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## AN EMPIRICAL STUDY ON FACTORS INFLUENCING THE SELECTION OF VAS (VALUE ADDED SERVICES) IN MOBILE TELECOM INDUSTRY

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### ABSTRACT

*The revolution in telecom industry has taken the world by storm. Mobile technologies have gained immense popularity and diffused widely in human lives during last decade. The Value added services (VAS) refer to an addition of some value on a basic service offered to the end- consumers by service provider or an intermediary for consumption. Value added services (VAS) viz. SMS (Short Message Service), USSD (Unstructured Supplementary Service Data) and DATA based services have a huge impact on consumer's usage patterns and become a significant differentiators across the operators leading to new opportunities in the innovation of differentiating useful services. Since VAS is considered to be a key growth driver for revenues in mobile telecom industry, it is of vital importance for operators to analyze customer's preferences and satisfaction towards MVAS. Hence, the present study aims to analyze factors/attributes, which play an influential role in selection of Value Added Services employing Regression and Factor analysis. The study reveals that the order of influencing attributes for satisfaction level based on significant p-values has been found to be Content Type > Value for Money > Product Knowledge > Promotional Offers > Utility of the Service. Of the total fifteen variables influencing the selection of VAS determined by factor analysis, the prominent factors include Mobile Advertisement, Utility of the Service, Discounts and Availability on different modes.*

### KEYWORDS

factor analysis, regression analysis, satisfaction level, selection of MVAS.

### INTRODUCTION

India's telecom network considered as one of the primary sector to connect the world for the socio-cultural, commercial and economic progress of the country is the second largest in the world after China in terms of the number of telephone connections. The 2016-17 annual report of the department of telecommunication (DoT) reveals that the country has 1,124.4 million telephone connections including 1099.9 million wireless telephone connections with an overall teledensity of 87.9%. The mobile industry in India contributes 6.5% (\$140 billion) to the country's GDP and employs direct/indirect over four million people. The mobile communication sector has undergone tremendous transformation and phenomenal change and may get the priority sector lending status (PSL) by which borrowing, overall cash flow and debt management will become easier for all telecom service providers (TSPs). There is hypercompetitive situation in the sector due to customer interest in the medium to long term, which may be best served in a market of this size with at least three to four operating telecommunication companies actively competing on factors such as price, quality, innovation etc. The pricing disruption over 15% year on year in the Indian telecom market due to the entry of new operators has resulted in creating further stress on sector profitability, cash flows and leverage. The industry dynamics seem to have drastically been altered by the recent market developments resulting in the sector passing through a phase of severe financial and mental stress. The reduction in call connect rates/ interconnection usage charges, firm spectrum prices and high levies like license fee and GST are considered to be big constraints faced by the sector. The telecom sector has also been under severe financial strain with a debt load to 4.6 lakh crore. The inter-ministerial group (IMG) constituted to mitigate the financial woes in its recommendation to telecom commission – the apex decision making body at the telecom department has extended the time period for payment of spectrum bought in auctions by telecommunication companies to sixteen years from the existing ten years. The interest rate charged over penalties imposed on service providers has also been lowered down.

The telecom operators in order to protect their turf offer Value Added Services, which provide some additional benefit to customers compared to the basic service. The initial potential applications that drove the Mobile VAS industry were entertainment-based (ringtone, game, music downloads etc.) and information-based (news alerts, stock quotes, weather reports, bank balance queries etc.) services. Subsequently, messaging-based services (such as push email) took the industry to a new height. The next wave of growth for the Mobile VAS industry is expected from location based services and m-Commerce offering benefits such as personalization, convenience, security, high-class entertainment etc. to the end customers. The mobile value added services classified as Voice, SMS, USSD and DATA based services stand alone in terms of revenue potential for the service provider, being different in form compared to the basic service and typically, do not cannibalize the basic service revenues. There are a large number of factors/attributes which may influence the selection of Value Added services comprising of satisfaction level, range of products, utility of the service, reasonable price, discounts, value for money, customer service, availability on different modes, promotional offers, product knowledge, balance deduction with notification, mobile advertisement, content type, content localization, technology -2G/3G/4G and basic services like network quality. It is therefore imperative for marketers to analyze customer's preferences of MVAS to come up to the expectations, satisfaction and retention of customers.

### REVIEW OF LITERATURE

A study by Kim, et al. (2004) for a Korean mobile communication services revealed that the customer satisfaction towards mobile service provider is strongly affected by call quality, value-added services and service provider's support. Benni, Hjartar and Laartz (2003) observed that mobile telecom companies can build within the mobile-services domain services addressing a variety of mobile devices viz, charge customers for on-line games (a reusable service, since it wouldn't have to be created anew for each game launched), send out big volumes of automated text messages and reformat video streams or music. Homner and Krause (2004) have described that mobile-telephone companies tend to consider prepaid service a poor cousin of monthly bill subscriptions as on an average these generate only 35 percent revenue. Nevertheless, prepaid customers if managed properly can offer a healthy revenue stream whether or not they eventually become monthly subscribers. The implementation of effective acquisition program can increase the profitability of prepaid customers by 40 to 80 percent if companies choose their customers more carefully. Harvinder Singh (2005) found that mobile telephony in India has seen tremendous growth regarding subscriber base, teledensity and usage, over the years but not been translated into a high Average Revenue per User (ARPU). Furthermore, a gradual but steady shift of mobile service providers towards value-added services may help in achieving a high level of differentiation among service providers. Sandhir (2004) in his work in

Ludhiana found that customers make their choice of a mobile service provider by considering five factors: Connectivity, Coverage, Tariff, VAS and Customer Care. **Jessy John (2011)** in his study has investigated the factors influencing loyalty of BSNL customers. Despite the fact that the BSNL services are cost effective the quality of customer services need to be improved as per their expectations. **Smruti Bulsari (2007)** in his study on national telecom policy 1994 and structural change in telecommunication sector of Gujarat has found a significant impact of development in telecommunication sector by providing advanced technology and Value Added Services. **Sivarthina and Aranganathan (2011)** in their study have reported that due to competitive scenario the mobile service providers for brands marketing need to promote strategies. The mobile internet has gained popularities among youth and business class. The mobile advertising plays a significant role in market penetration and mobile internet users. **Millikarjune, Krishna and Pradeep (2013)** have described that switching is more in prepaid customers due to low switching costs and competitive tariff plans and ease of mobile number portability. As the information for tariff plans and Value Added Services help to maintain customer friendly environment hence network quality and new technologies be offered to customers to enhance the customer loyalty. **Huiying, Ge Zhu, Tingjie and Xuan (2012)** have found that security and social influence are two of the most important factors in 3G market and 3G-VAS must be enjoyable and useful. **Rajwanshi (2014)** has reported the influence of two factors namely switching cost and product/services complexity in adoption of NGTS (Next Generation Telecom Services). **Petzer and Meyer, (2011)** have provided insights in to the views of various generations on their perceptions of the service quality provided by their cellphone network service provider. **Wang (2012)** investigated the influences of perceived playfulness and information systems quality on mobile phone subscribers' intentions to use MVASs. It was found that information, system, and service qualities act as important factors of perceived ease of use and usefulness. **Thakur, Kaur and Sharma (2015)** in their empirical research found that attributes like the quality of service, the price charged, promotional offers, relative advantage, ease of use, social influence and user experience are found to be most noteworthy while selecting M-VAS. **Islam (2015)** in an empirical research conducted in Bangladesh to identify the determinants that affect intention of user towards mobile value added services found that usefulness, perceived ease of use, social influence, risk and enjoyment were the major factors out of which use intentions scored highest and speed of use scored the least. **Rengarajan and Kavipriya (2012)** stated that the majority of people in Tripur are using value-added services viz. SMS, Ringtones and Pictures download, video clips, information services, Internet/GPRS (General Packet Radio Service) and third party conference. Consumers were satisfied with the price charged for the value added services.

### NEED/IMPORTANCE OF THE STUDY

The rapid growth of VAS segment has been one of the instrumental factors contributing substantially towards India's success in mobile telecom industry viz. 10-14% of the total revenue of mobile telecom service is generated through VAS. The consumer and enterprise VAS market is expected to grow at a CAGR of 9.7% and 19.3% respectively during 2015-2020. Given the rapidly increasing competition for customer retention and service differentiation by the telecom operators, the demand for VAS is high among 'GenY' who are inclined to use smart phones and adopt VAS for faster internet speeds in the wake of gradual transformation of country into a digital economy (the govt has kick-started the process of giving a boost to the minimum mandated internet speed from existing 512kbps to at-least 2mbps and more), better access of data services as well as a host of other applications. Despite the realization about the rich environment of VAS a deep knowledge of the factors influencing consumers satisfaction and potential of this medium in view of new technologies 3G, 4G, 5G etc. constitutes the need of study.

### STATEMENT OF THE PROBLEM

Mobile market continues to experience value erosion and financial stress led by competitive pressures. The decline in industry revenues and stress on sector profitability, cash flows and leverage has resulted from pricing disruption in Indian telecom sector. Telecom sector is committed to its goal of increasing revenue market share in this competitive environment of a good number of telecom operators by providing superior customer experience and strategically investing behind building more data capacities. In view of visibility of future profits a deeper knowledge of the elements influencing Consumers use of this medium and of how its use can bring consequential changes in their lives is of utmost importance. Understanding customer's expectations and why are they attracted to the VAS will help advance research in areas ranging from mobile advertising to education through revenue generation. This study attempts to understand VAS usage patterns and motives of urban mobile users in Shimla, which can help to identify crucial points where intervention may be necessary in order to realize the full potential of VAS into which it can expand and design incentives. Literature reveals that although a few scattered studies have been carried out on the usage patterns of VAS, yet in the perspective of Himachal state it is an important initiative in the quest to access the factors influencing the selection of VAS in mobile telecom industry- fast mode of communication bringing about rapid changes in human lives and business scenario.

### OBJECTIVES

The present work has been undertaken with an objective to study the relationship between Consumers satisfaction level and fifteen variables influencing the selection of Value Added Services in mobile telecom industry and to analyze these by reducing the large number of overlapping variables to smaller set of factors.

### HYPOTHESIS

To make suggestions for accelerating VAS in telecom mobile industry as customer's behaviour towards value added services has not been found to be influenced by advertisements and promotional offers of telecommunication companies.

### RESEARCH METHODOLOGY

A questionnaire was formed keeping in mind the objectives of the study. The opinions of 300 respondents of Urban Shimla (Himachal Pradesh) in the form of students, working professionals, housewives etc. were collected. The male and female constituted (42.7%) and (57.3%) respectively. The percentage of the respondents constituting different age groups were 1% with less than 18 years of age, 64.7% of 18-24 years, 14.3% of 25-34 years, 11.7% of 35-44, 5.3% of 45-59 years and 3% group of over 59 years. The Occupation status of population in the study captured 10.3% as government staff, 11% employed in private company, 1.7% housewives, 2.0% self-employed, 69% students and 6% falling in other category. Regression analysis has been employed to determine the relationship between two or more variables.

**Regression Analysis: The Regression equation is**

$$Y_1 = \alpha + \beta_1(X_1) + \beta_2(X_2) + \beta_3(X_3) + \beta_4(X_4) + \beta_5(X_5) + \beta_6(X_6) + \beta_7(X_7) + \beta_8(X_8) + \beta_9(X_9) + \beta_{10}(X_{10}) + \beta_{11}(X_{11}) + \beta_{12}(X_{12}) + \beta_{13}(X_{13}) + \beta_{14}(X_{14}) + \beta_{15}(X_{15})$$

$$SL = \alpha + \beta_1(ROP) + \beta_2(US) + \beta_3(RP) + \beta_4(D) + \beta_5(VM) + \beta_6(CS) + \beta_7(AM) + \beta_8(PO) + \beta_9(PK) + \beta_{10}(BD) + \beta_{11}(MA) + \beta_{12}(CT) + \beta_{13}(CL) + \beta_{14}(T) + \beta_{15}(BS)$$

where 1.  $X_1$  = ROP = Range of products; 2.  $X_2$  = US = Utility of the Service; 3.  $X_3$  = RP = Reasonable Price; 4.  $X_4$  = D = Discounts; 5.  $X_5$  = VM = Value for Money; 6.  $X_6$  = CS = Customer service; 7.  $X_7$  = AM = Availability on different modes; 8.  $X_8$  = PO = Promotional offers; 9.  $X_9$  = PK = Product knowledge; 10.  $X_{10}$  = BD = Balance deduction with notification; 11.  $X_{11}$  = MA = Mobile Advertisement; 12.  $X_{12}$  = CT = Content Type; 13.  $X_{13}$  = CL = Content Localization; 14.  $X_{14}$  = T = Technology; 15.  $X_{15}$  = BS = Basic Services; 16.  $Y_1$  = SL = Satisfaction Level

### FACTOR ANALYSIS

Factor analysis is a statistical method used to describe variability among observed, correlated variables in terms of a potentially lower number of unobserved variables called factors. For example, it is possible that variations in six observed variables mainly reflect the variations in two unobserved (underlying) variables. Factor analysis searches for such joint variations in response to unobserved latent variables. The observed variables are modeled as linear combinations of the potential factors, plus "error" terms. Factor analysis aims to find independent latent variables.

### RESULTS AND DISCUSSION

From the data collected two main aspects viz. firstly determining the relationship between two or more variables influencing selection of value added services in mobile telecom industry and secondly analyzing, the factors by reducing the large number of overlapping variables to smaller set of factors have been studied.

Regression analysis has been used to determine the relationship between two or more variables as it enables to deduce **significant relationship** between dependent variable (satisfaction) and independent variables attributes for selection of Value Added services as well as the **impact** of multiple independent variables (attributes for selection of Value Added Services) on a dependent variable (Satisfaction). The descriptive statistics of variables studied by regression analysis (Table 1) having mean value of 4.0 or more out of 1 – 5 range are suggestive of the importance given by respondents to the highlighted attributes for the selection of VAS. The variation has been observed in the magnitude of standard deviation.

TABLE 1: DESCRIPTIVE STATISTICS OF VARIABLES BY REGRESSION ANALYSIS

Variable	Mean	Std. Deviation	N
Satisfaction Level	3.47	0.54	300
Range of products(Assortment)	3.85	0.95	300
Utility of the Service	4.18	0.86	300
Reasonable price	4.32	0.87	300
Discounts	4.04	0.91	300
Value for money	4.49	0.69	300
Customer service	4.48	0.77	300
Availability on different modes	3.9	0.96	300
Promotional offers	3.4	1.15	300
Product knowledge	4.24	0.87	300
Balance deduction with notification	4.16	1.06	300
Mobile advertisement	3.05	1.25	300
Content type	3.62	0.97	300
Content localization	3.59	0.88	300
Technology-2G/3G/4G	4.62	0.66	300
Basic services like network quality	4.53	0.80	300

RELATIONSHIP BETWEEN SATISFACTION SCORE AND VARIOUS ATTRIBUTES FOR SELECTION OF VAS BY CORRELATION METHOD

Five classical rules have been employed to interpret correlation coefficient amongst different variables. i) (r = 0 to 0.20) negligible or no correlation, ii) (r = 0.20 to 0.40) positive but low degree of correlation, iii) (r = 0.40 to 0.60) positive and moderate degree of correlation iv) (r = 0.60 to 0.80) positive and marked degree of correlation v) (r = 0.80 to 1.00) positive and high degree of correlation. The r-value indicates the relationship of satisfaction with various attributes contributing for selection of VAS applications. The correlation matrix with two diagonals (Table 2) upper diagonal depicts the correlation value (r-value) and the significant or p-value. (<0.05 highlighted) in lower diagonal.

TABLE 2: CORRELATION MATRIX OF SATISFACTION AND ATTRIBUTES FOR SELECTION OF VAS

	Satisfaction	A1	A2	A3	A4	A5	A6	A7	A8	A9	A10	A11	A12	A13	A14	A15
Satisfaction	-	0.055	0.183	0.094	0.119	-0.006	0.23	0.247	0.38	0.338	0.273	0.311	0.399	0.302	0.038	0.071
A1	0.171	-	0.502	0.323	0.134	0.208	0.106	0.085	0.095	0.107	0.09	0.059	0.235	0.335	0.059	0.367
A2	<b>0.001</b>	<b>0.000</b>	-	0.321	0.062	0.284	0.218	0.187	0.023	0.051	0.239	-0.072	0.4	0.324	0.17	0.484
A3	0.052	<b>0.000</b>	<b>0.000</b>	-	0.421	0.445	0.166	0.13	0.073	0.024	0.257	0.011	0.142	0.139	0.086	0.271
A4	0.019	<b>0.01</b>	0.141	<b>0.000</b>	-	0.344	0.098	0.089	0.155	0.062	0.168	0.114	0.011	0.138	0.066	0.055
A5	0.457	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	-	0.275	0.046	0.057	0.154	0.281	0.004	0.085	0.207	0.165	0.305
A6	<b>0.000</b>	<b>0.033</b>	<b>0.000</b>	<b>0.002</b>	<b>0.045</b>	<b>0.000</b>	-	0.356	0.271	0.222	0.258	0.155	0.302	0.2	0.194	0.266
A7	<b>0.000</b>	0.07	<b>0.001</b>	<b>0.012</b>	0.063	0.212	<b>0.000</b>	-	0.338	0.271	0.215	-0.01	0.14	0.095	0.217	0.23
A8	<b>0.000</b>	0.051	0.346	0.104	<b>0.004</b>	0.161	<b>0.000</b>	<b>0.000</b>	-	0.476	0.225	0.469	0.264	0.257	0.062	-0.008
A9	<b>0.000</b>	<b>0.032</b>	0.19	0.339	0.141	<b>0.004</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	-	0.239	0.379	0.256	0.377	0.08	0.146
A10	<b>0.000</b>	0.061	<b>0.000</b>	<b>0.000</b>	<b>0.002</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	-	0.151	0.314	0.201	0.152	0.276
A11	<b>0.000</b>	0.154	0.105	0.426	<b>0.024</b>	0.471	<b>0.004</b>	0.433	<b>0.000</b>	<b>0.000</b>	<b>0.004</b>	-	0.334	0.377	-0.108	-0.094
A12	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.007</b>	0.424	0.071	<b>0.000</b>	<b>0.008</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	-	0.652	0.058	0.223
A13	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.008</b>	<b>0.009</b>	<b>0.000</b>	<b>0.000</b>	0.051	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	-	0.002	0.293
A14	0.256	0.155	<b>0.002</b>	0.07	0.128	<b>0.002</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	0.141	0.084	<b>0.004</b>	<b>0.031</b>	0.16	0.488	-
A15	0.111	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	0.17	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	0.446	<b>0.006</b>	<b>0.000</b>	0.052	<b>0.000</b>	<b>0.000</b>	<b>0.003</b>	-

The regression analysis of satisfaction level related to attributes influencing selection of VAS applications is given in (Table 3). The significant p-value of attributes like Utility of the service (0.034), Value for money (0.015), Promotional offers (0.026), Product knowledge (0.018) and Content type (0.005) have revealed that these are the influencing attributes for satisfaction level.

TABLE 3: REGRESSION ANALYSIS OF SATISFACTION LEVEL WITH VARIOUS ATTRIBUTES

R	0.558 <sup>a</sup>			
R-Square	0.312			
Adjusted R-Square	0.275			
Standard error of estimate	0.461			
F	8.571			
Sig.	0.000*			
	<b>Unstandardized Coefficients</b>	<b>β</b>	<b>t-value</b>	<b>p-value</b>
(Constant)	2.032			
Range of products(Assortment)	-0.057	-0.1	-1.64	0.102 <sup>NS</sup>
Utility of the Service	0.091	0.144	2.133	0.034*
Reasonable price	0.02	0.032	0.522	0.602 <sup>NS</sup>
Discounts	0.054	0.091	1.588	0.113 <sup>NS</sup>
Value for money	-0.118	-0.151	-2.454	0.015*
Customer service	0.032	0.046	0.781	0.435 <sup>NS</sup>
Availability on different modes	0.046	0.082	1.394	0.164 <sup>NS</sup>
Promotional Offers	0.068	0.145	2.242	0.026*
Product knowledge	0.092	0.147	2.388	0.018*
Balance deduction with notification	0.053	0.105	1.834	0.068 <sup>NS</sup>
Mobile advertisement	0.038	0.088	1.388	0.166 <sup>NS</sup>
Content type	0.117	0.209	2.841	0.005*
Content Localization	0.01	0.017	0.231	0.817 <sup>NS</sup>
Technology-2G/3G/4G	-0.018	-0.022	-0.427	0.670 <sup>NS</sup>
Basic services like Network quality	-0.034	-0.05	-0.807	0.420 <sup>NS</sup>

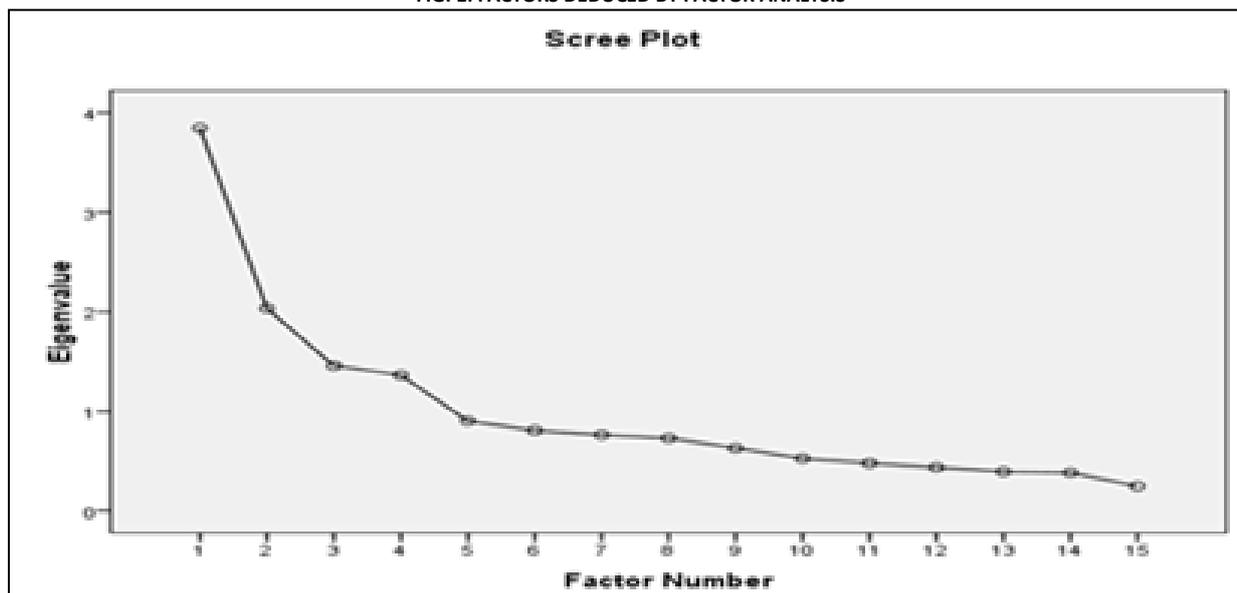
**SATISFACTION LEVEL**

$$= 2.032 + (-0.057)(ROP) + (0.091)(US) + (0.020)(RP) + (0.054)(D) + (-0.118)(VM) + (0.032)(CS) + (0.046)(AM) + (0.068)(PO) + (0.092)(PK) + (0.053)(BD) + (0.038)(MA) + (0.117)(CT) + (0.010)(CL) + (-0.018)(T) + (-0.034)(BS)$$

**ANALYSIS OF FACTORS BY REDUCING THE LARGE NUMBER OF OVERLAPPING VARIABLES TO SMALLER SET OF FACTORS BY FACTOR ANALYSIS**

Factor analysis is considered as a data-reduction technique as it reduces a large number of overlapping variables to a smaller set of factors which reflect construct (s) or different dimensions of construct (s). The Principal Component Factor analysis has been employed to further find out the most influencing attributes among all for selection of VAS applications. The scree plot between Eigen values vs. factor number (Figure 1.) by Varimax rotation method has shown four factors having Eigen value above 1 and from the fifth factor onwards almost flat line indicates that each successive factor is accounting for smaller and smaller amounts of the total variance.

FIG. 1: FACTORS DEDUCED BY FACTOR ANALYSIS



The “Mobile advertisement” (0.812), “Utility of the service” (0.791), “Discounts” (0.801) and “Availability on different modes”(0.746) have been suggested highly significant for the selection of VAS applications (Table 4.).

TABLE 4: FACTOR LOADINGS AND COMMUNALITIES BASED ON PRINCIPLE COMPONENTS ANALYSIS WITH VARIMAX ROTATION FOR FIFTEEN ATTRIBUTES

Attributes	Factor				Communalities
	I	II	III	IV	
Range of products(Assortment)		0.677			0.510
Utility of the Service		0.791			0.696
Reasonable price			0.751		0.650
Discounts			0.801		0.670
Value for money			0.691		0.567
Customer service				0.583	0.457
Availability on different modes				0.746	0.588
Promotional Offers	0.728			0.303	0.642
Product knowledge	0.664				0.528
Balance deduction with notification				0.382	0.345
Mobile advertisement	0.812				0.695
Content type	0.53	0.609			0.662
Content Localization	0.578	0.607			0.712
Technology-2G/3G/4G				0.615	0.404
Basic services like Network quality		0.645		0.359	0.576

Extraction method: Principle Component Analysis

Rotation Method: Varimax with Kaiser Normalization

## FINDINGS

The determinants of customer satisfaction in the technology driven innovations in competitive mobile communication services strongly depend on quality services viz. responsiveness, access reliability, security, credibility, price/tariff plans and fairness.

1. The study has shown that of the factors influencing the selection of Value Added Services in mobile telecom industry, by determining the relationship between two or more variables of which dependent variable is satisfaction and there are fifteen independent variables/ attributes by Regression analysis i) Content type ii) Value for Money iii) Promotional offers and iv) Utility of the Service having significant p-values in 0.005 to 0.034 being less than 0.05 are the most important.
2. The prominent factors determined by factor analysis for the selection of VAS and customer's satisfaction constitute i) Mobile Advertisement ii) Discounts iii) Utility of the Service and iv) Availability on different modes in 0.812 to 0.746 range.

The study can help mobile service providers to be significant differentiators by improving their services efficiently to come up to the satisfaction of customer's preferences and expectations of MVAS for their retention and sustainable growth of mobile commerce.

