | |
|---|---|---|---|---|---|---|
| Model | | Sum of Squares | df | Mean Square | F | Sig. |
| 1 | Regression | 4363668036.733 | 5 | 872733607.347 | 26.361 | .000[c] |
| | Residual | 595919188.720 | 18 | 33106621.596 | | |
| | Total | 4959587225.453 | 23 | | | |

a. State = India
b. Dependent Variable: FDI
c. Predictors: (Constant), EXR, RES GDP, TRADE GDP, FIN Pos, R&D GDP

The above table (Table 3) talks about the significance of the model. The Significance value (less than.05) confirms that the model is significant at 95% degree of freedom. In other words, it depicts that various determinants of FDI influences FDI. Further, in the analysis (B) values are calculated to check which determinant of FDI significantly influences the FDI.

**TABLE 4: COEFFICIENTS SUMMARY: FDI AND DETERMINANTS OF FDI**

| Coefficients[a,b] | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Model | | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. | Collinearity Statistics | |
| | | B | Std. Error | Beta | | | Tol | VIF |
| 1 | (Constant) | -138469.595 | 45936.766 | | -3.014 | .007 | | |
| | **FIN Pos.** | **20839.295** | **7674.296** | **1.343** | **2.715** | **.014** | **.027** | **36.635** |
| | **TRADE GDP** | **994.657** | **203.331** | **.920** | **4.892** | **.000** | **.189** | **5.297** |
| | RES GDP | 924.203 | 544.394 | .386 | 1.698 | .107 | .129 | 7.748 |
| | **R&D GDP** | **143282.459** | **57524.060** | **1.340** | **2.491** | **.023** | **.023** | **43.351** |
| | EXR | -699.736 | 357.094 | -.446 | -1.960 | .066 | .129 | 7.750 |

a. State = India
b. Dependent Variable: FDI

The above table (Table 4) shows that FINANCIAL POSITION, TRADE GDP and R&D GDP are the determinants (p value <.05) which significantly influence the Foreign Direct Investment in India. In other words, we can say that there are only three determinants of FDI named that FINANCIAL POSITION, TRADE GDP and R&D GDP which influence the FDI in India.

A regression equation, thus has been drawn after eliminating the insignificant variables from the regression and thus the regression equation thus can be written as:

$Y = B_1X_1 + B_2X_2 + B_3X_3 + C$

FDI = 20839.295 (FIN Pos) + 994.657 (TRADE GDP) + 143282.459 (R&D GDP) + (-138469.595)

**TABLE 5: SUMMARY OF SUB HYPOTHESIS FORMULATED**

| Hypothesis Formulated | Status of Acceptance |
|---|---|
| $H_1$1a : There is a significant impact between FDI and FIN Pos | Accepted |
| $H_1$1b : There is a significant impact between FDI and TRADE GDP | Accepted |
| $H_1$1c : There is a significant impact between FDI and RES GDP | Not Accepted |
| $H_1$1d : There is a significant impact between FDI and R&D GDP | Accepted |
| $H_1$1e : There is a significant impact between FDI and EXR | Not Accepted |

**MODEL – II**

GDP G = f [FDI G]

**Hypothesis**

*H2: There exists a significant* impact *between GDP G and determinants of FDI G.*

**TABLE 6: CORRELATION MATRIX OF GDP G AND FDI G**

| Correlations[a] | | | |
|---|---|---|---|
| | | GDP G | FDI G |
| GDP G | Pearson Correlation | 1 | |
| | Sig. (2-tailed) | | |
| | N | 24 | |
| FDI G | Pearson Correlation | .077 | 1 |
| | Sig. (2-tailed) | .722 | |
| | N | 24 | 24 |
| **. Correlation is significant at the 0.01 level (2-tailed). | | | |
| *. Correlation is significant at the 0.05 level (2-tailed). | | | |
| a. Stat = India | | | |

**TABLE 7: MODEL SUMMARY GDP G AND FDI G**

| Model Summary[a] | | | | | |
|---|---|---|---|---|---|
| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate | Durbin-Watson |
| 1 | .077[b] | .006 | -.039 | 2.42223839 | 1.859 |

a. State = India

b. Predictors: (Constant), FDI G

In the above table (Table 7), the R value represents the association that the dependent variable (GDP) has with independent variable or predictor. The $R^2$ value (.006) depicts the amount of variance explained by the independent variables (FDI G) accounting in for GDP growth.

**TABLE 8: ANNOVA TABLE – GDP G AND FDI G**

| ANOVA[a,b] | | | | | | |
|---|---|---|---|---|---|---|
| Model | | Sum of Squares | df | Mean Square | F | Sig. |
| 1 | Regression | .764 | 1 | .764 | .130 | .722[c] |
| | Residual | 129.079 | 22 | 5.867 | | |
| | Total | 129.844 | 23 | | | |

a. State = India

b. Dependent Variable: GDP G

c. Predictors: (Constant), FDI G

The above table (Table 8) talks about the significance of the model. The Significance value (more than.05) confirms that the model is not significant at 95% degree of freedom. In other words, it depicts that FDI Growth does not scientifically influence GDP Growth. Further, in the analysis (B) values are calculated to check the level of insignificance.

**TABLE 9: COEFFICIENTS SUMMARY: FDI AND DETERMINANTS OF FDI**

| Coefficients[a,b] | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Model | | Unstandardized Coefficients | | Standardized Coefficients | T | Sig. | Collinearity Statistics | |
| | | B | Std. Error | Beta | | | Tol | VIF |
| 1 | (Constant) | 6.289 | .569 | | 11.054 | .000 | | |
| | FDI G | .003 | .007 | .077 | .361 | .722 | 1.000 | 1.000 |

a. State = India

b. Dependent Variable: GDP G

The above table (Table 9) shows that FDI Growth is the factor (p value >.05) which significantly does not influence the GDP Growth in India. In other words we can say that that FDI Growth does not scientifically influence the GDP Growth in India.

**TABLE 10: SUMMARY OF SUB HYPOTHESIS FORMULATED**

| Hypothesis Formulated | Status of Acceptance |
|---|---|
| $H_1$2a : There is a significant impact between GDP G and FDI G | Not Accepted |

## CONCLUSION

It has been found that FINANCIAL POSITION, TRADE GDP and R&D GDP are the determinants which significantly influence the FDI inflows in India. They act as the important macroeconomic determinants and pull factors of FDI inflows in India. Thus, it is concluded that the above analysis is successful in identifying those variables which are important in attracting FDI inflows to the country. The study also reveals that FDI is not a significant factor influencing the level of economic growth in India. The results of Economic Growth Model and Foreign Direct Investment Model show that FDI plays a limited role in enhancing the level of economic growth in the country.

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# GLOBAL PREVALENCE OF IFRS WITH SPECIAL REFERENCE TO INDIA

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## ABSTRACT

*Trade and commerce have been a part of human existence since time immemorial. People realised the importance of exchange & communication for survival and growth that gradually made way for 'Globalisation'. Accounting was discovered as the universal language of business but accounting practices have differed considerably across nations depending upon their economic, legal and political environment. Post world war-II era saw growth in cross border capital flows and harmonisation of international accounting standards was emphasized. In an effort by industrialized nations (Canada, US, and UK) to study the discrepancies in accounting practices across regions, International standard setting process was initiated with the publication of International accounting standards(IASs) issued by the International Accounting Standards Committee (IASC), a body established in 1973. It was reorganized as the International Accounting Standards Board (IASB) in 2001. IFRS are issued by IASB in the public interest to put a financial reporting system in place which is sound, well-coordinated, robust, extensively applicable and enables informed decision making. "They purport to be a set of rules that ideally would apply equally to financial reporting by public companies worldwide" (Ball, 2006). EU became the first one to adopt IFRS in 2005 with the intention of making markets competitive and accounts accessible across the continent. This move by EU became a milestone and soon spread globally. Currently, about 120 countries use IFRS in some way, converged or adopted. India is one amongst the nations which decided to converge with IFRS in 2011, which due some hurdles could not be implemented as planned. Recently, MCA through notification dated 16 February 2015 has finally issued the Companies (Indian Accounting Standards) Rules, 2015 (Rules) which lay down a roadmap for Ind AS adoption. The aim of this paper is to understand why is IFRS important, to focus on IFRS implementation plan in India and its impact, to figure out the opportunities and challenges specific to our economy and to analyse the International experience of IFRS in select countries. This study is largely based on a detailed literature review of the published theoretical and empirical research using reliable secondary sources.*

## KEYWORDS

IFRS, IASB, harmonisation, Convergence, Ind AS.

## BACKGROUND

As the business world became more global, regulators, investors, large companies and auditing firms began to realize the importance of having common standards in all areas of the financial reporting chain (AICPA). Generally accepted accounting principles provide us the norms of accounting policies and practices by way of guidelines directing us as to how the events that affect the financial statements should be dealt with and presented in final accounts. With every country using its own version of GAAP, it becomes difficult to deal with multiple standards for businesses and investors planning to grow internationally. In order to analyse & compare the financial reports of multiple entities accurately, it is extremely important that the companies are following the same set of accounting standards while preparing their financial reports. The basic idea that lies behind the need to have universal framework of accounting and financial reporting standards was to ensure a smooth, efficient and reliable global marketplace for everyone across the world. By ensuring relevance, completeness, neutrality, verifiability, consistency, comparability and transparency of financial statements, unified business language brings about a qualitative change in the accounting information reports. This in turn strengthens the confidence and empowers investors and other users of accounting information.

Since 2001, the IASB has majorly transformed the world map of company financial reporting in a short span of time. But it was the International Accounting Standards Committee (IASC), during its 27 years from 1973 to 2000 that set the stage for the IASB. Based in London, IASC was an independent private sector body formed to achieve uniformity in accounting principles around the globe. Founded by the professional bodies of USA and its 9 other powerful counterparts including Australia, Canada, France, Germany, Japan, Mexico, the Netherlands, the United Kingdom and Ireland, IASC Board published and formulated a substantial body of Standards, Interpretations, a Conceptual Framework, and promoted its acceptance by many nations in developing their national accounting standards. In 2001, restructuring of IASC was undertaken and renamed as the International Accounting Standards Board (IASB). Objective of IASB was to design "a single set of high quality, understandable and enforceable global accounting standards that require high quality, transparent and comparable information in financial statements and other financial reporting to help participants in the world's capital markets and other users make economic decisions" (IFRS.org). These standards are called as **IFRS**.

Later in 2002, FASB, the American accounting board and IASB entered into "Norwalk agreement" embarking on a partnership for working together to improve and converge the U.S. generally accepted accounting principles (GAAP) and IFRS. "The globalization of accounting standards as seen through the proliferation of IFRS worldwide is one of the most important developments in corporate governance over the last decade" (Ramanna, 2013). Subsequently, in 2005 the European Union (EU) adopted a legislation which required all listed companies to prepare their consolidated financial statements using IFRS, becoming the first major capital market to implement IFRS. KPMG (2000) reported in a survey that the reasons for European companies to switch from national standards to international standards include (1) the possibility of increasing the availability of capital and lowering its cost; (2) the perceived high quality of IFRS; and (3) preferences of institutional investors and analysts. (Hope et. al., 2006)

## UNDERSTANDING IFRS

IFRS embark identification, measurement, presentation and disclosure requirements associated with transactions and events which are significant and vital in financial statements that are used for general purpose (Mishra &Aggarwal, 2014). They are a set of rules that tell companies what they need to show in their accounts and how the numbers are to be calculated. They are principle based standards developed and governed by the 12-members board of IASB. International Financial Reporting Standards comprise of:

- International Financial Reporting Standards (IFRS) - standards issued after 2001
- International Accounting Standards (IAS) - standards issued before 2001
- Interpretations originated from the International Financial Reporting Interpretations Committee (IFRIC) - issued after 2001
- Standing Interpretations Committee (SIC) - issued before 2001

IFRSs provide accounting treatments of various events and transactions based on the economic substance rather than their legal form. This concept entails the use of judgment on the part of the preparers of the financial statements in order for them to derive the business sense from the transactions and events and to

present them in a manner that best reflects their true essence. The application of this approach may result into events and transactions being presented in a manner different from their legal form. Nevertheless, it's central to the faithful representation of financial information of an entity.

The Board has no authority to impose those standards but promote its rigorous application across the world. It aims at providing financial information about the entity that is useful to existing and potential investors, lenders and other creditors in making decisions about providing resources to the entity. Those decisions involve buying, selling or holding equity and debt financial instruments, and providing or settling loans and other forms of credit.

*Principle based*- Based upon principles, IFRS allows management to use greater discretion and flexibility when preparing a company's financials unlike U.S GAAP which is a hard set rule based standard. With a principle based framework there is a potential for different interpretations of similar transactions, which could lead to extensive disclosures in the financial statements. Thus, IFRS being principle-based standards are potentially more difficult to circumvent (Ahmed et al., 2013).

*Convergence vs Adoption*- With the widespread popularity of IFRS in more than a 100 countries, not all countries could immediately adopt IFRS due to cultural, legal, or political obstacles. Some countries decided to converge their local standards with IFRS including India and China. There exists a significant difference between adoption and convergence which the users need to understand. With Convergence, a nation decides to bring its accounting standards to a point where the amounts reported in the financial statements are the same as in IFRS financial statements. On the other hand, implementing IFRS in full compliance with the guidelines issued by IASB is referred to as adoption. Recently, one of the trustees of IASB emphasised convergence as not necessarily an objective in itself but a means to achieve adoption of IFRSs.

## CONCEPTUAL FRAMEWORK OF FINANCIAL REPORTING

In financial reporting, a conceptual framework is a theory of accounting prepared by a standard-setting body against which practical problems can be tested objectively. The Conceptual Framework project of IASB aims at improving financial reporting through providing a complete, clear and updated set of concepts. It serves as a guide to the Board in developing future IFRSs and resolving accounting issues that are not addressed directly in an International Accounting Standard or International Financial Reporting Standard or Interpretation. In the absence of a Standard or an Interpretation that specifically applies to a transaction, management is required to use its judgement in developing and applying an accounting policy that results in information that is relevant and reliable.

*Conceptual Framework for Financial Reporting* introduced as a joint project of IASB and FASB in 2010 mainly addresses:

(a) The objective of financial reporting;

(b) the qualitative characteristics of useful financial information:

- Fundamental- Relevance and Faithful Representation
- Enhancing- Comparability, verifiability, timeliness and understandability.

(c) the reporting entity

(d) the definition, recognition and measurement of the elements from which financial statements are constructed; and

(e) concepts of capital and capital maintenance.

This project however, was restarted in 2012 by IASB alone to fill the gaps in the existing framework.

## INDIAN CASE

Prior studies have shown that quality of financial information disclosed in India before globalization was way inferior to the information disclosed in United States and United Kingdom. The Indian firms only used to make bare minimum disclosures required as per the rules and regulations governing them. Only the firms which were mandatorily supposed to furnish published reports under the law (mainly the public sector entities) would provide better information of its state of affairs. Very few privately owned firms used to make voluntary disclosure of their financial information (Narayanswamy, 2007).

The inaugural of economic reforms and globalization in the late 1980s led the process of changes in financial reporting methods. These reforms and improvement encouraged foreign companies to invest in Indian economy (Mishra & Aggarwal, 2014). Post globalisation, constant efforts have been put and initiatives been taken by our standard setting and regulatory authorities like ICAI, SEBI, RBI etc. to bring our economic activities at par with international level.

Accounting Standards board (ASB) is the body constituted by ICAI in 1977 to formulate accounting standards keeping in view the applicable statutes, customs and regulations in Indian business environment. Recognizing the need to harmonise with the international developments taking place on a fast pace, ICAI announced in 2007 to converge with IFRSs commencing from 1st April 2011. This step to bring our standards at par with the leading global standards was expected to put India in a better global rank on corporate governance and transparency in financial reporting. For this purpose, ICAI with approval of NACAS (committee setup by MCA) introduced new accounting standards converged with IFRS, also known as ***Ind AS***. However, due to the existence of certain carve-outs or deviations from IFRS, these standards would not be considered as equivalent to IFRS. A carve out essentially means that certain requirements of an accounting standard under IFRS will not be adopted. Even though the carve-outs are relatively minor, there are certain mandatory carve-outs, which may prevent companies from being able to state dual compliance with IFRS as per the IASB.

The initial deadline for implementation of Ind AS which applied to all listed companies could not be timely met owing to complex Indian legal and regulatory structure. Smooth and successful transition to IFRS also requires corresponding updates and changes in various statutes namely Companies Act, Income Tax Act, Banking Regulation Act, Insurance Act, as well as rules framed by regulatory bodies like RBI, SEBI, IRDA. Furthermore, clear understanding of standards is still required to be built amongst companies, professionals and investors for correct application and usage of IFRS in order to increase reliability and transparency of their financial statements. This prominently can be attributed to the delay in effectively imbibing IFRS into our system.

A latest announcement regarding implementation of revised roadmap of Ind AS was made by MCA in January 2015 which shall be applicable in phases as follows.

**TABLE 1**

| | **Phase I** | **Phase II** | **Voluntary adoption** |
|---|---|---|---|
| Year of adoption | FY 2016 – 17 | FY 2017 – 18 | FY 2015 -16 or thereafter |
| Comparative year | FY 2015 – 16 | FY 2016 – 17 | FY 2014 - 15 or thereafter |
| **Covered companies:** | | | |
| (a) Listed Companies | All companies with net worth >= INR500 crores | All companies listed or in the process of being listed | Any company could voluntarily adopt Ind AS |
| (b) Unlisted Companies | All companies with net worth >= INR500 crores | Companies having a net worth >= INR250 crores | |
| (c) Group Companies | Applicable to holding, subsidiaries, joint ventures, or associates of companies covered in (a) and (b) above. *This may also impact fellow subsidiary companies while preparing CFS of the holding company.* | | |

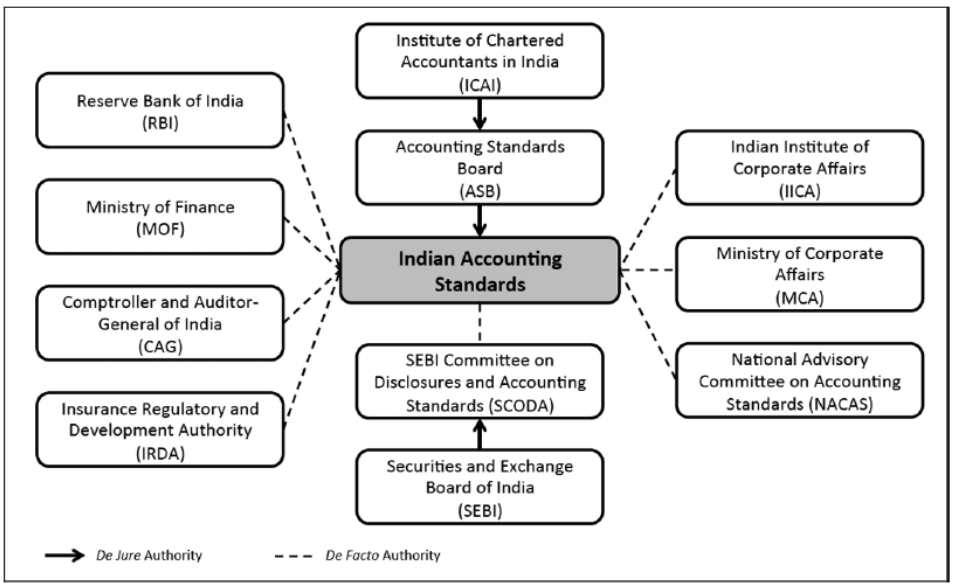
*Courtesy: KPMG Report, Issue 2015/02*

However, the insurance companies, banking companies and non-banking finance companies (NBFC) doesn't fall under the purview of this roadmap.

## CHALLENGES AHEAD

India, despite substantial economic growth over the past decade, is still generally considered well behind China in international standings (The Economist, 2010). India's accounting landscape is dotted with an alphabet soup of regulatory agencies, professional organizations, think tanks and industry groups (as shown below). The high coordination costs and differing interests of these organizations make it difficult for an Indian lobbying position to have unified domestic support on the international stage. (Ramanna, 2013) This was one of the main reasons for delay in convergence with IFRS as planned.

TABLE 1




*Courtsey: Ramanna, 2013*

Even though the benefits of IFRS adoption are well recognised, the task of implementing it formally is going to be herculean task for India. The major challenges identified from the review of literature concerning IFRS adoption in India have been summarised as follows:

**1. Difference in GAAP and IFRS**: Adoption of IFRS means that the entire set of financial statements will be required to undergo a drastic change. The differences are wide and very deep routed. It would be a challenge to bring about awareness of IFRS and its impact among the users of financial statements.

**2. Training and Education:** Lack of training facilities and academic courses on IFRS will also pose challenge in India. There is a need to impart education and training on IFRS and its application.

**3. Legal and Regulatory considerations:** Currently, the reporting requirements are governed by various regulators in India and their provisions override other laws. IFRS does not recognize such overriding laws. The regulatory and legal requirements in India will pose a challenge unless the same is been addressed by respective regulatory.

**4. Taxation:** IFRS convergence would affect most of the items in the financial statements and consequently the tax liabilities would also undergo a change. Thus the taxation laws should address the treatment of tax liabilities arising on convergence from Indian GAAP to IFRS.

**5. Fair value Measurement:** IFRS uses fair value as a measurement base for valuing most of the items of financial statements. The use of fair value accounting can bring a lot of instability and prejudice to the financial statements. It also involves a lot of hard work in arriving at the fair value and valuation experts have to be used.

**6. Re-negotiation of Contract:** The contracts would have to be re-negotiated which is also a big challenge. This is because the financial results under IFRS are likely to be very different from those under the Indian GAAP.

**7. Reporting systems:** Companies would have to ensure that the existing business reporting model is amended to suit the reporting requirements of IFRS. The information systems should be designed to capture new requirements related to fixed assets, segment disclosures, related party transactions, etc. (Kaur & Kumar, 2014)

## LITERATURE REVIEW

The purpose of this section is to summarise academic studies that address the adoption, implementation, importance and issues of IFRS in different nations.

***-Why IFRS?***

Shil et al. (2009) have strongly advocated the necessity to bridge the gap between varying accounting practices through harmonisation to ensure credibility in international market place. Their work states that harmonisation brings efficiency to market mechanisms by providing standardised information to worldwide regulators, policy makers, and other stakeholders. The survey found if that happens half of the European companies listed on US exchanges would consider de-listing because of Sarbanes-Oxley Act.

Another positive implication of IFRS for the world economy was found by Gordon et al. (2012) who in their empirical research paper revealed that the adoption of International Foreign Reporting Standards (IFRSs) by a country resulted in increased foreign direct investment (FDI) inflows. Their findings were based on the analysis of a panel data set of over 1300 observations covering 124 countries, for the period 1996-2009. The study provided important implications for researchers and policymakers that financial reporting standards can play a very important role in promoting FDI.

Hope et al. (2006) argued that IFRS represent a vehicle through which countries can improve investor protection and make their capital markets more accessible to foreign investors. A study based on a sample of 38 countries was conducted to examine a group of institutional factors that might influence a country's decision to adopt IFRS like securities laws on security offerings, anti-director rights and commitment to building a more accessible capital market to foreign investors. The findings suggested that countries with weak shareholder protection (i.e., poor disclosure rules and anti-director rights) were more likely to adopt IFRS than countries with strong shareholder protection.

***-Impact on investors***

Ball, Ray (2006) did an early analysis of the impact of IFRS on investors in his paper. His research suggests that IFRS will lead to efficiency in equity market valuation because of accuracy and availability of information on time. This would induce small investors in making informed decisions hence reducing the risk. However, on the down side fair value practice can bring many potential problems. One that fair valuation could lead to huge spreads causing uncertainty and noise in the market mechanism. It also gives the managers involved in trading an opportunity to manipulate fair value estimates in less liquid markets.

***-Indian perspective (benefits and limitations)***

A recent article of economic times dated 4/02/2016 covered a survey conducted by PwC on 100 top Indian companies in India that analysed the impact of IFRS converged accounting standards namely Ind-AS. The survey found that 55% respondents believed that adoption of Ind AS would have a potential impact of around 20% on the net worth and net income of the companies. Moreover, it was found that companies might face implementation challenges in areas especially financial instruments including derivatives, segment reporting practices etc.

An insight into procedure adopted by India to implement IFRS and its expected impact on corporate financial reporting environment has been provided by Jain, Pawan (2011) in his paper. The study emphasised on the perceived utility of IFRS adoption specifically with reference to Indian economy which were better access to global capital markets, easier global comparability, easy cross border listing, better quality of financial reporting, elimination of multiple reporting, and so on.

However, the author also listed few challenges in the path of transition to IFRS, such as creating awareness, training professionals, amending the existing laws, shifting to fair value base etc.