## RECOMMENDATIONS /SUGGESTIONS

As the Indian telecom industry is not only the second largest market, it is the fastest growing telecom market in the world, hence the room for growth is huge and Indian telecom prospects are extremely healthy. The telecom companies need to differentiate their product and services and collaborate by sharing towers and fibers because of capital-intense nature of industry. In order to offer real value to customers, telcos need to look at new opportunities such as cloud, datacenters, artificial and virtual reality data analytics as very soon voice as backbone of telecom is going to be replaced by data. The fluctuations in revenues as a function of market dynamics need to be tackled by creating an enabling environment for all telecom operators to grow by innovations and enhancing network security.

## CONCLUSIONS

The telecom industry has undoubtedly, brought revolutionary changes in our lives. The two major aspects of work viz. to determine the relationship between two or more variables (the dependent variable-Satisfaction and the independent variables comprising of other attributes) which influence the selection of value added services viz. Range of Products, Utility of the Service, Reasonable Price, Discounts, Value for Money, Customer Service, Availability on Different Modes, Promotional offers, Product Knowledge, Balance Deduction with notification, Mobile Advertisement, Content type, Content Localization, Technology -2G/3G/4G and basic services like Network Quality have been studied employing Regression Analysis. The significant p-value of attributes like utility of the service (0.034), value for money (0.015), promotional offers (0.026), product knowledge (0.018) and Content type (0.005) suggested that these are the influencing attributes for satisfaction level. The analysis of the prominent factors out of the list of total fifteen variables which influence the selection of value added services determined by factor analysis (Varimax rotation method) having Eigen Value above 1.0, constitute mobile advertisement, utility of service, discounts and availability on different modes.

## LIMITATIONS

The present study although carefully planned and executed yet has certain limitations:

- 1) The study undertaken is confined to urban population of Shimla (HP) hence the inference drawn may not be exact comparison for other geographical areas.
- 2) The respondents might not have expressed their real thoughts in the structured questionnaire.
- 3) The data collected may not have validity on account of the responses of respondents as a result of time constrained and their convenience.
- 4) The variables under study may be affected by external factors such as respondent's/ subscribers, device quality and type, limited availability of spectrum per operator in 2G/3G/4G bands, low coverage zones such as basements, high rise buildings, tunnels etc.

## SCOPE OF FURTHER RESEARCH

The advent of high speed data services and enhanced user expectations of getting real time on demand band width to run live applications has initiated new telecom policies focused on areas such as internet for all as well as new age technologies like 5G and internet of Things (IoT) also forming the basis of digital India. The continuous up-gradation of networking security aspects and skills development which require more investments in to telecom need to be looked into to expand telecom services in general and VAS in particular.

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**DYNAMICS OF RURAL RETAILING IN INDIA: CHALLENGES AND OPPORTUNITIES**

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**ABSTRACT**

*The Indian rural market has a huge demand base and offers great opportunities to marketers. Two-thirds of Indian consumers live in rural areas and almost half of the national income is generated from there. In recent years, rural markets have acquired a lot significance, as the overall growth of the rural economy due to good monsoon, improved method of crop yields have resulted into substantial increase in spending power of the rural consumers. However, the major challenge for marketers while catering this market is to ensure the availability of the product and services to these remote locations. The retailers are the main link between the FMCG manufacturers and rural consumer. Generally, they buy FMCGs from the nearby feeder towns and distribute it to the rural consumers. Therefore, the effectiveness of rural marketing by marketers heavily depends on the understanding of behavior, attitudes and functioning of retailers. In order to understand the dynamics and practices of rural retailing the current empirical study has been undertaken. To realise the stated objectives, the researchers have employed a survey method. For this purpose a structured questionnaire has been framed, pre-tested, and administered on the 320 rural retailer respondents. The validity of the questionnaire was adjudged, using Cronbach's coefficient ( $\alpha$ ). Based on the analysis of the study a brief summary of findings have been made and a meaningful conclusion has been drawn. Finally, the results have been compared with the possible evidence. The study revealed that there is a significant influence of religion of the retailer on the motive behind entering rural retail business. A majority of the rural retailer respondent's consumers ask for a specific product. The most important factor considered by consumers while buying FMCG are both quality and price. There is a significant influence of distance to the nearest town on product groups sold by the retailer. Opinion of retailers also has a say in rural areas. Retailers influence the choice of a brand at the point of sale for rural consumers. Most of the time, rural retailers give preference to regional brands over national brands, because of better margin, reasonable quality and credit facilities provided by sellers.*

**KEYWORDS**

FMCG, supply chain management, haats and melas.

**I. INTRODUCTION**

These villages and small towns are now getting the attention of national and global marketers. The drivers for the attention received by rural markets being, infrastructure development, increasing rural disposable income, globalization and IT revolution. With increasing literacy level and media explosion, people are becoming conscious about their lifestyles and desire to live a better life. Of late, there has been an improvement in rural incomes because of successive good monsoon; higher procurement prices and untaxed agricultural income, which are responsible for improvement in disposable income and rural spending power of rural households. The Rural market is not only large, but highly scattered geographically (Das Gupta and Menon, 1990). It should also be recognised that it is not that easy to operate in rural market because of several daunting problems that adversely affect the growth of the rural market that are also to be enlisted. Therefore, the real problem for the marketers with respect to exploitation of the rural markets is understanding heterogeneous rural consumers, reaching products to these remote locations, and communicating with media-dark rural audience. Even greater challenge lies in terms of the vast differences in the rural areas, which severely limits the marketer's ability to segment, target and position his offerings.

The physical distribution involves a large number of interdependent functions, i.e., transportation, storage of products, safety and security of the product, local delivery and sub-distribution, processing of orders and shipping out from warehouses; communication and control, record keeping, information and instruction flow (Ramasway 1970). India is the world's seventh-largest country in terms of area, with a majority of the population living in rural areas. Product distribution and retailing has developed into a highly specialised activity in urban India (Bhandari & Iyer 1995). According (KPMG) to rural distribution is considered a nightmare because of the 6 lakh-odd villages in the country. Reaching this fragmented and widely dispersed market significantly increases the complexity of distribution for companies in India. However, before reaching the rural consumers, marketers need to ask, from where do rural consumers buy? Take when taken in durables, the answer is 90 per cent is purchased from 20,000-plus-population towns (as per an IMRB study) (Kashyap 2003), totaling 2,300 only. The situation with FMCG's is more complex, because most of the studies indicate that the purchase of consumer products is almost equally distributed. Bhandari & Iyer (1995) listed the following limiting factors for rural distributions: (i) lack of transportation and communication facilities; (ii) highly dispersed village settlements, isolated from external developments; (iii) low occurrence of retail outlets (iv) low customer population per village settlement and (v) low off take per outlet; and (vi) low spend per village.

Apart from this scale of operations, most of these retail outlets are usually small. These retailers are not able to carry stocks without adequate credit facility. Unless institutional credit is provided, it is very difficult task for the marketer to sell the products on credit basis to such a large number on national scale (Narasimham 1995).

For long, marketers have been obsessed with improving the poor distribution network in rural India. But, now, thanks to improved infrastructure and transportation facilities, rural marketing requires more than a mere distribution orientation. Other elements are also to be considered. In the words of Narasimha Rao (1991). Even biggest companies don't have physical access to villages below a population of 5,000. Products find their own way into these clusters. This is due to a consumer pull which automatically ensures availability of the products. Success in rural marketing therefore depends on effectively promoting the product and generating a consumer pull, thereby obviating the necessity to personally distribute it in the remote villages Bose, (1992).

In the context of the above said challenges, it is essential for the marketers to analyse the characteristics of the rural market and design strategies specifically to reach rural markets.

**II. LITERATURE REVIEW**

In the Indian marketing literature, a dominant theme under rural marketing is agricultural marketing focusing mainly on the marketing of agricultural produce and that of agricultural inputs. For example, most of the literature on agricultural marketing (Reddy & Kumar (1982); Saxena, Mathur & Lal (1981); Seetharam & Jha (1984); Subramanyam (1981)). The other stream of Indian marketing literature focuses on the areas like identifying basic needs like food, health, education, housing etc. for example, Chambers (1980); Krishna & Ray chowdhury (1982); Magrabi (1975); (1979); Rao (1982). However, yet another stream of researchers tried to investigate caste system, socio, economic, political and cultural systems, family values and attitudes in rural areas for example Volken (1978); Desai (1976);

Unnithan (1976). Focus was mainly on agricultural and farm produce Gupta (1972); Seetharaman & Jha (1984); Das (1985); Monga (1972); Zaidi (1982). In the twentieth century, intensive empirical studies of the village economy became quite popular for social research for example, Baden Powell (1899); Lipton, M. (1970); (Lanjouw 1999).

The concept rural marketing has received a prominent attention in the literature with empirical studies being conducted on a wide variety of areas for example consumer goods marketing in rural areas, (Amte (1982); Baig (1980);Monga (1972)), rural consumer behaviour (Kapoor (1976); Shekar (1994); Sarwade & Ambedkar (2002); Das and Somnath (1991); Velayudhan (1998); Shivakumar (2002); Rakesh Handa (1992); Natarajan (1998); Sehwawet (2007); Sathyanarayana S. (2011) and Sathyanarayana, S. & Suresh B. H. (2017a); rural Marketing Strategy for FMCGs (Radha (1992)), marketing of rural industry products through rural Haats (C. S. Adhikari (2002), counterfeit brands (Sathyanarayana (2014); Gunjan Sharma Rana1 (2005), opinion leaders (Dube (1967); Canfield (1961); Navin Mathur (1981); Sathyanarayana(2014)); distribution and supply chain management (Ramaswamy and Namakuari); Gulati (2000) rural communions (Dixit (2002); Mehra & Kaushik (2003); Suri & Sudan (2003), Suresh & Sathyanarayana (2008); Sanal Kumar & Suri (1996), Emotional Surplus Identity (ESI) ((Sen & Jhala 2005); Sengupta (2003); Bullis (1997); Sara Huhmann ;(Kazmi 2007); (Srivastava, 2003), Haats and melas (Sathyanarayana and Suresh (2017f)); stores choice (Sathyanarayana, S., & Gargasha, S. (2017)); role of packing in rural marketing Sathyanarayana, S. & Suresh B. H. (2017); rural retailing practices Sathyanarayana, S. & Suresh B. H. (2017b) and media habits of rural consumers (Sathyanarayana and B. H. Suresh (2017c)).

The word retail is derived from the French word *roottailer*, which means to cut. Retail means literally to recut from a large to a smaller whole (Gibson G Vedoman). Therefore the noun, 'retailing' means the act, or technique of buying and selling of goods and services, which naturally implies the transfer of goods from producers to consumers. The issue of retailing in rural areas has received relatively little attention in recent years Byrom, (2003). The retail establishment where most rural consumers purchase their day-to-day goods is at a kirana or street shop. Consumers purchase everything from bananas to razors at a kirana (Sara Huhmann 2004). With over 2.5 million kiranans throughout India's rural towns and villages, keeping store shelves stocked is one of the main challenges to consumer goods manufacturers (Bullis, 1997). In order to reach these local shops and establish a brand presence in them, companies need substantial amounts of working capital and a large committed sales force (Dawar and Chattopadhyay, 2002).

Sathyanarayan (2014) tried to explore the role of spurious products in rural areas and collected data from 310 retailers and 1,620 rural consumers across Karnataka state, the authors find that multi-brand wholesalers, suppliers are the key players behind the whole issue and examine the various methods to reform situations by offering various suggestions based on this research.

The place where consumers buy is important for a marketer in order to design his distribution strategy because if the product is not made available at the place where consumer shops, the consumer will buy other available brand (Venkateshwaralu H. 1995).

In a study conducted by Byrom, Medway and Warnaby (2003) on retail businesses in a remote, rural area, the Uist chain in the Western Isles of Scotland. It is evident that retailers may mix strategic directions for their business within the specific geographic context that they are located.

Ramaswamy and Namakuari explore the problems of rural markets. They say that the problem arise basically out of the peculiar dynamics of the rural markets of India, the uniqueness of the rural consumers, the uniqueness of the structure of the rural market and the peculiarities of the distribution infrastructure in the rural areas. Therefore it requires an altogether different approach.

Sathyanarayana and B. H. Suresh (2017d) tried to explore the role of packing on buying behaviour of rural consumers in Karnataka state and they found that majority of the rural consumer respondents preferred sachets and loose packs while buying FMCG. The majority of the rural respondents recognize brands through reading, colours, scanning of logos/pictures/trademarks. The researchers found a significant difference in the packing size preference of the rural consumer respondents while purchasing products.

Gulati (2000), in his study observed that, the shopkeepers in the villages of Rajasthan buy stocks from semi wholesalers in nearby towns and villages, as there is no direct supply of major players in these areas. The shopkeepers only keep as much stock as they can exhaust without investing extra into inventory, as they are willing to keep more inventory only when credit is provided.

Kaushik Mukerjee (2007) suggested Indian FMCG marketers to employ two crucial elements in their advertisement strategy to build brands by extensive use of local language; and incorporation of Indian-ness

In a study by Sathyanarayana and B. H. Suresh (2017) tried to explore the major drivers of a particular store choice in rural areas found that credit facilities, good service and quality products and Nearness were the major factors for the choice of a particular retail outlet in rural Karnataka State.

In a study conducted by Sarwade and Ambedkar in (2002), regarding the factors influencing brand preference in rural areas, it was concluded that, good quality and availability are the key factors, which influenced the rural consumers of a particular brand of a product. Retail price, advertisement, word of mouth and retail shopkeepers are the other factors influencing the brand choice in rural areas.

In an exploratory study by Sathyanarayana and B. H. Suresh (2017c) to explore the media habits of the rural consumers found a significant influence of gender of the respondents on the preferred timings for viewing television, significant preference in rural consumers' viewing pattern of advertisements when they are aired and there was found to be a significant influence of gender of the respondents on the advertisement-viewing pattern. Majority of the rural consumers enjoyed the advertisements aired on television and agree that advertisements help them make informed decisions.

The objective of the current empirical paper is to understand, the dynamics of retailing practices of FMCG products in rural Karnataka and to offer suggestions to the marketers to frame better distribution strategies to cater to the needs of the rural markets. The review of the literature on the proposed topic, thus throws light on facts relating to the gap in the study of the chosen subject. (i) Most studies have been retrospective, and have neglected to collect the first hand information from rural respondents; (ii) the companies have taken up research in rural marketing independently to suit their needs; (iii) Most of the studies covered only a few conceptual aspects of the rural marketing. With this knowledge, it is assumed that the present work would make an addition to existing works on rural marketing by collecting firsthand information from the rural respondents. The structure of this analytical study is as follows. Section two provides a brief discussion of various empirical studies from the current topic undertaken for the purpose of the study. Section three outlines the objectives, the data sources and the methodology employed for the purpose of the study. Section four deals with the empirical results and in the last section discussion and conclusion have been made and the results are compared with the possible evidence.

### III. RESEARCH DESIGN

#### OBJECTIVES OF THE STUDY

1. To study the retailing practices in rural Karnataka with reference to remoteness and capital employed by the retailers;
2. Motive behind entering into retailing;
3. Understanding the rural consumers' buying habits from the perspectives of retailers;
4. Rural retailer's behavior towards handling / serving rural consumers and
5. Stock holding or keeping pattern, replenishment habits and sources of supply

#### HYPOTHESIS OF THE STUDY

H0: There is no significant influence of religion of the retailers on the motive behind entry into rural business.

H0: There is no significant influence of distance to the nearest town of the retailer and reaction of the customer when a sought after brand is not available.

H0: There is no significant difference in the movement of categories of product sold by the retailer, based on capital employed by the retailer.

H0: There is no significant influence of distance to the nearest town on product groups sold by the retailer.

H0: There is no significant influence of capital employed on the frequency of replenishment pattern of stock by the retailer.

H0: There is no significant influence of distance to the nearest town and replenishment of stock.

H0: There is no significant influence of distance to the nearest town on the source of replenishment of stock.

#### NATURE OF THE STUDY

The study is exploratory in nature as it endeavors to uncover the latent behavioural aspects of rural retailers in the state of Karnataka.

**UNIVERSE OF STUDY AND POPULATION**

The universe of the study is rural retailers and consumers in the rural villages of Karnataka situated in India. The universe of the study is classified as North Karnataka, South Karnataka, East Karnataka and West Karnataka. The scope of the study is limited to retailing practices in rural areas. The study is based on the empirical survey of 200 villages situated in the state of Karnataka (based on census 2011 reports).

**PRIMARY DATA SOURCE**

Firsthand information was obtained from respondents through a structured questionnaire. An interview schedule was constructed to elicit information from the respondents. The researcher chose an interview schedule since the respondent has to be coaxed to answer the questions put forth in the questionnaire. Moreover the researcher had a stringent requirement for the data to be pure and in all senses comprehend the very spirit of the questionnaire and thus the research. The researcher could also clarify any doubts to the respondent and explain the objective of each question whenever the respondent raised doubts.

**PILOT STUDY**

Before scaling for full research, the researcher initiated a pilot study with 30 rural retail respondents. The validity of the questionnaire was adjudged, using Cronbach's coefficient ( $\alpha$ ) was calculated to test the reliability and internal consistency of the responses. Cronbach's coefficient, having a value of more than 0.7 is considered adequate for such exploratory work. The values of  $\alpha$  in this study for the reported questions were found to be 0.736, 0.805 and 0.765, giving an average value of 0.768. It implies that there is a high degree of internal consistency in the responses to the questionnaire.

**SAMPLE SIZE**

The researcher has arrived at a sample size of 320 for rural retail respondents from among four zones of Karnataka state comprising approximately 200 accessible villages. (The methodology applied for calculation of sample size is appended in the appendix).

**ANALYTICAL METHOD**

The data collected is initially organized in a meaningful manner with the help of software. Once organized, the researcher tabulated the frequencies, which provided the requisite profile of the data collected and helped the researcher build the contingency tables for further detailed analysis. On performing detailed analysis, patterns from the data is further put for validation through testing of hypothesis, wherever the researcher deemed important and based on the conditions set for such test.

**IV. DATA ANALYSIS****TABLE NO. 4.1: DEMOGRAPHIC PROFILE OF THE RESPONDENTS**

<b>GENDER OF THE RESPONDENTS</b>		
	<b>Frequency</b>	<b>Percent</b>
Female	54	16.9
Male	266	83.1
Total	320	100.0
<b>AGE OF THE RESPONDENTS</b>		
	<b>Frequency</b>	<b>Percent</b>
21 - 27	53	16.6
28 - 34	73	22.8
35 - 41	70	21.9
42 - 49	70	21.9
50 and above	54	16.9
Total	320	100.0
<b>EDUCATION OF THE RESPONDENTS</b>		
	<b>Frequency</b>	<b>Percent</b>
Some Primary	104	32.5
SSLC	75	23.4
PUC	103	32.2
Graduation	38	11.9
Total	320	100.0
<b>RELIGION OF THE RESPONDENTS</b>		
	<b>Frequency</b>	<b>Percent</b>
Hindu	259	80.9
Muslim	42	13.1
Christian	10	3.1
Jain	9	2.8
Total	320	100.0
<b>TYPE OF OWNERSHIP OF RETAIL OUTLETS</b>		
	<b>Frequency</b>	<b>Percent</b>
Single	238	74.4
Family Owned	82	25.6
Total	320	100.0
<b>MOTIVE BEHIND VENTURING INTO RURAL RETAILING</b>		
	<b>Frequency</b>	<b>Percent</b>
Ancestors Business	100	31.3
Own Interest	17	5.3
Side Business	34	10.6
Unemployment	159	49.7
Without any Motive	10	3.1
Total	320	100.0

Source: Field survey

**Inference:** Intention of the researcher with Tables 4.1 is to provide an overview of the pertinent characteristics of the respondents used by the researcher in executing the study to fulfill the objectives stated in the study. From Table: 4.1, the researcher provides an overview of the composition of the sex of the retailers used in this study. This table evinces that, 83.1% of the retailers surveyed are male and 16.9% of the retailers surveyed are female. From Table 4.1, it is clear that the respondents' age fell between 21 and 60 years, banded into 6 groups. 22.8% of the respondents fell between the age group of 28 to 34 followed by 21.9% each within the age group of 35 to 41 and 42 to 49 respectively. 16.6% of the respondents each fell between the age group of 21 to 27 years and 50 and above years respectively. From Table: 4.1, the researcher intends to portray the education of the respondents included in the retailer's survey. 32.5% of the respondents possess only primary education, followed with 32.2% of the respondents qualifying PUC. Only 23.4% of the respondents have completed SSLC and 11.9% graduates.

From the above table, the researcher depicts the religion of the respondents included in the survey. From the Table 4.1, it is clearly evident that the researcher had encountered respondents falling into four religions – namely, Hindu, Muslim, Christian and Jain. Majority of the respondents with a percentage of 80.9 adopted the sect of Hindu, 13.1% following the sect of Muslim, and feeble percentage of the respondents adopting Christian and Jain, with 3.1% and 2.8% respectively. From Table 4.1, it is evident that the ownership of the retail outlet fell into two classes, namely single owned and family owned. Majority of the respondent retailers with 74.4% owned their business individually and the rest with 25.6% of the respondent retailers as family owned. In the above table the researcher presents the motive of entering the business by the retailer respondent's. The researcher has classified the choices as – ancestors business, own interest, side business, unemployment and without any motive. From the Table 4.1, it is evident that majority of the rural retailers ventured into retailing, motivated to circumvent unemployment, scoring 49.7%. The second predominant motive articulated being ancestors business with 31.3%, followed by side business as a motive with 10.6% and a meager without any motive with a percentage of 3.1.

Researcher here tries to understand the influence of religion of the respondents on the motive behind entering rural business. The basic reason why the researcher was induced in construction of such a hypothesis is of the fact that, those respondents adopting Hinduism, the predominant motives articulated are unemployment and ancestral business; those respondents following Islam, their motives for entering rural business are ancestral business and unemployment and those respondents adopting Christianity and Jainism articulated unemployment and ancestral business respectively. To test the above interaction the researcher constructed the following hypothesis and used Pearson Chi-Square analysis to prove or disprove the hypothesis.

H0: There is no significant influence of religion of the retailers on the motive behind entry into rural business.

**Pearson Chi-Square Tests**

**TABLE NO. 4.2: TEST OF SIGNIFICANCE: RELIGION OF THE RETAILER RESPONDENTS ON MOTIVES BEHIND ENTRY INTO RURAL RETAILING BUSINESS**

Motive behind entry into rural business	Chi-square	125.623
	df	12
	Sig.	.000

**Result:** Since the tabulated value of  $\chi^2$  is 125.623 at 12 degrees of freedom with a significance level of 0.000 which is lesser than set significance of 0.05 (95% confidence limit) for the tabulated relationship. Therefore, we can reject the null hypothesis.

**TABLE NO. 4.3: TYPE OF CONSUMERS**

	Men		Women		Youth		Kids	
	F	%	F	%	F	%	F	%
No	-	-	-	-	5	1.6	6	1.9
High	304	95.0	100	31.3	17	5.3	11	3.4
Medium	11	3.4	78	24.4	123	38.4	17	5.3
Low	5	1.6	142	44.4	175	54.7	286	89.4
Total	320	100.0	320	100.0	320	100.0	320	100.0

Source: Field survey

**Inference:** The intention of the researcher in constructing table 4.3 is to understand the type of consumers frequenting the rural retail outlet of the respondents. From table 4.3, it is clearly evident that 95% of the men consumers frequent the shop with high frequency as opined by rural retail respondents, 31.3% stating that women frequent their shop with high frequency, 5.3% stating that youth frequent with high frequency and 3.4% indicating that kids frequent their rural retail outlet with high frequency. Also 24.4% of the rural retail respondents stated that women frequent the shop with medium frequency and the same being the opinion for youth too with 38.4% responses ad 5.3% for kids. 1.6% of the rural retail respondents state that men frequent their shop at low frequency, the same being opined by 44.4% responses for women, 54.7% responses for youth and 89.4% responses for kids.

**TABLE NO. 4.4: SHOPPING PATTERN OF RURAL CONSUMERS WHILE BUYING FMCG**

	Specific Product		Just about any brand		Specifically Priced Products		Nothing Particularly	
	F	%	F	%	F	%	F	%
No	20	6.3	48	15.0	95	29.7	240	75.0
Yes	112	35.0	15	4.7	26	8.1	0	0
Sometimes	188	58.8	257	80.3	199	62.2	80	25.0
Total	320	100.0	320	100.0	320	100.0	320	100.0

Source: Field survey

**Inference:** The intention of the researcher here is to understand the certainty by which the customer asks for FMCG products. The researcher from field survey and discussion have understood, the responses can be categorized into following – ask for a specific product, ask for just any brand, ask for specifically priced products and ask for nothing particular. 35% of the rural retailer respondents consumer ask for a specific product and 58.8% of the rural retailer respondents consumer ask for specific product sometimes, 80.3% asking sometimes just about any brand, 62.2% sometimes ask for specifically priced products and 25% sometimes ask for nothing particular.

**TABLE NO. 4.5: VARIOUS FACTORS CUSTOMER LOOKS FOR WHILE BUYING FMCG**

	Responses	
	N	Percent
Nothing Particular	74	7.7
Brand Image	148	15.4
Quality	39	4.1
Only Price	59	6.1
Both Quality and Price	264	27.5
Packaging	161	16.8
Special Schemes and Offers	210	21.9
Others	6	.6
Total	961	100.0

Source: Field survey

**Inference:** The intention of the researcher in constructing table 4.5 is to understand from the perspective of the retailer what factors are being considered by their consumers while buying FMCG. From discussion with retailers and from research, the researcher has developed the following – nothing particular, brand image, quality, only price, both price and quality, packaging, special schemes and offers and other factors. From the responses evinced, it is quite evident to the researcher that the most important factor being both quality and price with 27.5% responses, followed by special schemes and offers with 21.9%, followed by packing with 16.8% and brand image with 15.4% responses.

TABLE NO. 4.6: REACTION OF RURAL CONSUMER RESPONDENTS ON THE NON-AVAILABILITY OF A BRAND SOUGHT BY THEM AT THE POINT OF PURCHASE

	Go for other Brand		Seek your suggestions		They go to the next shop		They do not buy	
	F	%	F	%	F	%	F	%
No	6	1.9	70	21.9	85	26.6	55	17.2
Yes	49	15.3	0	0	0	0	23	7.2
Sometimes	265	82.8	250	78.1	235	73.4	242	75.6
Total	320	100.0	320	100.0	320	100.0	320	100.0

Source: Field survey

**Inference:** The intention of the researcher is to understand the customers' reaction from the perspective of rural retail respondents with respect to non-availability of brand sought after by the consumer. 15.3% of the rural retail respondents consumers stated that they will go for other brands, followed by 7.2% stating that they do not buy any other brand. 82.8% of the rural retail respondent's consumers stated that they sometimes go for other brand, followed by 78.1% stating that they will sometimes seek the rural retailer's suggestion, followed by 75.6% stating that they sometimes do not buy and 73.4% stating that they sometimes go to the next shop.

The intention of the researcher is to understand the influence of distance to the nearest town on the reaction of the customers when a sought after brand is not available. To test the above influence the researcher constructed the following hypothesis and used Pearson Chi-Square test to prove or disprove the said hypothesis.

H0: There is no significant influence of distance to the nearest town of the retailer and reaction of the customer when a sought after brand is not available.

**Pearson Chi-Square Tests**

TABLE NO. 4.7: TEST OF SIGNIFICANCE: DISTANCE TO THE NEAREST TOWN (REMOTENESS) ON CUSTOMER REACTION TO NON AVAILABILITY OF BRANDS SOUGHT BY THEM

		Distance to the Nearest Town
When a brand sought by the customer not available - Go for other Brand	Chi-square	116.213
	df	8
	Sig.	.000
When a brand sought by the customer not available - Seek your suggestions	Chi-square	7.917
	df	4
	Sig.	.095
When a brand sought by the customer not available - They go to the next shop	Chi-square	18.974
	df	4
	Sig.	.001
When a brand sought by the customer not available - They do not buy	Chi-square	50.822
	df	8
	Sig.	.000

**Results:** Since the tabulated value of the  $\chi^2$  is 116.213 with 8 degrees of freedom for, when a sought after brand is not available – go for other brand with 0.000 significance level, the consumers going to next shop when a sought after brand is not available with a  $\chi^2$  value of 18.974 with 4 degrees of freedom with a significance level of 0.001 and the consumers do not buy when a sought after brand is not available with a  $\chi^2$  value of 50.822 with 8 degrees of freedom with a significance level of 0.000, all of which is lesser than the set value of 0.05 (95% confidence limit) for the tabulated relationship. Therefore, we can reject the null hypothesis. Also since the tabulated value for consumers seeking the rural retailers suggestion, when a sought after brand is not available with a  $\chi^2$  value of 7.917 with 4 degrees of freedom with a significance level of 0.095, which is greater than the set significance of 0.05 (95% confidence limit) for the tabulated relationship. Therefore, we cannot reject the null hypothesis.

**Accepted Hypothesis (H1):** There is a significant influence of distance to the nearest town of the retailer and reaction of the customer when a sought after brand is not available with respect to going for another brand, consumers going for next shop and consumers do not buy the brand.

**Accepted Hypothesis (H0):** There is no significant influence of distance to the nearest town of the retailer and reaction of the customer when a sought after brand is not available with respect to seeking the rural retailer's suggestion.

TABLE NO. 4.8: RETAILER'S REACTION TO CUSTOMERS ASKING FOR JUST ABOUT ANY BRAND

	Push Branded		Push Unbranded		Depends upon the customers	
	Frequency	Present	Frequency	Present	Frequency	Present
No	223	69.7	223	69.7	6	1.9
Yes	54	16.9	28	8.8	268	83.8
Sometimes	43	13.4	69	21.6	46	14.4
Total	320	100.0	320	100.0	320	100.0

Source: Field survey

**Inference:** The intention of the researcher is to understand the stance of the rural retail respondents when the consumers ask for just any brand of product. The researcher from analysis and discussion has understood the following are the actions that the rural retailer will ensue – push branded products, push unbranded and push based upon the customers. From table 4.8, it is clearly evident to the researcher that 16.9% of the rural retail respondents push branded products, 21.6% of the rural retail respondents sometimes push unbranded products and 83.8% of the rural retail respondents state that the type of product they push depends upon the type of consumer who is purchasing the product.

**FACTORS INFLUENCING THE PUSH OF UNBRANDED PRODUCTS**

The intention of the researcher in constructing this question is to understand the prime factors that decide the push of unbranded products by the rural retail respondents. From discussion and primary research the researcher has understood the following motives being the reason for pushing unbranded products – viz – no difference in quality between branded and unbranded products, more margin, affordable price to the customer, retailer favorite, and non-availability of branded goods. 47.8% of the responses of the rural retail respondents indicate rank 1 for no difference in quality between branded and unbranded products, rank 2 for affordable price for customers with 42.2% responses, rank 3 for more margins with 42.2% responses and rank 4 for pushing retailer favorite brand with 15.9% responses.

TABLE NO. 4.9: SHELF MOVEMENT OF VARIOUS PRODUCT CATEGORIES

	Hair Care		Skin Care		Fabric Care	
	F	%	F	%	F	%
Fast Moving	210	65.6	233	72.8	267	83.4
Normal Movement	80	25.0	67	20.9	33	10.3
Slow Movement	30	9.4	20	6.3	20	6.3
Total	320	100.0	320	100.0	320	100.0
	House hold Care		Beverages		Loose Provisions	
	F	%	F	%	F	%
Not Moving	20	6.3	25	7.8	20	6.3
Fast Moving	27	8.4	37	11.6	300	93.8
Normal Movement	68	21.3	147	45.9	-	-
Slow Movement	205	64.1	111	34.7	-	-
Total	320	100.0	320	100.0	320	100.0
	Packaged Foods					
	F	%				
Not Moving	54	16.9				
Fast Moving	43	13.4				
Normal Movement	47	14.7				
Slow Movement	176	55.0				
Total	320	100.0				

Source: Field survey

**Inference:** The intention of the researcher constructing Table 4.9 is to understand the movement of various categories of product categories sold by the retailer respondents. The categories of the products as observed by the researcher sold prevalently in rural market are hair care, skin care, fabric care, household care, beverages and loose provisions. From Table 4.9, it is evident that 65.6% of the respondents state that hair care products are fast moving; 72.8% of the respondents also articulated that skin care products are also fast moving and 83.4% of the retailer respondents also articulated that fabric care products too are fast moving. The table clearly depicts that loose provisions is fast moving as expressed by 93.8% of the respondents. 45.9% of the respondents expressed that beverages are normal moving and 64.1% of the retailer respondents articulated that household care products are slow moving.

The intention of the researcher in constructing Table 4.10 is to understand whether there is any influence of capital employed on the categories of products sold in the retail outlet and the movement of these items. To test the significance of this phenomenon, the researcher constructed the following hypothesis and used a Pearson Chi-Square test to prove or disapprove the hypothesis.

H0: There is no significant difference in the movement of categories of product sold by the retailer, based on capital employed by the retailer.

**Pearson Chi-Square Tests**

TABLE NO. 4.10: TEST OF SIGNIFICANCE: CAPITAL EMPLOYED BY THE RETAILERS ON SHELF MOVEMENT OF VARIOUS CATEGORIES OF FMCG

		Capital Outlay
Oral Care	Chi-square	30.906
	df	8
	Sig.	.000
Hair Care	Chi-square	28.489
	df	8
	Sig.	.000
Skin Care	Chi-square	12.704
	df	8
	Sig.	.122
Fabric Care	Chi-square	15.608
	df	8
	Sig.	.048
Packaged Food	Chi-square	34.476
	df	12
	Sig.	.001
House hold Care	Chi-square	53.884
	df	12
	Sig.	.000
Beverages	Chi-square	44.652
	df	12
	Sig.	.000
Loose Provisions	Chi-square	3.438
	df	4
	Sig.	.487

**Result**

Since the tabulated value of  $\chi^2$  is 30.906 with 8 degrees of freedom for oral care with 0.000 significance level, 28.489 at 8 degrees of freedom for hair care with a significance level of 0.000, 15.608 at 8 degrees of freedom with a significance level of 0.048 with respect to fabric care and, 34.476 with 12 degrees of freedom with a significance level of 0.001 for house care products, 44.652 at 12 degrees of freedom with a significance level of 0.000 for beverages all of which is lesser than set significance of 0.05 (95% confidence limit) for the tabulated relationship. Therefore we can reject the null hypothesis.

For skin care products and loose provisions the  $\chi^2$  are 12.704 with 8 degrees of freedom with a significance level of 0.122 and 3.438 with 4 degrees of freedom with a significance level of 0.487 for the tabulated value, which is greater than the set significance level of 0.05 (95% confidence limit) for the tabulated relationship. Therefore we cannot reject the null hypothesis.

**Accepted Hypothesis: (H1)** - There is a significant difference on the movement of oral care, hair care, fabric care, packaged food, house hold goods and beverages based on capital employed by the retailer.

**Accepted Hypothesis: (H0)** - There is no significant difference on the movement of loose provisions, skin care products based on the capital employed by the retailer.

The intention of the researcher is to understand whether there is any influence of distance to the nearest town of the retailer on type of products that are fast moving among retailers in the rural region. To test the significance of this phenomenon, the researcher constructed the following hypothesis and used a Pearson Chi-Square test to prove or disapprove the hypothesis.

H0: There is no significant influence of distance to the nearest town on product groups sold by the retailer.

**Pearson Chi-Square Tests**

**TABLE NO. 4.11: TEST OF SIGNIFICANCE: DISTANCE TO THE NEAREST TOWN (REMOTENESS) ON PRODUCT CATEGORIES**

		Distance to the Nearest Town
Oral Care	Chi-square	17.098
	df	8
	Sig.	.029
Hair Care	Chi-square	31.120
	df	8
	Sig.	.000
Skin Care	Chi-square	74.924
	df	8
	Sig.	.000
Fabric Care	Chi-square	48.480
	df	8
	Sig.	.000
Packaged Food	Chi-square	29.482
	df	12
	Sig.	.003
House hold Care	Chi-square	51.464
	df	12
	Sig.	.000
Beverages	Chi-square	49.400
	df	12
	Sig.	.000
Loose Provisions	Chi-square	34.168
	df	4
	Sig.	.000

**Result:** Since the tabulated value of  $\chi^2$  is 17.098 with 8 degrees of freedom for oral care with 0.029 significance level, 31.120 at 8 degrees of freedom for hair care with a significance level of 0.000, 74.924 at 8 degrees of freedom for skin care with a significance level of 0.000, 48.480 at 8 degrees of freedom with a significance level of 0.000 with respect to fabric care, 29.482 with 12 degrees of freedom with a significance level of 0.003 for packaged food, 51.464 with 12 degrees of freedom with a significance level of 0.000 for house care products, 51.464 at 12 degrees of freedom with a significance level of 0.000 for household care products, 49.400 at 12 degrees of freedom with a significance level of 0.000 for beverages and 34.168 at 4 degrees of freedom with a significance level of 0.000; all of which is lesser than set significance of 0.05 (95% confidence limit) for the tabulated relationship. Therefore, we cannot reject the null hypothesis.

**TABLE NO. 4.12: FREQUENCY OF REPLENISHMENT OF STOCK**

	Responses	
	N	Percent
Everyday	165	44.6
Once in a Week	132	35.7
Whenever Required	73	19.7
Total	370	100.0

Source: Field survey

**Inference:** The intention of the researcher here is to understand the replenishment frequency of the products that the rural retailer respondents are trading in. From Table 4.12 it is evident that 44.6% of the responses from the rural retail respondents state that they replenish stock on a daily basis. 35.7% of the rural retail respondents state that they replenish stock once in a week and only 19.7% stated that they replenish stock as and when the need arises.

The intention of the researcher is to understand the pattern of replenishment frequency of the stock based on the capital outlay of the retailer. Table 4.13 is naturally an extension to Table 4.12 as the researcher intends to understand the replenishment frequency of rural retailer respondents based on their invested capital. To test this relationship is significant or not, the researcher constructed the following hypothesis and tested them using Pearson Chi-Square test.

H0: There is no significant influence of capital employed on the frequency of replenishment pattern of stock by the retailer.

**Pearson Chi-Square Tests**

**TABLE NO. 4.13: TEST OF SIGNIFICANCE: CAPITAL EMPLOYED BY THE RETAILER ON REPLENISHMENT FREQUENCY**

		Capital Outlay
Replenishment of stock	Chi-square	55.423
	df	12
	Sig.	.000

**Result**

Since the tabulated value of  $\chi^2$  is 55.423 at 12 degrees of freedom with a significance level of 0.000, which is lesser than set significance of 0.05 (95% confidence limit) for the tabulated relationship. Therefore, we cannot reject the null hypothesis.

**Inference:** From Table 4.13, it is evident to the researcher that as the capital employed by the rural retailer respondents increase; the replenishment frequency migrates from daily replenishment to weekly replenishment. The rural retailer respondents whose invested capital is less than Rs 100000, and Rs 100001 to Rs 200000 opined that they are replenishing stock every day with 55.6% and 57.7% responses respectively. In the invested capital category of Rs 200001 to 300000, Rs 400001 to 500000 and greater than Rs 500000 category the replacement frequency happens once in a week, as opined by the rural retailer respondents with 67.9%, 80% and 90.9% responses respectively. Since the chi-square test has conclusively rejected the null hypothesis, the researcher can state that the pattern that is evolving is significant and not random.

Researcher here tries to understand the influence of distance to the nearest town for the retailer and frequency of replenishment of stock. To test the above interaction the researcher constructed the following hypothesis and used Pearson Chi-Square analysis to prove or disprove the hypothesis.

H0: There is no significant influence of distance to the nearest town and replenishment of stock.

TABLE NO. 4.14: TEST OF SIGNIFICANCE: DISTANCE TO THE NEAREST TOWN (REMOTENESS) ON REPLENISHMENT FREQUENCY

		Distance to the Nearest Town
Replenishment of stock	Chi-square	82.571
	df	12
	Sig.	.000

Result: Since the tabulated value of  $\chi^2$  is 82.571 at 12 degrees of freedom with a significance level of 0.000, which is lesser than set significance of 0.05 (95% confidence limit) for the tabulated relationship. Therefore, we cannot reject the null hypothesis.

TABLE NO: 4.15: SOURCES FOR REPLENISHMENT OF STOCK

	Responses	
	N	Percent
Visiting Nearby Town / Cities	278	36.4
Dealers Van / Sales People Visits	147	19.2
Weekly Haats	289	37.8
Company Sales People Visit	45	5.9
Other sources	5	.7
Total	764	100.0

Source: Field survey

Inference: The intent of the researcher is to understand the replenishment sources of stock of rural retail respondents. From discussion and observation the researcher understood the following as the sources of replenishment available to the rural retail respondents viz – visiting nearby town or cities, dealers vans or sales people visits, weekly haats, company sales people visit and other sources. 37.8% of the rural retail respondents responded that their source of replenishment is weekly haats, followed by 36.4% of the responses stating that they visit nearby town and cities for replenishment of stock. Only 19.2% responses of the rural retail respondents stated of their dependence of dealers van or sales people visits for replenishing their stock. A meager of 5.9% responses and 0.7% of the responses of the rural retail respondents stated that they depend on company sales people and other miscellaneous source of replenishing stock for their trade. The intention of the researcher is to understand the influence of distance to the nearest town on place of replenishment of stock by the retailer for his business. To test the above influence the researcher constructed the following hypothesis and used Pearson Chi-Square test to prove or disprove the said hypothesis.

H0: There is no significant influence of distance to the nearest town on the source of replenishment of stock.

Pearson Chi-Square Tests

TABLE NO. 4.16: TEST OF SIGNIFICANCE: DISTANCE TO THE NEAREST TOWN (REMOTENESS) ON SOURCES FOR REPLENISHMENT OF STOCK

		Distance to the Nearest Town
Place of Replenishment of stock	Chi-square	118.129
	df	20
	Sig.	.000

Result: Since the tabulated value of  $\chi^2$  is 118.129 at 20 degrees of freedom with a significance level of 0.000, which is lesser than set significance of 0.05 (95% confidence limit) for the tabulated relationship. Therefore, we cannot reject the null hypothesis.

V. DISCUSSION AND CONCLUSION

For most of the marketers, rural begins where their controllable, distribution and media reach ends. They have treated rural markets as adjuncts to their urban strongholds and rural consumers as a homogeneous mass without segmenting them into target markets and positioning brands appropriately therefore, the current empirical study has been undertaken with an intention to understand the dynamics of rural retailing practices in Karnataka state to understand the ground realities of rural markets. In order to realise the stated objectives the researcher has prepared a structured questionnaire and pre tested and administered on the rural 320 retail respondents across Karnataka state. The study revealed the following vital information: 83.1% of the rural retailer respondents surveyed are males and 16.9% were females. 22.8% of the rural retail respondents are in the age group of 28 to 34, 21.9% each between the age group of 35 to 41 and 42 to 49 years, and 16.9% each between the age group of 21 to 27 years and 50 and above, years respectively. Education of the rural retail respondents: 32.5% of the rural retail respondents possess only primary education, 32.2% qualifying PUC, 23.4% completed SSLC and 11.9% were graduates. 80.9% of the rural retail respondents followed the sect of Hindu, 13.1% the sect of Muslim, and 3.1% and 2.8% of the respondents adopting Christian and Jain sect. 74.4% of the rural retail respondents owned their business individually and 25.6% of them were family owned. 50.9% of the rural retailer respondent's fathers were farmers by profession, 31.3% were with business, 10.3% as service and 7.5% as others. 49.7% of the rural retail respondent's motive behind entering rural retailing is to circumvent unemployment, 31.3% motive being to continue ancestors' business, 10.6% the motive being side business. There is no significant influence of age, education, sex on the motive behind entering rural retail business. There is no significant influence of age, sex on the motive behind entering rural retail business by the rural retail respondents. There is a significant influence of religion of the retailer on the motive behind entering rural retail business. 95% of the men consumers frequent the shop, followed by 31.3% women, 5.3% stating that youth and 3.4% indicating that kids, as opined by rural retail respondents, with high frequency frequent their rural retail outlet with high frequency. 35% of the rural retailer respondent's consumers ask for a specific product, 58.8% ask for specific product sometimes, 80.3% sometimes ask for just about any brand, 62.2% sometimes ask for specifically priced products and 25% sometimes ask for nothing particular. There is a significant difference as to how a customer asks for a product for purchase from the retailer. The most important factor considered by consumers are both quality and price with 27.5% responses, followed by special schemes and offers with 21.9%, packing with 16.8% and brand image with 15.4% responses. There is a significant difference in attributes that the customer looks while purchasing FMCG. 15.3% of the rural retails respondents consumers stated that they will go for other brands, followed by 7.2% stating that they do not buy any other brand, 82.8% state that they sometimes go for other brand, 78.1% stating that they will sometimes seek the rural retailer's suggestion, 75.6% stating that they sometimes do not buy and 73.4% stating that they sometimes go to the next shop. There is a significant difference in how the customer orients his decision when a sought after brand is not available. There is a significant influence of the distance to the nearest town of the rural retail respondent to the following ways the customer react – go for another brand, go to the next shop and customers do not buy; when a sought after brand is not available at the rural retail outlet. 16.9% of the rural retail respondents push branded products, 21.6% sometimes push unbranded products and 83.8% push the product depending upon the type of consumer who is purchasing the product. 47.8% indicate rank 1 for non-difference in quality between branded and unbranded products, 42.2% responses for rank 2 for affordable price for customers, 42.2% responses for rank 3 for more margins and rank 4 for pushing retailer favorite brand with 15.9% responses. There is a significant difference among the factors that determine the push of unbranded products. 82.2% of the consumers sometimes, based on the type of product they purchase ask clarifications from rural retail respondents, 3.1% ask suggestions before buying products and 14.7% indicate that they are not asked for suggestion at all by the consumers. There is a significant difference among customers requesting for suggestions to the retailer before buying the product. There is a significant impact of distance to the nearest town and customers willingness to ask suggestions before buying FMC good. 65.6% of the rural retail respondents state that hair care products are fast moving; 72.8% articulate skin care products are also fast moving, 83.4% articulate that fabric care products too are fast moving, 93.8% of the respondents articulate loose provisions are fast moving, 45.9% articulate that beverages are normal moving and 64.1% articulate that household care products are slow moving. There is a significant difference on the movement of oral care, hair care, fabric care, packaged

food, house hold goods and beverages based on capital employed by the retailer. Also, there is no significant difference on the movement of loose provisions, skin care products based on the capital employed by the retailer. There is a significant influence of distance to the nearest town on product groups sold by the retailer. 44.6% of the rural retail respondents replenish stock on a daily basis, 35.7% replenish stock once in a week and 19.7% replenish stock as and when the need arises. There is a significant influence of capital employed on the frequency of replenishment pattern of stock by the retailers. There is a significant influence of distance to the nearest town and replenishment of stock. 37.8% of the rural retail respondents' source of replenishment is weekly haats, 36.4% visit nearby town and cities for replenishment of stock, 19.2% depended on dealers van or sales people visit for replenishing their stock, 5.9% depend on company sales people and 0.7% on other miscellaneous sources. There is a significant influence of distance to the nearest town on the source of replenishment of stock. On the background of the above summary of findings the following suggestions have been offered to the FMCG marketers. Opinion of retailers also has a say in rural areas. Retailers influence the choice of a brand at the point of sale for rural consumers. Most of the time, rural retailers give preference to regional brands over national brands, because of better margin, reasonable quality and credit facilities provided by sellers. Therefore to overcome this tendency, consumer pull is what needs to be initiated among rural consumers as this strategy works through the route of diffusion of innovation.

As the rural masses replenish their grocery stock on a daily, weekly or monthly basis, rural retail outlet will have business all year round. As the lower income group purchase their basic requirements on a daily basis, retailers can stock sachets, loose provisions to cater to their needs (brands for these customers are not essential). For those shoppers who purchase on a weekly basis, rural retailers can stock ½ - 1kg packs, both branded and unbranded, as choice of the product will determine the loyalty to the outlet. The rural retailer can also stock by understanding the buying pattern of his customers. Family packs- both branded and unbranded can be stocked to cater to needs of customers who purchase on a monthly basis. The purchase pattern of household groceries is a direct outcome of the needs.

## VI. MANAGERIAL IMPLICATIONS

1. Practitioners can get significant clarity and understanding on rural retailing practices, limited to Karnataka state.
2. Highlighting the problems in logistics and channel management in the rural marketing, limited to Karnataka state.
3. It enables the managers to understand the level of current infrastructure in rural villages, limited to Karnataka state.
4. Bring light upon the following – demographic factors of the retailers, procurement practices, credit facilities, and consumption pattern of FMCGs of the rural consumers from the perspective of retailers, limited to Karnataka state. Based on this they can frame effective strategies to reach the rural consumers through retailers.
5. It enables the managers to understand the role of spurious products in rural areas and its usage among rural consumer respondents.
6. Clarity upon the role of haats in rural marketing and its significance for promotional and marketing of FMCG products in haats and melas.

## VII. LIMITATIONS OF THE STUDY AND SCOPE FOR FUTURE RESEARCH

Any experiment has its own limitation and in the same genre this research too has its limitations. The study was confined only to geographical limits of Karnataka state and has been restricted to FMCG sector only. Another significant limitation of this research is that only unorganized retailing practices in rural areas have been studied. While executing this study, the researcher has come across problems pertaining to rating and ranking of rural respondents. It is primarily due to illiteracy. The sample is supposed to represent the views of the whole population. In the background of the present study, the researchers have identified the following areas for future research which can be carried in the field of rural marketing. Since the study was confined to geographical limits of Karnataka state only, an extended study of this kind encompassing more number of states and other media over a longer period of time may be taken up. The present study on rural markets has been restricted to FMCG sector only. A study covering both consumer products, durables, electronics, mobile phones, automobiles etc. may be taken up.

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## IMPACT OF EMOTIONAL INTELLIGENCE OVER THE TEACHING PERFORMANCE IN HIGHER EDUCATIONAL INSTITUTIONS

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### ABSTRACT

*Advancement in technology and educational reforms takes place year by year. However, changes takes place, the educational institutes face certain challenges and issues related to the education system. These issues are mainly concerned with the poor academic performance, demands and expectations of parents, declining quality of education, non-serious attitude of the students, heavy workload on teachers' etc. such issues make it difficult for the teachers to cope with the academics as well as societal demands of the parents and students. A growing number of studies have suggested that teachers' personal competencies, and more specifically Emotional Intelligence (EI), are particularly important for teacher effectiveness. Therefore, this study has been carried out to measure the impact of Emotional Intelligence over the teaching performance of the respondents working in higher educational institution.*

### KEYWORDS

emotional intelligence, attitude, quality.

### INTRODUCTION

A major challenge facing Indian Education system in the 21<sup>st</sup> century is to provide physically safe campuses, emotionally safe and healthy class rooms and an intensive academic curriculum taught by qualified teachers. Healthy and secure learning environments are crucial for attaining student success and satisfaction. This situation has stimulated professionals in education to carry out change, renewal and reorganization in the education system. Research studies show that the training of emotional skills should be included in the curriculum to generate responsible, integrated and productive individuals. Higher educational systems play a major role in providing the training to the qualified teachers for meeting out the emotional intelligence. Hence, an attempt has been made to find out the underlying dimensions that exists among the statements measuring the teaching performance in higher educational institutions using Factor Analysis. This paper also provides insights on measuring the performance of the teachers through emotional intelligence.

### REVIEW OF LITERATURE

**Kauts, A & Saroj, R (2012)** studied on 600 secondary school to identify the relationship among emotional intelligence, teacher effectiveness and occupational stress. The result indicated that teachers with high emotional intelligence were having less occupational stress and more teachers effectiveness, whereas teachers with low emotional intelligence were having more occupational stress and less teacher effectiveness. Thus, emotional intelligence was found to be helpful in reducing occupational stress of teachers and enhancing their effectiveness in teaching.