Jyothi & Satyanarayana (2016) made an attempt to study the Indian auditors' awareness in convergence from Indian GAAP to IFRS. Their study was based on primary data using convenience sampling technique in which 150 auditors were selected for study. The study revealed that there was a high significant difference of opinions on convergence to IFRS, date of implementation, roadmap framed by MCA among the different category of auditors. Overall, the study revealed that the transition to IFRS would not be a swift and painless process unless ICAI takes proper steps to organize conference, workshops and other awareness programs in order to create awareness among the CAs and auditors regarding the IFRSs.

An unconventional view of IFRS impact was presented by Bhattachargee & Rudra (2012), who conducted an empirical study based on sample of 67 private sector companies selected from BSE 100 companies exclusively of the banking and financial sector. Its findings suggested a rather contradictory result which indicated that firms adopting IFRS were unable to control earnings management.

***-International experiences of IFRS***

Daske et al (2008) provided an early evidence on the capital-market effects around the introduction of mandatory IFRS reporting in 26 countries around the world, taking data of the period from 2001-2005. This study found that, on an average, market liquidity increased around the time of the introduction of IFRS, specially in case of mandatory adopters. A decrease in firms' cost of capital and an increase in equity valuations was also noted prior to the adoption date.

Reflecting upon the first time adoption experiences of IFRS adopted by 7000 listed **European** firms in 2005, Hoogendoorn, M. (2006) technical partner(then) at Ernst & Young did one of the earliest reviews in this area. One of his observations stated that time and costs involved in preparing IFRS compliant financial statements were much more than expected. The involvement of auditors was also found very significant and that smaller listed entities lacked expertise. He also argued that using principle based approach, IFRS left scope for individual professional judgment wherein some diversity across regions was unavoidable.

Armstrong, et. al (2010) did a study to examine the stock market reactions to 16 events associated with IFRS adoption in **Europe**. Their findings which are based on both descriptive and empirical evidence reveal a significant positive reaction of investors towards firms which had lower information quality and higher information asymmetry before IFRS adoption. On the other hand, a negative reaction of investors was encountered for firms in code law countries which had weaker enforcement of standards.

Pawsey, Nicholas (2016) did a review of literature on IFRS adoption by publicly listed companies in **Australia**. The findings revealed positive outcomes through improvements in the value relevance of accounting reports post-IFRS adoption, and reductions in the number of firms engaging in earnings management. It also supported the adoption of the IFRS goodwill impairment regime as improving accounting quality. However, some degree of pessimism was found in managers from listed Australian companies towards global diversity in regard to auditing practices and regulatory oversight, the incentives facing financial report preparers, and the education and training of accountants.

Hung and Subramanyam (2007) examined the effects of the adoption of IFRS on the financial statements reported by firms that applied Continental-style accounting systems. Their study is based on a sample of German firms and they find that total assets, book value of equity and the variability of book value and income, are significantly higher under IFRS than under German GAAP. In addition, book value and income are no more value relevant under IFRS and they find weak evidence suggesting that IFRS income exhibits greater conditional conservatism than German GAAP.

## CONCLUSION

Based on the theoretical and empirical evidence gathered from the studies and researches conducted across multiple nations, International financial reporting standards without a doubt are going to act as a catalyst in the process of integrating world economy. However, certain reservations are always there when anything new in the economy is introduced. Adoption of IFRS for the first time in Europe called for its cost benefit analysis. Many studies found, that harmonisation brought efficiency to market mechanisms by aiding investors with relevant and highly comparable market information. Some researchers also concluded that adopting IFRS led to increase in FDI inflows. IFRS is also viewed as a means to improve disclosure policies and accounting systems of a nation. However, there were some contradictory opinions relating to impact on accounting quality which said that since accounting quality is a function of the firm's overall institutional setting, IFRS is not going to positively impact accounting quality in countries with conflicting legal and political framework as compared to IFRS. Talking of Indian scenario, not much literature available in Indian context as IFRS is yet to be implemented. The work that has been done in this area discussed its implementation strategies and its overall implication for India. Experts believe that implementing IFRS is going to put India at a better global rank in the world economic forum, provided that India deals with the associated challenges in a time bound manner. Based on investigated literature, major challenges facing India include creating awareness of IFRS among the stakeholders and professionals, amending the existing laws to avoid conflict and shifting to fair value base under IFRS as opposed to historical cost base. Many international reports and studies also found that certain challenges were nation specific for which different nations amended the particular IFRS (carve-out) to suit their convenience. Therefore, IASB needs to constantly modify IFRSs based on the discussions and feedbacks gathered from across boundaries, so that more and more nations are able to implement it uniformly without carve-outs as that defeats the sole purpose of having harmonised accounting standards. In our review of literature, we also identified a few on-going topics of debate under IFRS which were mandatory vs. voluntary adoption, stewardship, fair value accounting, and comparability and convergence issues. No consensus has yet been achieved in all the nations, still the benefits of adopting universally applicable accounting standards are way ahead of its drawbacks.

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# A STUDY ON THE CURRENT STATE OF INDIAN HEALTHCARE INDUSTRY

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**ABSTRACT**

*Paper is a comprehensive study of the current state of Health care industry in India. It identifies different ways of defining quality in the health care sector with the help of study of literatures. Paper highlights the challenges and difficulties in healthcare service delivery and offers the valuable suggestions/observations from the reviews and findings to improve the healthcare service quality. This paper also highlights the government contribution to our Indian Healthcare Sector.*

**KEYWORDS**

healthcare service quality, service quality, indian healthcare industry, difficulties in service delivery, healthcare perception.

## INTRODUCTION

Healthcare has become one of India's largest sectors - both in terms of revenue and employment. Healthcare comprises hospitals, medical devices, clinical trials, outsourcing, telemedicine, medical tourism, health insurance and medical equipment. The Indian healthcare sector is growing at a brisk pace due to its strengthening coverage, services and increasing expenditure by public as well private players.

Indian healthcare delivery system is categorised into two major components - public and private. The Government, i.e. public healthcare system comprises limited secondary and tertiary care institutions in key cities and focuses on providing basic healthcare facilities in the form of primary healthcare centers (PHCs) in rural areas. The private sector provides majority of secondary, tertiary and quaternary care institutions with a major concentration in metros, tier I and tier II cities.

India's competitive advantage lies in its large pool of well-trained medical professionals. India is also cost competitive compared to its peers in Asia and Western countries. The cost of surgery in India is about one-tenth of that in the US or Western Europe.

## MARKET SIZE

The overall Indian healthcare market as on December 2015 is approximately worth US$ 100 billion and is expected to grow to US$ 280 billion by 2020, a compound annual growth rate (CAGR) of 22.9 per cent. Healthcare delivery, which includes hospitals, nursing homes and diagnostics centers, and pharmaceuticals, constitutes 65 per cent of the overall market.

There is a significant scope for enhancing healthcare services considering that healthcare spending as a percentage of Gross Domestic Product (GDP) is rising. Rural India, which accounts for over 70 per cent of the population, is set to emerge as a potential demand source.

India requires 600,000 to 700,000 additional beds over the next five to six years, indicative of an investment opportunity of US$ 25-30 billion. Given this demand for capital, the number of transactions in the healthcare space is expected to witness an increase in near future. The average investment size by private equity funds in healthcare chains has already increased to US$ 20-30 million from US$ 5-15 million, as per Price Water House Coopers.

The Indian medical tourism industry is pegged at US$ 3 billion per annum, with tourist arrivals estimated at 230,000. The Indian medical tourism industry is expected to reach US$ 6 billion by 2018, with the number of people arriving in the country for medical treatment set to double over the next four years. With greater number of hospitals getting accredited and receiving recognition, and greater awareness on the need to develop their quality to meet international standards, Kerala aims to become India's healthcare hub in five years.

## HEALTHCARE INDUSTRY IN INDIA – MACRO ECONOMICS

(Source: http://www.ibef.org/industry/healthcare-presentation)

The healthcare sector industry is expanding rapidly. It comprises of hospital services, diagnostic services, diagnostic products, medical technology, clinical trial services and clinical research organizations. The composition of the Healthcare Industry is as follows:

**TABLE 1**

| |
|---|
| Healthcare Equipment<br>• Medical Equipment<br>• Medical Supplies |
| Healthcare Services<br>• Hospitals<br>• Home Healthcare Providers<br>• Nursing Homes |
| Pharmaceuticals, Biotechnology & Life Sciences<br>• Miscellaneous Scientific Services |

The Indian Healthcare sector is emerging as one of the fast-growing service sectors in India, currently contributing around 6 – 7 percent to the country's Gross Domestic Product (GDP).

This sector is predominantly privatized which accounts for more than 80 percent of total healthcare spending in India with almost 75 to 80 percent of hospitals being managed by private sector.

The overall Indian healthcare market today is worth USD 100 billion approximately and is expected to grow to USD 280 billion by 2020, a compound annual growth rate (CAGR) of 22.9 per cent. It is undergoing metamorphosis by broadening focus of the services by using technology, deliverables and newer applications. (Source: http://www.ibef.org/industry/healthcare-presentation)

Healthcare delivery, which includes hospitals, nursing homes and diagnostics centers, and pharmaceuticals, constitutes around 65 per cent of the overall market. The existing hospitals are expanding specified area with infrastructure and services mainly due to the foreign investment being received by the sector.

## DEFINING QUALITY AND HEALTHCARE SERVICE QUALITY

Quality has become a predominant part of our lives and we are constantly looking for quality products and services without compromising on it. Our desire for quality has caused organizations across the globe to consider it as an essential component of any service or a production process. Organizations also consider quality as a strategic tool to distinguish itself from its competitors. Improved quality through improvised processes has resulted in numerous advantages by way

of reduction of waste, rework, delays, lower costs and higher market share. As a result, both productivity and profitability has improved, leading to a positive company image. From the view point of both service providers and service recipient, it has therefore become very important to define and measure quality of healthcare services.

Quality, because of its subjective nature and intangible characteristics, is difficult to define. Definitions vary depending on whose perspective is taken and within which context it is considered. Therefore, there is no single universally acceptable definition.

Quality, has been defined as ***'value'; 'excellence'; 'conformance to specifications'; 'conformance to requirements'; 'fitness for use'; 'meeting and/or exceeding customers' expectations', and 'consistently delighted customers*** by providing products and services according to the latest functional specifications which meet and exceed the customer's needs and satisfy producer/provider'.

Healthcare service quality is even more difficult to define and measure because of its distinct characteristics such as intangibility, heterogeneity and simultaneity. Healthcare service is an intangible product and cannot physically be touched, felt, viewed, counted, or measured like manufactured goods. The healthcare service quality depends on the interactions between the service process, customer and the service provider. Few healthcare quality attributes such as timeliness, consistency, and accuracy are hard to measure beyond a subjective assessment by the service recipient.

It is also often difficult to reproduce consistent healthcare services. Healthcare services can differ because different professionals (e.g. physicians, nurses, etc.) deliver the service to patients with varying needs. Quality standards are more difficult to establish in service operations. Healthcare professionals provide services differently because factors such as experience, individual abilities, and personalities etc. varies. Healthcare services are simultaneously produced and consumed. This makes quality control difficult because we cannot judge 'quality' prior to purchase and consumption. Unlike manufactured goods, it is less likely to have a final quality check. Therefore, healthcare outcomes cannot be guaranteed.

Quality healthcare is a multidimensional concept, defined by various author, some of the definitions are as follows:

- **Parsuraman, et al.** pointed out that many tangible cues such as style, hardness, color, feel, package and fit were used by the consumers to judge the quality of the products, but while purchasing services, the tangible evidence was limited to the service provider equipment, physical facility and personnel.
- **Donabedian** defined healthcare quality as 'the application of medical science and technology in a manner that maximises its benefit to health without correspondingly increasing the risk. He distinguished three components of quality: 1) technical quality, 2) interpersonal quality, and 3) amenities. Technical quality relates to the effectiveness of care in producing achievable health gain. Interpersonal quality refers to the extent of accommodation of patient needs and preferences. Amenities include features such as comfort of physical surroundings and attributes of the organisation of service provision.
- **Øvretveit** defines quality care as the 'Provision of care that exceeds patient expectations and achieves the highest possible clinical outcomes with the resources available.
- According to **Schuster et al.** good healthcare quality means "providing patients with appropriate services in a technically competent manner, with good communication, shared decision making and cultural sensitivity".
- For **Lohr**, quality is "the degree to which healthcare services for individuals and population increases the likelihood of desired healthcare outcomes and is consistent with the current professional knowledge".
- **Mosadeghrad** defined quality healthcare as "consistently delighting the patient by providing efficacious, effective and efficient healthcare services according to the latest clinical guidelines and standards, which meet the patients' needs and satisfies providers"

## GOVERNMENT'S KEY INITIATIVES IN THE HEALTHCARE SECTOR

India's universal health plan aims to offer guaranteed benefits to a sixth of the world's population will cost an estimated Rs 1.6 trillion (US$ 24.03 billion) over the next four years. Some of the major initiatives taken by the Government of India to promote Indian healthcare industry are as follows:

- A unique initiative for healthcare 'Sehat' (Social Endeavour for Health and Telemedicine) has been launched at a government run common service centre (CSC) to empower rural citizens by providing access to information, knowledge, skills and other services in various sectors through the intervention of digital technologies and fulfilling the vision of a 'Digital India'.
- India and Sweden celebrated five years of Memorandum of Understanding (MoU). The cooperation in healthcare between India and Sweden will help in filling gaps in research and innovative technology to aid provisioning of quality healthcare.
- Mr J P Nadda, Union Minister for Health & Family Welfare, Government of India launched the National Deworming initiative aimed to protect more than 24 crore children in the ages of 1-19 years from intestinal worms, on the eve of the National Deworming Day.
- Under the National Health Assurance Mission, Prime Minister Mr Narendra Modi's government would provide all citizens with free drugs and diagnostic treatment, as well as insurance cover to treat serious ailments.
- All the government hospitals in Andhra Pradesh would get a facelift with a cost of Rs 45 crore (US$ 6.76 million), besides the establishment of 1,000 generic medical shops across the State in the next few months.
- Mission Indradhanush launched by Mr JP Nadda aims to immunise children against seven vaccine preventable diseases namely diphtheria, whooping cough, tetanus, polio, tuberculosis, measles and hepatitis B by 2020. Government has set a target of 95 per cent immunisation cover by end of 2016.
- The E-health initiative, which is a part of Digital India drive launched by Prime Minister Mr Narendra Modi, aims at providing effective and economical healthcare services to all citizens. The programme aims to make use of technology and portals to facilitate people maintain health records and book online appointments with various departments of different hospitals using eKYC data of Aadhaar number.

## HEALTHCARE INITIATIVES BY GOVERNMENT IN THE BUDGETS 2016 & 2017

The government has also taken the following recent initiatives in the healthcare sector:

- New health protection scheme to provide for health cover to poor and economically weak families. The scheme will provide health cover up to Rs One lakh per family. The amount is raised during 2017-18 by another Rs.1 lakhs. For senior citizens an additional top-up packages up to Rs 30,000 will be provided.
- Under Prime Minister's Jan Aushadhi Yojana 3,000 Stores will be opened during year 2016-17.
- Proposition to start National Dialysis Service Programme under the NRHM through PPP mode to provide dialysis services in all district hospitals and give exemption on excise duty on certain dialysis equipment that will enhance services in the public and private sector.
- In the budget 2017, the overall health budget was increased from INR 39,879 crore (1.97% of total Union Budget) to INR 48,878 crore (2.27% of total Union Budget). Two new All India Institute of Medical Sciences (AIIMS) are proposed to be set up in the states of Gujarat and Jharkhand. The government has set up short and medium term targets for key health indicators and wants to bring down the MMR to 100 by 2018-2020 and IMR to 28 by 2019.

## HEALTHCARE CHALLENGES/DIFFICULTIES IN SERVICE DELIVERY

Healthcare industry has been long facing the following difficulties, which needs to be addressed:

- Ineffective regulations - Careless monitoring, weak regulatory bodies and slack regulatory sanctions contribute towards ineffective regulations.
- Patient capacity - Low awareness and the patients' reluctance to seek justice through consumer protection courts contribute towards poor patient capacity.
- Inadequate Healthcare - Inadequate healthcare infrastructure, poor coordination among providers, absence third party scrutiny, fragmented care and ambiguous accountability contribute to inadequate healthcare providers.
- Absent benchmarks - Absent standards, variable costs, weak performance measures and clinical protocols contribute towards inappropriate benchmarks.
- Weak institutional setup - Hierarchies, poor capacity, poor documentation and weak accreditation agencies contribute towards poor institutional setup.
- Poor-professionals network - Absent trust, low information sharing and weak social capital contribute towards poor networks.

## STRATEGIES TO IMPROVE QUALITY AND PATIENT SAFETY IN HOSPITALS

Strategies reported in the literature are as follows:

- Increasing the financing, personnel, facilities or equipment used in a hospital, with the aim of treating more patients or treating the same number faster, better and at lower cost-per-person will surely improve the service quality.
- Hospitals can improve the quality of service by strengthening management and increasing management responsibilities and authorities.
- Financial reform can lead to better service quality by changing the structure of a hospital or health system so as to facilitate better decision-making and use or resources.
- Standards and guideline formulation and implementation - On-time professional and competent services are the patient's expectations from health care providers. Addressing the inconsistencies should form the basis for formulating strategies to ensure consistent expectations and experiences, thus increasing the likelihood of satisfaction and long-term patient-hospital relationships.
- Health care managers should focus on training the paramedical staff as well in order to build confidence in the patients' minds regarding service delivery.
- Safety strategies including risk management have proved to have a positive impact on the patients regarding the services offered.

## FINDINGS

Undoubtedly, the Indian healthcare industry is rising at a faster pace. Though, Indian Government is committed to take necessary steps for the development of the Healthcare sector, yet there is a long way to go. Healthcare quality has varying definitions. Different authors have their own perspectives, interests and definitions of quality, based on the importance they place on different health-services elements. Steps should be taken by the healthcare professionals to improve their competencies i.e., the attitudes, knowledge, and skills to deliver high-quality services.

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# DEMONETIZATION AND REMONETISATION OF INDIAN ECONOMY: AFTERMATH

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## ABSTRACT

*Demonetization is the process of withdrawal of a particular form of currency from circulation. It is a process wherein the old unit of currency must be retrieved and replaced with a new currency unit. It involves either introducing new notes or coins of the same denomination or completely replacing the old denominations with the new denomination which is usually carried out as an ambush on the black market. On the other hand, remonetisation refers to the introduction of new currency as a legal tender in an economy or restoring the value of some currency as legal tender previously discarded. To begin with let's talk about the India's journey of demonetization. The Indian currency was first demonetized in the year 1946 and second time in 1978. On 8 November 2016, the Modi government took a bold step of demonetising the Indian currency for the third time. Considering the importance and the influence of Indian economy in the global financial markets and the growth rate of India's GDP, this paper is an attempt to bring out the impact of such demonetization on the Indian economy.*

## KEYWORDS

demonetization, remonetisation, impact on India's GDP, impact on e-commerce, impact on black money and corruption, impact on digitization.

## INTRODUCTION

Demonetization is the process of abandoning a currency unit of its status as legal tender. The old unit of currency has to be retired and replaced with a new unit of currency. It includes either introducing new notes or coins of the same denomination or completely replacing the old denomination with the new denomination which is often carried out as an ambush on the black money and market. The opposite of demonetization is called as remonetisation in which a form of payment is restored as legal tender.

Currency is defined as a most common accepted form of money, which includes coins and paper notes as well, and circulated within the economy. It is used as a medium of exchange for goods and services, and hence currency forms the basis for any trade. A country's respective central bank or a monetary authority issues the currency or legal tender for the country. The national currency of a country is usually the principal currency used for most of the financial transactions in that country.

The sudden move to demonetize Rs 500 and Rs 1,000 currency notes is not new to the world. Rs 1,000 and higher denomination notes were first demonetized in January 1946 and again in 1978. According to the RBI data, the highest denomination notes ever printed by the Reserve Bank of India was the Rs 10,000 note in 1938 and again in 1954. But these notes were demonetized in January 1946 and again in January 1978. The Rs 1,000 note made a comeback in November 2000. Rs 500 note came into circulation in October 1987. However, this was for the first time that Rs 2,000 currency note is being introduced. While announcing then circulated Rs 500 and Rs 1,000 notes as invalid from midnight 8 Nov, Prime Minister Narendra Modi said new Rs 500 note and a Rs. 2,000 denomination banknote will be introduced from November 10. The banknotes issued during this period contained the symbols representing science and technology, progress and orientation to Indian art forms in place of previous watermark of Asoka pillar.

All banks and ATMs across the country were paralysed because of cash shortages, soon after the announcement of demonetization. Every small to big business, agriculture, and also transportation had faced many disadvantageous effects due to cash shortages. People wanting to exchange their old banned notes had to wait in long queues to get them exchanged. Several deaths were also reported to be linked to the difficulty in exchanging cash. The shortage of cash due to demonetisation process resulted in disorder and chaos, and mostly the people holding old currency notes faced difficulties in having them exchanged because of the endless queues outside banks and ATM machines across India. Only after a few hours of being operational the ATM's ran out of money, and about half of the ATMs in the country were not functional. Several deaths were reported standing in queues for long hours at the banks and ATMs to exchange their old banknotes. Deaths were also accounted for the lack of medical facilities or preparations due to denial of accepting old currency notes by the hospitals.

The collective effect of the demonetisation and US presidential election, in turn led to the fall of Indian stock exchange indices to a six-month low in the week which followed the announcement. On the very next day after the demonetisation announcement, BSE SENSEX lost nearly 1,689 points and NIFTY by over 541 points. At the close of the intraday trading as on 15 November 2016, the BSE SENSEX index was low by over 565 points and the NIFTY 50 index was below 8100 on intraday.

The first four days after the demonetisation witnessed about Rs. 3 trillion (US$45 billion) in the form of old currency notes of Rs. 500 and Rs. 1,000 being deposited in the banking system and an amount of Rs. 500 billion (US$7.4 billion) had been distributed through withdrawals from the deposited bank accounts, ATMs and exchanges over the bank counters. The Indian banking system handled almost 180 million transactions in merely four days. The State Bank of India reported to have received about Rs. 300 billion (US$4.5 billion) as deposits in just two days after demonetisation. A sudden hike was also reported in the online transactions with the usage of debit and credit cards. Evading techniques like Donations, Gold purchases, depositing in the Jan Dhan Scheme Bank Accounts, Multiple bank transactions, Railway bookings, Municipal and local tax payments, Backdated accounting were also reported to have happened. In Rajya Sabha the Union Finance Minister of State Arjun Ram Meghwal stated that 1,716.5 crore pieces of Rs 500 denomination notes and 685.8 crore pieces of Rs 1,000 notes were in circulation as on the November 8th 2016, the date on which demonetisation was announced. It actually sums up in a value which comes close to Rs 15.44 lakh crore.

## OBJECTIVE

The sole objective of the study is to bring out the impact of demonetisation and remonetisation on the Indian economy with special reference to e-commerce, digitisation, black money and corruption.

## METHODOLOGY

The research design to gain insight into the construct of demonetisation and remonetisation is chosen to be exploratory. For the same secondary data from various journals, newspapers published expert interviews, research papers that appeared on demonetisation and remonetisation were taken for the study.

## IMPACT OF DEMONETISATION AND REMONETISATION

### 1) BLACK MONEY AND CORRUPTION

Black money and corruption is said to be positively related that is corruption will also be automatically reduced by removing black money from an economy.

By demonetization, Black money has been taken out of Indian system but only to an extent. As predicted by ICICI Securities Primary Dealership the government's plan to remove INR 500 and INR 1,000 notes from circulation will disclose up to INR 4.6 lakh crore in black money. But as reported by India ratings, a part of Fitch group demonetisation is likely to destroy about Rs 4.6 lakh crore worth of cash held in black money and fake currency, but it constitutes merely 12% of the black economy in India, leaving 88% of the black money to remain in the system. Instead, the economic cost of the de-legalisation will be around Rs 1.5 lakh crore for

2016-17, which has lowered its GDP (gross domestic product) growth forecast for the fiscal to 6.8%, 0.97% lower than its earlier projection. Although there are various estimates available about the size of the black economy in India, the World Bank had estimated the size of the black economy to be 23.2% of the GDP in 2007. Assuming that this proportion has now gone up to 25%, the size of the black economy for FY16 works out to be Rs 33.9 trillion. Also, it is well known that cash is only a small component of the black economy, and majority of the black income is held in the form of gold/jewellery, stocks, real estate and foreign currency merely demonetising currency is not a solution to curb black money in an economy. Further, It is unlikely that fiscally the government will benefit from Rs 4.004 trillion (Rs. 4.004 lakh crore) worth of cash destroyed in the de-legalisation process instead the government may face lower tax collections in the second half of FY17, due to the slowdown in economic activity. While there are no two opinions about the need to root out black income, the method chosen and its execution have inflicted unwarranted damage to the Indian economy.