**Salovey and Mayer (1990)** presented a model of EI with three mental processes. The first component is appraising and articulating emotions in self and others, which is related to the awareness of verbal and non-verbal expression of emotions. The second component is adapting emotions in self and other individuals. Third component is use of emotions in adaptive ways. Following is the brief description of the components of EI model

**Befort and Hatstrup (2003)** suggested that the job performance is significantly affected by the job demands as well as organizational goals and objectives. Individuals who are highly emotional intelligent are able to regulate their emotions more effectively by maintaining a positive psychological condition which ultimately results in an improved job performance

### OBJECTIVE OF THE STUDY

To measure the relationship of impact of emotional intelligence over the teaching performance of the respondents

### RESEARCH METHODOLOGY

**Area of the Study** - Coimbatore District.

**Sources of Information** - Primary Data through questionnaire.

**Sample Size** - 500 respondents.

**Sampling Technique** – Random sampling method.

**Tools and Techniques** – Factor Analysis.

### ANALYSIS AND INTERPRETATION

The Emotional Intelligence of the teachers has been measured using fourteen statements related to their teaching performance and it has been analysed using Factor Analysis to find the underlying dimensions in it. Two tests namely Kaiser-Meyer-Olkin measures of sampling adequacy (KMO) & Bartlett's Test of Sphericity have been applied, to test whether the relationship among the variables has been significant or not as shown in table 1.1

**TABLE 1.1: KMO AND BARTLETT'S TEST**

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.893
Bartlett's Test of Sphericity	Approx. Chi-Square	7008.3
	Df	91
	Sig.	.000

The result of the test shows that with the significant value of .000 there is significant relationship among the variable chosen. KMO test yields a result of 0.893, which states that factor analysis can be carried out appropriately for these 14 variables, which are taken for the study. Using the Principle Component Analysis, five factors have been extracted based on the variance (Eigen value greater than 1). Table 1.2 shows the percentage of variance, cumulative percentage and the total variance of the variable identified for the study.

TABLE 1.2: TOTAL VARIANCE EXPLAINED

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	8.563	61.166	61.166	8.563	61.166	61.166	5.600	40.001	40.001
2	1.624	11.603	72.769	1.624	11.603	72.769	4.588	32.769	72.769
3	.786	5.617	78.386						
4	.629	4.494	82.879						
5	.530	3.782	86.662						
6	.409	2.924	89.586						
7	.368	2.628	92.214						
8	.273	1.951	94.165						
9	.213	1.521	95.686						
10	.155	1.110	96.796						
11	.146	1.045	97.841						
12	.135	.967	98.808						
13	.089	.638	99.447						
14	.077	.553	100.000						

Extraction Method: Principal Component Analysis.

The two factors extracted together account for nearly 72.769% of the total variance (information contained in the original fourteen variables). The number of variables has been reduced from fourteen to two factors. Since the idea of factor analysis is to identify the factors that meaningfully summarize the sets of closely related variables, the rotation phase of the factor analysis attempts to transfer initial matrix into one that is easier to interpret. Varimax rotation method is used to extract meaningful factors. This is given in Table 1.3.

TABLE 1.3: ROTATED COMPONENT MATRIX

	Component	
	1	2
My classes are well disciplined	.575	.562
I complete the course syllabus in time	.598	.372
I adapt Continuous learning approach	.838	.329
I assist students in their personal problems	.758	.046
I have personal attention to individual students	.812	.400
I encourage the students to ask questions	.872	.255
I create interest in lesson for students	.828	.328
I prepare monthly class room tests for students	.642	.295
I often use motivational tools in class teaching	.782	.465
I use psychological Approach in the class to handle the student’s problems	.482	.704
My teaching style is perfect	.325	.757
I get great satisfaction in my job	.268	.861
I feel happy to see the standard of achievement of my students	.236	.885
I am satisfied with students’ performance	.203	.891

Extraction Method: Principal Component Analysis.

Rotation Method: Varimax with Kaiser Normalization.

a. Rotation converged in 3 iterations.

From the rotated component matrix it is clear that the variables “My classes are well disciplined”, “I complete the course syllabus in time”, “I adapt Continuous learning approach”, “I assist students in their personal problems”, “I have personal attention to individual students”, “I encourage the students to ask questions”, “I create interest in lesson for students”, “I prepare monthly class room tests for student” and “I often use motivational tools in class teaching” with the loadings of 0.575, 0.598, .838, 0.758, .812, .872, .828, .642 and 0.782 on factor 1, this suggests that factor 1 is a combination of these variables. At this point, a suitable phrase which captures the essence of the original variables to form the underlying concept, factor 1 could be named as “**Effective teaching practices**”. In case of the factor 2 columns, the variables “I use psychological Approach in the class to handle the student’s problems”, “My teaching style is perfect”, “I get great satisfaction in my job”, “I feel happy to see the standard of achievement of my students” and “I am satisfied with students’ performance” have high loadings of 0.704, .757, .861, .885 and 0.891 respectively. This indicates that factor 2 is the combination of these five variables and named as “**Contented feeling of teaching**”. Further all the variables which have high loadings are combined with the concerned factor based on their scores as shown in table 1.4

TABLE 1.4: VARIABLES IDENTIFIED FOR FACTOR SCORES

	Factor Name
My classes are well disciplined	<b>Effective teaching practices</b>
I complete the course syllabus in time	
I adapt Continuous learning approach	
I assist students in their personal problems	
I have personal attention to individual students	
I encourage the students to ask questions	
I create interest in lesson for students	
I prepare monthly class room tests for students	
I often use motivational tools in class teaching	<b>Contented teaching</b>
I use psychological Approach in the class to handle the student’s problems	
My teaching style is perfect	
I get great satisfaction in my job	
I feel happy to see the standard of achievement of my students	
I am satisfied with students’ performance	

**CONCLUSION**

The study focused on measuring the impact of Emotional Intelligence on the teaching performance Higher Educational Institutions in Coimbatore District. Using Factor Analysis, two factors has been identified namely effective teaching practices and contented teaching which reveals that the teachers would not compromise

with their core values while imparting the quality knowledge. It was also concluded that teachers had more awareness about the feelings and emotions of students and self, which is good for an effective pedagogy in private educational institution.

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**CRM: CONSEQUENCE IN ORGANISED RETAIL STORES AN EMPIRICAL STUDY****P. JANANI****ASST. PROFESSOR****Dr. N.G.P. ARTS & SCIENCE COLLEGE (AUTONOMOUS)  
COIMBATORE****V. PRIYANKA****ASST. PROFESSOR****Dr. N.G.P. ARTS AND SCIENCE COLLEGE (AUTONOMOUS)  
COIMBATORE****ABSTRACT**

Retailing is the largest private industry in the world. It is also India's largest industry accounting for over 10% of the country's GDP and around 8% of the employment. Customer relationship management is an emerging tool that enables marketers to maintain their presence in the dynamic marketing environment. In the city like Coimbatore, these organized retail store and firms are concentrating and targeting the consumer from the different segments like rural, urban, low, middle and high-income segments etc. The research paper attempts to evaluate the CRM importance and practices of the retail stores in Coimbatore city. CRM is highly exercised in the industry like hospitality, services industry etc. but it is having equal importance in the retail industry also. The results of this research paper shows that the customers don't take a single second when it comes to change the preference and break the loyalty for an organization, in such a situation it the CRM of the organization which will compel the customers to visit the retail outlet again and again.

**KEYWORDS**

retail stores, customer relationship management, customer loyalty.

**INTRODUCTION**

The CRM approach tries to analyze data about customers' history with a company, in order to better improve business relationships with customers, specifically focusing on retaining customers, in order to drive sales growth. One important aspect of the CRM approach is to compile information from a different channels, including a company's website, telephone, email, live chat, marketing materials, social media, and more. Through the CRM approach and the systems used to facilitate CRM, businesses learn more about their target audiences'. However, the adoption of the CRM approach may also occasionally lead to favoritism within an audience of consumers, leading to dissatisfaction among customers.

**OBJECTIVES OF THE STUDY**

1. To study the socio economic factor of the respondents.
2. To identify the CRM values that enables customer to shop in the retail stores.
3. To offer suggestions based on the finding of the study.

**CRM IN ORGANIZED RETAIL SECTOR**

Products are easy to copy, services are harder to copy but the learned relationship that a customer has with or his supplier is nearly impossible to reproduce. It increases profitability of the retail business in key ways:

- Customer loyalty translates into reduced price competition
- Customer information allows companies to target profitable customers.
- Predictable buying patterns lower inventory holding costs, spoilage, and distribution costs.
- Customer loyalty extends products life cycle.

**RETAIL OUTLETS IN COIMBATORE**

Coimbatore city in organized retail sector though it is growing at a fast pace. There is a striking number of branded and organized retail outlets and store in different segments like food & grocery, clothing and textile, watch & jewellery and footwear etc. In the city like Coimbatore, these organized retail store and firms are concentrating and targeting the consumer from the different segments like rural, urban, low, middle and high income segments etc.

The detail of organized retail store in Coimbatore city is as follows:

**TABLE 1**

RETAIL SEGMENTS	RETAIL STORES
Footwear	Adidas, Bata, Woodland, Reebok
Clothing and Apparels	Peter England, Bombay Dying, V - Mart, Mega Mart, Raymond, Levi's, Flying Machine, Van Heusen.
Food & Grocery	Reliance Fresh, Big Bazaar, Palamudhir Plus
Watch & Jewellery	World of Titan, Tanishq
Durables	Next Retail, Sony World, LG etc

Though the above list of the organised retail players could have been more exhaustive, we have included only the major players of the retail market of Coimbatore.

**REVIEW OF LITERATURE**

**Henri Servaes (2013)** - Points that an interaction between advertising intensity and CRM activities is consistent with theoretical work suggesting that without awareness customers are unable to reward CRM.

**Pradeep K Deb (2009)**, customer loyalty programs are the in - thing in today's retail world and Food lands in Mumbai is one of the pioneers in this field in western India. He further gives the reaction of the typical consumer that "privilege cards.

**Ramanakumar KP (2008)** writes about the Customer Relationship Management or Relationship Marketing. He refers to all marketing activities directed towards establishing, developing and maintaining relational exchanges successfully.

**V. Ramanathan (2008)** - Customer Relationship Management is an emerging tool that enables retail marketers to maintain their presence in the dynamic market environment. In early days, CRM was the tool preferred by the manufacturers in order to motivate and retain retailers. Now retailers are applying this very same tool in order to retain customers.

**IMPORTANCE OF CUSTOMER RELATIONSHIP MANAGEMENT (CRM)**

Customer Relationship management is the strongest and the most efficient approach in maintaining and creating relationships with customers. Customer relationship management is not only pure business but also ideate strong personal bonding within people. Development of this type of bonding drives the business to new levels of success.

Once this personal and emotional linkage is built, it is very easy for any organization to identify the actual needs of customer and help them to serve them in a better way. It is a belief that more the sophisticated strategies involved in implementing the customer relationship management, the more strong and fruitful is the business. Most of the organizations have dedicated world-class tools for maintaining CRM systems into their workplace. Some of the efficient tools used in most of the renowned organization are Batch Book, Sales force, Buzz stream, Sugar CRM etc.

**FORTITUDE OF CRM SYSTEM IN ORGANIZED RETAIL STORES**

1. A CRM system consists of a historical view and analysis of all the acquired or to be acquired customers. This helps in reduced searching and correlating customers and to foresee customer needs effectively and increase business.
2. CRM contains each and every bit of details of a customer, hence it is very easy for track a customer accordingly and can be used to determine which customer can be profitable and which not.
3. In CRM system, customers are grouped according to different aspects according to the type of business they do or according to physical location and are allocated to different customer managers often called as account managers. This helps in focusing and concentrating on each and every customer separately.
4. A CRM system is not only used to deal with the existing customers but is also useful in acquiring new customers. The process first starts with identifying a customer and maintaining all the corresponding details into the CRM system, which is also called an 'Opportunity of Business'. The Sales and Field representatives then try getting business out of these customers by sophisticatedly following up with them and converting them into a winning deal. All this is very easily and efficiently done by an integrated CRM system.
5. The strongest aspect of Customer Relationship Management is that it is very cost-effective. The advantage of decently implemented CRM system is that there is very less need of paper and manual work, which requires lesser staff to manage and lesser resources to deal with. The technologies used in implementing a CRM system are also very cheap and smooth as compared to the traditional way of business.
6. All the details in CRM system is kept centralized which is available anytime on fingertips. This reduces the process time and increases productivity.
7. Efficiently dealing with all the customers and providing them what they actually need increases the customer satisfaction. This increases the chance of getting more business, which ultimately enhances turnover and profit.
8. If the customer is satisfied, they will always be loyal to you and will remain in business forever resulting in increasing customer base and ultimately enhancing net growth of business.

In today's commercial world, practice of dealing with existing customers and thriving business by getting more customers into loop is predominant and is mere a dilemma. Installing a CRM system can definitely improve the situation and help in challenging the new ways of marketing and business in an efficient manner. Hence, in the era of business every organization should be recommended to have a full-fledged CRM system to cope up with all the business needs.

**ANALYSIS OF DATA**

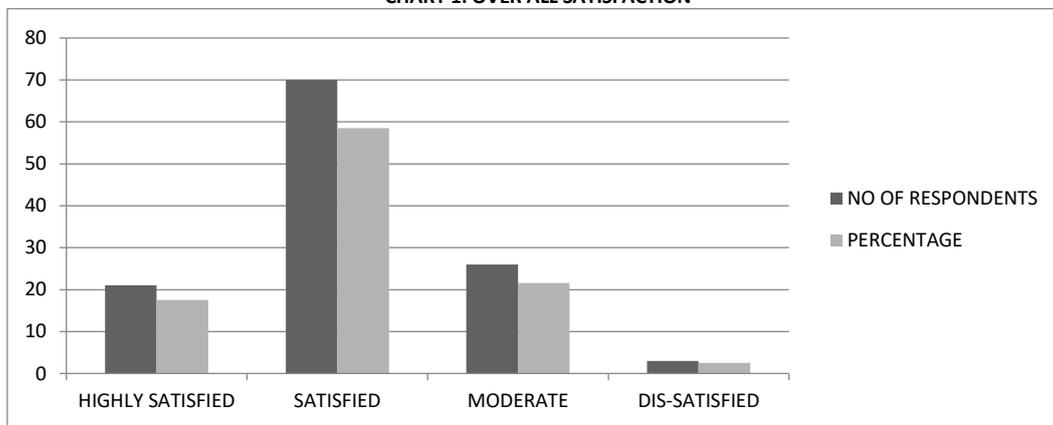
**1. PERCENTAGE METHOD**

**TABLE 1: OVERALL SATISFACTION IN PURCHASING AT ORGANISED RETAIL STORES**

S.NO	SATISFACTION LEVEL	NO OF RESPONDENTS	PERCENTAGE (%)
1.	Highly satisfied	21	17.5
2.	Satisfied	70	58.3
3.	Moderate	26	21.6
4.	Dis-satisfied	3	2.5
		<b>120</b>	<b>100</b>

From the above table it is inferred that 17.5% of the respondents are highly satisfied in retail stores customer, 58.5% of the respondents are satisfied, 21.6% of the respondents are moderate in the satisfaction and only 2.5% of the respondents are dis-satisfied with the CRM activities. It is concluded that majority 58.5% of the respondents are satisfied with the retail stores.

**CHART 1: OVER ALL SATISFACTION**



**2. CHI-SQUARE ANALYSIS**

**AGE AND SATISFACTION LEVEL OF THE RESPONDENTS**

**HYPOTHESIS**

There is no significant relationship between age of respondents and satisfaction level of Customer.

TABLE 2

Age	Highly satisfied	Satisfied	Moderate	Dis-satisfied	Total
Below 20 years	10	9	5	0	24
21-30 years	9	39	18	3	69
31-40 years	1	18	1	0	20
Above 40 years	1	4	2	0	7
Total	21	70	26	3	120

## CHI-SQUARE TEST

TABLE 3

Calculated value	Degree of freedom	Table value	Result
19	9	16.9	Rejected

The calculated value of Chi-square at 5 % level of significant is higher than the table value hence hypothesis is rejected. There is no relationship between age and satisfaction level of customer.

## 3. RANK ANALYSIS

## REASON FOR PURCHASING AT RETAIL STORES

TABLE 4

REASONS	1	2	3	4	TOTAL	RANK
Availability of all under lower cost	56 (224)	19 (57)	17 (34)	28 (28)	343	I
Better quality	28 (112)	46 (138)	31 (62)	15 (15)	327	II
Extra quantity	20 (80)	38 (114)	39 (78)	23 (23)	295	III
Varieties of products	23 (92)	19 (57)	32 (64)	46 (46)	259	IV

- ❖ The customers have ranked **availability of all under lower cost** as **first** among the reasons for purchasing at retail stores.
- ❖ The customers have ranked **better quality** as **second** among the reasons for purchasing at retail stores.
- ❖ The customers have ranked **extra quantity** as **third** among the reasons for purchasing at retail stores.
- ❖ The customers have ranked **varieties of product** as **fourth** among the reasons for purchasing at retail stores.

## FINDINGS

- ❖ It is found that 58.5% of the respondents are satisfied with retail stores.
- ❖ There is no significant relationship between age and the satisfaction level of the customer.
- ❖ The customers have ranked **availability of all under lower cost** as **first** among the reasons for purchasing at retail stores. The customers have ranked **better quality** as **second** among the reasons for purchasing at retail stores. The customers have ranked **extra quantity** as **third** among the reasons for purchasing at retail stores. The customers have ranked **varieties of product** as **fourth** among the reasons for purchasing at retail stores.

## SUGGESTIONS

- ❖ Retail stores have been maintaining good reputation due to the factors such as quality and cost effective. They should take continuous effort to maintain this in present growing competition scenario.
- ❖ Retail stores can appoint many sales persons to interact with customer improves the customer retail stores.

## CONCLUSION

The present study confirms to know the customer relationship management practices in selected organised retail stores in Coimbatore city. The result of the study reveals the CRM values. The customers' have good opinion on the factors such as price, supply, quality and brand image. As per current situation CRM is growing well and the expectations of the customers also developing a lot in retail stores.

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**NON PERFORMING ASSETS AND PROFITABILITY OF COMMERCIAL BANKS IN INDIA**

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**ABSTRACT**

*"Non performing Assets" and profitability of commercial banks in India. A non-performing asset (NPA) is a loan or advance for which the principal or interest payment remained overdue for a period of 90 days. According to RBI, terms loans on which interest and installment of principal remain overdue for a period of more than 90 days form the end of a particular quarter is called a non performing asset Indian banking industry is seriously affected by non-performing assets.*

**KEYWORDS**

NPA, commercial banks in India.

**INTRODUCTION**

For a bank the loans given by the bank is considered as its assets. So if the principle or interest or both the components of a loan is not being serviced to the lender (bank) then it could be considered as Non Performing asset (NPA).

According to Reserve Bank of India (RBI) an asset, including a leased asset, becomes non-performing when it ceases to generate income for the bank. The assets of the banks which don't perform that is don't bring any return are called non-performing assets or bad loans.

Performance in terms of profitability is a benchmark of any business enterprise including the banking industry. Asset means asset or account of borrower, which has been classified by a bank or financial institution as

1. Substandard Asset: - Asset which has remained NPA for a period less than or equal to 12 months.
2. Doubtful Asset: - An Asset would be classified as doubtful if it has remained in the substandard category for a period of 12 months.
3. Loss Asset: - As per RBI, "loss asset if considered uncollectible and of such little value that its continuance as a bank able asset is not warranted although these may be some salvage or recovery value.

**OBJECTIVES OF THE STUDY**

1. To study the status of Non performing Assets of Indian Scheduled Commercial Banks in India.
2. To study the impact of NPAs on Banks
3. To know the recovery of NPAs through various channels.
4. To make appropriate suggestions to avoid future NPAs and to manage existing NPA's in Banks

**RESEARCH METHODOLOGY**

The different aspects of literature related to Non performing Assets of researchers over the year but there is a huge time gap existing for the comprehensive research on quality aspects of Non performing Assets. Most of the research and studies are being done causes, impact and management Aspects of NPA's.

**SOURCES OF DATA**

The data collected is mainly secondary in nature. The source of data for this Research Paper include the literature published by Indian Bank and The Reserve Bank of India Various magazines Journals, Books dealing with the current banking scenario and research papers.

For our study, we have considered Non Performing Assets in Scheduled Commercial Banks which includes public sector banks, Private sector banks and foreign banks which are listed in the second schedule of the Reserve Bank of India Act 1934. The study is based on secondary data. The paper discusses the conceptual framework of NPA and it also highlights the trends status and Impact of NPA on scheduled commercial banks.

Banking industry is taken for the study where aggregate data related to NPA for Public sector Banks, Private Sector Banks is used.

**BREAKING DOWN NON- PERFORMING ASSET- NPA**

Banks usually categorize loans as Non- Performing after 90 days of nonpayment of interest or principal, which can occur during the term of the loan or for failure to pay the principal due at maturity. For example, if a company with a \$10 million loan with interest-only payment of \$50,000 per month fails to make payment for three consecutive months, the lender may be required to categorize the loan as Non-Performing to meet regulatory requirements. A loan can also be categorized as Non-Performing if a company makes all interest payments but cannot repay the principal at maturity.

**THE EFFECTS OF NPA**

Carrying Non-Performing assets, referred to as Non-Performing loans on the balance sheet places three distinct burdens on lenders.

1. The Non-Payment of interest or principal reduces cash flow for the lender, which can disrupt budgets and decrease earnings.
2. Loan loss provisions, which are set aside to cover potential losses, reduces the capital available to provide subsequent loans.
3. Once the actual losses from defaulted loans from defaulted loans are determined, they are written off against earnings.

**RECOVERY LOSSES**

Lenders generally have four options to recoup some or all of the losses resulting from non-performing assets. When companies are struggling to service debt, lenders can take proactive steps to restructure loans to maintain cash flow and avoid classifying loans as non-performing when defaulted loans are collateralized by assets of borrower lenders can take possession of the collateral and sell it to cover losses to the extent of its market value.

Lenders also convert bad loans into equity, which may appreciate to the point of full recovery of principal lost in the default loan. When bonds are converted to new equity shares the value of the original shares is usually wiped out. As a last resort, banks can sell bad debts at steep discounts to companies that secured in loan collections. Lenders sell defaulted loans that are not reused with collateral or when the other means of recovering losses are not cost effective. New NPA norms give more power to RBI to settle bad loans.

As per the new rules, under section 35AA- The central bank is entitled to issue directions to any banking company or banking companies to initiate insolvency resolution process in respect of a default under the provision of the provisions of the insolvency and Bankruptcy code. Another reform was made in section 35AB where the central bank from time to time, issue directions to the banking companies for resolution of stressed assets.

Although Finance Minister M.R. Arun Jaitley in the month of March 15, 2017 stated that Non-Performing assets are showing a declining trend in the last few quarters of FY 17, yet it continues to be one of the major problem in India. Gross NPAs which stood at Rs 15 Lakh-Crore as on March 2012 have increased by a whopping 415.38% at Rs 67 Lakh core as an September 2016.

Five ways the government and reserve bank of India can speed up recovery of Non-Performing assets (NPAs)

- 1. Amendment in banking Law to give RBI more powers:-** The banking regulation act may be amended to give RBI more powers to monitor bank accounts of big defaulters. The amendment in the banking law will enable setting up of a committee to oversee companies that have been the biggest defaulters of loans. RBI wants stricter rules for joint lender's forum (JLF) and over sight committee (OC) to curb NPAs.
- 2. Stringent NPA recovery rules:-** The government has over the years enacted and tweaked stringent rules to recover assets of defaulters. The securitization and reconstruction of financial assets and enforcement of security interest act or Sarfaesi Act 2002 was amended in 2016 as it took banks years to recover the assets. Experts have pointed out that NPA problem has to be tackled before the time a company starts defaulting. This needs a risk assessment by the lenders and reflagging the early signs of a possible default.
- 3. RBI's loan restructuring schemes:-** RBI has over the part few decades come up with a number of schemes such as corporate debt restructuring (CDR), for Nation of Joint Lender's form (JLF), flexible structuring for long term project loans to infrastructure (or 5/25 scheme) strategic debt restructuring (SDR) scheme and sustainable structuring of stressed assets (S4A) to check the menace of NPAs. In many cases, the companies have failed to make profits and defaulted even after their loans were restructured.
- 4. Present NPA scenario:-** According to the latest information collated by the government, stressed assets which includes both Non-Performing assets as well as restructured loans of banks stood at Rs. 9.64 Lakh-Crore on 31 December, 2016. In December, RBI's financial stability report said the gross Non-Performing advances (GNPAS) ratio of all banks increased to 9.1% by September 2016 from 7.8% in March 2016. The amount of stressed loans was setup at 12.3% of total loans given out by banks by September, up from 11.5% in March 2016. PSU banks are worst hit as their GNPA may increase to 12.5% by March 2017 and them to 12.9% in March 2018 from 11.8% in September 2016.
- 5. Bank may need to take a hair cut:-** In the past few quarters, most of the banks especially splendors, have reported a sharp fall in profits as they set aside hefty amounts for losses on account of NPAs.

**WHICH ERODED THEIR PROJECTS?**

Given the gravity of the problem, the government may ask banks to go for more 'hair cut' or write offs for NPAs. The government and RBI may also come up with a one-time settlement scheme for top defaulters before initiating stringent steps against them.

The finance Minister and RBI are also considering setting up of a 'bad bank' to deal with the problem of Non-Performing loans, as it has been suggested by chief economic adviser Arvind Subramanian in the economic survey. Reserve bank deputy governor Viral Acharya has also floated the twin concept of Private Asset Management Company (PAMC) and national asset management company (NAMC) for resolution of stressed assets. With rule, changes and strict regulation banks may be asked to restructure about 50 large NPA accounts by December 2017.

**INDIA'S BIG BAD LOAN PROBLEMS: BANKS WITH HIGHEST NPA'S**

TABLE 1

NAME OF BANK	GROSS NPA	%	LOSS IN MARCH 2017	LOSS CORRESPONDING LAST QUARTER OF 2016
1. INDIAN OVERSEAS BANK	Rs.35,098.25 Crore	22.39	RS.646.66 Crore	Rs 936.19 Crore
2. IDBI BANK	Rs.44,752.59 Crore	21.25	RS.3199.76Crore	Rs 1735.81Crore
3. CENTRAL BANK	Rs.27251.33 Crore	17.81	RS.591.77Crore	Rs 898.04Crore
4. BANK OF INDIA	Rs.52044.52 Crore	13.22	RS.10.46Crore	Rs 35.87Crore
5. PUNJAB NATIONAL BANK	Rs.55370.45 Crore	12.53	RS.22415Crore	Rs 42252Crore
6. ORIENTAL BANK	Rs.22859.27 Crore	13.73	RS.1218.01Crore	Rs 21.62Crore
7. DENA BANK	Rs.12168.73 Crore	16.27	RS.575Crore	Rs 326Crore
8. CANARA BANK	Rs.34202.04 Crore	9.63	RS.2.14 Crore Billion Profit	Rs39.05 Crore Billion loss

TABLE 2: LOANS RETURNS OF PSU BANKS (RS. CRORE)

YEAR	WRITE OFF AMOUNT	COMBINED NET PROFIT
2012-13	27,231	45849
2013-14	34,409	31513
2014-15	49,018	30868
2015-16	57,586	20,003
2016-17	81,683	474

Source Finance Ministry & RBI

The NPA Accounts in RBI's second defaulter list CLEAN-UP LIST

Companies among RBI's second list of 28 defaulters

- 1) Anrak Aluminum
- 2) Asian Colour Coated Ispat
- 3) Bilt Graphic Paper Products
- 4) Castix Technologies
- 5) Costal Projects
- 6) East Coast Energy
- 7) IVRCL
- 8) JayaswalNeco Industries
- 9) Orchid Pharma.
- 10) SEL Manufacturing
- 11) Soma Enterprise
- 12) Uttam Galva Metallic
- 13) Uttam Galva steel
- 14) Videocon Industries
- 15) Videocon Telecom
- 16) Visa steel
- 17) ESSAR Projects
- 18) Jai Balaji Industries
- 19) Jai Prakash Associates
- 20) Monnet POWER

- 21) Nagar Oil Rivery
- 22) Ruchi Soya industries
- 23) Wind World Indir

### INDIA'S BAD LOANS PROBLEM IS GETTING WORSE

Axis bank one of the country's major Private lenders. According to its latest results released on October 17 the Bank Earnings rose 35.5% year on year, yet its gross Non-Performing assets grew to Rs 27,402 crore in July September quarter from Rs. 22031 crore in April-June 2017. Two years Ago, its NPAs were only about Rs 4451 crore. The Bank's NPA ratio rose to 5.9% in July September from 5.03% in the preceding quarter. That is 5.9% of the total money lent by the bank is now bad debt.

### INDIA'S BAD LOANS

According to RBI just 12 companies are estimated to account for 25% of the total NPA, and have been identified for immediate bankruptcy proceedings. While there are 488 others which have been given six months time to restructure their debt or be dragged to National Company Law Tribunal (NCLT).

The companies identified by RBI for immediate bankruptcy proceedings are:-

- (1) Bhushan steel Ltd :- Bhushan steel, the largest manufacturer of auto grade steel in India, has a loan default of RS 44,478 crore. The state Bank of India (SBI), the leadbank of the consortium of lenders had moved the NCLT for Recovery of its loan. The NCLT has reserved its order on the plea.
- (2) LancoInfratech Ltd :- LancoInfratech, Once listed among fastest growing in the world, has a loan default of Rs 44,364 crore. IDBI has already initiated the process under the Insolvency and Bankruptcy code against company's loan defaults.
- (3) Essar Steel Ltd :-Essar Ltd, one of the biggest in India and abroad in the steel sector, has a loan default of Rs 37284 crore.
- (4) Bhushan Power & Steel Ltd :- Bhushan Power and steel, a sister company of Bushan steel, also has a loan defaults of Rs. 37,248 crore. Bushan Power and steel was dragged to the NCLT by the Punjab National Bank. The NCLT has also reserved its order on the plea.
- (5) Alok Industries :- Alok industries which is a Mumbai- based textile manufacturing company, has a loan default of Rs 22,075 crore. The NCLT, in July, admitted insolvency proceeding against the company filed by State Bank of India for recovery of Rs. 3,772 crore loan. Other lenders include Punjab National Bank, Bank of Baroda, IDBI Bank, Standard chartered Bank Etc.
- (6) Amtek Auto Ltd:-Amtek Auto, one of the largest integrated component manufacturers in India, has a loan default of Rs 14,074 crore. SBI had moved the NCLT for bankruptcy proceedings against the bank, which was admitted by the Chandigarh bench.
- (7) Monnet Ispat and Energy Ltd :- Monnet Ispat and Energy, one of India' steel producers have a loan default for Rs 12115 crore. The bankruptcy proceedings against the company was approved by NCLT in July.
- (8) Electro steel steels Ltd :- Electro steel steels is an Indian water infrastructure company based in Khardah near Kolkats. The loan default by the company stands at Rs 10,273 crore. Consortium leader SBI had initiated insolvency proceedings, which was admitted by NCLT.
- (9) Era Infra Engineering Ltd:- Era Infra Engineering, one of India's infrastructure companies has a loan default of Rs 10.065 crore. Union Bank has moved the NCLT against the company, but the tribunal reserved its order over jurisdiction issues. There are many winding up petitions pending in Delhi High court against the company, which has superior Jurisdiction over NCLT.
- (10) Jaypee Infratech Ltd.:-Jaypee Infratech is a subsidiary of conglomerate Jaypee Group founded by Jai prakash Gaur. It has a loan defaults of Rs 9635 crore. In August, NCLT had admitted insolvency petition filed by IDBI Bank, but the Supreme Court stayed the order after homebuyers filed petitions against the move. The company is now seeking to sell Yamuna. Express way to Raise Rs 25000 crore to compensate homebuyers.
- (11) ABG Shipyard Ltd :- ABG shipyard, an Ahmedabad. Based ship building company, has a loan default of Rs 6953 crore. The company is one of the two companies among the 12 which has agreed to loan default and bankruptcy proceeding initiated by banks.
- (12) Jyoti structures Ltd:-Jyoti structures a power transmission and distribution company has a loan default of Rs 5165 crore. The company become the first among the 12 companies to face the bankruptcy proceedings. The petition for insolvency was filed by its lead lender SBI. Like ABG shipyard, Jyoti structures did not oppose the bankruptcy proceedings against it. The amount cited in the article are loan default by the companies and not bad loans. A loan become bad when a bank declares that it cannot recover the amount lent to a company. The RBI has estimated these 12 accounts about 25% of the gross NPA's.

### CONCLUSION

Based on the above discussion, reports, observations, issues and perspectives on the performance of banking sector and financial stability of the economy, RBI set to dump its soft approach, well now play hardball over bad loans. Steps like assets quality review, restructuring and RBI's direction to refer companies to NCLT well potentially ease stressed assets situation for the banking system. The question is to ask in such a scenario is how big the actual problem is and what does it entail for banks? In such a scenario the RBI direction is referring companies to the National Companies Law Tribunal (NCLT) could push the NPA cleanup process into its end game.

With the provisioning requirement almost taken care of the time is now opportune for banks to aggressively get into restructuring mode.

The economy, global as well as Indian, is also an upstick, creating amenable environment for promoters to agree reconstructing terms. This is because promoters also now see the potential of an upside in case of restructuring works out. Assuming most cases will be referred to the NCLT by October 2017, we could expect most resolutions restructuring to be in place by June 2018.

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## EFFECTS OF STRESS AND ITS CONSEQUENCES ON CONSUMER SAVINGS PATTERN

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**ABSTRACT**

*The developing countries like India face the enormous task of finding sufficient capital in their development efforts. Most of the countries find it difficult to get out of the vicious circle of poverty of low income, low savings, low investment, low employment etc., India needs very high rates of savings and investment to make a leap forward in efforts of attaining high levels of growth. As a result, automatically a stress is on people to manage savings and spending pattern.*

**KEYWORDS**

savings pattern, stress, spending, consequences of stress.

**INTRODUCTION**

aving is closely related to physical investment, in that the former provides a source of funds for the latter. By not using income to buy consumer goods and services, it is possible for resources to instead be invested by being used to produce fixed capital, such as factories and machinery. Saving can therefore be vital to increase the amount of fixed capital available, which contributes to economic growth.

**STRESS**

Stress occurs when the human body experiences a lack of equilibrium that is perceived as threatening by that individual. Certain psychological conditions that can evoke stress are: Loss of control, New situations, Unpredictability, A threat to the ego, Anticipation of negative consequences and Ambiguous situations

**TYPES OF STRESS**

- Acute Stress
- Episodic Stress
- Chronic Stress

**Acute Stress**

The word "stress" cannot a negative impression, acute stress is what actually brings above excitements, joy and thrill in our lives. Riding a roller coaster in a theme park, for instance, is a situation that brings about acute stress, yet brings excitements. Because acute stress occurs only at a very short period, these symptoms might only come out when stress has already accumulated:

- **Emotional distress**, Such as anger, anxiety, irritability, and act period of depression
- **Physical Problems**, such as headache, pain, stomach upset, dizziness, heart palpitations, shortness of breath, hypertension and bowel disorders.

**Episodic stress**

Acute stress that is suffered too frequently is called Episodic stress. Episodic stress is not like chronic stress, though, because this type of stress ceases from time to time yet not as frequently as acute stress does.

**Chronic stress**

Chronic stress is the total opposite of acute stress; these stressful situations seem to be unending, and the accumulated stress that results from expose to them can be life threatening, and can even lead a person to resort to violence, suicide and self-harm. Serious illnesses like stroke, heart attack, cancer, and psychological problem such as clinical depression and post-traumatic disorder can originate from chronic strength.

**REVIEW OF LITERATURE**

**Haws and et.al, (2012)** in their research paper titled, "Consumer Spending Self-Control Effectiveness and Outcome Elaboration Prompts", this paper analyze the decision making related to finances is of significant importance. A major factor underlying financial decision making involves differences in consumers spending self-control (CSSC). We conceptualize CSSC as an individual difference, distinct from general self-control, develop a parsimonious measure to assess it, and demonstrate important related consequences and behaviors. **Kasilingam and Jayabal (2009)** in their article, "Savings and Investment Practices of Salaried Class Investors" in Tamilnadu, the size of saving of household plays a vital role in the progress of not only individual household but also the nation. It acts as a buffer to an individual in the case of emergencies and it helps the individual to plan the future course of action. It is essential to the nation to augment its development. Understanding the savings behavior of this sector is of crucial importance in devising appropriate saving policies. Therefore, for the purpose of this study, the information is collected from investors about their monthly savings and constituents of such savings. **Leach and et.al. (2000)**, in their article, "Differences in Spending Habits and Credit Use of College Students", in a study of college students, affective credit attitude and gender influenced college students credit purchases. A path analysis model showed gender differences in the relationship between financial practices, financial stress, affective credit attitude, and the number of credit cards with a balance.

**OBJECTIVES OF THE STUDY**

1. To find out the stress causing factors in saving and consequences of stress.
2. To Offer Constructive Suggestions.

**RESEARCH METHODOLOGY**

This research studies are concerned with describing the characteristics of a particular or a group. This study is concerned with specific predictions, with narration of facts and characteristics concerning individuals, group or situation are examples of descriptive studies.

The research uses both primary and secondary data and the primary data was collected through questionnaire from the respondents in Coimbatore city. The Customers are met residing in various areas of Coimbatore city. Their responses and feedback is noted down in questionnaire. The secondary data were collected from magazines, articles, internet, etc. The sample size is limited to 200 due to time constrains.

RESULTS AND DISCUSSIONS

WEIGHTED AVERAGE ANALYSIS

TABLE 1: STRESS CAUSING FACTORS IN SAVING

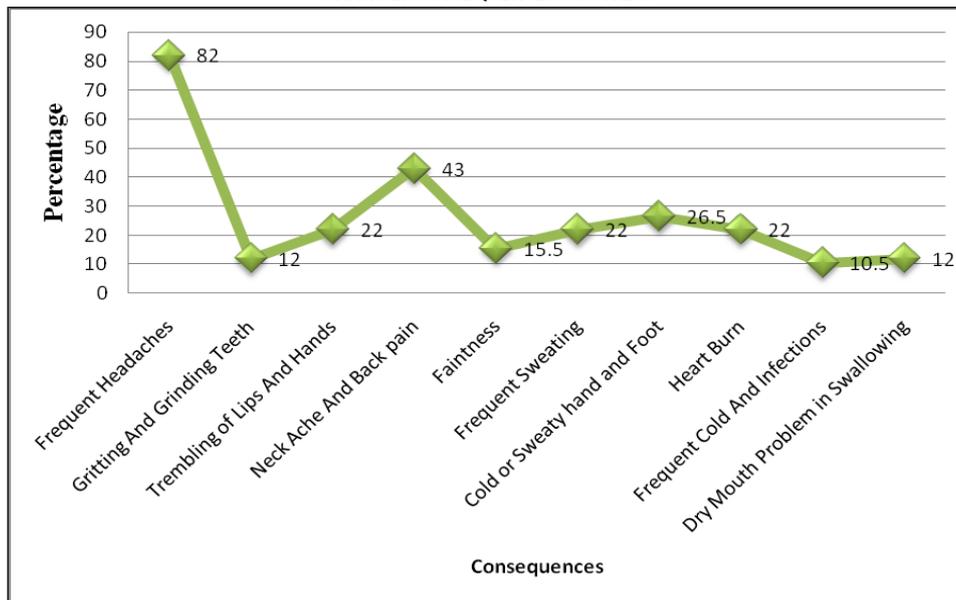
S. No	Factors	Weighted Average Score	Rank
1	Commitments towards EMI	856	1
2	Family Pressure	832	2
3	Children’s Fees	698	5
4	Sudden Medical Expenses	686	7
5	Month End	696	6
6	Over Spending	705	3
7	Low Salary	700	4

Source: Primary Data

From the above table it is inferred that Commitments towards EMI ranks first with the scores of 856, Family Pressure and Over Spending places the 2<sup>nd</sup> and 3<sup>rd</sup> rank, Low Salary and Children’s Fees places the 4<sup>th</sup> and 5<sup>th</sup> position, Month End and Sudden Medical Expenses places the 6<sup>th</sup> and 7<sup>th</sup> ranks. Thus, it concludes that Commitments towards EMI ranks first with the scores of 856.

MULTIPLE RESPONSE

CHART 1: CONSEQUENCES OF STRESS



The above Chart shows that 82.0 per cent face “frequent headaches” on the consequences of stress, 43.0 per cent face “Neck Ache And Back pain” on the consequences of stress, 26.5 per cent face “cold or sweaty hand and foot”, “Trembling of Lips And Hands”, “Heart Burn”, “Trembling of Lips And Hands” as consequence of stress faced by 22.0 per cent respondents, 15.5 per cent face “faintness” on the consequences of stress, “Gritting And Grinding Teeth” and “Dry Mouth Problem in Swallowing” as consequences of stress faced by 12.0 per cent respondents and 10.5 per cent face “Frequent Cold And Infections”. The majority (82.0 per cent) face “frequent headaches” as the consequences of stress.

SUGGESTIONS

- The consumer should think rationally before spending the money and should be more aware about various savings and investment avenues available in the market.
- Customers feel Shopping or spending money is to relieve emotional distress, this attitude has to be avoiding for healthy future development.
- Compulsive or uncontrollable spending is the main reason for low savings.
- Using credit cards to spend over budgets and feeling lost without them, is more physiological disorder, it can be controlled through meditation.
- Constantly having to juggle money and credit cards to make ends meet, this behavior is caused by high spending.

CONCLUSION

Customer’s spending, savings & its stress has a great influence on the day-to-day activities of the life. The result reveals that commitment towards EMI is the main stress causing factors towards savings. It can also be concluded that people spend highly towards the family needs, and hospital needs. Stress leads consumer to save money in general but spent strategically on products that they perceive as necessities. This research contributes to our understanding of how stress influences consumer saving & spending including the role of people’s sense of control and they are facing frequent headaches as the consequences of stress. Thus, by having a regular exercise and mediation, people can able to control the effects of stress on saving & spending pattern.

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## HUMAN RESOURCE DEVELOPMENT AND THE OPERATIONAL PERFORMANCE OF ENTREPRENEURS IN NIGERIA

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### ABSTRACT

*The study considers Human Resource as the quality and quantity of human efforts directed towards producing goods and services to enhance production. In this study, operational performance, productivity and efficiency of entrepreneurs in Entrepreneurship and industrial concern are inferred to be dependent on several inter-related factors. Human Resource Development is one of the several important determinants of productivity and efficiency in any organization. This study examines the impact of Human Resource Development on the operational performance of entrepreneurs in Nigeria, with a study of entrepreneurial activities in Lagos, Ogun and Oyo states of Nigeria. The research method adopted for this study was survey and documentary analysis. The survey research involved collection of data from existing records and findings of the opinion on the subject through the use of structured questionnaire. Stratified sampling technique was used to select the 386 respondents for the study. The instrument was validated and pilot-tested to ascertain the internal consistency. The population for the study comprised selected entrepreneurs, human resource practitioners, trainers and supervisors in the study area. The internal consistency of the questionnaire was determined using Cronbach Alpha. The reliability coefficient of the questionnaire was 0.71. Data obtained were analyzed using mean, frequency count, percentages and one-way analysis of variance. A large proportion of the respondents indicate that human resource development as implied by the study has made great impact on the operational performance of their industries/enterprises. This ranges from filling vacancies more economically, coping with changes more effectively, achieving and maintaining good performance, to developing people to their full potential capacity. Participant's indications strongly point to the fact that human resource development activities have made positive change in the productivity of their organizations. There is also wide acceptance in entrepreneurship venture/industries that continuous human resource development is necessary and that it is one of the many viable ways to bring about change and development in industry and in individuals. It is also one of the ways to maintain the smooth running of entrepreneurial activities, thus increasing operational performance and productivity.*

### KEYWORDS

human resources, human resource development, entrepreneur, entrepreneurship, training and development, operational performance, productivity.

### INTRODUCTION

#### BACKGROUND TO THE STUDY

A number of factors can improve entrepreneurial activities and business operations, e.g. efficient methods, more highly capitalized plants, diversification into new markets, cutting down 'specials', Human Resource Development (HRD) and training Fajana (2015).

These and others have a lot to play in entrepreneurship development. But what specific impact can HRD make?

Since Nigeria's independence in October 1960, there has been relatively conscious and sustained efforts to improve the Nigeria economy. Many dynamic approaches, including diversification of the economy in the areas of education and training, agriculture, industry and commerce, have been taken to accelerate the growth of the economy. Although predominantly an agricultural economy, the discovery of oil in commercial quality rapidly changed the nature of the economy into a predominantly oil based one.

With effect from the early part of the 1970s, Nigeria experienced a phenomenal increase in wealth due to the large-scale exploitation of our crude oil. This situation then called for an equally phenomenal expansion in real demands for sophisticated goods and services and of course the need for more and better workers to produce and maintain them.

The rapid increase in industrialization at the time created some very critical issues regarding the amount of demand and the rate of supply of industrial manpower as well as the need for rapid Human Resource Development strategies to meet the challenges of the economic growth and development and harness Human Resource Management (HRM).

#### HUMAN RESOURCE MANAGEMENT (HRM) IN ENTREPRENEURSHIP

Developing, harnessing, refining and utilizing Human Resource effectively have been an onerous task through the ages. Consequently, Human Resource (HR) is not only part of the development strategies for entrepreneurship but managing it effectively, is indeed a vital problem of development itself. Human Resource according to Hassan (1999), is the aggregate of energy, knowledge, skill, behavior, attitude, cultural attributes and moral disposition of a people living within a particular social, political and economic setting. This feat of skill or faculty which varies in quantity and content between individuals according to age, gender, and class must properly be managed, harnessed, refined, motivated and utilized for economic growth and development. It is in the capacity for doing this, and the extent and wholesomeness with which HR is managed that nations differ between "developed", "developing" and "underdeveloped".

It is no mean task to manage, develop, harness, refine and utilize human resources for entrepreneurship development and growth. In conformity with its nature or characteristic, therefore Human Resources can only be managed and developed through a multidimensional, interdependent, interrelated and dialectical process. To this effect, conditions that will exhibit the maximum release of the wholesome energy knowledge, skill, attitude and behaviour of man must be provided. Implied in all these is the view that man's physical, physiological, psychological, cultural, moral, spiritual and even political needs for peaceful, harmonious, productive and beneficial existence and interaction should be met. It is only then will Human Resources be fully developed. In more practical terms, human resource management entails, bringing together different kinds of people to achieve a common purpose. In addition there must be the provision of effective health-care delivery, education, training and development, farming, fishing, good roads, potable water etc.

According to Belcourt et al (1999) Human Resource Management is a set of interrelated functions and processes whose goals is to attract, socialize, motivate maintain and retain an organization's employees. A wide range of public goods such as roads, transport, and communication facilities as well as clean and readily available water, especially for domestic and industrial use also enhance human resource management for entrepreneurship to succeed.

It also promotes the availability of gainful employment and entrepreneurship development facilities. In essence, human resource management can only be thorough and efficacious if the relationship between people is modulated by equitable distribution and collective decision making.

Boselie et al (2005) also explained that HRM responds accurately and efficiently to the organization's environment and complements other organizational systems and delivers added value through the strategic development of the organization's rare, inimitable and non-substitutable resources, embodied – literally – in its staff.

The foregoing validates the view that the continuous human resource development (i.e. people development) is not only indispensable for economic growth, industrial and entrepreneurial development, but more instructively the very process of harnessing, refining and utilizing human resources is itself the process of

economic growth and development. There is therefore a continuum between human resource development, organization development and economic growth and development. This also implies that without human (people) organization cannot exist. According to Armstrong and Baron (2004) – People and their collective skills, abilities and experience, coupled with their ability to deploy these in the interests of the employing organization are now recognized as making significant contribution to organizational success and constituting a major source of competitive advantage. Organizations are therefore made up of people of different kinds to achieve set objectives, goals and purposes. HR here also implies that people have capabilities that propel organizational performance together with other resources such as money, material information, machine and equipment. Others will include human capital, intellectual assets, etc, which will influence operational performance of organization. Positive change or improvement in any of these factors will lead to improved organization/entrepreneurship performance. This is what has motivated this study. To study, investigate and find out the impact of Human Resource Development on the operational performance of Entrepreneurs in Lagos, Ogun and Oyo states of Nigeria.

## SCOPE OF THE STUDY

The study is designed to examine the impact of Human Resource Development on the operational performance of entrepreneurs in Nigeria with a study of Entrepreneurial activities in Lagos, Ogun and Oyo States. The choice of these states was informed by the large concentration of Entrepreneurial activities in the state capitals i.e. Ikeja, Abeokuta and Ibadan areas of the states using a stratified random sampling of 385 entrepreneurs.

## SUMMARY OF LITERATURE REVIEW

### OPERATIONAL PERFORMANCE

Operational Performance in this study is considered as the organization's or firm's performance measured against set objectives, standard or prescribed indicators of effectiveness, efficiency, in the areas of productivity, quality and time-waste reduction. This will also include assessment of human resource development strategies, coping with change, effective utilization of equipment, machine and tools and building up the right environment for increased productivity.

Performance measurement is generally defined as regular measurement outcomes and results, which generates reliable data on the effectiveness and efficiency of programmes. Fuller (1999).

Assessing Operational Performance will include such activities to ensure that goals and objectives are consistently being met in an effective and efficient manner. According to Mutsuddi (2014) this can focus on performance of the organization, a department, processes to build a product or service, employees etc.

Belcourt, Sherman, Bohlender and Sneld (1999) had argued that when performance standards are properly established, they help to translate organizational goals and objectives into job requirements that convey acceptable and unacceptable levels of performance to employees and the entire organization workforce.

Consequently operational performance assessment strategy and management must define expectations in the form of a role profile, which sets out role requirement in terms of key results areas and the competencies required for effective performance. According to Armstrong (2012), the role profile provides the basis for agreeing objectives and methods of measuring performance and assessing the level of competency reached. Measuring performance is an important concept in performance management as it serves as the basis for providing and generating the required feedback.

### HUMAN RESOURCE DEVELOPMENT

Human resource development (HRD) according to Armstrong (2012) is concerned with the provision of learning, development and training opportunities in order to improve individual, team and organizational performance. Hence, HRD is essentially a business-lead approach to developing within a strategic framework. Whether in a free market or planned economy, educated, trained, skilled, knowledgeable and qualified human resource constitute a very important investment for a country.

The human resources of a nation, according to Yahaya (1999) which comprise men and women, young and old, engaged in the production of goods and services are the greatest, and indeed, the most precious assets of the nation. This point was earlier amplified by Harbison (1973) who asserted that:

"Human resources, not capital, not income or material resources, constitute the ultimate basis for the wealth of nations. Capital and natural resources are passive factors of production, human beings are the active agents who accumulate capital, exploit natural resources, build social, economic and political organizations and carry forward national development. Clearly, a country which is unable to develop and to utilize them effectively in the national economy will be unable to develop anything else."

This therefore suggests that country's development plans and policies should promote human development as a means towards meeting the challenges of manpower for economic and individual development.

According to the (UNDP), Human Development Report" (1997), "This will require policies that

- i. Generate full employment and security of livelihoods;
- ii. Foster people's freedom and empowerment
- iii. Distribute benefits equitably
- iv. Promote social cohesion and co-operation; and
- v. Safeguard future human development.

Planning national development must therefore involve investment in human capital for this will promote rapid national development. National plans should focus more on job creation and achieving macro-economic balance. Investing in human capital includes equipping the citizens with the necessary skills through education and training.

### STRATEGIES FOR HUMAN RESOURCE DEVELOPMENT

Yahaya (1993) suggested that in considering strategies for Human Resources Development for Entrepreneurship Growth and Industrial Development, the role of the following categories of human resources must be considered:

- a. Administrative, Managerial, Entrepreneurial personnel in both the public and private sectors.
- b. Professional personnel such as engineers, doctors, scientists and other technical personnel, and so on.

It is from these and other ranks that a progressive nation draws the human leadership for political and social activities and, of course, for economic and industrial development. The importance of these strategic categories of human resources for economic and industrial development has been underscored by Paul G. Hoffman (19 98), when he said: "The underdeveloped countries need high level manpower just as they need capital. Indeed, unless these countries are able to develop the required strategic human resources, they cannot absorb capital." Hoffman also developed a prescriptive point of view and, at the same time, identified more problems, when he said: "Of all the resources required for economic development, high talent manpower requires the longest "lead time" for its creation. Dams, power stations., can be constructed in a few years, but it takes 10 to 15 years to develop managers, engineers and the administration to operate them. The existence of such manpower, however, is essential if the countries are to achieve self-sustaining growth"

A further remark on the value of high-level manpower for economic and industrial development is that by John Gardner cited in Yahaya (1999) who said: "The demand for high-level manpower is firmly rooted in the level of technological complexity which characterizes modern life, and the complexity of modern social organization."