**2) e-COMMERCE**

India had an internet user base of about 365 million as of June 2016 and is expected to cross 500 million by the end of 2016. Despite being the second-largest user base in world, only behind China (650 million, 48% of population), the penetration of e-commerce is low compared to markets like the U.S (266 million, 84%), or France (54 M, 81%), but is growing at an unprecedented rate, adding around 6 million new entrants every month. The industry consensus is that its growth is at an inflection point. In India, cash on delivery is the most preferred payment method, accumulating 75% of the e-retail activities. Demand for international consumer products (including long tail items) is growing much faster than in country supply from authorized distributors and ecommerce offerings. After demonetisation the leading e-commerce companies had to limit or suspend payments through cash-on-delivery, the most preferred choice of payment. Four months after forecasting a 75% increase in Indian e-commerce in calendar year 2016, eMarketer, a US-based market research firm, cut its projection to 55.5%, or around $16 billion, citing the impact of demonetisation on order volumes. The researcher also trimmed its 2020 forecast to $47.45 billion from $79.41 billion it estimated in August. According to investment advisory firm Ambit Capital, the country's GDP for the year ending 2018 could be lower than the previously projected figure. The company says that thanks to demonetisation, India's GDP could drop to 5.8% from the earlier estimate of 7.3%.

However, this new system will lead more people to use traditional banking services like credit cards, debit cards, internet banking and others e-wallets like paytm, mobikwik, payUmoney, state bank buddy etc. which is a key factor in allowing consumers to buy online but it will take time for this kind societal change to take effect, so our forecast numbers for the out years are still lower than previous estimates.

**3) TOURISM**

Demonetisation has shed its gloomy shadow on the booming tourism and hospitality industry in India. The onset of the winter travel season has been stymied by the unexpected storm of demonetisation. People have curtailed overseas travel and instead are exploring various local tourist destinations. Getting money from banks and ATMs continue to be a hassle with no respite in sight. The travel and hospitality industries are facing a tough time. Many foreign trips sponsored by big brands largely done through cash transactions is negatively affecting tourism industry and revenues due to the ongoing cash crunch. India's hospitality industry has been severely affected as the hotels have lost a large number of pay-in-cash-only clientele due to demonetization. Around 60 percent drop in hotel bookings has been reported. Restaurants have seen many cancellations and cases of no show. Restaurant reservations in Delhi NCR dropped by 28%, in Mumbai by 7% and in Bengaluru by 2%. This disruption has largely affected small-time hoteliers and restaurateurs.

At present, the scenario of the Indian citizens is worse, even if they are rich in terms of money. The wealthy and luxury-driven travellers are shifting their plans and in some cases cancelling holidays completely. When the rich and exclusive clientele from Delhi and Mumbai shift their birthday / anniversary extravaganzas to Goa instead of Prague or London, it is clear that demonetisation has trimmed their budgets simply because of unavailability of money. It has resulted in a drastic transformation that has veered 'from International tourism to Domestic tourism'.

Not just travel and hospitality industry, but almost all sectors are feeling the impact of demonetisation. Not a single sector is immune to it. The industry's corporate clientele though is hit; the leisure segment is hit the hardest. Among the latter, the international leisure segment has been hit severely.

Impulse travelling too has come to a sudden halt. Visiting places like Dubai and Singapore as weekend trips have been suspended as of now. Business or work-related trips are something that cannot be overlooked or avoided are being delayed and only the most unavoidable trip are being taken up.

The accommodation section of hotels is much affected, but leisure segments like hotel banquets and high-end restaurants are feeling the pinch as weddings are being called off and many pre-bookings for different wedding ceremonies are also being cancelled. In addition to this, high-end restaurants are too facing drastic change as people are replacing fine-dining with pocket-friendly eateries.

RBI regulations also declared that foreign tourists could only exchange currency worth upto Rs 5,000 during the initial days of demonetisation. However, before the move, foreign passport holders were able to exchange as much as $3,000 (Rs 200,000). This means that visiting foreigners can now only exchange 2.5% of what they could before *notebandi*.

It has also affected employment that was based on tourism. Direct contribution of tourism to contribution was 5.5% in 2015 which dropped to 3.2% in 2016. Also, the Total contribution to employment was 8.7% which dropped to 3.0% in 2016.

**4) ECONOMIC CONSEQUENCES**

Chief Economic Adviser Arvind Subramanian in his Survey guessed demonetisation will shave off between 0.25 and 0.5 percentage points from GDP growth. It projected the real GDP growth for 2016-17 at 6.5%. The International Monetary Fund, taking demonetisation into account, cut India's GDP forecast for 2016-17 to 6.6% and for 2017-18 to 7.2%.

The medium-term fiscal policy statement in the budget emphasises that the effect of the note-ban would be short term and probably end by March 31. Some assumptions, however, appear to indicate under-confidence.

The budget says there will be a marginal dip in growth in the remaining months of the fiscal year. Factoring that in, the government has estimated nominal GDP growth for 2016-17 at 11%, lower than the Central Statistical Office's (CSO) projection of 11.9%. The CSO estimate, which does not take into account demonetisation, puts real GDP growth at 7.1%. That means CSO has an average inflation expectation of 4.8%. If inflation rate averages at 4.8%, then real GDP growth, according to budget numbers, should be 6.2%, lower than the Economic Survey's projection of 6.5%.

To be fair, if the rate of inflation continues to dip, the number could be closer to the Survey's prediction. The Survey says economic output in 2017-18 would likely be between 6.75% and 7.5%. That is on the assumption that the economy will bounce back to normalcy and the effects of demonetisation would not spill over into the next year. It is not a certainty.

The government's revenues shot up in the first nine months of the year but again the trend may not hold in the last quarter as a sizeable amount of tax would have been paid in advance before December to use up old notes of Rs 500 and Rs 1,000.

The last two months of the financial year are also when investments see a spike and consumer spending dips as individual taxpayers put money in savings instead of discretionary spending.

However, despite demonetisation, GDP growth has been pegged at 7% in quarter ending December 2016, while overall growth for FY 2016-17 has been estimated at 7.1%. This is in stark contrast to various estimates, including the International Monetary Fund's which had expected economic growth to fall to 6% in the second half of the current fiscal year. This has further hinted that GDP numbers would probably not capture the impact of demonetisation pain, as India's official statistical machinery has limited capability to measure its huge informal economy.

## CONCLUSION

While there are no two opinions about the need to root out black income, the method chosen and its execution has inflicted unwarranted damage to the Indian economy. "Global experience, including that of India, in the past has shown that the impact of such measures have been fairly short-lived as it does not attack/plug the mechanism that gives rise to black income. India followed the de-legalisation route twice in the past, first in 1946 and then 1978.

The big challenge has been that of implementation. The government must have made some trade-offs between keeping the secrecy of the mission vs. consulting all stakeholders and creating a full proof implementation plan. World's one of the biggest economist Dr. Manmohan Singh said Commenting on the impact of demonetisation on GDP, "Demonetisation has hurt the country very badly. Things have gone from bad to worse in the past few months. Some say the GDP can be

as low as 6.3 per cent. We can imagine that what kind of a disaster demonetisation is…When the GDP goes down, then employments will fall, production will fall, agriculture income will fall. What a disaster this demonetisation has caused?"

However, the GDP in numbers has shown no impact of demonetisation as it hardly takes into account the huge informal sector of the economy. For the time being one can conclude the positive effect that demonetisation had was facilitating the digitisation programme of the government, which became necessary in the phase of cash crunch. However, no such positive effects of the demonetisation been seen in any aspect of the economy so far.

It seems as if this is just the calm before the storm. We hope that the storm of demonetisation will calm and settle down soon. And the Indian citizens can get over this shock and get on to digital payments.

Since it is an exploratory study, the results of this study cannot be generalised. For that one needs to conduct a conclusive research. Further research can be conducted to highlight the only positive impact of demonetisation as a factor enabling digitisation in India.

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# EFFICIENCY OF BANKS UNDER DIFFERENT OWNERSHIP GROUPS

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## ABSTRACT

*Banking in India originated in the last decade of the 18th century. Banks are the backbone of the Indian economy. They play a great role in sustaining economic developments. Efficient operations of banks have become an important issue in India. With more and more number of private sector and foreign banks establishing themselves, competition has risen fairly. Government banks are facing new challenges every day. The current paper seeks to examine the efficiency differences among banks under different ownership groups.*

## KEYWORDS

Indian banking, private banks, government banks.

## INTRODUCTION

In India, until the early 1990's the role of financial system was primarily restricted to the function of channeling resources from surplus to deficit sectors. The banking sector also suffered from lack of competition, low capital base, low productivity and high intermediation cost. After the nationalization of banks in 1969 and 1980, the government owned banks have dominated the banking sector. The role of technology was limited and quality was given adequate importance. Banks did not follow proper risk management system and the prudential standards were weak. Poor asset quality and low profitability was the ultimate result. The banking sector in India has undergone several changes in the areas of prudential, regulatory, disclosure and supervisory norms. The financial reforms launched during the early 1990's have dramatically changed the banking scenario in the country. New capital norms, capital adequacy prescriptions, identification of bad debts, etc. were enforced and interest rates were deregulated. As a result of these reforms, new private sector banks were allowed entry into the market. These new private sector banks have built a wide network of branches, set superior standards in productivity, they introduced global best practices and more importantly they have built durable competencies. Another major player in the banking industry are the foreign banks. These banks were allowed to set up their subsidiaries in India from the year 2002. To open branches in India foreign banks, have to fulfill certain conditions as required by RBI. Foreign banks have an important role in the Indian economy, especially in the priority sectors. Globalization has compelled the banking sector to reach out to more customers in order to expand their business. The presence of these banks in India brought a lot technical development. One can witness cut throat competition in the banking sector with the presence of foreign banks.

Existing empirical evidence on the ownership performance issue is weighted towards the property rights hypothesis that private enterprises are superior to public enterprises. The relationship between ownership and performance has been a vexing and, to a large extent unresolved issue. According to the property rights hypothesis, private enterprises should perform more efficiently and more profitably than public enterprises. The potentially higher vulnerability of private sector enterprises to takeover, coupled with the threat of losing jobs and the resultant adverse reputation effects in the managerial market are argued to be effective mechanisms in disciplining management and aligning shareholder and managerial interests in private enterprises. The potential of such shareholder rebellion is virtually absent in public enterprises due to the non-tradability of its shares. It is also argued that government officials are inclined to pursue their own interests, or the interests of the pressure groups rather than the interests of the public at large.

In the present study we shall address the ownership performance issue through study of the efficiency of banks as ownership groups.

## LITERATURE REVIEW

The banking industry in India has been examined by many researchers on various parameters. A study of the efficiency of a sample of 16 large and medium scale Turkish commercial banks over the period 1990-1997 found quite wide disparities in the level of efficiency, both over time and between banks. In general, it was found that large scale banks were on an average slightly more efficient than the medium scaled banks. In contrast when the banks were categorized according to ownership, state owned banks exhibited the lowest level of efficiency. In the Indian case for 1993-94 and 1994-95, it was observed that, in so far as profitability is concerned, foreign banks outperformed domestic banks and there was no discernible difference between unlisted domestic private and state owned banks.

The productive efficiency of 103 banks in India for the year 1997-98 was measured using DEA. Two models were constructed to show how efficiency scores vary with change in input and outputs. The study measured the efficiency scores, for three groups of banks, that is, publicly owned, privately owned and foreign owned. The results show that the mean efficiency scores of the Indian banks compares well with the world mean efficiency scores and the efficiency of private sector commercial banks as a group is, paradoxically lower than that of public sector banks and foreign banks in India. The study recommends that the existing policy of reducing non-performing assets and rationalization of staff and branches may be continued to obtain efficiency gains and make the Indian banks internationally competitive.

Technical and scale efficiencies of 149 Japanese banks were analyzes using the data for the year ending March 1997. The study used the non-parametric frontier approach, DEA, to analyze efficiency. Efficiency analysis was conducted across individual banks, banks type, and bank size groups. Problem loans were controlled for as an exogenous influence on bank efficiency. Powerful size efficiency relationships were established with respect to both technical and scale efficiency. Larger banks were found to be operating above the minimum efficient scale and to have limited opportunity to gain from eliminating X-efficiencies. The opposite results were found for the smaller banks. The results suggest that controlling for the exogenous impact of problem loans is important in Japanese banking, especially for the smaller regional banks.

Existing empirical evidence on the ownership-performance issue is weighted towards the property rights hypothesis that private enterprises are superior to public enterprises. Doubts over the conclusion of the property rights and public choice arguments have been made in recent theoretical contributions that highlight the existence of free rider problem associated with takeover of private enterprises and operation of the voting market as a substitute for the market for corporate control in disciplining public enterprises. Finally, several contributors have argued that ownership does not matter in the presence of sufficient competition between private and public enterprises. Existing empirical evidence on the ownership performance issue closely mirrors the diversity in theoretical opinion and surveys of such evidence reach no consensus in their conclusions. While on one hand, a survey concludes that there is no systematic evidence that public enterprises are less cost effective than private firms, on the other hand, there are two surveys, one nearly concurrent with the abovementioned and another more recent that find the weight of evidence to be in favour of the property rights and public choice viewpoints.

## RESEARCH METHODOLOGY AND DESIGN

In the present study data envelopment analysis (DEA) approach has been used. DEA is a non-parametric method in operations research and economics for the estimation of production frontiers. It is used to empirically measure productive efficiency of decision making units. Although DEA has a strong link to production

theory in economics, the tool is also used for benchmarking in operations management, where a set of measures is selected to benchmark the performance of manufacturing and service operations. DEA generally focuses on technological or productive efficiency rather than economic efficiency. The efficiency score is usually expressed as either a number between 0-1 or 0-100%. A decision making unit with a score less than 1 is deemed inefficient relative to other units. There are a number of DEA models. We will use the two most frequently used models: the CCR Model (after Charnes, Cooper, Rhodes, 1978) and the BCC Model (after Banker, Charnes and Cooper, 1984).

Decision making units are assigned different efficiencies in case of CCR models and the BCC models viz. technical and scale efficiencies. The CCR model assumes that operations follow constant returns to scale (CRS). It estimates the gross efficiencies of a DMU. The efficiency comprises of technical and scale efficiency. Technical efficiency describes the efficiency in converting inputs into outputs, while scale efficiency recognizes that economy cannot be attained at all scales of production, and that there is one most productive scale size where the scale efficiency is maximum at 100%. CRS was one of the crucial limiting factors for the applicability of DEA and hence the model did not receive widespread attention in the initial years. Banker et al (1984) then came up with a simple and remarkable modification to the CCR model in order to handle variable returns to scale. The scores obtained under BCC model are called "pure technical efficiency" scores, since they are obtained from a model that allows variable returns to scale and hence eliminates the scale part from the analysis.

The CRS efficiency of a DMU is always less than or equal to the pure technical efficiency (VRS efficiency).

CRS efficiency<=VRS efficiency

The above equality holds when the scale efficiency is unity, or when the DMU is operating at the Most Productive Scale Size (MPSS).

**VARIABLES**

The study measured the efficiency scores of 103 banks divided into four ownership groups which are:-

1. State Bank of India and Its Associates
2. Nationalized Banks
3. Indian Private Sector Banks
4. Foreign Banks

To measure the efficiency as directly as possible inputs and outputs have been based on the profit and loss account. The input and output data for each bank is as follow:

INPUT 1($X_{1J}$) = INTEREST EXPENDED
INPUT 2($X_{2J}$) = PERSONNEL EXPENSES
INPUT 3($X_{3J}$) = RENT, TAXES AND LIGHTING EXPENSES
OUTPUT 1($Y_{1J}$) = INTEREST EARNED
OUTPUT 2($Y_{2J}$) = NON INTEREST INCOME (FEE, BROKERAGE AND COMMISSION)

The above set of inputs and outputs is described as Model A for further purposes.

(These inputs and outputs are selected on the basis of prescribed reporting standards to be adopted by banks. The data is adopted from the website of RBI, www.rbi.org.in)

**SAMPLE PERIOD**

Data has been taken for all banks under different groups covering a period of 1995-96 to 2007-08.

**OBJECTIVES AND HYPOTHESIS**

The aim of the study is to examine whether the efficiency of government owned banks is less as compared to their private and foreign counterparts. The study will highlight the trend of the banks both collectively and under different ownership groups. Ownership groups for this group have been considered as under:

1. State bank of India and its associates
2. Nationalized banks
3. Indian private sector banks
4. Foreign banks

**HYPOTHESIS**

Government owned banks are less efficient as compared to their private and foreign counterparts.

## FINDINGS OF THE STUDY

TABLE 1 shows the efficiency scores of various banks ownership groups over the entire study period. The efficiency scores have been worked out by taking geometric mean of the technical efficiency scores of all banks falling in a particular ownership group in each year.

**TABLE 1**

| YEAR | SBI GROUP | NATIONALISED BANKS | PRIVATE BANKS | FOREIGN BANKS |
|---|---|---|---|---|
| 1995 | 0.81 | 0.67 | 0.78 | 0.89 |
| 1996 | 0.8 | 0.63 | 0.75 | 0.87 |
| 1997 | 0.74 | 0.55 | 0.67 | 0.83 |
| 1998 | 0.7 | 0.46 | 0.56 | 0.63 |
| 1999 | 0.94 | 0.78 | 0.83 | 0.58 |
| 2000 | 0.79 | 0.66 | 0.72 | 0.63 |
| 2001 | 0.74 | 0.78 | 0.76 | 0.63 |
| 2002 | 0.62 | 0.49 | 0.62 | 0.57 |
| 2003 | 0.72 | 0.73 | 0.74 | 0.56 |
| 2004 | 0.65 | 0.66 | 0.62 | 0.56 |
| 2005 | 0.65 | 0.65 | 0.4 | 0.46 |
| 2006 | 0.76 | 0.75 | 0.7 | 0.75 |
| 2007 | 0.73 | 0.74 | 0.7 | 0.51 |
| **MEAN** | **0.74** | **0.65** | **0.68** | **0.62** |

GRAPH 1

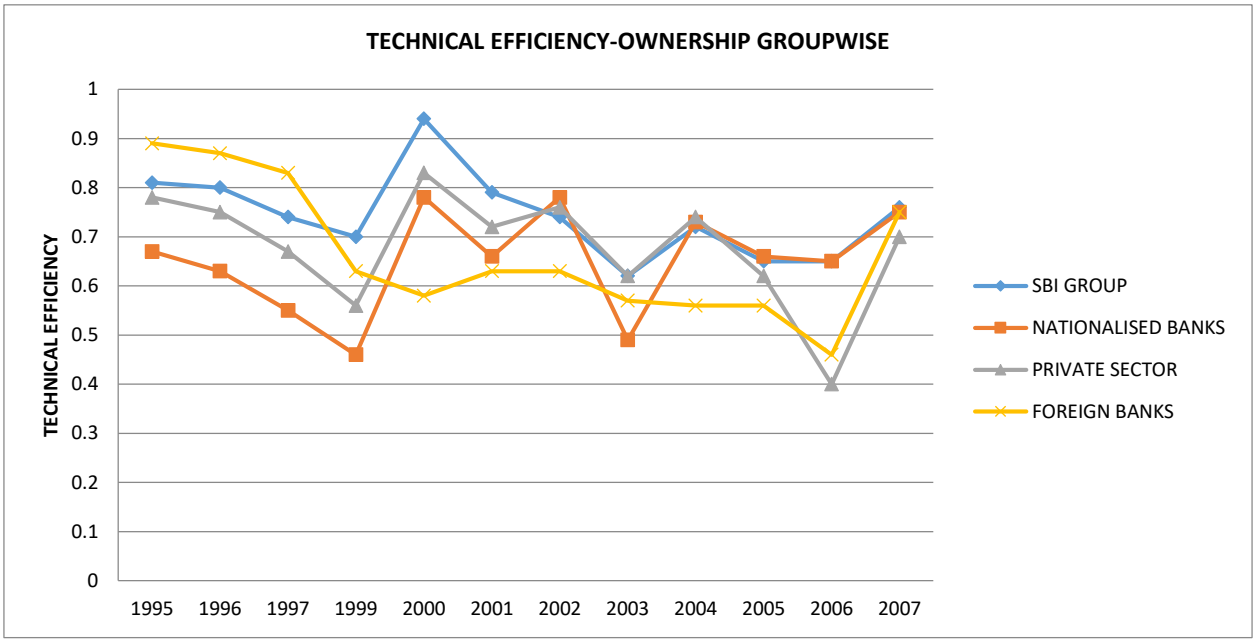



TABLE 1 shows that SBI has the highest technical efficiency scores (geometric mean for all years) in Model A followed by Indian private sector banks and foreign banks. Foreign banks have been ranked the lowest. Further, the consistency in performance of various banks falling under the same ownership group has been the highest in SBI group. The foreign banks again have the highest standard deviation.

The fluctuations in performance of individual banks in a group are also evident from table 2 containing the distribution of banks in various efficiency groups. Foreign banks found place in both the groups-from highest to lowest. SBI group on the other hand finds place only in two quartile range-Q4 and Q3.

**OWNERSHIP GROUP**

**DISTRIBUTION OF BANKS BASED ON OWNERSHIP GROUP ACCORDING TO TOTAL TECHNICAL EFFICIENCY (GEOMETRIC MEAN)**

**TABLE 2**

| EFFICIENCY RANGE | SBI | NATIONALISED BANKS | PRIVATE SECTOR | FOREIGN | TOTAL |
|---|---|---|---|---|---|
| HIGHEST EFFICIENCY GROUP(Q4) | 1 | 0 | 14 | 14 | 29 |
| NEXT TO LOWEST EFFICIENCY GROUP(Q3) | 7 | 5 | 8 | 9 | 29 |
| NEXT TO LOWEST EFFICIENCY GROUP(Q2) | 0 | 12 | 11 | 6 | 29 |
| LOWEST EFFICIENCY GROUP(Q1) | 0 | 2 | 7 | 19 | 28 |
| TOTAL | 8 | 19 | 40 | 48 | 115 |

**In** model A, while the efficiency frontier has been dominated by foreign banks followed by Indian private sector banks all through the years, the lowest efficiency range is also dominated by the foreign banks and the Indian private sector banks. Most of the public sector banks (both SBI group and nationalized banks) are falling in Q3 and Q2.

To get deeper insights into the relative performance of the public sector banks vis-à-vis the Indian private sector banks and foreign banks, we shall now decompose the technical efficiency to see whether the results are different when pure technical efficiency and scale efficiency are considered on a standalone basis.