Yahaya (1999) was of the same view when he noted that: "The indices for measuring national growth and development, hinge on the conditions of human resources which a nation possesses. Human resources constitute the ultimate dignity of a nation. After all it is the interactions of people with natural resources that constitute the development process. The people according to Gant (1997), are the human resources for the supply of physical labour, technical and professional skills which are germane to effective and efficient planning and implementation of development policies, programmes, projects, and daily activities,"

It is the view of this study that continuous Human Resource development and training and retraining, for self-employment is the key to sustainable economic development. Odetola (1999) had earlier stated that to promote self-employment is to encourage initiative and innovation, entrepreneurship promotion and developmental flexibility to economic activity and growth.

**ENTREPRENEURSHIP AND ENTREPRENEURS**

There are several researches and various theories underlying entrepreneurship concept and phenomenon. The theories transcend several disciplines including economics, psychology and sociology.

Entrepreneurship is the process of developing new venture successfully. It begins with an innovative idea and identification of opportunities. According to Bob Reiss (2000) entrepreneurship is the recognition and pursuit of opportunity without regard to one's currently control resources with the confidence and assurance of success, with the flexibility to change course as necessary and the will to rebound from setback. Entrepreneurship is actually a process of creating something new with value by devoting the necessary time and efforts, assuming the accompanying financial, psychological and social risks and receiving the monetary and personal independence.

Who is an entrepreneur? Literatures have it that the Entrepreneur has certain personal traits which influence his behavior (Gana 2001) it could also be seen as activities that involve initiation, organizing, an innovator, risk bearer, manager of uncertainty in production or services who performs in the process of entrepreneurship? The ownership of new enterprise. Entrepreneurs launch new venture. Entrepreneurs refer to those types of individuals who have innovative and creative mind as well as enthusiastic nature, they possess various types of qualities such as creative and innovative mind, hardworking, optimistic, positive attitudes, foresight, work independently, risk bearer, good manager, self-confident, build for the future, result oriented, persistent with higher initiative and they have vision and capability to create new ventures, are able to identify new business opportunity set own standard, committed, take and manage risk and take advantage for it. They are achievement oriented as well as action oriented, individually driven to seek new challenges and higher achievements.

Entrepreneurship is the process of looking for new possibilities: making use of new ways of doing things, being alert to new opportunities and overcoming old habits. It is a dynamic process that breaks out of the static constraints set by efficiency.

Although entrepreneurship is often associated with the founding of new firms in the business world, yet the phenomenon transcends the establishment of a new enterprise. The functional line manager in a big corporation or any business enterprises for that matter may be according to Ochonogor (2012) termed an entrepreneur, so long as he is a creative problem solver who somehow solves unexpected problems that arise by figuring out a new way of doing things.

It could be correctly asserted that entrepreneurs are not necessarily investors, though investors may assume entrepreneurial roles. Entrepreneurs are more appropriately considered as innovators who combine factors of production in new and more efficient ways or adapt new production techniques from large stock of available proven technologies. Entrepreneurs have the intuitive ability to predict future business outcomes, which will eventually turn out to be true in reality. They have the ability to perceive and assess business opportunities, gather the necessary resources to take business opportunities, gather the necessary resources to take advantage of them and initiate appropriate actions to ensure success.

According to Nwachukwu (in Nwaru 1999) any person who runs a business is an entrepreneur. Thus, to Nwaru, the man who owns a bookshop, restaurant, manufactures nails, publishes books, prints, or is a wholesale trader or retailer, is an entrepreneur. In a more clear language, anyone who creates a business, establishes it, and nurses it to growth and profitability or takes over existing business and continues to build and innovate on it, or a man who runs a franchise, qualifies as an entrepreneur.

The term was later expanded and several attempts have been made to define and conceptualize the entrepreneur. Definitions may be classified into two broad groups: firstly, the economic and, secondly, the psychological and sociological. The 18th century economist Adam Smith viewed an entrepreneur as no more than a provider of capital. Another writer, J.B. Say not long after, provided perhaps the best known economic definition of the entrepreneur, as an agent for combining land, labour and capital. The special role of the entrepreneur was highlighted by J.A. Schumpeter, who, writing in 1934, introduced the concept of the entrepreneur as the creator of "new combinations", bringing about change. Schumpeter also considered the psyche of the entrepreneur, and suggested that entrepreneurs are motivated primarily by three possibilities: the dream and will to found a private "kingdom", the will to conquer and the joy of creating, and not mainly by economic reward. He says that they view such financial gain as they may reap as a measure of their success.

Various attempts have followed Schumpeter's work to explain entrepreneurial behaviour in both psychological and sociological terms. These include Max Weber (1965), who offered one of the first non-economic explanations of economic behavior.

An important and influential view of the psychological process leading to entrepreneurship was presented by David McClelland (1961) who rejected the idea that economic development was mainly caused by exogenous factors such as material resources, race and climate. Rather, he saw economic growth resulting from the activities of individuals. The importance of McClelland's work is the introduction of a further link between the individual and economic growth in the form of a psychological motive - the need to achieve. McClelland's hypothesis, which he later tested, was simple: a high need for achievement would cause individuals to behave in an entrepreneurial way and thus increase economic development.

While McClelland's work has been recognized as comprehensive and well researched with a contribution to make to policy development, criticisms have been made concerning the validity of the methods employed and the presumed link between the need for achievement and entrepreneurship. In spite of the criticism, however, the need for achievement motivation has been often accepted as necessary and sometimes even sufficient for entrepreneurial activity.

The literature review provided a broad area and clear indication of needs for real investigation on the direct impact of human resource development on the operational performance of entrepreneurs and their contributions to economic growth and development. The study also observed that entrepreneurship development can contribute immensely to a nation's economic growth and that it is a major key to self-employment and sustainable economic development and viability.

**RESEARCH METHODOLOGY**

The study investigated and examined the possible impact of HRD on the operational performance of entrepreneurs in three states of Nigeria.

The research design adopted for this study is survey and documentary analysis. The survey research involves collection of data from existing records and findings of the opinion on the subjects through the use of structured questionnaire. Stratified sampling technique was used to select the respondents for the study. The instrument was validated and pilot-tested to ascertain the internal consistency using Cronbach Alpha. Data obtained were analyzed using mean one way analysis of variance, percentages and frequency count. The reliability coefficient of the questionnaire was 0.71.

The instrument used was personally developed and administered by the researcher with the assistance of some entrepreneurship students from JABU University. The instrument was validated by three experts from the field of Human Resource Development, Management Training and Education and Entrepreneurs of various categories.

**SUMMARY AND ANALYSIS OF FINDINGS**

**RESEARCH QUESTION**

What are the results, benefits or impact of Human Resource Development efforts?

**TABLE 1: RESPONDENTS MEAN SCORE IN RELATION TO ACHIEVING AND MAINTAINING GOOD OPERATIONAL PERFORMANCE**

i) Achieving and maintaining good operational performance	(ENT) N=130		(TR) N=125		(SU) N=131		Combined mean	Remarks
	Mean ENT	SD	Mean TR	SD	Mean SU	SD		
a) Increasing productivity	4.69	0.88	4.65	0.79	4.66	0.94	4.67	SA
b) Reducing wastage of materials	4.69	0.88	4.65	0.95	4.65	0.98	4.66	SA
c) Reducing damage to machine and tools	4.83	0.77	4.83	0.72	4.82	0.74	4.83	SA
d) Increasing profitability to organization	4.69	0.88	4.65	0.95	4.66	0.94	4.67	SA
e) Rectifying deteriorated situation	4.70	0.86	4.67	0.91	4.678	0.90	4.68	SA
f) Improving on existing situation	4.57	0.95	4.67	0.91	4.59	0.91	4.61	SA
g) Creating a total new situating	4.57	0.94	4.56	0.96	4.59	0.91	4.57	SA
h) Decreasing amount of supervision	4.58	0.91	4.56	0.96	4.60	0.86	4.59	SA

Data in Table 1 indicate the combined mean scores of the Entrepreneurs, Trainers, and Supervisors in relation to achieving and maintaining good performance. Data show that all the participants strongly agreed that HRD helps in achieving and maintaining good operational performance with a combined mean score of 4.83 increasing productivity  $\bar{x}$  = 4.66, increasing profitability  $\bar{x}$  4.67 improving on existing situation  $\bar{x}$  = 4.68 and decreasing amount of supervision.

**TABLE 2: RESPONDENTS MEAN SCORES IN RELATION TO DEVELOPING PEOPLE TO THEIR FULL POTENTIAL CAPACITY**

ii) Developing people to their full potential capacity	(ENT) N=130		(TR) N=125		(SU) N=131		Combined mean	Remarks
	Mean ENT	SD	Mean TR	SD	Mean SU	SD		
a. Improving quality of workmanship	4.58	0.90	4.56	0.92	4.60	0.91	4.59	SA
b. Reducing overhead cost of production	4.70	0.83	4.69	0.85	4.66	0.94	4.68	SA
c. Improving supervisory morale	4.56	0.97	4.55	0.98	4.58	0.93	4.56	SA
d. Improving the moral of the labour force	4.60	0.83	4.60	0.81	4.62	0.78	4.61	SA
e. Revealing the special talents in the employees	4.59	0.85	4.59	0.84	4.61	0.80	4.60	SA
f. Generating better working climate	4.71	0.80	4.65	0.95	0.69	0.85	4.68	SA
g. Generating consistent change in behavior of workers	4.70	0.84	4.67	0.91	4.64	1.10	4.67	SA
h. Reducing accident rates	4.59	0.87	4.56	0.96	4.60	0.86	4.58	SA

Data in Table 2 indicate the combined mean scores of the Entrepreneurs, Trainers, and Supervisors in relation to developing peoples potential capacity. Data shows that the participants strongly agreed that HRD is a major instrument for developing people to their full potential capacity  $\bar{x}$  = 4.58 reducing overhead cost of production  $\bar{x}$  = 4.68, improving the morale of the labour force  $\bar{x}$  = 4.61, generating better working climate  $\bar{x}$  = 4.68 generating consistent change in behaviour of workers  $\bar{x}$  = 4.67, and reducing accident rates  $\bar{x}$  = 4.58.

**TABLE 3: RESPONDENTS MEAN SCORES ON THE RESULTS OF HR DEVELOPMENT IN RELATION TO FILLING VACANCIES ECONOMICALLY**

iii) Filling vacancies more economically	(ENT) N=130		(TR) N=125		(SU) N=131		Combined mean	Remarks
	Mean T	SD	Mean T	SD	Mean SU	SD		
a) Reducing or diminishing high labour turnover	4.10	1.26	4.10	1.27	4.10	1.27	4.10	A
b) Increasing versatility of employees	4.43	0.97	4.45	0.93	4.47	0.83	4.45	A
c) Developing resources of individual	4.26	1.21	4.46	1.22	4.25	1.26	4.26	A
d) Reducing excessively long learning times	4.24	1.25	4.25	1.25	4.24	1.25	4.24	A
e) Providing better working climate	4.24	1.25	4.39	1.09	4.40	1.07	4.34	A
f) Improving quality of workmanship	4.67	0.88	4.65	0.95	4.66	0.94	4.67	SA

Data in Table 3 indicate the combined mean scores of the Entrepreneurs, Trainers and Supervisors on the result of the HRD in relation to filling vacancies more economically. Data show that the participants considered and agreed that Human Resource Development activities has contributed in, reducing high labour Turnover  $\bar{x}$  = 4.10, increasing versatility of employees  $\bar{x}$  = 4.45, developing resources of individual,  $\bar{x}$  = 4.26 reducing excessively long learning times  $\bar{x}$  4.24, providing better working climate  $\bar{x}$  = 4.34 and strongly agreed that HRD contributes to improving the quality of workmanship  $\bar{x}$  = 4.67.

**TABLE 4: RESPONDENTS MEAN SCORES IN RELATION TO COPING WITH CHANGES MORE EFFECTIVELY**

iv) Coping with changes more effectively	(ENT) N=130		(TR) N=125		(SU) N=131		Combined mean	Re- marks
	Mean ENT	SD	Mean TR	SD	Mean SU	SD		
a) Coping with changes in products and production methods;	4.69	0.88	4.69	0.87	4.20	1.61	4.582	SA
b) Better utilization of machines and tools	4.69	0.88	4.65	0.95	4.67	0.93	4.67	SA
c) Coping with changes in manufacturing and technology	4.45	1.20	4.59	1.35	4.61	0.80	4.55	SA
d) Building up the right environment for increased productivity	4.70	0.86	4.66	0.93	4.67	0.93	4.67	SA
e) Creating the right environment for increased productivity	4.59	0.85	4.59	0.86	4.61	0.80	4.60	SA
f) Helping the firm to adapt change conditions	4.38	1.11	4.39	1.09	4.39	1.08	4.39	A
g) Increasing organization effectiveness and health	4.40	0.83	4.59	0.86	4.40	1.07	4.46	A
h) Bringing about a smooth transaction from a present known state of affairs of the organization to the organization that is envisage for the future	4.20	1.10	4.39	1.09	4.41	1.05	4.33	A
i) Coping with changes in labour market	4.59	0.85	4.39	1.09	4.91	0.80	4.53	SA
j) Developing new products	4.69	0.88	4.59	0.83	4.56	0.94	4.65	SA

ENT = Entrepreneurs (130), TR = Trainers (135), SU = Supervisor (131), SD = Standard Deviation, SA = Strongly Agree, A = Agree.

Data in Table 4 indicate the combined mean scores of the Entrepreneurs Trainers and Supervisors in relation to coping with changes in the study area. Data show that the participants strongly agreed that Human Resource Development enables entrepreneurs and employees to cope with changes in productivity and production methods  $\bar{x}$  = 4.52, cope with changes in manufacturing and technology  $\bar{x}$  = 4.55, build up the human resources in the organization  $\bar{x}$  = 4.67 and to create the right environment for increased productivity  $\bar{x}$  = 4.60. Participants also agreed that HRD activities help the entrepreneurs and employees to adapt to changing conditions  $\bar{x}$  = 4.39, to bring about a smooth transaction from a present known state of affairs of the organization to the organization that is envisaged for the

future,  $\bar{x} = 4.33$ . The participants strongly agreed that HRD activities enables entrepreneurs to cope with changes in labour market,  $\bar{x} = 4.33$  and develop new products  $\bar{x} = 4.65$ .

**TABLE 5: SUMMARY OF THE ANALYSIS OF VARIANCES OF THE RESPONSES OF ENTREPRENEURS TRAINERS, AND SUPERVISORS ON THE IMPACT (RESULTS) OF HRD HUMAN RESOURCE DEVELOPMENT**

Source of Variance	SS	df	ms	F	Level of Significance	remarks
Between group	0.003	2	0.0015	0.052	0.05	NS
Within groups	2.991	105	0.0284			
Total	2.994	107				

Data in table 5 shows the result of the analysis of variance ANOVA summary on data regarding the impact of Human Resource Development on the operational performance of Entrepreneurs in the Industries studied. The data showed that there is no significant difference between the test score results of the respondents on the impact of Human Resource Development in relation to operational performance in the study area with an F. ratio of 0.05. Since the calculated F-Ratio is less than the table value of 3.09 the null hypothesis is retained.

## DISCUSSIONS

### THE IMPACT OF HUMAN RESOURCE DEVELOPMENT (HRD)

All the respondents considered that HRD as implied by the study has made great impact on the operational performance of entrepreneurs in Nigeria. Indranli (2014) had earlier suggested that Human Resource Development (HRD) means developing or trapping hidden qualities in people in order to make them accomplish new functions leading to organizational and individual goals. Human resource development is concerned with the development and implementation of people strategies, which are integrated with corporate strategies, and ensures that the culture, values and structure of the organization, and the quality, motivation and commitment of its members contribute fully to the achievement of its goals. HRD is a set of systematic and planned activities designed by an organization to provide its members with the necessary skills to meet current and future job demands.

All respondents in this study considered that HRD helps in filling vacancies more economically coping with changes more effectively, achieving and maintaining good performance also help to developing people to their full potential capacity. Participant's indications in the survey analysis strongly point to the fact that HRD has made positive changes in the productivity of the organization.

It cannot be too strongly stressed that Human Resource Development however does not serve only the purpose of change; according to Bass and Barret (1981) it is also the means of maintaining standards and ensuring that those who are newly recruited to existing work and practice are able to maintain those standards- Analysis also affirm that HRD has contributed to a large extent in improving organization performance, providing increased production, improve quality of workmanship, increased profitability to company, increased versatility of the employee etc.

According to Indranil (2014) it is also a means of developing or trapping hidden qualities in people in order to make them accomplish new functions leading to organizational and individual goals. However a crucial factor in the success of this approach is that trainers (HRD practitioners) acquire more knowledge of organization development since according to Indranil, it is a process of increasing knowledge, skills, capabilities and Positive work attitude and value of people working at all levels in an organization. It constitutes the logical outcome of the argument that organization employees are its most valuable resource and must be regularly developed, trained and retrained.

Majority of all respondents considered that HRD provides increase productivity, high quality of output, decrease in rejects, low accident rate, low machine down time, low scrap rate etc. Generally, it would seem that there is wide acceptance in organization of respondents that HRD as being encourage by this study, is necessary for improved productivity, commitment on the part of management and better-trained work force for entrepreneurship development.

## CONCLUSION

According to Armstrong (2012) the essence of Human Resource Management is that employees are valued assets and that their value should be increased by a systematic and coherent approach to investing in their training and development. Resourcing is about providing the skills base needed by the organization. Human Resource Development is about enhancing and widening these skills by training, by helping' people to grow within the organization, and by enabling them to make better use of their skills and abilities.

The findings of this study have far reaching implications for those involved in Human Resource Development in general. It has for sometime become popular to refer to training and development as agent of change Kubr (1977). Rotter et al (1979), Diana Pheysc(1981), and Armstrong (2007). This study has shown that training does not serve only the purpose of change, for it is also the means of maintaining the smooth running of organization and that through HRD employees will have the necessary knowledge, attitude and skill for efficient and effective operational performance. This implies that the HRD practitioners can therefore improve their chances of success in entrepreneurship development by:

- Conducting entrepreneurship organization analysis that identifies the current situation, problems and forces that are possible causes of those problems or failures.

Further impact and benefits of Human Resource Development was earlier highlighted by Armstrong who claimed that investment in Human Resource Development could bring to an organization:

- A signal to the employees that management believes they are important.
- Motivation to acquire new skills and consequent rewards.
- Identification with company goals through better employee understanding.
- Job enrichment through training and the acquisition of new skills.

According to Adegeye (2015) the experiences of developed economies in relation to the roles and inputs of entrepreneurship ventures buttresses the fact that the importance of entrepreneurship cannot be overemphasized especially among the developing countries.

With regards to operational performance of entrepreneurs, the study has shown that HRD has brought change and development to entrepreneurship activities as well as to individual entrepreneurs within industries to maintain the smooth running of entrepreneurship activities and hence increase operational performance and increase productivity.

This study sees an entrepreneur as an important agent of innovation growth and technical progress for a nation's economic viability. The study also shows that most respondents are of the view that HRD in entrepreneurship impacts positively on economic development and that the idea that entrepreneurship and economic growth are positively linked has undoubtedly been made since the early works of Schumpeter. However, with the increasing number of higher institutions, including entrepreneurial courses in the student's syllabus, Entrepreneurship undoubtedly will continue to develop and grow nationwide.

However, operational performance, productivity and efficiency in entrepreneurship and industrial concern, are dependent on several inter-related factors. Human Resource Development is one of several important determinants.

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## EFFECTIVENESS OF HEDGING A PORTFOLIO OF SELECTED SHARES USING INDEX FUTURES BASED ON THE STUDY CONDUCTED IN OUR INVESTMENTS ENTERPRISE LTD. (ERSTWHILE COCHIN STOCK EXCHANGE LTD.)

**GREGORY JOHN**  
**GUEST LECTURER**  
**GRFT VHSS**  
**THEVARA**

### ABSTRACT

*The study was done at Cochin Stock Exchange, Kochi mainly concentrating on hedging of equity portfolio using index futures by constructing a portfolio which consists of 10 different companies from different sectors randomly selected. This study is an outcome of a study undertaken on the National Stock Exchange benchmark index-the Standard and Poor's Crisil Nifty Index and Nifty futures contract, on the present topic. The study is based on the concept that portfolio risk is dominated by the market risk, regardless of the composition of the portfolio. Index futures provide a solution for countering the market risk. Portfolio managers use index futures to hedge their portfolios against adverse future fluctuations in prices. For this study, a portfolio comprising of scrips traded in the National Stock Exchange were selected. A period from 31st March 2017 to 27th April 2017 was selected for the study. The secondary data are collected from the various websites and also information from various books, company publications etc. The interpretations and suggestions are on the basis of various analytical tools based on the prudence of the investigator.*

### KEYWORDS

futures, hedging, nifty, portfolio.

### INTRODUCTION

Capital market is a market where buyers and sellers engage in trade of financial securities like bonds, stocks, etc. introduction of equity derivatives was essentially the beginning of a new era in the Indian capital market.

A derivatives is a contract whose value is derived from the value of another asset, known as the underlying asset, which could be a share, a stock market index, an interest rate, a commodity, or a currency. The most important use of derivatives is in transferring market risk, which acts as a protection against losses resulting from unforeseen prices or volatility changes. Thus, derivatives are a very important technique of risk management

#### HEDGING

Hedging is the prime reason for the advent of derivatives and continues to be a significant factor deriving financial managers to deal in derivatives. Hedging involves transfer of market risks-the possibility of market sustaining losses due to unforeseen unfavorable price changes.

#### HEDGING – COMPLETE & PARTIAL

Hedging is any act that tries to protect an investment from price risk to the maximum extent possible. So, it's just like insurance.

Full hedge is when you take exactly equivalent opposite position in order to protect 100% of your portfolio. Partial hedge is when you decide to hedge only a part of your holdings against risk.

#### TYPES OF DERIVATIVES

##### (1) FORWARD

A contract that obligates one counter party to buy and the other to sell a specific underlying asset at a specific price, amount and date in the future is known as a forward contract. They are the simplest derivatives. The change in the value of a forward contract is roughly proportional to the change in the value of its underlying asset.

Forward contracts are customized with the terms and conditions tailored to fit the particular business, financial or risk management objectives of the counter parties.

##### (2) FUTURES

A futures contract is a standardize forward contract which can be easily traded between parties other than the two initial parties to the contract. The parties initially agree to buy and sell an asset for a price agreed upon today (the forward price), with delivery and payment occurring at a derivative product.

Contracts are negotiated at futures exchanges, which act as a market place between buyers and sellers. The buyer of a contract is said to be long position holder, and the selling party is said to be position holder.

##### (3) OPTIONS

A derivative transaction that gives the option holder the right but not the obligation to buy or sell the underlying asset at a price, called the strike price, during a period or on a specific date in exchange for payment of a premium known as 'option'. Underlying asset refers to any asset that is traded. The price at which the underlying is traded is called the 'strike price'. There are two types of options be, call option and put option.

##### (a) CALL OPTION

A contract that gives its order the right but not the obligation to buy an underlying asset – stock or any financial asset, at a specified price on or before a specified date.

##### (b) PUT OPTION

A contract that gives its owner the right but not the obligation to sell an underlying asset-stock or any financial asset, at a specified price on or before a specified date is known as a 'Put Option'.

##### (4) SWAPS

Swaps are transactions, which obligates the two parties to the contract to exchange a series of cash flows at specified intervals known as payment or settlement dates. In case of swap, only the payment flows are exchanged and not the principle amount. Interest Rate swaps and currency Swaps are the two commonly used Swaps.

#### NIFTY

The CNX Nifty is a well diversified 50 stock index accounting for 22 sectors of the economy.

The NIFTY 50 index is National stock Exchange of India's benchmark stock market index for Indian equity market. Nifty is owned and managed by India Index service and products (IISL), which is a wholly owned subsidiary of the NSE Strategic Investment Corporation Limited.

NIFTY50 index has shaped up as a largest single financial product in India, with an ecosystem comprising exchange traded funds (onshore and offshore), exchange traded futures and options (at NSE in India and at SGX and CME abroad), other index funds and OTC derivatives (mostly offshore). NIFTY 50 is the world's most actively traded contract.

The NIFTY 50 cover 13 sectors of the Indian economy and offers investment managers exposure to the Indian market in one portfolio.

The NIFTY 50 Index gives 29.70% weightage to financial services, 0.73% weightage to agricultural sector.

The NIFTY 50 Index is a free float market capitalisation weighted index.

**INDEX FUTURE IN HEDGING**

The index futures act as a good substitute for many investment portfolios with own index representing the stock market as a whole. The transaction costs will be minimal and the administrative work will be less. The price of index, the cost of carry and expected dividend.

**FUTURE CONTRACTS**

Futures are exchange traded Contractual obligations to make or accept the delivery of a specified quantity of a commodity during a specified time in future at a price agreed upon at the time the commitment is made. Futures are highly standardized products.

**PORTFOLIO**

A portfolio is a grouping of financial assets such as stocks, bonds and cash equivalents as well as their funds counterparts, including mutual, exchange-traded and closed funds. Portfolios are held directly by investors and/or managed by financial professionals.

In finance, a portfolio is a collection of investments held by an investment company, hedge funds, financial institution or individual.

**BETA**

Beta is a measure of the volatility or systematic risk, of a security or a portfolio in comparison to the market as a whole.

Beta is a numeric value that measures the fluctuations of a stock to changes in the overall stock market

Beta is calculated using regression analysis. Beta represents the tendency of a security's returns to respond to swing in the markets. A security's beta is calculated by dividing the covariance of the security's returns and the benchmark's returns by the variance of the benchmark's returns over a specified period.

$$\text{Beta} = \frac{\text{Covariance}(r_i, r_m)}{\text{Variance}(r_m)}$$

Similarly, beta could be calculated by first dividing the security's standard deviation of returns by the benchmark's standard deviation of returns. The resulting value is multiplied by the correlation of the security's returns and the benchmark's returns.

$$\text{Beta} = \text{Correlation}(r_a, r_m) \times \frac{\sigma_i}{\sigma_m}$$

**MEASURES OF BETA**

Beta is a measure of systematic risk. It measures the sensitivity of a scrip/ portfolio viz-a-viz index movement. Beta movement describes the relationship between the stocks return and the index return.

(a) Beta = +1.0

One percent change in market index returns causes exactly one percent change.

In the stock return hence they are more random

(b) Beta = +0.5

One percent change in market index returns causes 0.5% change. So the stock is less volatile compared to the market.

(c) Beta = +2.0

One percent change in market index returns causes 2% change in the stock market, so return is highly volatile and hence risky.

(d) Negative Beta

Negative Beta value indicates that the stock return moves in the opposite direction to the market return. A negative beta will give positive return.

**PROBLEM OF THE STUDY**

"Effectiveness of hedging a portfolio of selected shares using index futures based on the study conducted in Our Investments Enterprises Ltd (Erstwhile Cochin Stock Exchange Ltd)", deals with the construction of a portfolio on the basis of risk-return evaluation and loss minimization using hedging. Here ten securities from different sectors have been selected for construct a portfolio. This study is focused with the role of Index Future in hedging of securities. The study points out the significance of hedging in safeguarding the securities of an investor from the volatilities in the stock market. This study aims to analyze to what extent, the loss arising from the market risk can be reduced using the derivatives focusing on the Index Future by applying the hedging strategy in the market conditions.

**HYPOTHESIS**

Indian Capital Market is always uncertain. Anything can happen in the market. A stock picker carefully purchases securities based on the sense that they are worth more than market price. While doing so he faces a risk that the entire market moves against him and generate losses even though the underlying idea was correct. Hedging with index futures contract removes the unwanted exposure of index movements.

**SCOPE OF THE STUDY**

An investor holds a portfolio in the expectation that it is undervalued and likely to be appreciated. In taking this position, he carries not only the risk of his estimates of the stock being wrong but also faces the risk of the market moving against his thinking. So he can with index future contract.

**METHODOLOGY OF DATA COLLECTION**

The data are collected in the form of primary data and secondary data. The primary data was collected by inside discussion with the concerned authority in the CSE and observing the trading methods. In addition, secondary data are taken from published reports, annual company reports and library books and from the websites of NSE and various other websites. The data used for the study are historical or secondary nature. Section of companies among those listed on the S & P CNX Nifty.

**OBJECTIVES OF THE STUDY****PRIMARY OBJECTIVES**

To examine how effective the hedging of index futures is in minimizing the market risk.

**SECONDARY OBJECTIVES**

- 1) To study about the impact of hedging in the derivative market.
- 2) To know the impact of hedging in trading with futures.
- 3) To analyze the level of profits through hedging of futures.
- 4) To analyze the effectiveness of hedging in reducing the risk.
- 5) To study about the different strategies in the derivative market.

**RESEARCH DESIGN**

The study is basically empirical in nature. The study was undertaken for a period of 1 month from 31<sup>st</sup> March 2017. The aim is to study the effectiveness of hedging strategy with respect to Nifty Index futures. The study is conducted by constructing a portfolio of 10 stocks from major industries mock trading on them and hedging index futures wherever necessary to reduce risk.

**TYPES OF RESEARCH AND SAMPLING**

This research is an analytical research. The sampling is convenient sampling. The sample size consists of data of ten company's stocks from 31<sup>st</sup> March 2017 to 27<sup>th</sup> April 2017. The companies selected belong to different sectors.

**TOOLS FOR ANALYSIS**

Various tools have been used to measure the effectiveness of hedging. Calculations have been carried on the following consumptions:

- There is no brokerage.
- No margin.
- Plenty of liquidity.

The tools used are as follows:

- Beta of portfolio – beta value of portfolio/ value of portfolio.
- Amount to be hedged = portfolio beta X value of the portfolio.
- Number of Nifty figures to be hedging = beta value of portfolio/ spot nifty,

Nifty to be hedge = number of nifty futures to be hedge/Nifty.

Hedged value = number of lots of nifty to be hedged X nifty market.

**LIMITATIONS**

1. The study has been limited to the Indian derivative market,
2. The study suffers from the limitations due to be undertaking in the securities market.
3. Time frame with which the study had to be complete was limited to 2 months.
4. The beta value for risk assessment is not precisely not current as it changes from time to time.
5. While applying the strategy, transaction cost and impact of cost are not considered.
6. The study mostly depended on the information from the web.
7. The sample size is small so it may not represent the opinion of the universe.
8. Past data has been taken for the analysis. Indian Capital Market is featured by the weak from of efficient market hypothesis.

**INDUSTRY PROFILE & COMPANY PROFILE****INDUSTRY PROFILE**

A stock exchange means “anybody of individuals whether incorporated or not, consolidated for the purpose of assisting, regulating and controlling the business of buying, selling and dealing in securities”. The securities traded on a stock exchange include: shares issued by the companies, unit trust and other ported investment products and bonds. To be able to trade a security on a certain stock exchange, it has to be listed there.

The first organized stock exchange in India was started in 1875 at Bombay and it is started to be the oldest in Asia. At present there are 24 stock exchanges in the country, 21 of them being regional ones with allotted areas. Two others set up in the reform era, viz, the National Stock Exchange (NSE) and over the Counter Exchange of India (OTCEI), have mandate to have nation-wise trading.

The Stock Exchange are being administered by their governing boards and executive chiefs. Polices relating to their regulations and control are laid down by the Ministry of Finance. Government also constituted securities and Exchange Board of India (SEBI) in April 1988 for orderly development and regulation of securities industry and stock exchanges.

**BOMBAY STOCK EXCHANGE**

The stock exchange, Mumbai populations known as “BSE” was established in 1875 as “The Native Share and Brokers Association”. It is the oldest one in Asia.it is the first stock exchange in the country to have obtained permanent recognition in 1956 from the Govt. of India under the Securities Contracts Regulation Act, 1956. Bombay Stock Exchange is also one of the biggest Stock Exchange in the world in terms of listed companies. It introduced the screen based trading system in 1995, which is known as Bombay on-line Trading System (BOLTS).

**NATIONAL STOCK EXCHANGE**

With the Liberalization of the Indian Economy, it was found inevitable to lift the Indian Stock Market trading system on par with the International Standards. On the basis of the recommendations of high powered Pherwani Committee, the National Stock Exchange was incorporated in 1992 by Industrial Development Bank of India (IDBI), Industrial Credit and Investment Corporation of India, Industrial Finance Corporation of India, all Insurance Corporations, selected Commercial Banks and others. Trading at NSE take place through a fully automated screen based trading mechanism which adopts the principle of an order driven market.

The National Stock Exchange (NSE) is India’s leading stock exchange covering various cities and towns across the country.

It has played a catalytic role in reforming the Indian securities market in terms of micro-structure, market practices and trading volume.

**OBJECTIVES OF NSE**

The main objective of NSE is to establish a nationwide trading facility for equities, debt and hybrids.

Other objectives includes the following:

- a) To ensure equal access to investors all over the country through appropriate communication networks.
- b) To provide a fair, efficient and transparent security market to investors by using an electronic communication network.
- c) To enable shorter settlement cycle and book entry system.
- d) To meet current international standards of securities market.

**NSE 50-INDEX**

The NSE 50 Index, commonly known as Nifty is a market Capitalization weighted index. It was introduced in April 1996, replacing the earlier NSE-100.

The objective of the NSE-50 index is given below:

- a) To reflect the market movement more accurate.
- b) To provide fund manager with a bunch mark for measuring portfolio performance.
- c) To establish a basis for introducing index based derivative product.

**OVER THE COUNTER EXCHANGE OF INDIA (OTCEI)**

With the objective of providing more efficient services to investors, the country’s first electronic stock exchange which facilitates ring less, scrip less trading was set up in 1992 with the name Over the Counter Exchange of India (OTCEI). The shares and debentures of the companies listed on the OTC can be bought and sold at any OTC all over the country and they should not be listed anywhere else.

OTCEI has a unique feature of trading compared to other traditional exchanges. That is, certifies of listed securities and initiated debentures are not traded at OTC. The original certificate will be safely with the custodian. But, a counter receipt is generated out at the counter which substitutes the share certificate and is used for all transactions.

OTCEI has the following advantages compared to the traditional Exchanges.

- a) Greater transparency and accuracy of prices is obtained due to the screen based scrip less trading.
- b) OTCEI has widely dispersed trading mechanism across the country which provides greater liquidity and lesser risk of intermediary charges.
- c) Faster settlement and transfer process compared to other exchanges.
- d) Since the exact price of the transaction is shown on the computer screen, the investor gets to know the exact price at which he/she is trading.
- e) In the case of an OTC issue (new issue), the allotment procedure is completed in a month and trading commerce’s after a month of the issue closure, whereas it takes a longer period for the same with respect to other exchange.

**SECURITIES AND EXCHANGES BOARD OF INDIA (SEBI)**

The SEBI was established on April 12, 1988, through an administrative order but it becomes a statutory and really powerful organization only since 1992. The SEBI is under the overall control of the Ministry of Finance and it has its Head office at Mumbai.

The scope of operations of the SEBI is very wide; it can frame or issue rules, regulation, directives, guidelines, norms in respect of both the primary and secondary markets, intermediaries operating in these markets, and certain financial institutions. It has powers to regulate Depositories and participants, custodians, Debenture Trustees, and Trust Deeds, FIs, Insider trading, Merchant Bankers, Mutual Funds, Portfolio Managers, Investment Advisers, Registers to Issue and Sub-Brokers, Venture Capital Funds, and Bankers to Issues.

The SEBI can issue Guidelines in respect of:-

- a) Information disclosure, operational transparency and investor protection.
- b) Development of financial institutions.
- c) Pricing of issues
- d) Bonus issues.
- e) Preferential issues.
- f) Financial investment and
- g) Form allotment and transfer of shares among promoters.

#### **SEBI'S POWER IN RELATION TO STOCK EXCHANGE**

The SEBI ordinate has given it the following powers.

- 1) It may call periodically returns from Stock Exchange.
- 2) It has the power to prescribe maintenance of certain documents by the Stock exchange.
- 3) SEBI may call upon the exchange or any member to furnish explanation or information relating to the affairs of the stock exchange or any member.
- 4) It has the power to approve byelaws of the stock exchange for regulation and control of contracts.
- 5) It can amend byelaws of stock exchange.
- 6) In certain areas it can license the dealers in securities.

## **COMPANY PROFILE**

### **COCHIN STOCK EXCHANGE**

Cochin stock exchange (CSE) was an Indian stock exchange in Kochi, Kerala. The exchange stopped trading in 2005, and closed in 2014. Cochin stock brokers, which provides trading facilities on the Bombay Stock Exchange, and CSE Institute, an educational organization, continue to operate beyond the closure of the exchange. The new name of CSE is our investments enterprise Ltd.

Cochin stock exchange was established in 1978. Computerized trading was introduced in 1997. In order to keep pace with the changing scenario in the Capital Market, CSE took various steps including trading in dematerialized shares. CSE introduced the facility for computerized trading- "Cochin Online Trading (COLT)" ON March 17, 1997. CSE was one of the promoters of the "Interconnected Stock Exchange of India (ISE)". The objective was to consolidate the small, fragmented and less liquid markets into a national level integrated liquid market. With the enforcement of efficient margin system and surveillance, CSE has successfully presented defaults. Introduction of fast track system made CSE the stock exchange with the shortest settlement cycle in the country at that time.

Cochin Stock Brokers Ltd (CSBL) is the first subsidiary of a Stock exchange (100% subsidiary promoted by CSE) to get membership in both NSE & BSE. CSBL also become a depository participant in the Central Depository Services Ltd.

### **MANAGEMENT OF CSE LTD**

The policy decisions of the CSE are taken by the Board of Directors. The Board is constituted with 12 members of whom less than one-fourth are elected from amongst the trading member of CSE, another one fourth are Public Interest Directors selected by SEBI from the panel submitted by the Exchange and the remaining are Shareholder Directors.

The Board appoints the Executive Director who functions as an ex-officio member of the administration of the Exchange.

### **FACILITY**

Computerized trading was introduced in 1997. The major back office system software used are NESS and BOSS respectively for NSE and BSE. The trading software used in CSBL in Multex. Traders are provided Meta Stock and ERS software, trading terminals and optical fiber connections. DP holdings are maintained by Demat services like CDSL.

CSBL uses the up-to-date version of the MULTEX (CMC) and ODIN (Micro Sign Technologies) s front end trading softwares. MULTEX software combines NSE and BSE trade screens in a single computer monitor. This gives arbitrage opportunities and operational convenience to traders and investors. It is connected to NSE and BSE by VSATs and leased line. Further its sub brokers trade through a variety of networking options such as VSAT, ISP (Asianet), ISDN, Dial up and LAN, offering cost efficient connectivity options CSBL with its own Centralized VSAT network is in a position to provide the connectivity on all India basis.

### **DEMUTUALIZATION SCHEME**

The Cochin Stock Exchange is directly under the control and supervision of securities & Exchange Board of India (the SEBI), and is today a demutualized entity in accordance with the Cochin Stock Exchange (Demutualization) Scheme, 2005 approved and notified by SEBI on 29<sup>th</sup> of August 2005. Demutualization essentially means de-linking and separation of ownership and trading rights and restructuring the Board in accordance with the provisions of the Scheme. The Exchange has been demutualized and the notification thereof published in the Gazette.

### **LISTING**

Listing means admission of the securities of a company to trading privileges on a Stock Exchange. According to section 73 of the Companies Act, every company intending to offer shares or debentures to the public for subscription by the issue of prospectus shall, before such issue, make an application to one or more recognized Stock Exchanges for permission for the shares and debentures intending to be offered, to be dealt within the Stock Exchanges or each such Stock Exchange. Further if the issue amount exceeds 5 crores, the company has to make arrangements to list the securities in one more Stock Exchange, apart from regional Stock Exchange.

### **ELIGIBILITY CRITERIA FOR LISTING**

The issuer who decides to come out with Public Issue has to mandatorily get its securities listed on the Regional Stock Exchange. The minimum issued capital of the Company should not be less than 3 Crores of which a minimum of 25% should have been offered to the public.

### **FINANCE**

The finance Department controls the financial transactions of the Exchange and is the life line of the organization. The department is headed by a Finance officer. The activities of the department include

- Fund Management.
- Interaction with bankers.
- Maintaining general accounts of the Exchange.
- Preparation of various financial statements.
- Maintaining payrolls and Cash register.
- Co-ordinating accounting transactions of different branches and departments.
- Taxation
- Budgeting and Expense research.
- Maintenance of internal control system.
- Liaison with external and internal auditors.
- Annual Report Generation.

**SETTLEMENT**

Settlement Department is a key department of the Exchange, dealing with cash and securities. It assists the brokers in settling the matters relating to their pay-in and pay-out, recovery of dues and settling issues related to bad deliveries. This department is headed by a Deputy Manager assisted by two Senior Officers who take care of the operations involved in the settlement activities in CSE. The Exchange follows the T+2 settlement system.

**SURVEILLANCE**

The Exchange has set up the surveillance Department to keep a close watch on price movements of scrip and to detect market abuse like price rigging, monitor abnormal prices and volumes which are not consistent with normal trading pattern etc. the main objective of the department is to ensure a free and fair market, to avoid manipulations and to manage risks. The surveillance function at the exchange has assumed greater importance in the last few years. SEBI has directed the Exchange to set up a separate surveillance department with staff exclusively assigned for this function.

The Surveillance Department

- Keeps a close watch on the price movement of scrip.
- Detects market manipulations like price rigging.
- Monitors abnormal changes in price and volumes, which are not consistent with normal trading pattern.
- Monitors the member broker’s positions to ensure that defaults do not occur.

The department conducts in-depth investigation based on preliminary enquiries made into trading of the scrip as also at the instance of SEBI.

Conducting investigations involves the following steps:

- Identification of scrip based on the alerts thrown by the online system and off line system reports.
- Identification of Members from whom the client details have to be called for preparation of company profile including Corporate News and Financial results.
- Completion of client details.
- Preparation of reports.

In case irregularities are found, necessary action is initiated.

**ANALYSIS AND INTERPRETATION**

Suppose an investor makes an investment in ten different companies of different sectors. He bought shares for the stock market at price on 31<sup>st</sup> march 2017 and which constitutes the total investment is determined by the formula Value of investment = close price of security x No. of shares.

The portfolio is assumed to be kept for a period ranging from 31<sup>st</sup> march 2017 to 27<sup>th</sup> April 2017.

He can minimize the risk and uncertainty by hedging in the market.

**DETAILS OF PORTFOLIO AS ON 31/03/2017**

**TABLE 1 (TOTAL INVESTMENT = 104,70,500)**

Sl.No	Security	Close Price	No. of shares	Value of Investment
1	AMBUJA CEM	236.65	1000	236650
2	AURO PHARMA	675.20	2000	1350400
3	AXIS BANK	490.50	500	245400
4	BANK BARODA	172.95	1000	172950
5	HDFC	1502.10	500	751050
6	IBULHSGFIN	997.75	1000	997750
7	LT	1574.90	1000	1574900
8	MARUTHI	6015.70	500	3007850
9	SBIN	293.40	2000	586800
10	YES BANK	1546.75	1000	154750

Source of data: www.nseindia.com

**DETAILS OF PORTFOLIO**

**TABLE 2**

Sl.No	Security	No. of shares	3/4/2017		5/4/2017		6/4/2017	
			Close Price	Value of Investment	Close Price	Value	Close Price	Value
1	AMBUJACEM	1000	237.55	237550	238.75	238750	243.35	243350
2	AURO PHARMA	2000	682.95	1365900	677.50	1355000	670.45	1340900
3	AXIS BANK	500	500.60	250300	508.30	254150	508.70	254350
4	BANK BARODA	1000	172.40	172400	174.55	174550	174.90	174900
5	HDFC	500	1533.65	766825	1490.15	745075	1482.60	741300
6	IBULHSGFIN	1000	995.90	995900	986.30	986300	977.00	977000
7	LT	1000	1661.00	1661000	1696.45	1696450	1683.20	1683200
8	MARUTHI	500	6072.00	3036000	6342.40	3171200	6291.65	3145825
9	SBIN	2000	293.15	586300	297.35	594700	292.85	585700
10	YES BANK	1000	1538.85	1538850	1567.50	1567500	1564.75	1564750
	TOTAL			10611025		10783675		10711275

Source of data: www.nseindia.com

**DETAILS OF PORTFOLIO**

**TABLE 3**

Sl.No	Security	No. of shares	7/4/2017		10/4/2017		11/4/2017	
			Close price	Value	Close price	Value	Close price	Value
1	AMBUJACEM	1000	242.45	242450	244.90	244900	248.90	248900
2	AURO PHARMA	2000	658.05	1316100	645.95	1309900	655.15	1310300
3	AXIS BANK	500	504.20	252100	510.75	255375	515.05	257525
4	BANK BARODA	1000	168.65	168650	171.10	171100	174.70	174700
5	HDFC	500	1484.75	742375	1467.50	733750	1476.85	738425
6	IBULHSGFIN	1000	955.85	955850	935.20	935200	937.15	937150
7	LT	1000	1685.50	1685500	1674.05	1674050	1704.90	1704900
8	MARUTHI	500	6259.35	3129675	6268.85	3134425	6247.80	3123900
9	SBIN	2000	289.45	578900	289.35	578700	294.50	589000
10	YES BANK	1000	1556.55	1556550	1599.60	1599600	1614.75	1614750
	TOTAL			10628150		10637000		10699550

Source of data: www.nseindia.com

## DETAILS OF PORTFOLIO

TABLE 4

Sl.No	Security	No. of shares	12/4/2017		13/4/2017		17/4/2017	
			Close price	Value	Close price	Value	Close price	Value
1	AMBUJACEM	1000	249.10	249100	245.20	245200	246.85	2469850
2	AURO PHARMA	2000	656.50	1313000	658.05	1316100	652.85	1305700
3	AXIS BANK	500	506.00	253000	507.55	253775	502.85	251175
4	BANK BARODA	1000	172.35	172350	175.65	175650	175.95	175950
5	HDFC	500	1466.65	733325	1474.90	737450	1479.55	739775
6	IBULHSGFIN	1000	936.70	936700	956.80	956800	977.10	977100
7	LT	1000	1702.80	1702800	1678.55	1678550	1681.35	1681350
8	MARUTHI	500	6154.50	3077250	6077.95	3038975	6115.55	3057775
9	SBIN	2000	290.15	580300	291.55	583100	289.90	579800
10	YES BANK	1000	1631.45	1631450	1616.40	1616400	1610.60	1610600
	TOTAL			10649275		10602000		10626075

Source of data: www.nseindia.com

## DETAILS OF PORTFOLIO

TABLE 5

Sl.No	Security	No. of shares	18/4/2017		19/4/2017		20/4/2017	
			Close Price	Value	Close Price	Value	Close Price	Value
1	AMBUJACEM	1000	240.75	240750	240.15	240150	241.10	241100
2	AURO PHARMA	2000	664.30	1328600	640.05	1280100	634.40	1268800
3	AXIS BANK	500	499.65	249825	499.50	249750	488.00	244000
4	BANK BARODA	1000	176.05	176050	174.85	174850	179.65	179650
5	HDFC	500	1480.05	740025	1490.20	745100	1517.10	758550
6	IBULHSGFIN	1000	962.25	962250	957.15	957150	979.25	979250
7	LT	1000	1669.50	1669500	1670.55	1670550	1681.20	1681200
8	MARUTHI	500	6137.15	3068575	6196.95	3098475	6273.50	3136750
9	SBIN	2000	290.30	580600	284.05	568100	284.80	569600
10	YES BANK	1000	1605.90	1605900	1605.45	1605450	1545.15	1545150
	TOTAL			10622075		10589675		10604050

Source of data: www.nseindia.com

## DETAILS OF PORTFOLIO

TABLE 6

Sl.No	Security	No. of shares	21/4/2017		24/4/2017		25/4/2017	
			Close Price	Value	Close Price	Value	Close Price	Value
1	AMBUJACEM	1000	239.40	239400	246.70	246700	246.40	246400
2	AURO PHARMA	2000	633.20	1266400	627.35	1254700	622.80	1245600
3	AXIS BANK	500	486.25	243125	498.65	249325	516.40	258200
4	BANK BARODA	1000	175.20	175200	178.90	178900	181.80	181800
5	HDFC	500	1507.45	753725	1530.70	765350	1548.40	774200
6	IBULHSGFIN	1000	989.90	989900	1006.40	1006400	1015.60	1015600
7	LT	1000	1687.50	1687500	1732.70	1732700	1746.10	1746100
8	MARUTHI	500	6185.80	3092900	6318.35	3159175	6337.20	318600
9	SBIN	2000	282.20	564400	286.05	572100	286.05	572100
10	YES BANK	1000	1544.15	1544150	1554.30	1554300	1556.95	1556950
	TOTAL			10556700		10719650		10765550

Source of data: www.nseindia.com

## DETAILS OF PORTFOLIO

TABLE 7

Sl.No	Security	No. of shares	26/4/2017		27/4/2017	
			Close Price	Value	Close Price	Value
1	AMBUJACEM	1000	246.00	24600	249.50	249500
2	AURO PHARMA	2000	624.65	1249300	607.05	1214100
3	AXIS BANK	500	517.15	258575	506.60	253300
4	BANK BARODA	1000	181.65	181650	181.40	181400
5	HDFC	500	1586.00	793000	1566.50	783250
6	IBULHSGFIN	1000	1010.90	1010900	100.40	1004400
7	LT	1000	1751.30	1751300	1766.75	1766750
8	MARUTHI	500	6406.30	303150	6374.05	3187025
9	SBIN	2000	286.45	572900	285.05	564100
10	YES BANK	1000	1582.05	1582050	1642.40	1642400
	TOTAL			10848825		10846225

Source of data: www.nseindia.com

TABLE 8

Date	Total value of Investment	Profit/Loss
31/03/2017	10470500	0
03/04/2017	10611025	140525
05/04/2017	10783675	313175
06/04/2017	10711275	240775
07/04/2017	10628150	157650
10/04/2017	10637000	166500
11/04/2017	10699550	229050
12/04/2017	10649275	178775
13/04/2017	10602000	131500
17/04/2017	10626075	155575
18/04/2017	10622075	151575
19/04/2017	10589675	119175
20/04/2017	10604050	133550
21/04/2017	10556700	86200
24/04/2017	10719650	249150
25/04/2017	10765550	295050
26/04/2017	10848825	378325
27/04/2017	10846225	375725

Source of data: www.nseindia.com

**ANALYSIS OF PORTFOLIO WITH HEDGING (DURING THE PERIOD 31/03/2017 TO 27/04/2017)  
CALCULATIONS OF AMOUNT TO BE HEDGED ON 31/03/2017**

TABLE 9

SL.NO	Strip name	Close price	No. of shares	Investment values	Beta values	Beta amount
1	AMBUJA CEM	236.65	1000	236650	1.3	307645
2	AURO PHARMA	675.20	2000	1350400	1.17	1579968
3	AXIS BANK	490.80	500	245400	1.18	289572
4	BANK BARODA	172.95	1000	172950	1.38	238671
5	HDFC	1502.10	500	751050	1.19	893749.5
6	IBULHSGFIN	997.75	1000	997750	1.3	1297075
7	LT	1574.90	1000	1574900	1.27	2000123
8	MARUTHI	6015.70	500	3007850	1.31	3940283.5
9	SBIN	293.40	2000	586800	1.46	856728
10	YES BANK	1546.75	1000	1546750	1.41	2180917.5
	TOTAL			104,70,500		135,84,732.5

Source of data: www.nseindia.com

Portfolio value = 104,70,500

Portfolio beta = Total value of beta amount / Value of portfolio

= 135,84,732.5 / 104,70,500

= 1.297

Value of Index =9197.75

Hedge Ratio =Total beta amount /value of index

= 135,84,732.5 / 9197.75

= 1476.96

Rounded to 1477

Permitted lot size =75

No of nifty Lots to be hedged

=Hedge ratio/Permitted lot size

=1477/75

=19.69 Rounded to 20

The amount to be hedged = Index x No. of nifty

Lots to be hedged x Permitted lot size

=9197.75 x 20 x 75=13796625

## NIFTY VALUES

NIFTY VALUES FROM 31/03/2017 TO 27/04/2017

TABLE 10

Date	Nifty values
31/03/2017	9197.75
03/04/2017	9263.25
05/04/2017	9286.55
06/04/2017	9272.25
07/04/2017	9211.45
10/04/2017	9209.35
11/04/2017	9264.45
12/04/2017	9223.20
13/04/2017	9182.25
17/04/2017	9168.35
18/04/2017	9123.35
19/04/2017	9135.00
20/04/2017	9162.60
21/04/2017	9127.00
24/04/2017	9224.45
25/04/2017	9293.90
26/04/2017	9342.10
27/04/2017	9345.75

Source of data: www.nseindia.com

## CALCULATION OF HEDGE VALUE

CALCULATION OF HEDGE VALUE FOR THE PERIOD 31/03/2017 TO 27/04/2017

TABLE 11

Date	Nifty Values	Lots	Hedge Values
31/03/2017	9197.75	1500	13796625
03/04/2017	9263.25	1500	13894875
05/04/2017	9286.55	1500	13929825
06/04/2017	9272.25	1500	13908375
07/04/2017	9211.45	1500	1381775
10/04/2017	9209.35	1500	13814025
11/04/2017	9264.45	1500	13896675
12/04/2017	9223.20	1500	13834800
13/04/2017	9182.25	1500	13773375
17/04/2017	9168.35	1500	13752525
18/04/2017	9123.35	1500	13685025
19/04/2017	9135.00	1500	13702500
20/04/2017	9162.60	1500	13743900
21/04/2017	9127.00	1500	13690500
24/04/2017	9224.45	1500	13836675
25/04/2017	9293.90	1500	13940850
26/04/2017	9342.10	1500	14013150
27/04/2017	9345.75	1500	14018625

Source of data: www.nseindia.com

## CALCULATION OF PROFIT OR LOSS FROM HEDGED PORTFOLIOS

CALCULATION OF PROFIT FROM HEDGED PORTFOLIOS DURING THE PERIOD 31/03/2017 TO 27/04/2017

TABLE 12

Date	Hedged Portfolio value	Profit/Loss
31/03/2017	13796625	0
03/04/2017	13894875	-98250
05/04/2017	13929825	-133200
06/04/2017	13908375	-111750
07/04/2017	13817175	-20550
10/04/2017	13814025	-17400
11/04/2017	13896675	-100050
12/04/2017	13834800	-38175
13/04/2017	13773375	23250
17/04/2017	13752525	44100
18/04/2017	13685025	111600
19/04/2017	13702500	94125
20/04/2017	13743900	52725
21/04/2017	13690500	106125
24/04/2017	13836675	-40050
25/04/2017	13940850	-144225
26/04/2017	14013150	-216525
27/04/2017	14018625	-222000

Source of data: www.nseindia.com

**EFFECT OF HEDGING****EFFECT OF HEDGING DURING THE PERIOD 31/03/2017 TO 27/04/2017**

As on 31/03/2017

Portfolio Value = 10470500

Hedged Amount =13796625

As on 27/04/2017

Portfolio Value = 10846225

Hedged Amount =14018625

Gain from the portfolio = 10846225 - 10470500

=375725

Loss from hedging = 13796625 - 14018625

= -222000

Net Gain = 375725 - 222000

=153725

**INTERPRETATION**

On 31<sup>st</sup> March, 2017 the investor brought a portfolio with an objective of holding it for a longer period. He felt that there is a need for hedging to avoid risk due to high beta value of security so he decided to hedge the portfolio for the whole time period.