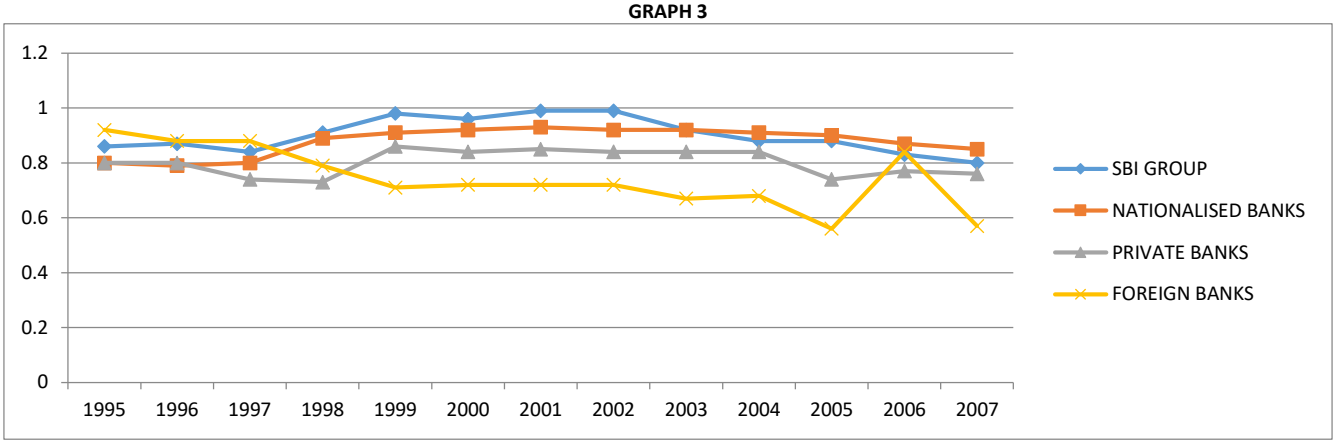
**PURE TECHNICAL EFFICIENCY – BANK OWNERSHIP GROUPWISE**

**TABLE 3: MODEL A**

| YEAR | SBI GROUP | NATIONALISED BANKS | PRIVATE BANKS | FOREIGN BANKS |
|---|---|---|---|---|
| 1995 | .86 | .80 | .80 | .92 |
| 1996 | .87 | .79 | .80 | .88 |
| 1997 | .84 | .80 | .74 | .88 |
| 1998 | .91 | .89 | .73 | .79 |
| 1999 | .98 | .91 | .86 | .71 |
| 2000 | .96 | .92 | .84 | .72 |
| 2001 | .99 | .93 | .85 | .72 |
| 2002 | .99 | .92 | .84 | .72 |
| 2003 | .92 | .92 | .84 | .67 |
| 2004 | .88 | .91 | .84 | .68 |
| 2005 | .88 | .90 | .74 | .56 |
| 2006 | .83 | .87 | .77 | .84 |
| 2007 | .80 | .85 | .76 | .57 |
| **MEAN** | **.90** | **.88** | **.80** | **.72** |

**PURE TECHNICAL EFFICIENCY – BANK OWNERSHIP GROUPWISE**

**GRAPH 3**



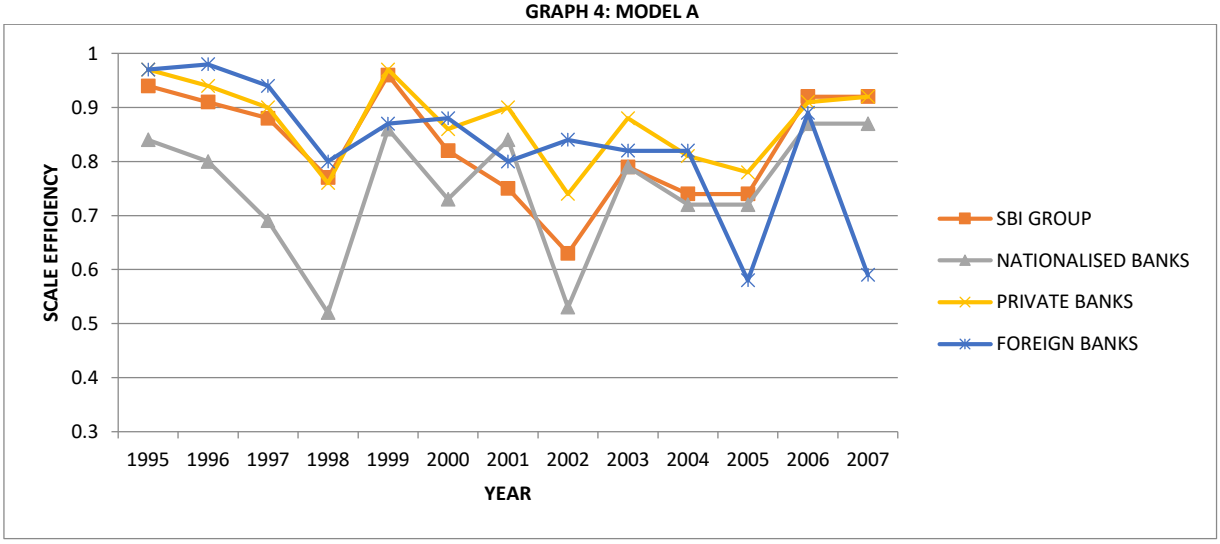

**SCALE EFFICIENCY – OWNERSHIP GROUPWISE**

**TABLE 4: MODEL A**

| YEAR | SBI GROUP | NATIONALISED BANKS | PRIVATE BANKS | FOREIGN BANKS |
|---|---|---|---|---|
| 1995 | .94 | .84 | .97 | .97 |
| 1996 | .91 | .80 | .94 | .98 |
| 1997 | .88 | .69 | .90 | .94 |
| 1998 | .77 | .52 | .76 | .80 |
| 1999 | .96 | .86 | .97 | .87 |
| 2000 | .82 | .73 | .86 | .88 |
| 2001 | .75 | .84 | .90 | .80 |
| 2002 | .63 | .53 | .74 | .84 |
| 2003 | .79 | .79 | .88 | .82 |
| 2004 | .74 | .72 | .81 | .82 |
| 2005 | .74 | .72 | .78 | .58 |
| 2006 | .92 | .87 | .91 | .89 |
| 2007 | .92 | .87 | .92 | .59 |
| MEAN | .82 | .74 | .86 | .81 |

**SCALE EFFICIENCY – OWNERSHIP GROUPWISE**

**GRAPH 4: MODEL A**




Graph 4 and 5 provides a bird's eye view of the pure technical efficiency and scale efficiency scores respectively, for various banks ownership groups. The results of decomposing the technical efficiency and scale efficiency presents a similar picture to the one obtained on the basis of overall technical efficiency scores though there are slight variations in the ranks of various banks ownership groups.

Nationalized banks rank next to SBI group leaving the private sector banks at no. 3. This position gets reversed when the aggregate technical efficiency was considered, however the difference was not significant. Going further, the variations in the individual banks' pure technical efficiency are quite significant in case of foreign banks. The variation in individual banks' pure technical efficiency and scale efficiency can also be examined through the number of banks falling in various efficiency ranges. Table 5 and 6 provides distribution of banks based on ownership group on pure technical efficiency and scale efficiency respectively.

**TABLE 5: DISTRIBUTION OF BANKS BASED ON OWNERSHIP GROUPS - PURE TECHNICAL EFFICIENCY**

| EFFICIENCY RANGE | SBI GROUP | NATIONALISED BANKS | PRIVATE SECTOR BANKS | FOREIGN BANKS | TOTAL |
|---|---|---|---|---|---|
| **HIGHEST EFFICIENCY GROUP(Q4)** | 2 | 6 | 6 | 15 | 29 |
| **NEXT TO HIGHEST(Q3)** | 6 | 5 | 11 | 7 | 29 |
| **NEXT TO LOWEST(Q2)** | 0 | 8 | 16 | 5 | 29 |
| **LOWEST(Q1)** | 0 | 0 | 7 | 21 | 28 |
| **TOTAL** | **8** | **19** | **40** | **48** | **115** |

TABLE 6: DISTRIBUTION OF BANKS BASED ON OWNERSHIP GROUPS - SCALE EFFICIENCY

| EFFICIENCY RANGE | SBI GROUP | NATIONALISED BANKS | PRIVATE SECTOR BANKS | FOREIGN BANKS | TOTAL |
|---|---|---|---|---|---|
| HIGHEST EFFICIENCY GROUP(Q4) | 0 | 0 | 11 | 18 | 29 |
| NEXT TO HIGHEST(Q3) | 3 | 0 | 14 | 12 | 29 |
| NEXT TO LOWEST(Q2) | 4 | 7 | 12 | 6 | 29 |
| LOWEST(Q1) | 1 | 12 | 3 | 12 | 28 |
| **TOTAL** | **8** | **19** | **40** | **48** | **115** |

So far as pure technical efficiency is concerned, the results are consistent with the ones obtained for technical efficiency. While 25% of the banks falling in SBI group are in highest efficiency group, the foreign banks are spread all over the efficiency range with as many as 44% in the lowest efficiency group. Among the private sector banks 58% falls below the median efficiency scores and among the nationalized banks, 58% have an efficiency scores above the median score.

In terms of scale efficiency, none of the nationalized banks lie in the uppermost two quartiles. In the SBI group also, only 37.5% of the banks lie above the median range. This clearly shows that the public sector banks in India are scale inefficient. Among the foreign banks, only 38% banks lie below the median score, while 63% of the banks among the private sector group lie above the median in model A. thus, the private sector banks seem to be more scale efficient than all other banks groups.

We also examined the number of profit and loss making banks in India in various ownership groups.

TABLE 7: PERCENT OF PROFIT MAKING BANKS

| YEAR | SBI & ASSOCIATES | NATIONALISED BANKS | PRIVATE SECTOR | FOREIGN BANKS |
|---|---|---|---|---|
| 1995 | 100% | 95% | 96% | 96% |
| 1996 | 100% | 42% | 96% | 96% |
| 1997 | 100% | 37% | 92% | 100% |
| 1998 | 100% | 58% | 94% | 96% |
| 1999 | 100% | 63% | 94% | 85% |
| 2000 | 100% | 84% | 100% | 87% |
| 2001 | 100% | 89% | 97% | 81% |
| 2002 | 100% | 89% | 94% | 70% |
| 2003 | 100% | 95% | 97% | 79% |
| 2004 | 100% | 89% | 96% | 75% |
| 2005 | 100% | 89% | 97% | 81% |
| 2006 | 100% | 100% | 90% | 82% |
| 2007 | 100% | 100% | 93% | 79% |

TABLE 7 clearly shows that there has not been even a single year in which any of the banks in SBI group has suffered a loss. Till 1999, the nationalized banks have shown dismal performance. However, there seems to have been a turnaround in the performance of nationalized banks since 1999. In the last two years, all the nationalized banks have started earning net profits. Amongst the private and foreign sector banks, there continues to be wide variations within the group, while some of the banks are highly profitable, a significant proportion of the total banks have not been able to show a positive bottom line.

**COMPARISON OF RESULTS OF PRESENT STUDY WITH OTHER STUDIES**

The results of the present study compare well with the findings of Sathey M (2001). The study by Sathey indicated that as group more foreign banks are in the highest efficiency quartile (11 as against 9 in Model A) than the public banks and also vis-à-vis the private sector banks (11 as against 3 in Model A). The study showed that foreign banks are much more efficient as a group in use of inputs of staff and deposits as compared to public and private sector deposits. As a group, the private sector banks displayed lower efficiency levels. In 1997-98 as many as 11 banks were in the highest efficiency quartile in Model A of our study. These numbers compare well with the findings of Sathey M.

Das A (1997) has also arrived at similar findings in his study relating to efficiency of public sector banks in india. His results indicate that state bank group is more efficient than the nationalized banks. The study reported that while in 1970, 25% banks falling in the very high efficiency range were from the SBI group, as many as 87.5% of the very highly efficient banks were from the SBI group in 1990. In 1996, the percentage though has fallen to 62.5% for the SBI group whereas the nationalized bank group has 19 banks, this percentage assumes significance. It implies that as many as 62.5% of all the banks in SBI group were highly efficient whereas compared to this, only 15.8% of the nationalized banks were highly efficient. Further, all the banks in the low efficiency category are from the nationalized banks.

## CONCLUSION

The results of the tests applied on various banks under different ownership groups shows that public sector banks are as efficient as the foreign and private banks when the revenue and expense based indicators alone are considered. Moreover, the public sector banks are most efficient in terms of pure technical efficiency whereas private sector banks are most efficient when scale efficiencies are compared on a standalone basis. These results are consistent with the fact that the public sector banks operate on a very high scale with a huge network of branches (partly of course, to meet the social objective), some of them being simply unviable, the scale inefficiency, thus, creeps in naturally.

On the overall basis the public sector banks outweigh both the private sector banks as well as foreign banks. Within, the public sector banks, the SBI group has performed much better compared to the nationalized banks on all parameters. This shows that, with operational flexibility, public sector banks are giving a tough competition to the private sector and foreign banks. The market discipline imposed by the listing of most public sector banks has probably contributed to this improved performance.

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6. Technical Efficiency = Pure Technical Efficiency* Scale Efficiency. Thus, if pure technical efficiency score is higher, scale efficiency will be lower and vice-a-versa.

# REVIVING UP INDIAN VC INDUSTRY: LESSONS FROM USA

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## ABSTRACT

*The paper aims to collate the existing literature on the evolution of venture capital industry in USA in order to aggrandize the level of understanding regarding its operations, performance and factors determining its success. Being a pioneering financial institution in USA, VC industry with its unprecedented growth is testimony to the fact that they help entrepreneurs to strengthen the company by providing not just capital but also expertise, networks and economies of scale in fundraising. A well-functioning VC industry is a prerequisite for the growth and development of high tech novel ideas and processes which ultimately leads to increase in GDP of the economy. The paper tries to examine microstructure of VC industry, cycle, factors affecting its success, deal terms, historical background, current scenario and predictions regarding the future of venture capital industry. Using industry data from 1995-2015, an attempt has been made to analyse the VC industry in USA to draw meaningful insights regarding deals, fundraising, investments, exit, composition of investment on the basis of type of investors and geographic area and aims to recommend plausible solutions for the growth of a robust entrepreneurial ecosystem in emerging economies like India.*

## KEYWORDS

USA, venture capital, fundraising, investment, exit, performance.

## INTRODUCTION

The increased euphoria of the government of emerging economies to spur growth and job creation have made for a strong stance for the establishment of a robust venture capital industry either through direct participation in the form of government venture capital programs or through indirect efforts aimed at creating the right institutional environment. Entrepreneurial firms characterized by significant intangible assets, expecting years of negative return, having limited operating history and have uncertain prospects are unlikely to receive bank loans or debt financing. This calls for a strong and vibrant venture capital industry to boost the entrepreneurial spirit by building a fertile ground for innovation by providing adequate capital infusion, managerial and technical expertise. (Gompers & Lerner, 2001) defined venture capital as an independent, professionally managed, dedicated pools of capital that focus on equity or equity linked investments in privately held, high growth companies. VC are, thus, alternative investment vehicles which pools large sums of money from institutional investors like pension funds to invest in highly risky and unproven ventures. The argument in favor of the need to adopt the VC framework stands on the basic macroeconomic theory that to produce output which is brought through innovation of young entrepreneurs, there needs to be an optimum combination of labour and capital which is brought by VCs.

The role of VC is to fill the funding gap by providing seed and early stage financing to emerging companies in return for equity stake and seat on board and earn returns by way of IPO or acquisition. So, in its functioning, VC represent a variant of private equity. The main goal of VC industry is to create fast-growing and sustainable companies, introduce new technologies, and increase growth potential of the economies, while providing an attractive return to those who trust the industry with their capital. Since the VC industry of the emerging economies needs to learn a lot from the its pioneers, it behooves us to take a look at mature and highly successful VC industry of USA and draw meaningful insights from the same.

This paper tries to present a brief history of the evolution of VC industry in USA by analysing its historical background, current state of performance and predicting the future growth prospects of it. VC has been undoubtedly a successful institution solving the most difficult problem of financing new ventures and providing a strong impetus for development of entrepreneurship in the USA. Being a very importance source of entrepreneurial finance, majority of successful IPOs in USA are VC backed and this model is widely copied around the world

## OBJECTIVES

The main aim of this paper is to explore various aspects of venture capital industry in US and draw insights for developing a robust VC industry in India by answering following research questions-

- To examine the scope of venture capital industry in USA
- To explore the evolution of venture capital industry and trace its performance.
- To examine the problems that VC industry solves for US economy as a whole.
- To understand the microstructure of VC industry in US
- Will it disrupt the existing sources of entrepreneurial finance?
- What are the determinants of a successful VC industry?
- What is the role of government in promoting VC industry?
- How successful has VC industry in US in terms of performance trends from the period 1995- 2015?

## RESEARCH DESIGN

An exploratory research is carried out by undertaking conventional method of research by reviewing the literature, surveys from different consultancy firms, expert opinions, past interviews, industry reports from VC associations, and blogs. Secondary data pertaining to performance statistics were taken from databases maintained by VC associations and independent industry reports for the period of 1995-2015. By analysing the trends and past outcomes, insights were drawn with regard to its success and adaptation of this model across the globe.

## REVIEW OF LITERATURE

Venture capital is a relatively small financial institution in US. In the five years from 2009 to 2013, the National Venture Capital Association (2014) reports that an average of fewer than 1,200 firms received venture capital for the first time annually in the U.S. Over the same five-year period, U.S. venture capital partnerships received an average of less than $18 billion in new capital commitments from investors each year. And these figures are for the U.S., by far the largest market for venture capital in the world.

So why then does venture capital receive a large amount of theoretical, empirical, policy and media interest? From a theoretical perspective, venture capital is particularly interesting because it encompasses the extremes of many corporate finance challenges: uncertainty, information asymmetry and asset intangibility. At the same time, from an empirical and policy perspective, venture capital has had a disproportionate impact. (Kortum & Lerner, 2000) find that venture capital is three to four times more powerful than corporate R&D as a spur to innovation. Kaplan and (S. N. Kaplan & Lerner, 2009) find that roughly 50% of the "entrepreneurial" IPOs in recent years are venture-backed despite the fact that only 0.2% of all firms receive venture funding.

Uncertainty and informational asymmetries often characterize young firms, particularly in high-technology industries. If all the outcomes of the entrepreneurial firm cannot be foreseen, and effort of the entrepreneur cannot be ascertained with complete confidence, it may be difficult to write a contract governing the financing of the firm. That's why, these specialized financial intermediaries called Venture Capital alleviate these information gaps by scrutinizing the firm intensively and monitoring it by meting out financing in discrete stages over time; syndicating investments with other venture capital firms; taking seats on a firm's board of directors; and compensation arrangements including stock options.

(NVCA, 2015) reports that much of venture capital's success has come from the entrepreneurial spirit pervasive in the American culture, financial recognition of success, access to good science, and fair and open capital markets. protection of intellectual property, and a skilled workforce.

(Black & Gilson, 1998) argue that the key source of the U.S. competitive advantage in venture capital is the existence of a robust market for initial public offerings enabling VCs to transfer control back to the entrepreneur when a public equity market for new issues exists. Thus, by removing the hindrance of moral hazard (agency problem) and information asymmetry through intensive screening procedure (Chan, 1983), financial contracts (S. Kaplan, 2003), stage funding (Admati, 1994) and seat on board to closely monitor the performance and advise the management (Rin & Hellmann, 2012), VC ensures ethical governance and investor protection.

(Gorman & Sahlman, 1989) argued that the nascent deployment of venture capital in other countries is gated by a country's or region's cultural fit, tolerance for failure, services infrastructure that supports developing companies, intellectual property protection, efficient capital markets, and the willingness of big business to purchase from small companies.

(Gompers, 1998) show that venture capital backing adds value even after the initial public offering: venture-backed companies substantially outperform non venture-backed firms in the public aftermarket. (Barry & Barry, 2010) found that returns from venture capital investments can only be observed many years after the original investments because private firms are valued at cost until they are sold or taken public many years later.

(Fellow, Marion, & Foundation, 2009), (Wright, Pruthi, & Lockett, 2005),.(Lerner & Tåg, 2013) found that the firm performance has a dramatic effect on fundraising. Both the value of equity held in firms taken public by the venture capital firm in the current year and in the previous year have a positive effect on the probability of raising a new fund and the size of the fund. The effect of the previous year's IPO volume is nearly four times as large as the current year's. This might be due to the long process of raising a new fund (which may take many months

(Klonowski, 2006), (Michelacci & Suarez, 2004), (Kortum & Lerner, 2000),(Hall, 2002), (Djankov, 2010) and (Lerner & Tåg, 2013) have found that the institutional environment, in particular, the legal environment, financial market development, the tax system, labor market regulations, and public spending on research and development indeed correlates with success of local venture capital activities. (Gompers & Lerner, 2010) found commitment by tax exempt and taxable investors are equally sensitive to changes in capital gain tax, consistent with the notion that decrease in capital gain tax rates increase the demand for VC as more people try to become entrepreneurs.

(S. N. Kaplan, Sensoy, & Strömberg, 2002) provides an extensive empirical research on the persistence of VC but found that fund size is the enemy of persistence. General partners(GP) who have funds with good returns tend to get bigger. Persistence research has an important implication that persistence is found irrespective of the size of the fund but it not a guarantee.

(Gompers & Lerner, 2010) found that reputation also appears to have a positive effect on the size of the fund raised as it captures beliefs about future returns not captured in recent performance variables. Older and larger venture organizations have higher probabilities of raising funds and raise larger funds.

## OVERVIEW OF VENTURE CAPITAL INDUSTRY IN USA

### EVOLUTION OF VC INDUSTRY IN USA

The origin of modern private equity started with the first true venture capital firm American Research and Development (ARD), established in 1946 by MIT President Karl Compton, General Georges F. Doriot, who was a professor at Harvard Business School, and local business leaders. This small group made high-risk investments in emerging companies that were based on technology developed by soldiers returning from World War II. The success of the investments began when almost half of ARD's profits during its 26-year existence as an independent entity came from its $70,000 investment in Digital Equipment Company in 1957, which grew in value to $355 million. ARD was structured as a publicly traded closed-end fund. Initially, institutional investors showed little interest in VC funds due to unproven style of investing and hence ADR was mostly targeted to individuals (S. N. Kaplan & Lerner, 2009).

Then, limited partnership was introduced in VC industry with the was the passage of the Small Business Investment Act of 1958 which pushed for ventures with predefined lifeline which provided liquidity to investors as assets were returned back after the set period. The federal government played an important role in pushing VC industry by forming SBIC (Small business investment company) exploiting breakthroughs in electronic, medical, or data-processing technology, as a result of which, venture capital came to be almost synonymous with technology finance.

1970s marked the coming up of independent investment firms and setting up of National Venture Capital Association (NVCA) to serve as the industry trade group for the venture capital industry. The disbursement of VC funds was biased towards information technology industries, especially communications and networking, software, and information services that led to the most successful high-technology companies during the 1980s and 1990s, including Apple Computer, Cisco Systems, Genentech, Microsoft, Netscape, and Sun Microsystems. Facing huge shock from Nasdaq and technology slump in 2000, VC still tried to maintain steady level of deals till 2007.

### FUNCTIONS AND ROLES

Venture capital has enabled the United States to support its entrepreneurial talent and appetite by turning latent ideas and basic science into products and services to freestanding and mature organizations. Being an important financial intermediary, it performs three basic functions in order to mitigate agency conflicts which arise between entrepreneurial firms and outside investors. First, VCs spend a large amount of resources and time systematically screening deals, consider the attractiveness and risks of the opportunity by looking at market size, strategy, technology, customer adoption, and competition; the management team; and the deal terms and finally, selecting deals. Second, VCs engage in sophisticated contracting and structuring of their investments such that the VC does not get involved / exert control if the entrepreneur performs; but the VC takes control if the entrepreneur does not perform by carefully allocating cash flow rights, control rights and employment terms. Third, VC performs various value added services of monitoring, governance, recruitment, strategy formulation and networking.

### KEY PLAYERS AND STAGES OF VC FINANCING

Typically, a venture capital firm will create a Limited Partnership with the investors as LPs and the firm itself as the General Partner (GP). Each "fund," or portfolio, is a separate partnership and is established when the venture capital firm obtains necessary commitments from its investors. Since the investment is illiquid and have long gestation period ranging from 8-10 years, VC are expected to carry out due diligence process in order to increase the likelihood of reaching the exit stage to garner returns. VC play an important role in 4 stages of venture development - idea generation, start up, ramp up and exit. These unknown privately held ventures see the light of the day by meeting the VC is via a strong web of networks through referrals from the investors' trusted sources and other business contacts; investor conferences and symposia, and summits where companies pitch directly to investor groups in face-to-face meetings like speed venturing. Typically, there are 5 stages of VC financing corresponding to different levels of venture growth curve.

1. **Seed stage -** This is setup stage wherein venture comes up with an idea or product prototype and has to convince the VC regarding the economic and technical feasibility of the product. The downside risk is tremendously high.
2. **Start-up stage -** This stage involves proof of testing and market research in order to launch the product for the first time in the market.
3. **Second stage -** This involves funding for commercial manufacturing and working capital requirement.
4. **Third stage -** This involves expansion to meet the rapidly growing demand and develop follow up products.
5. **Bridge/Pre-public stage -** This involves mezzanine financing for exiting via IPO or acquisitions.

**KEY DETERMINANTS OF SUCCESS OF VC INDUSTRY IN US**

An important factor for the increase in venture capital in US is probably a huge increase in the number of high quality startups leading to more demand for venture financing. Policies that increase the relative attractiveness of becoming an entrepreneur and promote technology innovation probably would have more of an effect on venture capital investments than an across the board cut in the capital gains tax rate.

But VC industry can't grow on its own initially, it needs strong positive externalities in the form of active government policy, structures, experiences, peers, intermediaries, investors and continuous research and innovation. The legal environment in a country affects the extent to which efficient contracts between venture capitalists and entrepreneurs can be written and enforced and has implications for how entrepreneurs are compensated, screened and monitored. The presence of well-developed stock markets will then boost the liquidity of an active venture capital market because holding periods are shortened, and more young and innovative firms are able to benefit from the skills and capital venture capitalists provide. An extensive literature has shown a negative relation between taxation and entry into entrepreneurship through diminishing the gains from starting a new business, as expected profits when the firm matures are lower.

Apart from them, there are a number of other institutional support that are essential but can't be quantified like the attitudes toward entrepreneurship shaped by culture and religion, educational institutions, mass media and peers. The better the environment, the more viable is a career as an entrepreneur, the more people enter entrepreneurship, which helps create a critical mass of entrepreneurs needed for a local venture capital market to develop.

## DESCRIPTIVE ANALYSIS

**PERFORMANCE AND TRENDS**

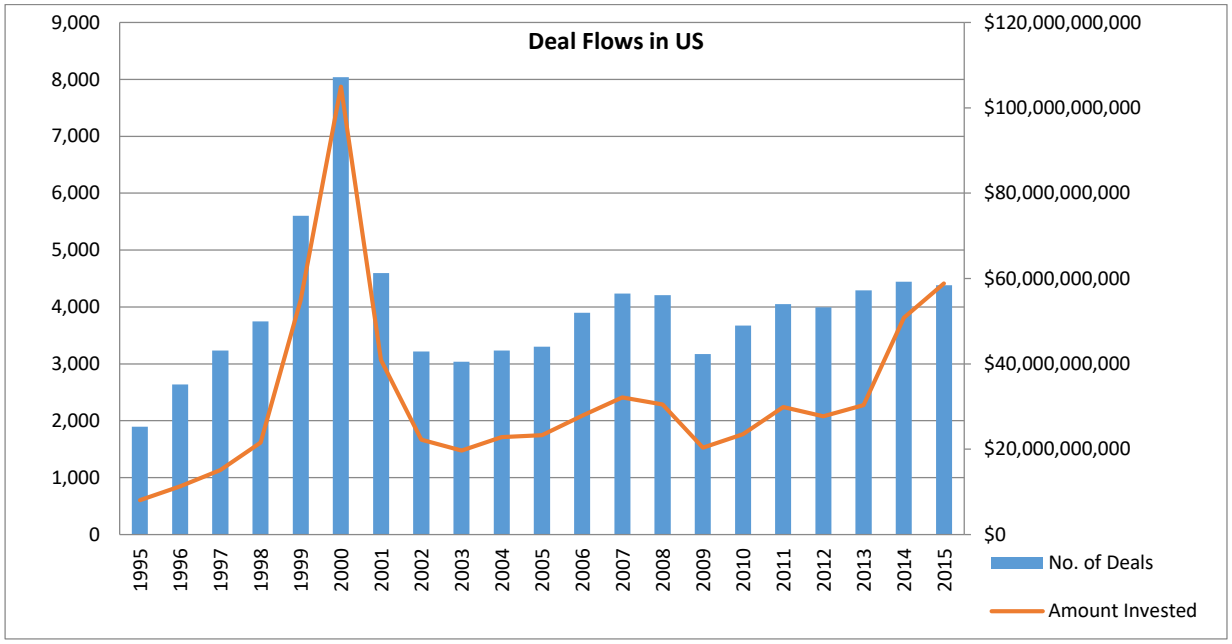
2015 was a record-setting year for venture capital, with over $128 billion of total investment made worldwide, topping 2014's total by 44 percent. What sets 2015 apart, however, lies in the size and scope of the venture capital (VC) investments that were made. Investors saw this potential and made significant investments by allowing 71 VC-backed companies achieved Unicorn status ($1 billion valuation) during the year, compared to 53 in 2014[1]. An uncertain global economy, a projected slowdown in China, and expected interest rate increases following the recent increase in the US seem to be driving some investors to hold back their investment dollars. These trends, along with a number of Q4'15 IPOs falling short of recent private valuations appear to be making investors more cautious.

This paper tries to analyse the available secondary data on the venture capital activity in the US from the period 1995-2015 focusing on three statistics: fundraising, investing and exiting. These statistics may be indicative of the strength of venture capital development in these countries. The fundraising activity indicates the attractiveness of the market to potential investors, both domestic and foreign. The investment activity reflects the amount of high quality projects found by venture capitalists. Lastly, exit or realization activity denotes the venture capitalists' ability to convert their illiquid investments into cash, be it at a profit or a loss.

**DEAL FLOWS**

The performance of VC industry in USA has seen highs and lows. The main determinant of the robust VC industry is the no. of deals undertaken by VC. **Chart 1** deals with the number of VC deals from 1995 which grew enormously until the dot com bubble in the year 2000 and then due of stock market crash, the number fell drastically and then stabilized over the course until 2015.

**CHART 1: NUMBER OF VC DEALS EXECUTED IN PERIOD 1995- 2015**




Data Source- PricewaterhouseCoopers/National Venture Capital Association MoneyTree™ Report, Data: Thomson Reuters

For every 100 business plans that come to a venture capital firm for funding, usually only 10 or so get a serious look, and only one ends up being funded. The venture capital firm looks at the management team, the concept, the marketplace, fit to the fund's objectives, the value-added potential for the firm, and the capital needed to build a successful business.

**Table 1** shows a comparative analysis of the no. of deals and the amount invested by VC in last two decades. The no. of deals rose by 4 times from 1995 to 2015 and the amount invested rose by 7 times for the same period. The quarterly data shows uneven variation within a year. This points to the strong deal flows observed in the that period.

**TABLE 1: AMOUNTS INVESTED BY VC IN 20 YEARS**

| Quarter | 1995 | | 2005 | | 2015 | |
|---|---|---|---|---|---|---|
| | No. of Deals | Amount Invested | No. of Deals | Amount Invested | No. of Deals | Amount Invested |
| 1 | 503 | $1,690,040,500 | 763 | $5,222,331,500 | 1,063 | $13,555,679,100 |
| 2 | 466 | $2,546,374,500 | 862 | $6,149,008,500 | 1,206 | $17,310,376,700 |
| 3 | 434 | $1,709,754,500 | 813 | $6,068,106,000 | 1,149 | $16,605,830,600 |
| 4 | 494 | $2,070,353,900 | 864 | $5,805,921,700 | 962 | $11,339,301,900 |
| Grand Total | 1,897 | $8,016,523,400 | 3,302 | $23,245,367,700 | 4,380 | $58,811,188,300 |

Source: PricewaterhouseCoopers/National Venture Capital Association MoneyTree™ Report, Data: Thomson Reuters

[1] Venture Pulse, Q4'15, Global Analysis of Venture Funding, KPMG International and CB Insights (data provided by CB Insights) January 19th, 2016

**FUNDRAISING**

Commitments are defined as the pledges that venture capitalists receive for investment over the lifetime of the fund. They are not the amount of money that is actually invested in a given year. Typically, venture funds draw on and invest the committed capital over a two to three year time period. Commitments to the venture capital industry have been highly variable over the past 30 years. The historical patterns of commitments to U.S. VC funds and investments in companies by those funds represent a remarkably constant 0.15% of the total value of the stock market.

**TABLE 2: CURRENT AND HISTORICAL SNAPSHOT OF VC COMMITMENT**

| Indicator | 2015 | 2005 |
|---|---|---|
| Number of Active VC Firms | - | 505 |
| Number of Funds | 1,331 | 1,785 |
| Average Fund Size ($M) | 144.9 | 147.8 |
| Total Capital Managed ($M) | 192,900 | 263,800 |
| Total Cumulative Funds | 4,957 | 3,282 |
| New Capital Raised ($M) | 29,826 | 19,154 |

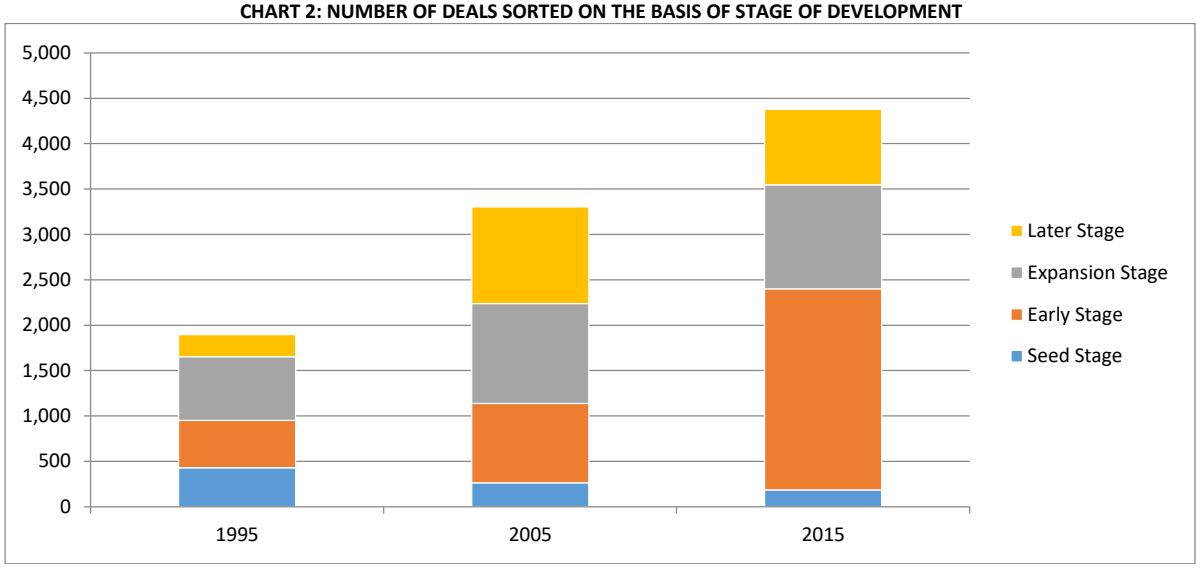
Source: QUANDL, 2015

Commitments to VC funds, while more variable, are consistently in the 0.10% to 0.20% range. The level of commitments to and the investment pace of VC funds has been consistent with the historic averages since 2002. At the same time, returns relative to the overall stock market appear to have been roughly average. This does not suggest to us that there is too much money in U.S. VC, nor does it indicate to us that the VC model is broken. It seems to be the natural evolution of a relatively competitive market.

**VENTURE INVESTING**

Staged capital infusion may be the most potent control mechanism a venture capitalist can employ. Staged capital infusion keeps the owner/ manager on a "tight leash" and reduces potential losses from bad decisions. The venture capitalist can increase the duration of funding and reduce the frequency of reevaluation as the company becomes better established and conflicts with the entrepreneur appear more likely.

**CHART 2: NUMBER OF DEALS SORTED ON THE BASIS OF STAGE OF DEVELOPMENT**

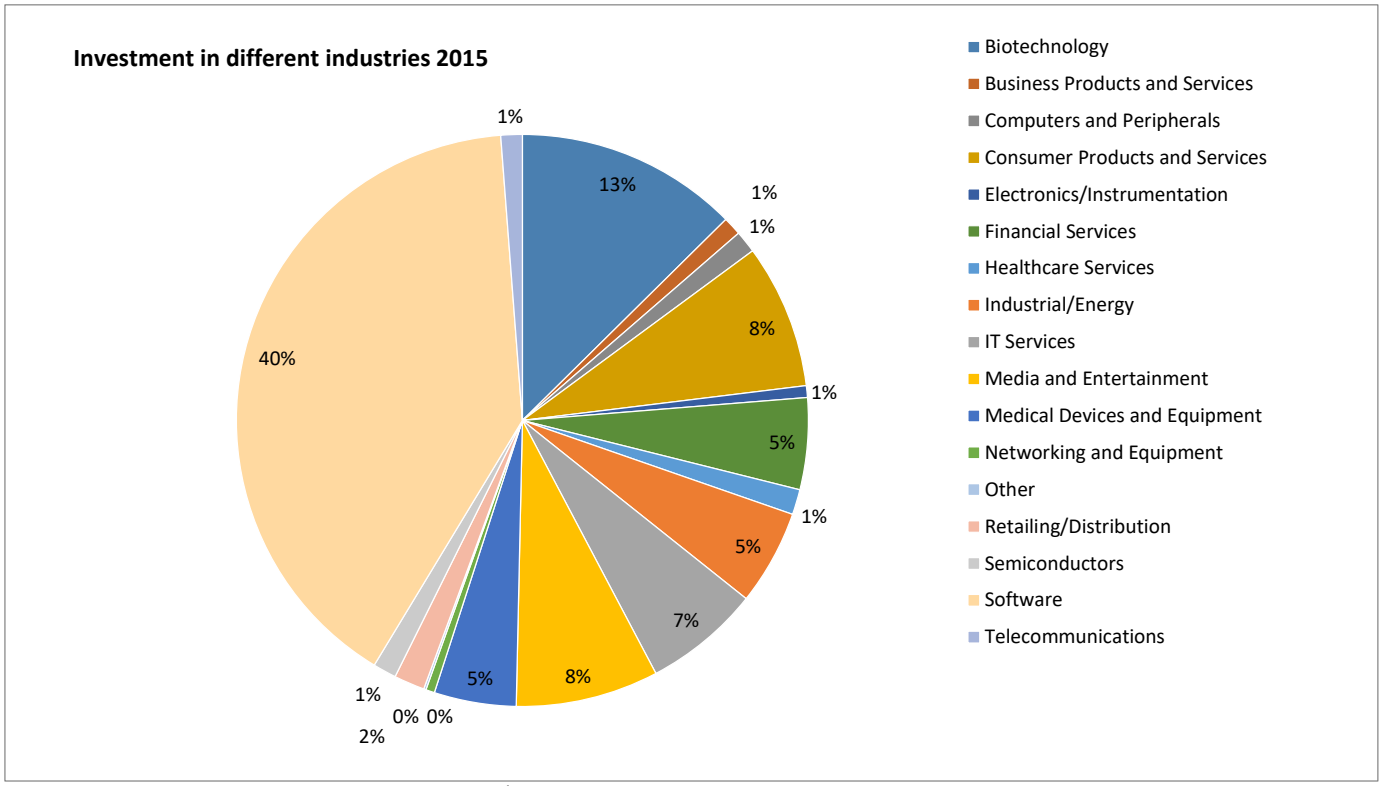



Data Source- PricewaterhouseCoopers/National Venture Capital Association MoneyTree™ Report, Data: Thomson Reuters

**Chart 2** shows that there has been a decrease in seed stage financing by VC from 1995 to 2015 due to emergence of angel investors, incubators and crowd funding platforms. There has been a huge increase in early stage funding by VC showing that VC has started focusing more on novel ideas and business plan helping them in their testing of proof of concept and marketing initial product. The expansion stage showed a very stable growth. But, later stage financing showed a slight fall from the previous decade due to IPO drought faced by US after subprime crisis and hence, more focus on acquisition as an exit strategy.

The nature of sector wise focus and completed investment transactions reflect the types of available projects, demand for specific products and services, sophistication of financial investors, and the development of the financial institutions seen in the market. The initial investments focused on basic sectors such as manufacturing, construction, food processing, and services and investments. In later years, the focus was on communications, manufacturing, and services. **Chart 3** shows that the majority of the investment by VC in 2015 went towards software industry signifying the mushrooming of internet based startups and services. Biotechnology was another favorite industry for VC in the year 2015. IT services, FMCG, financial service, medicine, media and energy showed stable contribution by VC.

CHART 3: VC INVESTMENT IN DIFFERENT INDUSTRIES IN 2015



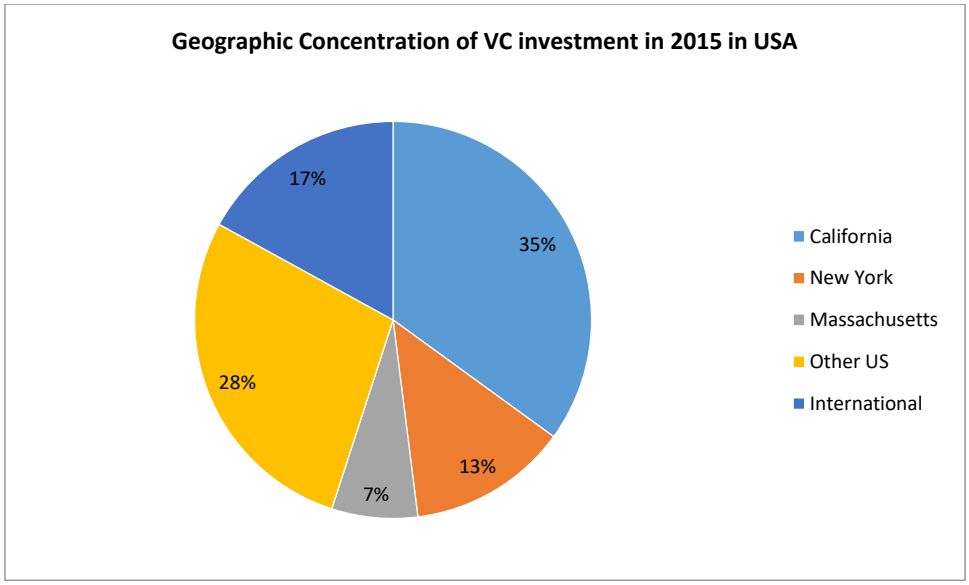

Data Source - PricewaterhouseCoopers/National Venture Capital Association MoneyTree™ Report, Data: Thomson Reuters

**GEOGRAPHIC CONCENTRATION**

**Chart 4** shows that the VC commitment in 2015 has been quite uneven geographically with majority of deals concentrated in California while minor trends seen in other parts of the country.

This points towards the phenomenon of unequal rise of entrepreneurship in different states across USA.

CHART 4: VC COMMITMENTS IN USA IN 2015

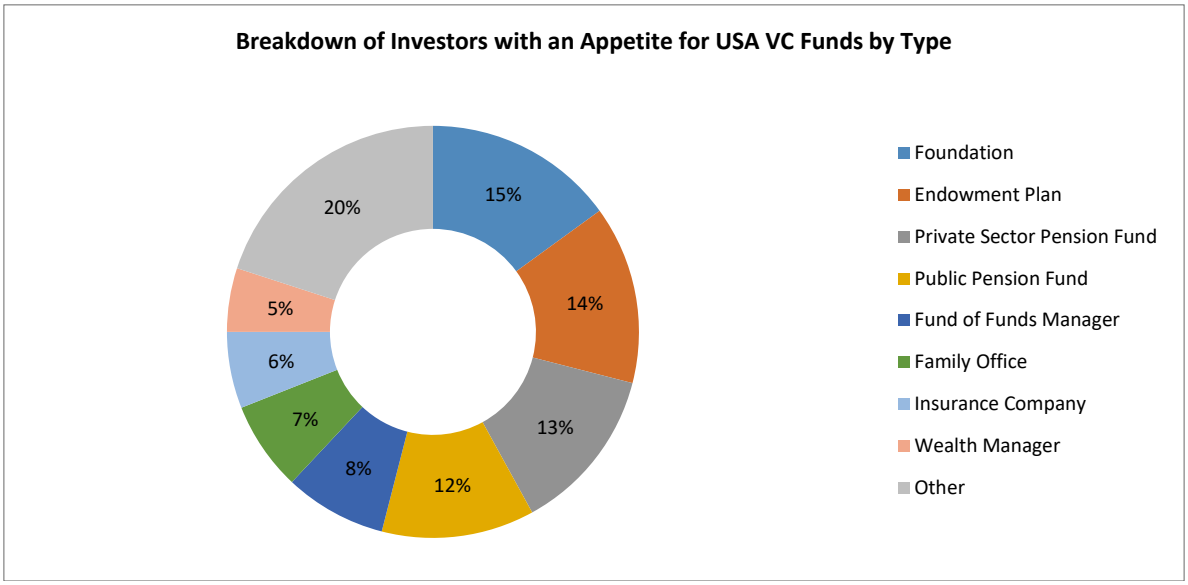



Data Source - Preqin Investor Intelligence, 2015

Geographic location of the largest venture firms is increasingly concentrated. California-domiciled firms managed 35% of the capital, compared with 49% a year earlier. This is due to large California firms raising the larger funds, and the relocation of some east coast firms to the west. Contrary to some popular misconceptions, only 31 firms managed more than $1 billion. By comparison, 360 firms managed $25 million or less The longer-term drivers of venture capital financing.

**Chart 5** shows that majority of the investment in VC funds are done by Pension funds in US followed by foundations and endowment plans. This proves the risk taking ability inherent in American culture of free enterprises as they are ready to invest their pension money in highly risky investment alternative like VC funds.

CHART 5: TYPE OF INVESTORS INVESTING IN VC FUNDS IN 2015




Data Source - Preqin Investor Intelligence, 2015

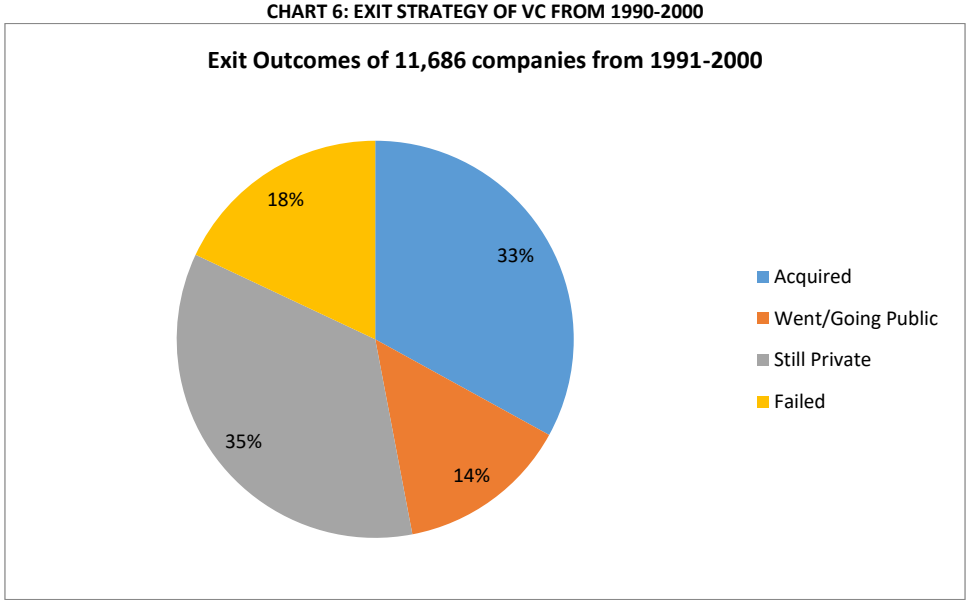
**EXIT STRATEGY**

Once successful portfolio companies mature, venture funds generally exit their positions in those companies by taking them public through an initial public offering (IPO) or by selling them to presumably larger organizations (acquisition, trade sale, or increasingly a financial buyer). This then lets the venture fund distribute the proceeds to investors, raise a new fund for future investment, and invest in the next generation of companies. In order to measure the performance of VC, it is not possible to calculate risk and return of VC funds rather we use a measure of the market value of equity held by venture capitalists in firms that went public in a particular year.

VC exit strategy was not dominated by IPO initially in the year 1985 by started taking a jump in the year 1994 onwards and reached its peak at 300 IPO in just before the dotcom bubble burst in; ate 1990's and then due to crash in stock market, the IPO drought was observed for several years until US financial crisis and then started showing some revival in late 2013. The offer amount of IPO moved in relation to the no. of deals except in 2011 onwards where the IPO offer reached $23 billion but the no. of deals was comparatively less.

**Chart 6** shows that in the decade from 1990-2000, majority of the startups were still held privately and VC funds were invested in them. Large portion of them got acquired and on 14% went for IPO and 18% failed. This data reveals that VC industry was not a success as it was not able to garner returns and its funds were blocked for a very long gestation period.

CHART 6: EXIT STRATEGY OF VC FROM 1990-2000



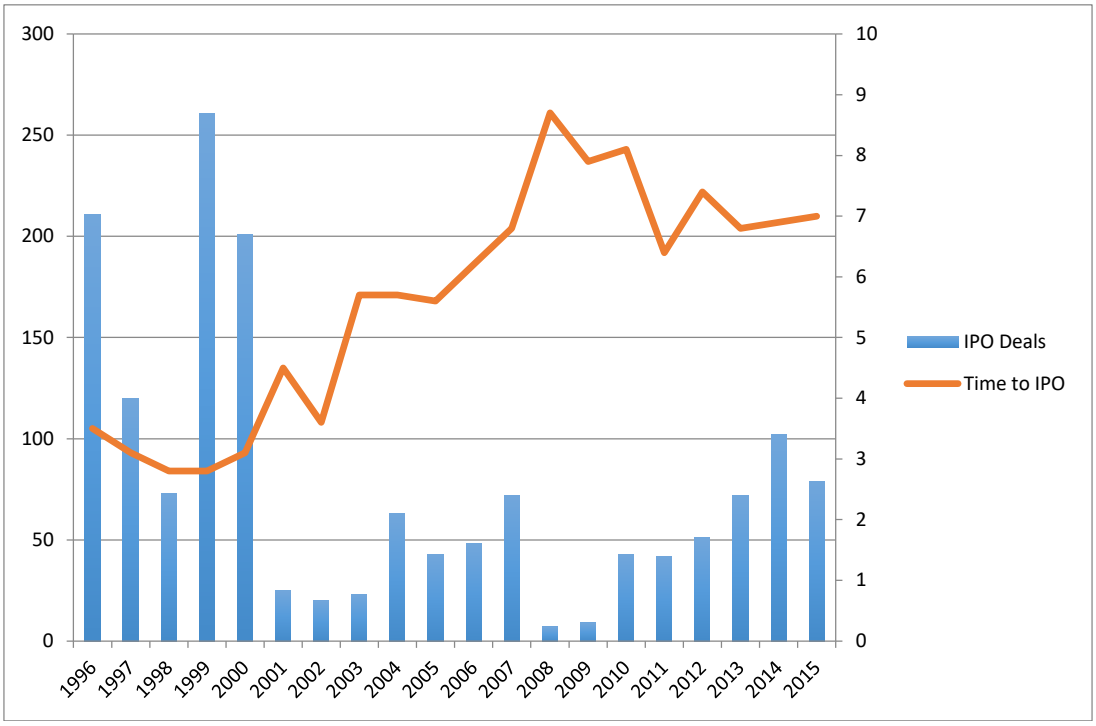

Source - NVCA Yearbook 2015

**Chart 7** shows that 79 venture-backed initial public offerings (IPOs) raised $9.4 billion in 2015, marking a 40 percent decline in dollars raised compared to 2014[2]. **Chart 8** shows that 578 venture-backed M&A deals were reported in the 2015, 26 of which had an aggregate deal value of $3.6 billion, decreasing 48 percent compared to the third quarter of this year. For full year 2015, 372 M&A transactions were reported, with 84 deals combining for a disclosed value of $16.3 billion, the slowest full year period for venture-backed M&A since 2009[3].

[2] Exit Poll Report, 2015 by Thomson Reuters and the National Venture Capital Association (NVCA).

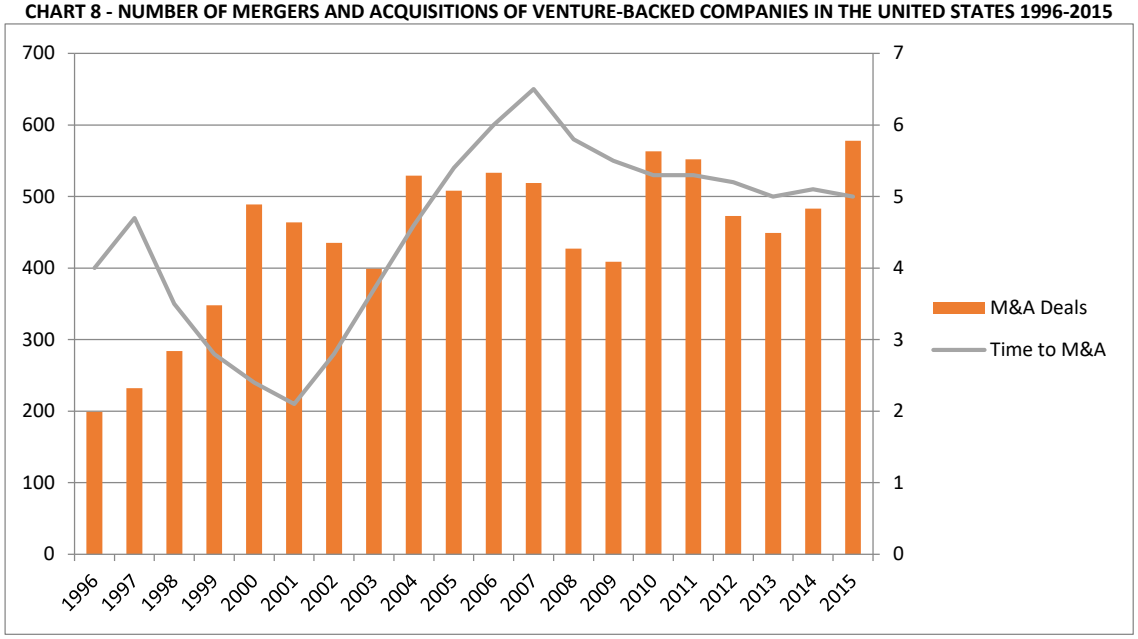
[3] Exit Poll Report, 2015 by Thomson Reuters and the National Venture Capital Association (NVCA).

CHART 7: NUMBER OF VENTURE-BACKED IPO COMPANIES IN THE UNITED STATES FROM 1996-2015




Data Source - Dow Jones Venture

CHART 8 - NUMBER OF MERGERS AND ACQUISITIONS OF VENTURE-BACKED COMPANIES IN THE UNITED STATES 1996-2015




Data Source - Dow Jones Venture

## OBSERVATIONS

- In 2014, the venture capital market produced its strongest performance in terms of both financing and liquidity activity since the end of the dot-com boom. Deal flow approached its highest level since 2000, total venture capital financing proceeds soared to the second highest level in history, the median pre money valuation hit a record level, the number of VC-backed US issuer IPOs was the largest since 2000, and the median acquisition price for VC-backed companies was the highest since 2000. Year 2015 proved to be a lousy year for VC industry as both the VC backed IPO and VC investment saw a dip.
- VC industry is witnessing traction in 2015 due to the mushrooming of incubators angel investors and crowd funding platforms meeting the seed and early finance requirement and due to this VC investment are dominating the later stage financing in US and emerging markets.
- The effectiveness of public efforts to transfer the venture capital model to other regions is highly debatable. Even if venture capital organizations spur technological innovation in the United States, it is not evident that the model can be seamlessly transferred abroad. Different employment practices, regulatory policies, or public market avenues might limit the formation these funds.
- Overseas venture initiatives may be able to benefit from the experience of venture organizations in the United States. In particular, the Israeli Yozma program seems to have successfully captured "spillovers" of knowledge from U.S. and British venture organizations.
- Venture capitalists focus on scale or potential for scale, rather than profitability. VC-financed firms are significantly larger when they fail in terms of employees and sales, but they are not very different in terms of profitability at the time of failure.
- Whether VC-financed firms fail more often is a function of the time period under consideration. The probability of a VC-financed firm failing is much lower than a non-VC-financed firm, but the probability of a VC-financed firm failing is higher than for non-VC-financed firm's conditional on their having survived for more than five years. Thus, venture capitalists allow firms time to grow and appear to be "patient" but only to a certain point.

## POLICY IMPLICATION FOR INDIAN VC INDUSTRY

This research has a variety of implications for policy makers who wish to stimulate venture capital activity in the emerging economies like India

- **For Entrepreneurs -** Robust entrepreneurial ventures is a precondition for a thriving VC industry so budding entrepreneurs in India should keep innovating and develop new products/services and ensure a constant flow of opportunities that have enormous upside potential.
- **For Financial institutions** - Creating a synergistic web of stable financial institutions which provides minimally supportive environment will spur the growth of the venture capital industry and initiating a co-evolutionary dynamic with other institutions.
- **For Regulators -** Like in USA, Government of India should play a significant role in promoting VC indirectly by following sound monetary and fiscal policies ensuring relatively low inflation which led to stability in the financial environment and currency. Ensuring favorable tax policy and decreases in capital gains taxes may have some positive effect on the availability of venture capital. The stock market, which has been the exit strategy of choice for venture capitalists, should be strictly regulated and characterized by increasing openness. This will create a general macroeconomic environment of financial stability and openness for investors, thereby reducing the external risks of investing in high-risk firms.
- **For Academicians -** Non availability of reliable data on the performance of VC industry in India with respect to deals, fundraising and exit will be a hurdle but primary surveys can be conducted in order to deepen the understanding of VC industry in India and bring more transparency

## CHALLENGES

Venture capital is increasingly becoming an important financial intermediary which is able to transform capital into new firms in an apparently highly productive manner. This intermediary is attracting increasing interest by policymakers and investors, but the availability of data as well as the consistency of the academic findings using these data are still lacking. The economic stabilization, strong growth, and favorable business outlook in the countries of the US have provided a strong foundation for an active and developing venture capital industry. Reflecting the relative lack of disclosure and the substantial information asymmetries surrounding venture capital, it is difficult to paint in definitive terms the level of investment activity and fund performance. Existing databases differ in methodologies, and analyses frequently produce discrepancies and varying conclusions. These problems are particularly prevalent when it comes to transaction-level data. That being said, the venture data space has seen substantial entry, particularly in regard to performance measurement. As a result, the quality of information available has increased in recent years and can be expected to continue to do so going forward.

## CONCLUSION

In the United States and in India the development of venture capital has been a co-evolutionary process. This is particularly true in India, where it remains a small industry precariously dependent upon other institutions, particularly the government, and external factors such as international lending agencies, overseas investors, and successful Indian entrepreneurs in Silicon Valley. The growth of Indian venture capital must be examined within the context of the larger political and economic system in India. As was true in other countries, the Indian venture capital industry is the result of an iterative learning process, and it is still in its infancy. If it is to be successful it will be necessary not only for it to grow, but also for its institutional context to evolve. The possibility and ease of cross-national transference of institutions has been a subject of debate among scholars, policymakers, and industrialists during the entire twentieth century and there is no denying of the role of VC industry in investing risk capital successfully, there is no reason to believe that the success of a startup solely related to it being backed by a VC and hence, However, venture capital and entrepreneurship are separate phenomena, even among growth companies, and conflating the two, let alone implying that the former causes the latter, is untrue and unhelpful.

## SCOPE FOR FURTHER RESEARCH

The VC industry has reached an inflection point wherein the returns have stagnated and declined as compared with the go go years of late 1990's. This points to the new debated regarding right sizing the VC industry, whether it should be big enough in terms of underling financial commitment or more equipped to catalyse the high growth firms? Should it be smaller to take more risks, drive higher returns, and thus keep investors satisfied?

Second, another area for future research is cross-border venture capital investments and local venture capital markets. A relevant question relates to how important cross-border investments are for the development of a local venture capital market. On one hand, foreign venture capital firms could subdue the local venture capital market by "picking the cherries." On the other, they could help in generating a critical mass of venture capital activities.

Third, the major question arises that whether this US model should be replicated to the rest of the worlds as it is or the model has to undergo changes in order to adapt to different financial markets around the world.

Fourth, does reputation follow general partners who start their own fund or must they establish new reputations? In markets without experienced venture capitalists, how can the lack of reputation be overcome? Clearly, more work is necessary.

Thus, an active venture capital market can boost economic growth which is driven by innovation, spearheaded by young entrepreneurial firms by solving the problem of moral hazard and asymmetric information, thereby connecting idea-rich entrepreneurs with cash-rich investors.

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# WOMEN ENTREPRENEURSHIP: ENTERING A MALE DOMAIN

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## ABSTRACT

*Gone were the days, when women were associated with the households and children. Today they are involved in the economic growth and development of a country. In spite of facing the hard situation of being females, they are playing the role of entrepreneurs a well. In fact, they create new jobs for themselves as well as for others too, providing society with different solutions to management and business problems. They will leave no stone unturned, if they are provided with the opportunities they deserve. Women entrepreneurs often face the various problems like gender-based barriers, lack of access to formal finance mechanisms; limited mobility and access to information and networks, etc. Thus, governments across the world as well as various organizations are actively undertaking promotion of women entrepreneurs through various schemes and projects. The Indian Government has also introduced some schemes for women like Mahila Coir Yojna, Stree Shakti project, AZAD SAKHA project etc. These schemes tend to provide assistance to needy women for setting up training cum income generating activities and making them economically independent and strong. The study facilitates the understandings of the opportunities and schemes provided by the government and other organizations for giving a considerable space to women entrepreneurship. As the present article highlights the predicament of women- its causes and effects. It also suggests that by empowering women, we can cure a whole gamut of problems faced by us. It also reveals the significant insights coming in this scenario by way of analyzing the challenges before women entrepreneurs. Besides, the study is going to be a pioneering effort by way of making suggestions towards multifarious and multidimensional picture of economy through maximum utilization of human resource without any discrimination on the basis of gender as the need of the hour is economic independence for women as well.*

## KEYWORDS

women entrepreneurship, entering a male domain.

## INTRODUCTION

Entrepreneurship refers to the act of setting up a new business or reviving an existing business so as to take advantages from new opportunities. An entrepreneur is a person who starts an enterprise. He searches for change and responds to it. A number of definitions have been given of an entrepreneur- The economists view him as a fourth factor of production along with land labour and capital. The sociologists feel that certain communities and cultures promote entrepreneurship like for example in India we say that Gujaratis and Sindhis are very enterprising. Still others feel that entrepreneurs are innovators who come up with new ideas for products, markets or techniques. Thus, entrepreneurs shape the economy by creating new wealth and new jobs and by inventing new products and services. However, an insight study reveals that it is not about making money, having the greatest ideas, knowing the best sales pitch, applying the best marketing strategy. It is in reality an attitude to create something new and an activity which creates value in the entire social eco-system. It is the psyche makeup of a person. It is a state of mind, which develops naturally, based on his/ her surrounding and experiences, which makes him/ her think about life and career in a given way. Entrepreneurship has been a male-dominated phenomenon from the very early age, but time has changed the situation and brought women as today's most memorable and inspirational entrepreneurs. A quiet revolution is taking shape right now among women as they are now entering the male domain. Unlike the Quiet Revolution that began in the 1970s which saw women leave the home and enter the workforce in droves, women today are leaving the workforce in droves in favor of being at home. But unlike generations of women before, these women are opting to work in the home not as homemakers— but as job-making entrepreneurs. It is a general belief in many cultures that the role of women is to build and maintain the homely affairs like task of fetching water, cooking and rearing children. Since the turn of the century, the status of women in India has been changing due to growing industrialization, globalization, and social legislation. With the spread of education and awareness, women have shifted from kitchen to higher level of professional activities. Entrepreneurship has been a male-dominated phenomenon from the very early age, but time has changed the situation and brought women as today's most memorable and inspirational entrepreneurs. In almost all the developed countries in the world women are putting their steps at par with the men in the field of business. The role of Women entrepreneur in economic development is inevitable. Now-a-days women enter not only in selected professions but also in professions like trade, industry and engineering. Women are also willing to take up business and contribute to the Nation's growth. Their role is also being recognized and steps are being taken to promote women entrepreneurship. Women entrepreneurship must be molded properly with entrepreneurial traits and skills to meet the changes in trends, challenges global markets and also be competent enough to sustain and strive for excellence in the entrepreneurial arena.

## REASONS FOR WOMEN BECOMING ENTREPRENEURS

The glass ceilings are shattered and women are found indulged in every line of business. The entry of women into business in India is traced out as an extension of their kitchen activities, mainly 3P's, Pickle, Powder and Pappad.[4] But with the spread of education and passage of time women started shifting from 3P's to modern 3E's i.e. Energy, Electronics and Engineering. Skill, knowledge and adaptability in business are the main reasons for women to emerge into a business venture. A women Entrepreneur is a person who accepts challenging role to meet her personal needs and become economically independent. A strong desire to do something positive is an inbuilt quality of entrepreneurial women, who is capable of contributing values in both family and social life. With the advent of media, women are aware of their own traits, rights and also the work situations. The challenges and opportunities provided to the women of digital era are growing rapidly that the job seekers are turning into job creators. Many women start a business due to some traumatic event, such as divorce, discrimination due to pregnancy or the corporate glass ceiling, the health of a family member, or economic reasons such as a layoff. But a new talent pool of women entrepreneurs is forming today, as more women opt to leave corporate world to chart their own destinies. They are all set to make lemonade, if the life throws them a lemon and are flourishing as designers, interior decorators, exporters, publishers, garment manufacturers and still exploring new avenues of economic participation.

## PROSPECTUS OF WOMEN ENTREPRENEURSHIP IN INDIA

Women entrepreneurship is gaining importance in India in the wake of economic liberalization and globalization. The policy and institutional framework for developing entrepreneurial skills, providing vocation education and training has widened the horizon for economic empowerment of women. In India, women comprise about 30 percent of corporate senior management positions, which is notably higher than the global average (24 percent). But in the overall workforce, India is one of the worst countries in the world — 113th out of 135 — when it comes to the gender gap[5]. And women entrepreneurs constitute only 10 percent of the total number of entrepreneurs in the country. Women entrepreneurs have an edge over male entrepreneurs. Edges matter to investors. One of the most obvious reasons to invest in women leaders in India is that women control the vast majority of household spending. So unless you are a business that is focused mostly on men, women are more likely to better understand customer perspective. Another is that women are often better at building long-term relationships than men.

[4] International Journal of Academic Research, Vol.2, Issue-3(5), July-September, 2015
[5] http://forbesindia.com/blog/economy-policy

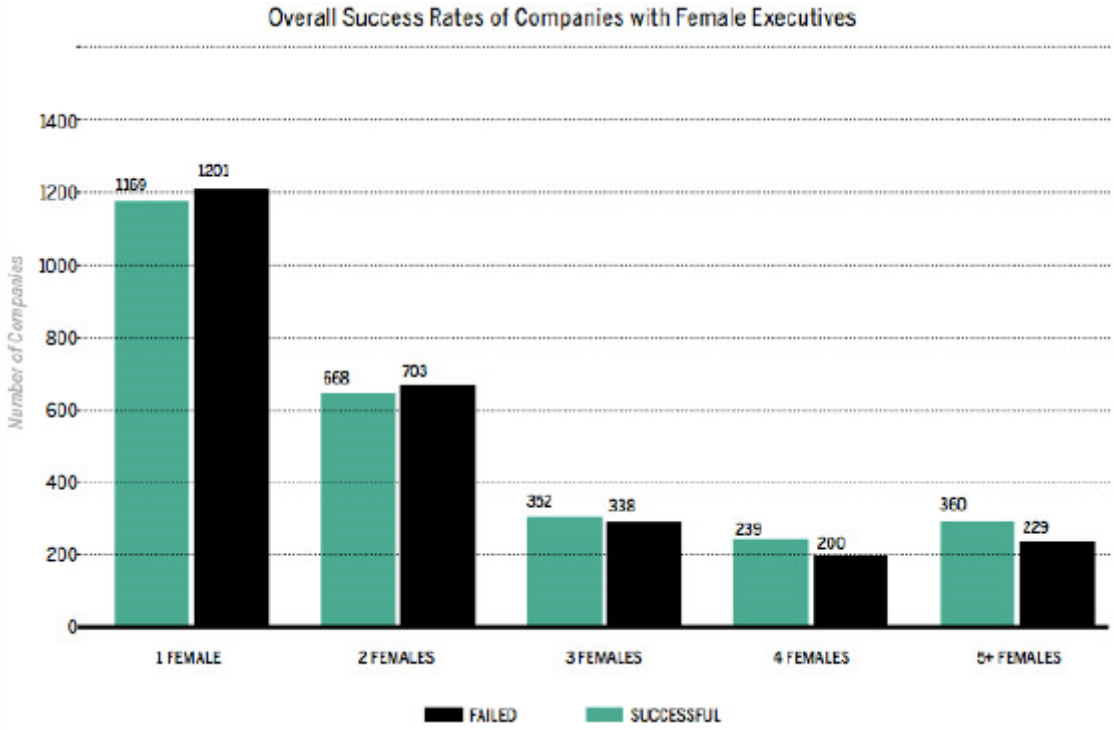
Lasting relationships benefit a business tremendously, as only so much can be achieved without trust… with employees, customers, suppliers, shareholders, government, etc.

A study called Women at the Wheel: Do Female Executives Drive Startup Success? Offers some interesting conclusions:

- The overall median proportion of female executives in successful companies is 7.1 percent, compared to 3.1 percent at unsuccessful companies.
- A company's odds of success increase with female executives at the VP and director levels.
- Statistically significant evidence shows that there is dependence between a company having female executives and its success.

For startups with more female executives, there is a higher success-to-failure rate. As you can see in the chart below, companies with 1-2 female executives have close to a 50/50 failure/success rate, with failures exceeding successes by 5-10 percent. But in the smaller samples of companies with 4-5 female executives, the succeeding companies outnumber failing companies by between 20 and 50 percent.

**FIG. 1**




*Source: Dow Jones*

- Companies with the highest representation of women on their top management teams experienced better financial performance than companies with the lowest women's representation.

## REASONS FOR SLOW PROGRESS OF WOMEN ENTREPRENEURSHIP IN INDIA

Entrepreneurship isn't a walk in the park for anyone and it can be even more challenging if you are of the "female persuasion"[6]. Even with all of the advancements that women have made in the business world, there is still a long way to go before the success rate is level between male and female entrepreneurs. Below are some of the top challenges that female entrepreneurs need to overcome in general in order for woman-owned businesses to be more successful as a whole.

- **Conflicts between Work and Domestic Commitments**- Women's family obligations also bar them from becoming successful entrepreneurs in both developed and developing nations. Having primary responsibility for children, home and older dependent family members, few women can devote all their time and energies to their business.
- **Gender gaps in education-** While women are making major strides in educational attainment at primary and secondary levels, they often lack the combination of education, vocational and technical skills, and work experience needed to support the development of highly productive businesses.
- **Lack of finance -** Access to finance is one of the most common challenges that entrepreneurs face and this is especially true for women who are further impeded by lack of personal identification, lack of property in their own name and the need for their husband's countersignature on many documents.
- **Legal constraints in family law-** Laws regulating the private sphere specifically those regarding marriage, inheritance and land can hinder women's access to assets and may be proved to be critical to the growth of female-owned enterprises.

An ILO report[7] on women entrepreneurship identifies the following problems faced by women entrepreneurs.

- **Lack of family support-** Sometimes the family may make the women feel guilty of neglecting household duties in her pursuit of business obligations. Cultural traditions may hold back a woman from venturing into her own business.
- **Lack of capital**-traditional sources of finance like banks are reluctant to lend to women entrepreneurs especially if they do not have any male or family backing. This is especially true of lower income females. Women do not have adequate finance or legal knowledge to start an enterprise.
- **Lack of confidence and faith**-lack of role models undermines the self-confidence of women entrepreneurs. The activity of selling is considered abhorrent to the female gender.
- **Lack of right public/ private institutions-** Most public and private incentives are misused and do not reach the woman unless she is backed by a man. Also many trade associations like ministries, chambers of commerce do not cater to women expecting women's organizations to do the necessary thing.

## CASE STUDY

**SUCCESS STORY OF ARUNDHATI BHATTACHARYA**

[6] http://www.carolroth.com/blog/entrepreneurship-5-challenges-facing-women-entrepreneurs

[7] Global Journal of Management and Business Studies. Volume 3, Number 10 (2013), pp. 1143-1148

*Some people are born to be leaders. And when a woman makes a mark in the male dominated domain, it is nothing but laudable. Women these days are coming out of the deep-rooted prejudices of the society and are making a mark in every sphere. And when it comes to banking, the job requirements are all the more challenging. And yet, women have taken the role of business tycoons and are doing full justice to it. One of them is* **Arundhati Bhattacharya.**

A female Indian banker... An iconic figure to all women entrepreneurs… First woman to be the Chairperson of State Bank of India. She has been listed as the 36th most powerful woman in the world by Forbes in 2014. She was born in a Bengali Brahmin family in the city of Kolkata. She spent her childhood in Bhilai. Her father, Prodyut Kumar Mukherjee worked at Bhilai Steel Plant. Her mother, Kalyani Mukherjee was a homeopathy consultant in Bokaro. She completed her schooling from St. Xavier's School, Bokaro. Bhattacharya is the first woman to lead an India-based Fortune 500 company. Initially she took English literature as a subject in her graduation from Kolkata's Lady Brabourne College and post graduation from Jadavpur University. Banking just happened to her actually. During her post graduation days, she had heard about the PO (Probationary Officer) exam. Just because the post of PO offered a good salary, she went ahead and gave the exam with her hostel friends. This is how; she joined SBI in 1977 as probationary officer at the age of 22 years. With no MBA background, she has steered the bank ahead by taking up various roles. When she was posted as the General Manger in Lucknow in the year 2006. She wanted to leave SBI because she couldn't find a proper school for her daughter. Her former boss M.S. Verma intervened and told her that it would not be a good idea. She has held several positions during her 36-year career with the bank including working in foreign exchange, treasury, retail operations, human resources and investment banking. This included positions like chief executive of the bank's merchant banking arm- State Bank of India Capital Markets; chief general manager in charge of new projects. She has also served at the bank's New York office. She has been involved in the launch of several new businesses such as SBI General Insurance, SBI Custodial Services and the SBI Macquarie Infrastructure Fund. She succeeded Pratip Chaudhuri[8], as Chairperson, who retired 30 Sep. She introduced a two-year sabbatical policy for women employees for child or elder care. In 2015, she was named the 30th most powerful woman in the world by Forbes. This is her first time being ranked on the list. In the same year, she was ranked among the FP Top 100 Global Thinkers by Foreign Policy magazine. She was named the 4th most powerful women in Asia Pacific by Fortune. Bhattacharya was named the first female (and youngest) chair at the government-owned State Bank of India in 2013 after nearly four decades of service. She oversees 220,000 staff members in 16,000 branches and services 225 million customers at the country's largest lender (assets $400 billion) with offices spread over 36 countries. Recognizing the multiple roles of working women, Bhattacharya pioneered a two-year sabbatical policy for female employees taking maternity leave or give extended care to family. The 208-year-old bank recently launched digital branches as part of an effort to offer next generation banking services to India's growing mobile phone and tech-savvy customer base. To reach more rural customers, the bank has installed some 800 solar power ATMS in remote areas. She has been instrumental in launching various reforms like SBI General Insurance, SBI Custodial Services and the SBI Macquarie Infrastructure Fund. She transformed the bank from state-run lender into a customer-friendly bank. She loves working out of her comfort zone**.** Professionally, that is what drives her. She doesn't see her career in SBI as one job. Instead, she sees it as a combination of 11 jobs. From Human Resources to Investment Banking, she has taken up various roles. She has faced many challenges and these are exactly what have led to her growth. With a confident streak, she says,"If you take the plunge, you will somehow manage to swim across." She has been successful in removing this perception – Public sector banks are laggards, particularly in technology. Piyush Singh[9], MD of Accenture's Financial Services said that she has been instrumental in proving this notion wrong. She also introduced digital branches of SBI.

Women will leave no stone unturned, if they are provided with the opportunities they deserve. **Arundhati Battacharya**, The CEO of SBI, has proved it well.

## ROLE OF GOVERNMENT TO DEVELOP WOMEN ENTREPRENEURS IN INDIA

The growth and development of women entrepreneurs required to be accelerated because entrepreneurial development is not possible without the participation of women. Therefore, a congenial environment is needed to be created to enable women to participate actively in the entrepreneurial activities. There is a need of Government, non-government, promotional and regulatory agencies to come forward and play the supportive role in promoting the women entrepreneur in India. The Government of India has also formulated various training and development cum employment generations programs for the women to start their ventures. These programmes are as follows:

- **Beti Bachao, Beti Padhao Abhiyaan**[10]- This scheme is an inevitable step towards women empowerment through preventing gender biased sex selective elimination, ensuring survival & protection of the girl child and ensuring education of the girl child.
- **Sukanya Smridhi Yojna**[11] – This scheme has been introduced by Government of India on December 02, 2014 to promote the welfare of Girl Child.
- **Himmat App**[12] - it is an initiative by Delhi Police for women safety. The mobile based application was launched basically for the employed women who travelling alone sometimes late at night. Women can use its features to alert Delhi police in case of any threat.

Though these schemes do not possess the direct impact towards women entrepreneurs, but still, it gives a boost to our women flyers.

- **Start-Up India**[13]- Startup India campaign is based on an action plan aimed at promoting bank financing for start-up ventures to boost entrepreneurship and encourage start ups with jobs creation. The campaign was first announced by Prime Minister Narendra Modi in his 15th August, address from the Red Fort. It was organized by Department of Industrial Policy and Promotion (DIPP)[14]. The Standup India initiative is also aimed at promoting entrepreneurship among SCs/STs, women communities.
- In the seventh five-year plan, a special chapter on the "Integration of women in development" was introduced by Government with following suggestion: Specific target group: It was suggested to treat women as a specific target groups in all major development programs of the country.
  - Arranging training facilities: It is also suggested in the chapter to devise and diversify vocational training facilities for women to suit their changing needs and skills.
  - Developing new equipments: Efforts should be made to increase their efficiency and productivity through appropriate technologies, equipments and practices.
  - Marketing assistance: It was suggested to provide the required assistance for marketing the products produced by women entrepreneurs.
  - Decision-making process: It was also suggested to involve the women in decision-making process. The Government of India devised special programs to increases employment and income-generating activities for women in rural areas.
- The following plans are lunched during the Eight-Five Year Plan:
  - Prime Minister Rojgar Yojana and EDPs were introduced to develop entrepreneurial qualities among rural women.
  - 'Women in agriculture' scheme was introduced to train women farmers having small and marginal holdings in agriculture and allied activities.
  - To generate more employment opportunities for women KVIC took special measures in remote areas.
  - Women co-operatives schemes were formed to help women in agro-based industries like dairy farming, poultry, animal husbandry, horticulture etc. with full financial support from the Government.
  - Several other schemes like integrated Rural Development Programs (IRDP), Training of Rural youth for Self employment (TRYSEM) etc. were started to alleviated poverty.
  - 30-40% reservation is provided to women under these schemes. Economic development and growth is not achieved fully without the development of women entrepreneurs.

[8] https://en.wikipedia.org/wiki/Pratip_Chaudhuri
[9] https://www.accenture.com/in-en/careers/team-culture-piyush-singh.aspx
[10] https://en.wikipedia.org/wiki/Beti_Bachao,_Beti_Padhao_Yojana
[11] http://www.sukanyasamriddhiaccountyojana.in/
[12] https://en.wikipedia.org/wiki/Himmat_(app)
[13] http://www.startup-india.org/
[14] http://dipp.nic.in/English/default.aspx

- The Government of India has introduced the following schemes during Ninth Five-Year Plan for promoting women entrepreneurship because the future of small scale industries depends upon the women-entrepreneurs:
  - Trade Related Entrepreneurship Assistance and Development (TREAD)[15] scheme was launched by Ministry of Small Industries to develop women entrepreneurs in rural, semi-urban and urban areas by developing entrepreneurial qualities.
  - Women Component Plant, a special strategy adopted by Government to provide assistance to women entrepreneurs.
  - Swarna Jayanti Gram Swarozgar Yojana and Swaran Jayanti Sekhari Rozgar Yojana were introduced by government to provide reservations for women and encouraging them to start their ventures.
  - New schemes named Women Development Corporations were introduced by government to help women entrepreneurs in arranging credit and marketing facilities.
  - State Industrial and Development Bank of India (SIDBI) has introduced following schemes to assist the women entrepreneurs. These schemes are: (i) Mahila Udyam Nidhi (ii) Micro Cordite Scheme for Women (iii) Mahila Vikas Nidhi (iv) Women Entrepreneurial Development Programmes (v) Marketing Development Fund for Women
- Further, the tenth five Year Plan aims at empowering women through translating the recently adopted National Policy for empowerment of Women into action and ensuring survival, Protection and Development of women and children through rights base approach.
- The following training schemes especially for the self-employment of women are introduced by government:
  - Support for Training and Employment Programme of Women (STEP).
  - Development of Women and Children in Rural Areas (DWCRA).
  - Small Industry Service Institutes (SISIs)
  - State Financial Corporations National Small Industries Corporations
  - District Industrial Centres (DICs)
  - SIDBI has developed this fund for the entrepreneurial development of women especially in rural areas.
  - Under Mahila Vikas Nidhi grants loan to women are given to start their venture in the field like spinning, weaving, knitting, embroidery products, block printing, handlooms handicrafts, bamboo products etc.
  - In 1993, Rashtriya Mahila Kosh was set up to grant micro credit to pore women at reasonable rates of interest with very low transaction costs and simple procedures.

Apart from this, governments across the world as well as various developmental organizations are actively undertaking promotion of women entrepreneurs through various schemes, incentives and promotional measures. The Indian Government has also introduced some schemes and projects for women at state as well as central level like trade related entrepreneurship assistance and development(TREAD)scheme for women, Mahila Coir Yojna, Stree Shakti project, AZAD SAKHA project, RSSA project and ANVESHAA project[16] etc. These schemes tend to provide assistance to needy women for setting up training cum income generating activities and making them economically independent and strong. Government has also raised reservation for women in all tiers of the Panchayati Raj system from 33% to at least 50%.

## SUGGESTION FOR THE GROWTH OF WOMEN ENTREPRENEURSHIP IN INDIA

The elimination of obstacles for women entrepreneurship requires a major change in traditional attitudes and mindsets of people in society rather than being limited to only creation of opportunities for women. Hence, it is imperative to design programmes that will address to attitudinal changes, training, supportive services. The basic requirement in development of women entrepreneurship is to make aware the women regarding her existence, her unique identity and her contribution towards the economic growth and development of country. The basic instinct of entrepreneurship should be tried to be reaped into the minds of the women from their childhood. This could be achieved by carefully designing the curriculum that will impart the basic knowledge along with its practical implication regarding management (financial, legal etc.) of an enterprise. Here are some suggestions to increase the role of women entrepreneurs:

- **Women education -** By educating women, economy of the country increases. It has been seen from the last few decades that involvement of educated women in various activities helps the country to move towards economic and social development.
- **Infrastructure** – Infrastructure set up plays a vital role for any enterprise. Government can set some priorities for women entrepreneurs for allocation of industrial plots, sheds and other amenities. However, precautionary measures should be undertaken to avoid the misuse of such facility by the men in the name of the women.
- **Personality Development**-Attempts should be there to enhance the standards of education of women in general as well making effective provisions for their training, practical experience and personality development programmes, to improvise their over-all personality standards.
- **Self help groups of women entrepreneurs**- Self help groups of women entrepreneurs can mobilize resources and pool capital funds to help the women in the field of industry, trade and commerce.
- **Business Development Training Programs** – It includes basic day-to-day management training like how to keep track of accounts, handle taxes and understand compliance rules and regulations. They can also focus on strategy and the long-range success of a business from writing a business plan to targeting specific markets, along with product innovation within business clusters and incubators.
- **Access to Finance Programs**- Efforts to facilitate access to finance for women entrepreneurs typically encompasses initiatives that reform restrictive bank and regulatory policies. Such reforms help financial institutions develop innovative loan and savings products for female entrepreneurs.
- **Establishment of Forums**- Establishing all India forums to discuss the problems, grievances, issues, and filing complaints against constraints or shortcomings towards the economic progress path of women entrepreneurs and giving suitable decisions can be a great step towards it.

## CONCLUSION

Entrepreneurship is presently the most discussed and encouraged concept all over the world to overcome economic challenges. Women being the vital gender of the overall population have great capacity and potential to be the contributor in the overall economic development of any nation. Therefore, programs and policies need to be customized to not just encourage entrepreneurship as well as implement strategies which can help support entrepreneurial culture among youth. Media has the potential to play the most vital role in entrepreneurial development by creating and highlighting all such platforms which can bring out the creativity and innovation among the women and men to grow entrepreneurship culture in society. Developing countries are definitely in dire need to encourage women entrepreneurship as women workforce is promptly available to exploit the unexplored dimensions of business ventures. Generally speaking, globally business world has realized and is working on war footing to create entrepreneurship as the final remedy to overcome all types of business and market challenges. Independence brought promise of equality of opportunity in all sphere to the Indian women and laws guaranteeing for their equal rights of participation in political process and equal opportunities and rights in education and employment were enacted. But unfortunately, the government sponsored development activities have benefited only a small section of women. The large majority of them are still unaffected by change and development activities have benefited only a small section of women i.e. the urban middle class women. Women are willing to take up business and contribute to the nation's growth. Their role is being recognized and steps are taken to promote women entrepreneurship. Resurgence of entrepreneurship is the need of the hour. Women entrepreneurs must be molded properly with entrepreneurial traits and skills to meet changing trends and challenging global markets, and also be competent enough to sustain and strive in the local economic arena.

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# STUDENTS ATTITUDE TOWARDS MATHEMATICS AT SECONDARY LEVEL IN SIKKIM

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## ABSTRACT

*Attitudes are the important determinants of academic success and achievement. In order to succeed in a subject, positive attitude towards a subject is a necessary prerequisite. This also applies to mathematics, especially in case of girls compared to boys. The main purpose of the study was to measure relationship of attitude towards mathematics with academic achievement in mathematics among secondary class students. Sample of the study consist of 500 students out of which 250 were boys and 250 were girls. The sample was chosen from three girls and three boys schools in east district of Sikkim. The obtained data were analyzed and interpreted using statistical tool of correlation coefficient. The result showed that boys differed in their mathematical achievement from girls. Boys achieved better results as compared to Girls. Attitude towards mathematics and achievement in mathematics did not go together.*

## KEYWORDS

attitude, mathematics, academic achievement, secondary education.

## INTRODUCTION

Mathematics education is a protein to young human organism for any nation. As a vital tool for the understanding and application of science and technology, the discipline plays the vital role of a precursor and harbinger to the much needed and of course national development, which has become an imperative in the developing nations of the world. The choice of this topic is predicated on the current world trend and research emphasis on attitude issues following the millennium declaration of September 2000 (United Nations, 2000) which has as its goal, the promotion of attitude equity, the empowerment of students and the elimination of attitude inequality in basic and secondary education by 2005 and at all levels by 2015. In realization of the significant role of Mathematics to nation building, and as per the norms of CBSC norms mathematics is a compulsory subject at primary and secondary levels in Sikkim state. This was aimed at ensuring the inculcation of Mathematics literacy and the associated equipment with logical and abstract thinking needed for living, problem solving and educational furtherance. For full realization of this laudable objective of Mathematics education, subject mastery and demonstrated achievement should be evenly distributed across gender. Unfortunately, attitude inequality in education has remained a perennial problem of global scope (Bordo, 2001; UNESCO, 2003; Reid, 2003).

According to Reid (2006), attitudes express our evaluation of something or someone. They are based on our knowledge, feelings and behavior and they may influence future behavior. A target is essential for attitude. Our attitude is always directed towards something or someone. Attitudes are highly composite and they can affect learning comprehensively. Attitudes influence performance and performance in turn influences attitudes. Attitude will affect behavior, influencing what the learner selects from the environment, how he will react towards teachers, towards the material being used and towards the other students. This selection and the processing of the input of information, which follow it, are strongly influenced among other things on attitudes. There are four broad areas where we might wish to explore attitudes in relation to students. Attitudes toward subjects being studied;

- Attitudes towards self-study;
- Attitudes towards the implications arising from themes being studied;
- The so-called scientific attitudes

In general, attitudes in life allow us to

- Make sense of ourselves;
- Make sense of the world around us;
- Make sense of relationships.

A very useful analysis was carried out by Perry (1999), and this has led to a useful framework for analyzing students' attitude to work under the four headings:

- Student's perceptions about the nature of knowledge;
- Student's perceptions about their own role in learning;
- Student's perceptions about the nature and role of assessment.

Mathematics is as much a social issue as an educational issue. The educational issues are:

- The way in which students are taught mathematics and science and
- The way in which students are tested as well as the testing producers and questions.

The social issue is what students learn in their social environments, i.e., at home or in the workplace. Examining the roots of gender differences in learning may help find a solution to the problem that women are dramatically underrepresented in mathematics and science-based careers (Hyde and McKinley 1996).

One of the most common explanations for gender disparities in mathematics achievement has focused on attitude that students have towards mathematics. Several studies have reported that there are gender differences in attitude towards mathematics with girls showing more negative attitudes than boys. In general, most of the studies reported that, compared with boys, girls lacked confidence, had debilitating causal attribution patterns, perceived mathematics as a male domain, and were anxious about mathematics (Vermeer et al, 2000). The causes of the gender difference were found to be multifaceted.

## REVIEW OF LITERATURE

Fisher and Rickards (1998) found that students' attitude towards mathematics tended to be more positive in classroom where students perceived greater leadership and helping/friendly behaviors in their teachers, and more negative in their classrooms where students perceived their teachers as admonishing and enforcing strict behaviors. Other researchers have compared the effect of separate (single-sex) and coeducational classrooms upon students' attitude (Norton and Rennie, 1998).

Studies that compared gender differences in mathematics' self confidence have mostly reported that girls had lower self-confidence in mathematics than boys (Case et al, 1997; Norton and Rennie, 1998). In some cases, boys were more confident than girls even when their mathematics achievement was similar to that of girls (Casey et al, 1997). Vermeer et al (2000) have further shown that the gender differences in self confidence were more marked for application problems than computation problems, with girls showing significantly lower confidence for application problem. Despite such consistent findings of girls' low confidence in mathematics, studies of classroom environment have shown that the girls' confidence in mathematics improved greatly in classes which actively involved girls in the learning of mathematics (Boaler, 2000).

Bono (1991) in his study girls would enjoy math, increase their time on math tasks, and have positive emotional reactions to math if math were taught in a cooperative setting. The study explored the impact of cooperative learning on sixth grade girls. The results showed that girls had more positive attitudes towards math when it was taught in cooperative settings. As far as differences in attitude development are concerned, girls' positive attitudes towards mathematics decline

as they grow older. Initially girls have more positive attitudes towards mathematics than boys, but as they continue in school, girls' attitudes become more negative. In order to improve girls' performance in math, teachers need to facilitate positive attitude in girls towards math. (Swetman, 1995).

Usual indications about the girls reveal that they are week in mathematics as compared to boys. Many studies done on the topics in the foreign countries but in Sikkim, the studies are very few. In fact, teachers and parents may be responsible for low achievement of girls' in mathematics. Many teachers, especially female, actively encourage males to persist in mathematics than girls. Parents also feel that girls have less inclination for this subject because of its difficulty and complexity. It requires also extra attention, stamina and intelligence in which girls never come up to the standard.

Since learners engaging in mathematics activities (including participating in mathematics competitions) are affected by external and internal influences on their perceptions and attitudes towards mathematics, it was felt that an investigation into the relationship between attitude toward mathematics and performance in mathematics was important. Gender related difference in attitudes towards mathematics was also investigated.

## OBJECTIVES OF THE STUDY

1. To evaluate gender differences in attitude and academic achievement towards mathematics.
2. To find out the relationship between attitude and academic achievement in mathematics.

## HYPOTHESES

$Ho_1$ There is no significant difference between mean attitude scores of boys and girls towards mathematics at the secondary level.

$Ho_2$ There is no significant difference between mean achievement scores of boys and girls in mathematics at secondary level.

$Ho_3$ There is no significant relationship between mean attitude scores and academic achievement of girls towards mathematics at the secondary level.

$Ho_4$ There is no significant relationship between mean attitude scores and academic achievement of boys at secondary level.

## RESEARCH METHOD

**Sample:** A sample of 500 students was selected through two-stage cluster sampling. The procedure of selecting sample was that, at the first stage six schools three boys and three girls' schools were randomly selected. Then 250 girls and 250 boys were randomly chosen from these schools.

**Research Instrument**: The design of this research study was questionnaire survey. In order to measure the variable of attitude towards mathematics, a 25 item questionnaire was self developed in the light of available literature on the subject another instrument, developed by Steinback and Gwizdala. Each item was to be responded on a three point scale bearing the categories of agree, disagree and undecided. Questionnaire adequately represented the construct of attitude towards mathematics. In addition, six items were included about the bio data of each student such as name of the students, class, family size, birth order, socio economic background (upper, lower, middle).

**Scoring of Data**: The student responses on each item were scored by using the score of 1 for 'disagree', 2 for 'undecided' and 3 for 'agree'. The aggregate attitude scores were calculated for each student by adding the marks on each item of the questionnaire.

## INTERPRETATION OF DATA

**TABLE 1: SIGNIFICANCE OF DIFFERENCE BETWEEN MEAN ATTITUDE TOWARDS MATHEMATICS SCORE AMONG SECONDARY LEVEL BOYS AND GIRLS**

| Group | N | Mean | SD | SE | T | P |
|---|---|---|---|---|---|---|
| Girls | 250 | 59.72 | 0.45 | 0.24 | 12.71 | <.05 |
| Boys | 250 | 62.34 | 0.27 | | | |

df: 498, t-at.05 level: 1.960

Table 1 shows the obtained t value is 12.71 whereas the table value at.05 level of significance showing the real difference between mean attitude scores of boys and girls in mathematics is, therefore significant, so there is difference between mean attitude scores of boys and girls in mathematics.

**TABLE 2: SIGNIFICANCE OF DIFFERENCE BETWEEN MEAN ACHIEVEMENT TOWARDS MATHEMATICS SCORE AMONG SECONDARY LEVEL BOYS AND GIRLS**

| Group | N | Mean | SD | SE | T | P |
|---|---|---|---|---|---|---|
| Girls | 250 | 57.25 | 1.01 | 160.27 | .02 | >.05 |
| Boys | 250 | 60.12 | 0.85 | | | |

df:498, t-at.05 level:1.960

Table 2 shows the obtained t value is.02 whereas the table value at.05 level of significance showing the real difference between mean achievement scores of boys and girls in mathematics is, therefore non- significant, so there is no difference between mean attitude scores of boys and girls in mathematics

**TABLE 3: SIGNIFICANCE OF CORRELATION ATTITUDE SCORES TOWARDS MATHEMATICS AND ACHIEVEMENT SCORE IN MATHEMATICS WITH RESPECT TO SECONDARY LEVEL GIRLS**

| Variable | N | r | P |
|---|---|---|---|
| Attitude achievement | 250 | 0.32 | <0.05 |

df:298, r-eat.05 level:.1946

Table 3 illustrates, the correlation coefficient between attitude scores and academic achievement scores of the total sample students of girls belonging to Government schools of girls was .32 whereas the table value of correlation coefficient was .1946 at .05 level of significance. The correlation coefficient between the variable of attitude and academic achievement was, therefore significant

**TABLE 4: SIGNIFICANCE OF CORRELATION BETWEEN ATTITUDE SCORES TOWARDS MATHEMATICS AND ACADEMIC ACHIEVEMENT SCORES IN MATHEMATICS WITH RESPECT TO SECONDARY LEVEL BOYS.**

| Variable | N | r | P |
|---|---|---|---|
| Attitude achievement | 250 | 0.13 | >.05 |

df:198, r-at.05 level:.1946

Table 4 illustrates, the correlation coefficient between attitude scores and academic achievement scores of the total sample students of girls belonging to Government schools of boys was .13 whereas the table value of correlation coefficient was .1946 at .05 level of significance. The correlation coefficient between the variable of attitude and academic achievement was, therefore non- significant.

## CONCLUSION AND DISCUSSION

The Study has revealed following points: In general, boy's students tended to show better performance towards mathematics in examinations as compared to girls students. Though there is positive correlation between attitude towards mathematics and mathematics achievement but the relationship was significant only in case of boys. In the group of girls, the coefficient of correlation could not reach significant value. The result show that boys differed in their mathematical achievement from girls. Boys achieved better results as compared to girls. Attitude towards mathematics and achievement in mathematics did not go together. Abiam and Odok (2006) found no significant relationship between gender and achievement in number and numeration, algebraic and statistics. On the contrary,

Opolot-Okurut (2005) found that for all the attitudinal variables (anxiety, confidence and motivation), males had higher mean scores than females. That is, the differences in student attitude towards mathematics based on gender were confirmed. A lot need to be done to fill this gender gap in mathematics achievement. Male and female students should make the competitive environment, coordinate and exchange their knowledge from one another in mathematics teaching and learning. Girls students should be informed the importance of mathematics and it is the basic tool for further education. Mathematics teaching and evaluation strategies should be bias-free. This way, males and females will tend to see themselves as equals, capable of competing and collaborating in classroom activities.

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# TRANSFER PRICING REGULATIONS AND ADVANCE PRICING AGREEMENTS IN INDIA

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**ABSTRACT**

*The Indian Transfer Pricing provisions require all international transactions and Specified Domestic Transactions undertaken by an enterprise with its Associated Enterprises are to be computed having regard to the Arm's Length Price. This paper has discussed in brief the transfer pricing methods prescribed for computation of the arm's length price. Further, the paper covers the concept of Advance Pricing Agreement and some of the recent additions/amendments in the TP Regulations.*

**KEYWORDS**

transfer pricing, transfer price, arm's length price, advance pricing agreement (APA), transfer pricing methods.

## TRANSFER PRICING IN INDIA

Transfer Pricing (TP) is one of the most debated topics around the world, particularly in India. The key focus of the Revenue authorities is on the transfer prices of intra-group transactions of the multinational enterprises who undertake majority of the international trade.

When two related entities enter into any cross-border or domestic transaction, the price at which they undertake the transaction is called Transfer Price. The price between unrelated parties in uncontrolled conditions is known as the "Arm's Length" price (ALP). The transfer pricing issue arises because the transfer price which is transacted between the two related entities may be different than the price that would have been agreed between two unrelated entities.

As per Section 188 of the Companies Act, the expression "arm's length transaction" means a transaction between two related parties that is conducted as if they were unrelated, so that there is no conflict of interest. The Companies Act and the accompanying rules do not provide any guidance/detailed process on the methodology for determination of the arm's length nature of related party transactions. However, the transfer pricing provisions under IT Act provides detailed process to determine whether a transaction is at arm's length.

## TRANSFER PRICING LEGISLATION IN INDIA

Transfer Pricing Regulations were introduced in the year 2001. They are largely based on the OECD (Organisation for Economic Co-operation and Development) Transfer Pricing Guidelines. They are enshrined in Income Tax Act, 1961 ('Act') and Income Tax Rules, 1962 ('Rules').

There is a separate code on transfer pricing under Sections 92 to 92F of the Indian Income Tax Act, 1961 with Rules 10A to 10E of the Rules, that covers intra-group cross-border transactions, which is applicable from 1 April 2001 and specified domestic transactions which is applicable from 1 April 2012.

The Companies Act, 2013, with effect from 1 April 2014, require companies to comply with certain statutory requirements in connection with the transactions entered into by a company with its related parties. The management, directors and committees of the board are, therefore, responsible for identification, approval and disclosure of related party transactions undertaken by the Company. Further, Section 188 of The Companies Act governs and regulates the related party transactions undertaken by a company.

Section 2(76) of The Companies Act provides the definition of a related party. "Related party" with reference to a company means any of the followings:

- a director or his relative;
- a key managerial personnel or his relative;
- a firm, in which a director, manager or his relative is a partner;
- a private company in which a director or manager is a member or director
- a public company in which a director or manager is a director or holds along with his relatives, more than two per cent of its paid-up share capital;
- any body-corporate whose Board of Directors, managing director or manager is accustomed to act in accordance with the advice, directions or instructions of a director or manager;
- any person on whose advice, directions or instructions a director or manager is accustomed to act;
- any company which is a holding, subsidiary or an associate company of such company; or a subsidiary of a holding company to which it is also a subsidiary.

Further, the Companies Act, under Section 2(77), provides the definition of "Relative". A relative includes members of a Hindu Undivided Family; husband and wife; or Father (including step father); Mother (including step mother); Son (including step son); Son's wife; Daughter; Daughter's husband; Brother (including step brother); or Sister (including step sister).

In June 2015, The Ministry of Corporate Affairs via its notification, have excluded related parties of private companies as mentioned under Section 2(76)(viii) of the Cos. Act from the applicability of the provisions of Section 188 of the Cos. Act. Accordingly, intercompany transactions entered into between holding company, subsidiary company, associate company and fellow subsidiary in case of private companies shall not be subject to the provisions of Section of 188 of the Cos. Act.

## TRANSFER PRICING METHODS AND THEIR APPLICATION

The TP regulations clearly lay down the scope and purview of Indian Transfer Pricing legislation. It defines basic terms such as Associated Enterprise ("AE") and International Transaction. It has also listed various methods to be considered for determination of the arm's length price. Section 92A defines an AE. An "AE", in relation to another enterprise, means:

- an enterprise which participates, directly or indirectly, or through one or more intermediaries, in the management or control or capital of the other enterprise; or
- in respect of which one or more persons who participate, directly or indirectly, or through one or more intermediaries, in its management or control or capital, are the same persons who participate, directly or indirectly, or through one or more intermediaries, in the management or control or capital of the other enterprise.

According to Section 92B, an International Transaction means "transaction" between two or more associated enterprises, either or both of whom are non-residents, in the nature of the following:

- Purchase, sale or lease of tangible or intangible property;
- Provision of services;
- Lending or borrowing money; or
- Any other transactions affecting profits, losses, income, assets or liability of the enterprise.

As per the Indian TP regulations, the income arising from an international transaction with an AE must be computed having regard to the arm's length price. The calculation of the arm's length price has to be done by using the Most Appropriate Method (MAM). The most appropriate method must be selected from the following six methods as listed under the regulations:

**1. COMPARABLE UNCONTROLLED PRICE METHOD ("CUP METHOD")**

The CUP is one of the most direct, reliable and preferred method of determining the ALP. It seeks to determine the arms' length price by comparing the controlled transaction with the uncontrolled transaction. The "uncontrolled transaction" means the transaction between enterprises other than associated enterprises, whether resident or non-resident. This method is generally used where there is a strong similarity of products or services.

**2. RESALE PRICE METHOD ("RPM")**

This method is used in case of purchase of goods or services from related parties for resale to unrelated parties without substantial value addition. The price is reduced by the normal gross margins earned by unrelated party for same or similar products or services. In order to apply this method there is a need for similarity of functions performed and risks undertaken. In this method, Gross margins are used as the profit level indicator.

**3. COST PLUS METHOD ("CPM")**

CPM Method is used in cases that involve transactions such as manufacture, assembly or production of tangible products or services that are sold or provided to related parties. Similar to RPM method, such method also demands high similarity in functions performed and risks borne. The mark up on direct and indirect costs incurred to be based on unrelated comparable. Gross margin is used as the profit level indicator.

**4. PROFIT SPLIT METHOD ("PSM")**

The PSM is normally used in multiple international transactions, which are so closely inter related that they cannot be evaluated separately for determining the arm's length price. This method would require identifying the combined profit or loss of the related parties to be split between them. The profit split method is normally used in situations where both parties to a controlled transaction own valuable, non-routine intangible assets. This method is slightly complex in nature and hence, sparingly used.

**5. TRANSACTIONAL NET MARGIN METHOD ("TNMM")**

Under this method, the standards of comparability are less stringent relative to the other methods. Only broad similarity of functions is required. This method compares the normal net profit margin, computed in relation to costs incurred or sales effected or assets employed or having regard to any other relevant base, realized from transactions with the AEs to the net profit margin realized by unrelated enterprises from comparable uncontrolled transactions. This method is most widely used and considered as a practical method.

**6. ANY OTHER METHOD ("AOM")**

The Central Board of Direct Taxes vide Notification No. 18/2012 dated May 23, 2012, prescribed sixth TP Methods for computation of ALP. For this purpose, Rule 10AB was inserted under the Income Tax Rules, 1962.

This AOM evaluates the arm's length nature of the international transaction by considering the price which has been charged or paid, or would have been charged or paid, for the same or similar uncontrolled transaction, with or between non-associated enterprises, under similar circumstances.

## SELECTION OF THE MOST APPROPRIATE METHOD

Rule 10C(2) of the Rules, lists the factors that should be taken into account in selecting the most appropriate method. Some of the factors are the availability, coverage and reliability of data necessary for the application of the method and the nature, extent and reliability of assumptions required to be made in application of a method.

In practice, application of CUP method is very difficult as very high degree of comparability is required. It is also difficult to apply the RPM and CPM methods because the gross margin of the comparables is generally not available. Therefore, TNMM is most widely method.

## TRANSFER PRICING DOCUMENTATION

Under Section 92D, Rule 10D, there is a prescribed list of documents required to be kept and maintained by the companies entering into an international transaction. However, this mandatory documentation requirement is applicable only in a case where the aggregate value of the international transactions entered in the books of account exceed one crore rupees.

The law under Rule 10D(1), mandatorily requires to maintain the following documents: Description of Ownership Structure; Profile of Multinational Group; Description of Business; Nature & Terms of Transactions; Description of Functions, Risks & Assets Record of Economic & Market Analyses; Comparability Analysis; Record of Uncontrolled Transactions; Description of Methods considered; Record of actual working assumptions, policies, price negotiations; any other information, data or document that is company specific information.

## ADVANCE PRICING AGREEMENT ("APA")

APA was introduced in the Finance Bill 2012. Two sections - 92CC and 92CD under the Act, were inserted to provide a framework for Advance Pricing Agreement. An APA is an agreement between a taxpayer and a taxing authority to determine the ALP or specify the manner or methodology in which ALP shall be determined for a set of transactions over a fixed period of time. Once agreed upon, the APA agreement shall be a binding on the persons who have entered into (includes commissioner and his subordinates) and also valid for a period of five consecutive previous years. However, APA shall not be binding on the Board or the taxpayer if there is a change in any of the critical assumptions, change in law or any request from competent authority of other country in case of bilateral and multilateral agreements.

For unilateral APA, the application is to be made to Director General of Income-tax (International Taxation) ("DGIT") and in case of Bilateral and Multilateral APA, to the Indian Competent Authority ("Indian CA"). It is mandatory to go for Pre-filing consultation, which shall determine the scope of agreement, identify the TP issues, determine the suitability of the international transaction for the agreement and discuss the broad terms of the agreement. The process shall not bind either of parties to enter into APA. Before finalization of the APA, it is possible to amend the terms of APA or withdraw the entire application.

There is a prescribed amount of fees payable at the time of making the application for APA. The fee depends upon the amount of international transaction entered into or proposed to be undertaken in respect of which an agreement is proposed. In case the amount of proposed international transaction does not exceed Rs.1,000 million, the fees prescribed is Rs.1 million. For amount of less than Rs. 2,000 million, there is a fees of 1.5 million and for amount over Rs. 2,000 million, the fees is RS. 2 million.

As per the compliance requirements, the taxpayer is required to furnish Annual Compliance Report to DGIT for each year. The Transfer Pricing Officer shall carry out compliance audit for each year and provide report to DGIT/ Indian CA regarding the compliance by taxpayer with terms of the APA. In case of failure to comply with the terms of the agreement or to file the Annual Compliance Report in time, the board has the power to cancel the APA.

The Finance (No. 2) Act, 2014, has provided for 'roll back mechanism' in section 92CC of the Act under the present APA scheme which refers to the applicability of the methodology of determination of ALP, or the ALP, to be applied to the international transactions which had already been entered into in a period prior to the period covered under an APA. This roll back mechanism is effective with effect from 01-10-2014.

## AMENDMENTS IN TP DOCUMENTATION

The Finance Minister in the Budget 2016, proposed to introduce three layered transfer pricing documentation requirement, to be effective with effect from AY 2017-18. They are based on recommendations issued by the OECD and G-20's -Base Erosion and Profit Shifting ("BEPS") Action Plan 13. As per the requirements, the taxpayers will now be required to prepare a master file, local file and country by country reporting referred as (CbCR). A Master File is required to provide an overview of the Multinational Enterprises (MNEs) business and explain the MNE's TP policies in the context of its global economic, legal, financial and tax profile.

A Local File shall demonstrate that the taxpayer has complied with the arm's length principle in its material intra-group transactions. CbC Reporting will provide information to tax authority to enable it to undertake a TP risk assessment. The detailed contents of these documents are provided in the rules.

The CbCR is applicable only for large taxpayers, that is, taxpayers having an annual consolidated group turnover of over €750 million in the immediately prior year. The new regime will be applicable for financial year (FY) 2016-17. The first filing will be due by 30th November, 2017. For the FY 2016-17, this requirement is applicable for taxpayers having a group consolidated turnover of approximately INR 53,950 million for FY 2015-16. Indian resident parent companies will be required to file the master file, local file and CbCR with Indian tax authorities. For Indian subsidiaries with parent companies resident outside India, the CbCR will ordinarily be filed by the parent entity in their home country or by a designated entity in its home country.

## CONCLUSION

India is strongly committed to have a stable and predictable tax regime. The year-on-year amendments in the TP rules and regulations are aimed towards simplification and rationalization of our taxation system. The efforts are undertaken to bring clarity over the complex and controversial issues in order to reduce the TP Litigation matters. The adoption of maintenance of Master file, Local file and CbC reporting will definitely reveal a lot of information about the functioning of transactions between the related parties. The enterprises involved in related party transactions are indeed expected to follow the TP policy diligently and comply with the rules and regulations to avoid paying penalties.

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# DIGITAL INDIA OPPORTUNITIES AND CHALLENGES

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## ABSTRACT

*Digital India is an initiative undertaken by the Government of India to integrate the government departments and the people of India. It aims at ensuring that the government services are made available to citizens electronically by reducing paperwork, increasing transparency, and also curbing corruption to an extent. The initiative also plans to connect rural areas with high-speed internet networks. Vision of Digital India includes providing high speed internet connectivity to 250,000 Gram Panchayats, improve inter-operability, and promote digital literacy. This paper is an effort toward studying the opportunities provided by the digital India programme and what are the challenges faced in the implantation of the programme. Research was done on the basis of secondary data. As per the results digitalisation is the way forward for a highly developed and modernise economy. Digitalisation has its own drawbacks in the form of net illiteracy, cyber security, and network infrastructure and polices.*

## KEYWORDS

digitalisation, opportunities, security, challenges.

## INTRODUCTION

Modi-led NDA government that came to power in May 2014 has launched a big ticket Digital India program at an initial outlay of 1.13 lakh crore that envisages digitally empowering 1.25 billion Indians with an array of Internet-and-mobile aided services. Digital India is a rich, complex programme that cuts across multiple ministries and departments. Digital Technologies, which include Cloud Computing and Mobile Applications, have emerged as catalysts for rapid economic growth and citizen empowerment across the globe. Digital technologies are being increasingly used by us in everyday lives, from retail stores to government offices. They help us connect with each other and also share information on issues and concerns faced by us. In some cases, they also enable resolution of those issues in near real time. Hon'ble Prime Minister envisions transforming our nation and creating opportunities for all citizens by harnessing digital technologies. His vision is to empower every citizen with access to digital services, knowledge and information. Digital India is the next best thing that India is witnessing. It aims at profoundly touching the lives of everyone with the transformation travelling the paths of both rural and urban India. The initiative is powered by three key vision areas and nine strong pillars that shall pave the way for all round implementation by 2019. Digital India sets pace for a makeover that shall change the face of the entire nation, impacting cities, towns, villages everywhere. This pace and energy will also permeate all current and future e-governance projects and take them towards true citizen centricity. Digital India will bridge the stark differences between digital "haves" and digital "have-nots" to ensure that government services reach every household in order to create a long-lasting developmental impact. It will bring in greater thrust to promote inclusive growth that covers electronic services, products, devices and job opportunities. It will facilitate an enabling environment for electronic manufacturing on a much larger scale to match the growing needs of the country.

## DIGITAL INDIA

The Government of India has approved the 'Digital India' programme with the vision to transform India into a digitally empowered society and knowledge economy. It was launched on **2 July 2015** to ensure that government services are made available to citizens electronically by improving online infrastructure and by increasing internet connectivity or by making the country digitally empowered in the field of technology. It consists of three core components as follows

- The creation of digital infrastructure.
- Delivering services digitally.
- Digital literacy.

The focus is to bring transformation to realize: **"Digital India: Power To Empower."**

## VISION OF DIGITAL INDIA

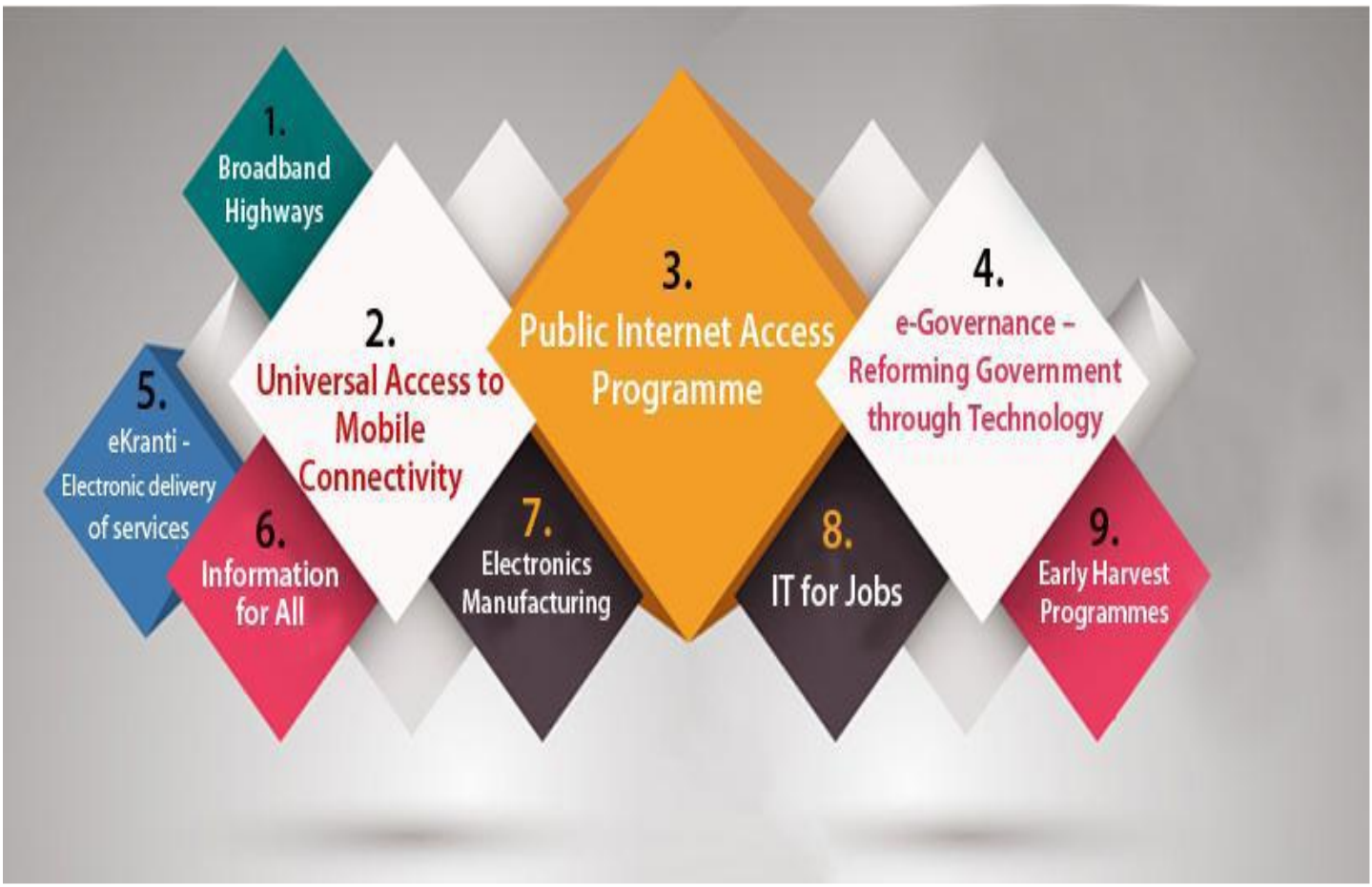
The vision of digital India is centred on three key areas. They are as follows:

- **Digital infrastructure as a utility to every citizen: -** Digital infrastructure as a utility which seeks to provide every citizen with high speed internet facility, a cradle to grave internet identity, mobile phone and bank account, access to common service centre, sharable private space on a public cloud and safe and secure cyberspace.
- **Governance and services on demand:** - Under this vision, every government services or information is available in real time from online & mobile platforms. It makes financial transactions electronic & cashless and provides single window access to every individual. Geographical Information Systems (GIS) will be integrated with the development schemes.
- **Digital empowerment of citizens: -** Empower citizens, especially rural citizens, by making them digitally literate. This will be done through collaborative digital platforms and by making available the digital resources in their native language with a view to making their participation a reality. It will help tap into the data that will be freely available on the cloud computing platform–independent of an intervention.

## PILLARS OF DIGITAL INDIA

The government aims to target nine 'Pillars of Digital India' which are as follows:

FIG. 1




1. **Broadband Highways:** it contains
   a) Broadband for all rural: it will cover 250,000GP and its expected time line is December 2016.
   b) Broadband for urban: Virtual network operator for service delivery and mandate communication infrastructure on new urban development and buildings.
   c) National information infrastructure: this programme is integration of SWAN, NKN, and NOPN.
2. **Universal access to phone**s: The government is taking steps to ensure that by 2018 all villages are covered through mobile connectivity. The aim is to increase network penetration and cover gaps in all 44,000 villages.
3. **Public internet access programme:** The government aims to provide internet services to 2.5 lakh villages which comprises of one in every panchayat by March 2017 and 1.5 lakh post offices in the next two years. These post offices will become Multi-Service centres for the people.
4. **E-governance reforming government through technology**: This pillar includes Government business process Re-engineering using IT to improve transaction and Electronic databases in which all data bases and information to be effective not manual.
5. **E-kranti electronic delivery of services**: E-Kranti will include technology for education, technology for health, technology for planning, technology for farmers, technology for security, technology for financial inclusion and technology for justice.
6. **Information for all**: it will include online hosting of information & document. Government pro-actively engages through social media and web based platform to inform citizens about MyGov.in and two way communications between citizens and government and online messaging to citizens on special occasions/ programmes.
7. **Electronic manufacturing target net zero import**: Under this pillar the focus areas are Fabs, Fab-less design, set-top boxes, Vsats, mobiles, consumers and medical, electronics, smart energy meters, smart cards, micro −ATM.
8. **It for jobs**: It will include train people in smaller towns and villages for IT sector jobs, train service delivery agents to run viable business delivery IT services, telecom service providers to train work force to cater to their own needs.
9. **Early harvest programmes**: IT platform for messages, Government greetings to be E-greetings and Biometric attendance. People will use the e-services for entertainment, weather information, latest updates etc.

## OPPORTUNITIES OF DIGITAL INDIA

Though Digital India programme has faced many challenges in its implementation but it has some prospects which are mentioned below -

a) It would bring in public accountability through mandated delivery of Government services electronically.
b) Digital India programme will put an end to corruption system which becomes the main feature of the country.
c) Digital India programme aims to reduce paper work which will help to save trees & protect environment.
d) National scholarship portal, a project under Digital India, will put an end to scholarship process right from submission of student's application, verification, sanction and disbursal to end beneficiary for all scholarships provided by The Government of India.
e) It benefits people of India in every village in terms of knowledge improve by using internet in day to day life.
f) Each person will be having bank account.

The Digital India initiative is said to bring in a change on how the common man connects to the government, healthcare, education and employment opportunities. What this means is that the government is taking initiatives to promote universal access to mobile connectivity and reform governance through technology; all of

this while providing information for all and creating IT-related jobs. To give an idea, the government plans to create 400,000 public internet access points and create 17 million direct and an additional 85 million indirect jobs by 2019. To achieve the same, Government of India is also encouraging companies to manufacture their products in India. 'Manufacturing Electronics' is one of the nine pillars of Digital India. This is said to help bring down imports and boost local employment. Digisol too, with its 'Made In India' products, is doing its bit to contribute to the Digital India campaign. Going by the results of a recent FICCI-KPMG study, that hails India as the world's fastest growing smartphone market and predicts a rapid growth in digital media; these visions set by the government seem to be well within reach.

As per the World Bank report, a 10% increase in mobile and broadband penetration increases the per capita GDP by 0.81% and 1.38% respectively in developing countries.

"Today, connecting digitally is an absolute necessity and not an option anymore," states Ravi Gururaj, chairman, NASSCOM product council.

The digital business models are helping reach out to a wider audience, making the services affordable, easy and effective for the users. For example, entrepreneurial ventures such as BigBasket (grocery at home), Portea Medical (home healthcare), SuperProfs (online education), etc. are enabling inclusive growth by delivering high quality services to masses at low-cost.

## CHALLENGES OF DIGITAL INDIA

Digital India is a great plan but its improper implementation due to inaccessibility & inflexibility to requisite can lead to its failure. There are few barriers of the Digital India programme which are as follows –

1. Each pillar has its own barriers.
2. Infrastructure deficit such as lack of towers, especially in the country side.
3. Implementing entities at the actual field.
4. Beneficiaries may not have adequate knowledge of DIP.
5. Auxiliary services such as health, education, banking, governance etc may not be well developed.
6. No separate entity for consumer readdress under the program.

The hurdles, according to GSMA, include network infrastructure and policy; services and devices affordability; taxation; literacy and digital skills; and availability of local content. Today, data growth is happening globally but unfortunately, the quantum of bandwidth remains low in India. The existing telecom infrastructure is not adequate as many call drop scenarios and quality of services (QoS) issues surface everywhere in the country.

Consulting firm Deloitte, in its recent finding, also said that India being a spectral scarce country is at the cusp of data revolution and many of the existing network sites in dense urban areas are expected to exhaust their data capacity and consequently additional sites would be required. Out of nearly 4 billion unconnected people globally, 950 million individuals alone in India are yet to get access to Internet services today. The Indian leadership of the GSMA also feels that affordable telecom services in tandem with cost-effective devices would propel the government-led initiative to digitally empower people with citizen-centric online services.

A global study by McKinsey and Facebook finds that India has one billion people without Internet access. The report, titled 'Offline and Falling Behind: Barriers to Internet Adoption' has constructed an 'Internet Barrier Index' assessing the obstacles to Internet access in 25 countries. India finished 20th on that list.

Even though the mobile data plans in India are among the cheapest in the world and the average retail price of smartphones are sharply declining, internet is out of reach of nearly 950 million Indians as even the cheapest of data plans are too expensive for a majority of the Indian population. Poor network coverage in villages adds to the already existing economic challenges.

The biggest challenge for the realization of Digital India campaign is the high level of cost involved. An approximate cost of implementing the initiative is 1.13 trillion (including ongoing and new schemes). It will also need the right leadership, commitment, and constant support of all government departments and people alike.

Prashant Singhal, Global Telecommunications Leader, EY, said, "Digital Bharat is the only growth engine which will have the potential to transform India into a knowledge led economy and society. It is thus imperative for us to overcome the current challenges and bridge the digital divide which would also act as a catalyst to the economic growth."

## CONCLUSION

A well connected nation is a prerequisite to a well-served nation. Once the remotest of the Indian villagers are digitally connected through broadband and high speed internet, then delivery of electronic government services to every citizen, targeted social benefits, and financial inclusion can be achieved in reality. Like industry revolution of 18$^{th}$ century, green revolution of 20$^{th}$ century, we need digital revolution. Digitalisation is the need of the hour and this can be well defined in the words of our honourable Prime Minister – "The way we need highways; we need I-ways (information ways) for the digital empowerment of the country. Digitalisation is well planned programme, but still there are lots of hurdles in its execution. One such hurdle is cyber security, if India wants to top the world in digitalisation it has to do a lot of work on it.

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