The full time hedging reduces risk and the loss. By looking the value of appreciation / depreciation from 31<sup>st</sup> March, 2017 the value of the portfolio got appreciated profit of Rs 375725. The investor expects downward trend in the market and he is going to hedge the portfolio. But the market showed upward trend. That is why hedged portfolio shows a loss of 222000. However, there is a net profit of 153725. If the market shows a downward trend, then an investor may incur huge loss. In such a situation, hedging is very useful for minimizing the loss. Many unforeseen and unexpected features may affect the market conditions adversely. So it is recommended to go for hedging to minimize the loss, risk can be reduced to a great extent by taking an offsetting position in the related security. Adverse price movements in an asset is a huge risk for an investor. So through hedging, he can reduce risk and minimize losses.

**FINDINGS**

1. The perception of the investor plays a vital role in risk reduction.
2. No strategy can assume zero percent risk
3. Future strategies can reduce the risk in to minimal level.
4. The time period while applying the strategies has an important role in the effectiveness.
5. On 31<sup>st</sup> March 2017, investor made a portfolio of Rs 10470500.

During this period, the market condition showed an upward trend and the value of his portfolio. Gradually grown and reached at Rs 10846225 and registered a profit of Rs 375725. But on hedging the investor experienced a loss of 222000. This is because of the continuous upward trend. However, there is a net profit of Rs. 153725. Otherwise, if there is adverse price movement, the investor may incur large loss without hedging.

**HEDGING AS A TOOL TO REDUCE THE RISK OR UNCERTAINTY**

- Hedging is a effective way to reduce the risk of a portfolio
- Hedging is only a risk reducer, not a tool to maximize the profit.
- Hedging is very effective in bearish market condition.
- Decision about the hedging strategy are depending on the beta value of the portfolio.
- Changes in the market index will adversely affect the portfolio values with high beta values.
- Share price changes is very much affecting the value of investment in each company.
- There is a huge investment in the derivative market as it is in the growth stage.

**SUGGESTIONS**

1. Investor should make clear assumptions about future market conditions from the facts and figures.
2. If the investors is confident about the growth of the market, he should not go for hedging.
3. The success of the hedge entirely depends on the trend and the hedgers ability in understanding the direction of the market trend. So the hedger must have a better understanding of the market. Otherwise, hedge will result in a loss to the hedger.
4. Before entering to any risk, reduction strategy the investor should determine the level to which he has to reduce the risk. He should compare the cost and benefit of each of the strategy in the existing market situations.
5. The investor should not stick to one strategy in the whole time; he should change his strategies according to the market situations.
6. Investors should create his portfolio in the proportion of returns fetched by the securities.
7. Speculation should be discouraged.

**CONCLUSION**

Hedging with Index Futures proved to be an effective instrument; by hedging, we can reduce the unnecessary risk of the index movement.

Hedging does not always make money. The best thing can be achieved by using hedging is the removal of unwanted exposure i.e., unnecessary risk. The hedging position will make less profit than unhedged position. One should not enter in to hedging strategy hoping to make excess profit for sure; all that can come out of hedging is reduced risk.

The investor should update this knowledge about the market condition to protect himself from losses. The investor should be wise to predict the future and patient to wait for the success.

From this study, it is revealed that hedging is only a risk reducer, not on profit maximiser. So one should not enter in to hedging strategy with the hope of making excess profit. The investor should not stick on one strategy in the whole time. He should change his strategies according to the market situations.

**ACKNOWLEDGEMENT**

My endeavor stands incomplete without dedicating my gratitude to a few people who have contributed a lot towards the successful completion of the study. So I express with great pleasure and sincerity to record my thanks, gratitude and honor to the following persons who made this study a successful.

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I shall be failing in my duty if I do not express my deep sense of gratitude to Mr. Peter Markose, project guide Cochin Stock Exchange Ltd., who impaired all the required data and information on the topic, without which the study would be incomplete and also provided the valuable guidance and support throughout this study.



**THE INFLUENCE OF MICROECONOMIC FACTORS TOWARDS NPL OF MICRO SMALL ENTERPRISES (MSE)****BANK XYZ****DUDY BUDIANA****STUDENT****SCHOOL OF BUSINESS****BOGOR AGRICULTURAL UNIVERSITY****BOGOR, INDONESIA****HERMANTO SIREGAR****LECTURER****SCHOOL OF BUSINESS****BOGOR AGRICULTURAL UNIVERSITY****BOGOR, INDONESIA****TUBAGUS NUR AHMAD MAULANA****LECTURER****SCHOOL OF BUSINESS****BOGOR AGRICULTURAL UNIVERSITY****BOGOR, INDONESIA****ABSTRACT**

*The current global economic condition is a challenge for micro-banks to anticipate the slowing credit growth and increase in Non Performing Loan (NPL). NPL is one of the credit quality parameters and affects the bank's profit, whereby the higher of NPL, the greater cost must be reserved by the bank. This research analyzes the influence of microeconomic factors in the form of customer training, age of debtor and portfolio of agriculture sector, hunting, forestry & plantation toward NPL of Bank XYZ. The method used is panel data analysis. The results showed that training classes, age of debtors and portfolio of agriculture, hunting, forestry & plantation sector toward NPL of Bank XYZ.*

**KEYWORDS**

non performing loan (NPL), micro small enterprises (MSE, also known as UMK), microeconomic factors.

**INTRODUCTION**

Banks should ensure that credit disbursement is in accordance with the plan with good credit quality. Micro, Small and Medium Business Segment also known as UMKM, a business segment considered by many as resistant to the crisis, has great potential and becomes a supporter of economic growth. The 20% quota of UMKM credit and large income potential make many banks entering this segment.

Bank XYZ as one of the banks that focus on UMKM, has UVP (Unique Value Proposition) of customer empowerment through various programs provided by banks to customers. Business unit in Bank XYZ focusing on micro credit distribution is the Directorate of UMK. To improve the skills and knowledge of customers in running the business, the Directorate of UMK provides training to customers to grow and develop their business. This training program is not only part of UVP (Unique Value Proposition) and CSR (Customer Social Responsibility), but also one way to maintain credit quality. The customer loan repayment rate will be well maintained if the customer's business grows and expands as expected.

Non Performing Loan (NPL) Micro Small Enterprises (MSE) Bank XYZ has increased since 2013. This is in line with the increase of SM (Special Mention) on the period beginning in 2013 which indicates a decline in credit quality. Changes in credit quality can be caused by macroeconomic and microeconomic factors. Microeconomic factors are factors that exist within the circle of bank influence. Debtor age and long run of business is one factor that shows the ability of the debtor in running and managing the business in order to grow and develop. The quality of sectoral credit in the portfolio is also an indicator of changes in bank credit quality. In line with the potential of Indonesia in the field of agribusiness, the government encourages banks to maintain and increase credit distribution of MSMEs is the agricultural / agribusiness sector because of its high potential and many people who run productive businesses in the field of agriculture. One of the client empowerment programs that is run is a customer training program that is expected to provide benefits to the bank indirectly in the form of credit quality improvement as a result of the growth and development of business customers after assisted by training programs. Along with the effort to make efficiency and to ensure that the training can be in accordance with the current technological developments / conditions, Bank XYZ has frozen its customer training program since June 2016 and will be reviewed since the budget required for the program is quite large.

**LITERATURE REVIEW**

Credit Quality is set to: Current, Special Mention, Substandard, Doubtful and Loss (PBI No. 14/15 / PBI / 2012). Banks are required to anticipate potential losses from provision of funds by performing PPA (Allowance for Asset Losses) that is reserves that must be established for a certain percentage of asset quality (Hariyani dan Toruan, 2010). According to Sjafitri (2011), credit fluctuation greatly determines the credit quality provided. Non Performing Loan (NPL) is a debtor or group of debtors who fall into the class of 3, 4, 5 from 5 categories of credit that is debtor that is substandard, doubtful and loss. The change of credit classification from current credit to NPL is gradually through the process of credit quality reduction (Dunil, 2005).

NPL reflects credit risk, the smaller of NPL, then the smaller of credit risk borne by the bank. Banks with high NPL will increase the cost of both the provision of earning assets and other costs, so that the potential loss to the Bank (Mawardi, 2005). Banks are required to anticipate potential losses from provision of funds by performing PPA (Allowance for Asset Losses) that is reserves that must be established for a certain percentage of asset quality (Hariyani dan Toruan, 2010). According to Sjafitri (2011), credit fluctuation greatly determines the credit quality provided.

Microeconomic factors related to credit quality are the factors that are conducted or occur within the circle of the bank's internal influence. One form of customer empowerment is business training. Agung (2015) in his research said that the business education / training program of the customers, after following several stages or trainings, gives positive influence and gives a good return of capital. Based on research Triwibowo (2009), agribisnis sector and long business effect the level of non-performing loans. According to Mahmudah (2013), the development of NPL is influenced by three things: internal bank factors, internal factors of debtors and external factors of non-bank and debtors. Internal bank factors related to the analysis that is not in accordance with the principle of credit analysis 5C

(Character, Capacity, Capital, Collateral, and Condition) and bank supervision, LDR (Loan to Deposit Ratio), CAR (Capital Adequacy Ratio), Interest. While the internal factor of the debtor consists of age and character.

**OBJECTIVES**

This study has the following objectives:

1. Analyze the influence of debtor training classes towards NPL of Bank XYZ.
2. Analyzing the effect of debtor age towards NPL of Bank XYZ.
3. Analyzing the effect of agricultural, hunting, forestry and plantation portfolio towards NPL of Bank XYZ.

**HYPOTHESIS**

The hypotheses of this study are as follows:

1. The number of debtor training classes has a significant and negative effect towards NPL of Bank XYZ.
2. Debtor age has a significant and negative effect towards NPL of Bank XYZ.
3. Portfolio of agriculture sector, hunting, forestry and plantation have real and positive effect towards NPL of Bank XYZ.

**RESEARCH METHODS**

The data used in this study is monthly data from bank XYZ during the period 2011 - 2016 based on the credit distribution area. The types and sources of research data are presented in Table 1.

**TABLE 1: VARIABLE OF RESEARCH DATA**

Variable Types	Variable
Independent (X)	<ul style="list-style-type: none"> <li>▪ Number of debtor training classes</li> <li>▪ The average age of the debtor</li> <li>▪ Percentage of portofolio of agriculture sector, hunting, forestry, &amp; plantation</li> </ul>
Dependent (Y)	Non Performing Loan

The method used in this research is panel data regression with data processing using software e-views. Panel data is a combination of time series and cross-sectional data to find out the description of the data and the model exploration of the data obtained, a test is performed to select the most appropriate technique by using the Chow test to determine the common effect model or fixed effect, Hausman test to choose whether the fixed effect or random effect model and Lagrange multiplier test to select the random effect or common effect (OLS) model.

**RESULTS AND DISCUSSION**

Bank XYZ is one of the banks that focus on financing Micro Small Enterprises (MSE/UMK). Based on its annual financial report, the highest portfolio of MSE Bank XYZ is in 2013 reaching 10.2 trillion rupiahs and decreased up to 7.2 trillion rupiah by the end of 2016. In line with the declining portfolio is followed by a decrease in portfolio current ratio from 92.2% in 2013 to 90% in 2016. XYZ Bank's MSE portfolio is presented in Table 2.

**TABLE 2: MSE PORTFOLIO OF BANK XYZ**

Year	MSE						Total Loans	% MSE toward total loans
	Current	Special Mention	Substandard	Doubtful	Loss	Total		
2010	4,057,154	340,968	93,306	99,852	42,268	4,633,548	23,328,089	19.86%
2011	6,300,454	291,623	65,226	83,796	44,344	6,785,443	30,310,157	22.39%
2012	8,436,802	382,202	62,412	78,018	46,801	9,006,235	38,844,096	23.19%
2013	9,467,947	539,236	92,119	107,197	56,928	10,263,427	46,105,437	22.26%
2014	8,605,541	587,796	95,514	130,889	62,134	9,481,874	51,993,574	18.24%
2015	7,920,139	575,622	74,222	114,724	47,265	8,731,972	58,587,383	14.90%
2016	6,453,080	502,661	65,093	109,834	39,195	7,169,863	63,168,410	11.35%

Source: Bank XYZ Financial Report (publication)

Based on Chow and Hausman test, it is found that the most appropriate method is Fixed Effect Model. The result of fixed effect model is presented in Table 3.

**TABLE 3: MICROECONOMIC FACTORS EFFECTING NPL**

Variable	Coefficient	Prob.
C	0.061782	0.0000
Number of training classes	-2.46E-05	0.0000
The average age of the debtor	-0.000639	0.0043
Portfolio of agriculture, hunting, forestry and plantation	0.082532	0.0000
R-squared	0.336523	
Prob(F-statistic)	0.000000	

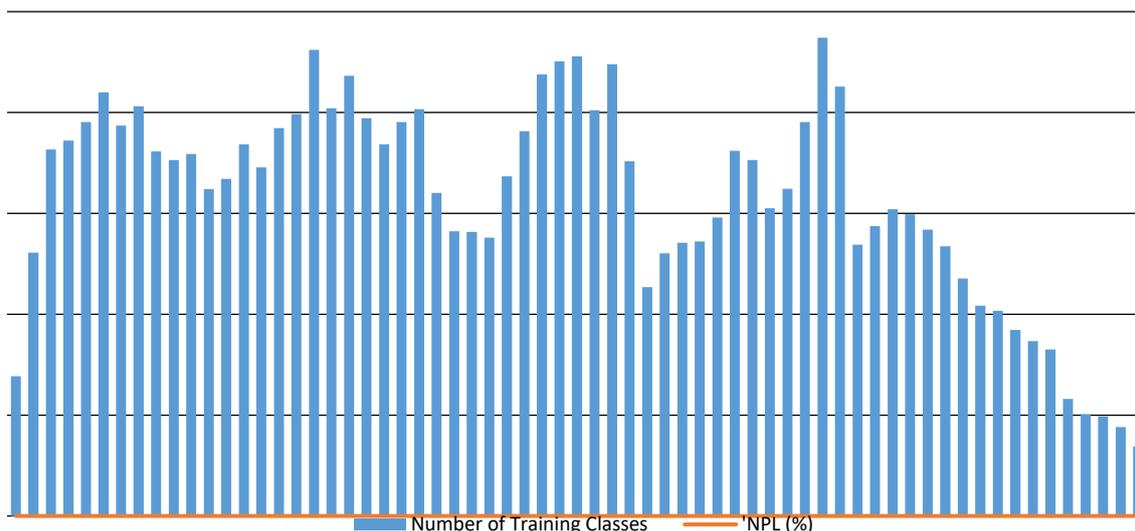
R-square model of 0.3365 means the diversity of Y that can be explained by the three variables in the model of 33.65%, while the remaining 66.35% is explained by other factors outside the model. Based on t test results, the factors that have significant effect toward NPL are number of training class, age of debtor and portfolio of agriculture, hunting, forestry & plantation.

In this study, the number of training classes has a significant and contrasting effect with the NPL ratio, with each increase of 1 training class will effect the NPL reduction of 2.46E-05 percent. The training class has a noticeable but small effect. This is due to the low link between the usefulness of the training and its implementation in increasing the debtor's business. Thus, the type and content of the training needs to be sharpened and tailored to the needs of current customers so that it is useful for growth, increased profits and leads to customer welfare so as to help improve customers' paying ability. The number of training classes declined in 2015 due to XYZ's focus on quality improvement as 2015 was a tough year for banks with an increase in NPL almost all sectors. This research is also in line with research conducted by Winarta (2013), where customer training programs provide knowledge to better manage businesses, increase sales turnover and scale up businesses.

Debtor training is a place for debtors to improve their competence so as to help the growth of business to achieve better profit. Power training conducted by Bank XYZ began intensively from the beginning of 2010 until May 2016. The training consisted of modules related to the debtor's business, such as financial module, marketing, and so forth.

The training conducted in bank XYZ is consistent with a large number in Q2 2011 until the end of 2015. This consistency trend is also in line with the stability of NPL's ratio presented in Figure 1.

FIGURE 1: NUMBER OF TRAINING CLASSES AND NPL CLASSES OF MSE BANK XYZ



The average age of the debtor has a significant and opposite effect on the NPL ratio, where every 1 year increase in the debtor's age causes a decrease in NPL by 0.000639%. The small number of age-related effects towards NPL is because the average increase in age has not been matched by a significant increase in business management capability. This research is in line with research conducted by Lubis (2011), where the age of the debtor affects the quality of bank credit. The results of this study are also in line with the research conducted by Musthikaningtyas (2011), Rachmat (2009), and Windariani & Wirawati (2017), where the quality of loans is increasing in line with the age of customers.

The ability of the debtor to manage the business affects the growth of the business, which will ultimately effect the ability to pay the bank. Debtor age in this study is categorized as a proxy that is considered to represent the ability of the debtor in managing the business. Based on descriptive analysis known that the average age of debtors in Java is relatively older compared with the average age of debtors in Eastern Indonesia (IBT) and Sumatera. The decrease of NPL in Java region is caused by the ability of the debtor to pay the business growth. This is due to the increased ability in business management. The older of the debtor age, the higher the ability of the debtor to manage the business and ultimately easier to grow and develop.

The age of the MSE debtors in Bank XYZ is mostly at the productive age of 35-45 years. This is maintained from 2012 - 2016, indicating that bank XYZ maintains the quality of the loan by maintaining the most portfolio is the debtor who has a productive age and relevant with a good level of competence, while the ratio of the number of debtors who are young also from year experienced significant decline. The number of debtors by age range in the segment of MSE Bank XYZ is presented in Table 4.

TABLE 4: NUMBER OF DEBTORS BY AGE RANGE IN SEGMENT OF MSE BANK XYZ

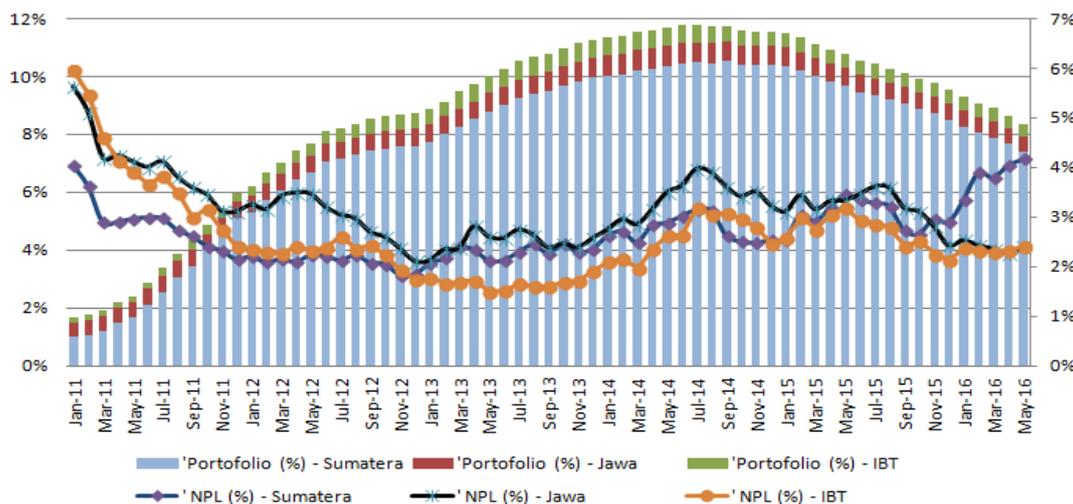
Age (Year)	2012		2013		2014		2015		2016	
	NoA	%								
< 25	4,572	1.87%	4,438	1.73%	3,332	1.51%	1,308	1.19%	765	0.93%
25 – 35	63,266	25.84%	62,652	24.41%	49,848	22.64%	21,687	19.75%	14,389	17.51%
35 – 45	95,537	39.02%	99,641	38.82%	85,773	38.96%	42,427	38.65%	31,508	38.34%
45 – 55	60,163	24.57%	65,439	25.49%	58,467	26.56%	31,346	28.55%	25,174	30.63%
> 55	21,276	8.69%	24,529	9.56%	22,747	10.33%	13,012	11.85%	10,341	12.58%

Source: Bank XYZ internal data

The portfolio of agriculture, hunting, forestry and plantation sectors in MSE Bank XYZ in Sumatera is about 5% of the total portfolio in Sumatera region, larger than Java and Eastern Indonesia (IBT). The results show that there is a real and direct effect between agricultural sector, hunting, forestry and plantation portfolio to NPL, where every 1% increase of portfolio of this sector will increase the NPL by 0.082532%.

Loan disbursement to the agricultural, hunting, forestry and plantation sectors in MSE Bank XYZ also has a portion that is not too high and ranges below 7%. The highest period of the portfolio is during the period of 2013-2015. Sumatera region provides the highest portion of the portfolio ratio, but has increased NPL ratio from 2015-2016 period. The decline in NPLs in recent years occurred in Java, while in IBT (Eastern Indonesia) tends to be stable. Portfolios of agriculture, hunting, forestry and plantation sectors are presented in Figure 2.

FIGURE 2: PORTFOLIO OF AGRICULTURE, HUNTING, FORESTRY AND PLANTATION SECTORS



The increase in NPL ratio in Sumatra is thought to be related to the decline in world oil prices at the end of 2014-2016. The decline in oil prices led to a sharp decline in commodity prices. The impact of this is a significant increase in banking NPL from the commodity sector, especially rubber and agricultural commodities that are effected by world oil prices.

Agricultural NPL in Bank XYZ during 2012-2016 remain well maintained despite an increase in 2014 and 2015 but may fall back by the end of 2016. The NPL ratio based on the economic sector in Bank XYZ is presented in Table 5.

TABLE 5: RATIO OF NPL IN BANK XYZ BY ECONOMIC SECTOR

Economic sector	2012	2013	2014	2015	2016
Household	0.20%	0.25%	0.26%	0.27%	0.32%
Trading	2.22%	2.15%	1.97%	1.89%	1.83%
Industry	2.18%	2.75%	1.66%	1.08%	1.77%
Other services	1.76%	0.87%	1.57%	0.91%	1.46%
Agriculture	2.75%	2.09%	2.44%	2.62%	2.04%
Accommodation services	1.18%	2.61%	1.98%	1.70%	2.16%
Construction	1.55%	2.92%	0.32%	0.00%	0.00%
Transportation & communication	2.19%	4.37%	0.60%	0.19%	0.12%
Mining	18.03%	1.25%	0.73%	1.07%	0.01%
Others	0.04%	0.00%	0.75%	1.13%	1.01%

Source: Bank XYZ Financial Report

## RECOMMENDATION

Based on the results of the research, the Bank needs to remain consistent to maintain the channeling of credit to productive and proficient customers in running the business. The customer training class has a significant effect on the quality of the credit, so it is necessary to re-train with more training types and materials to improve the growth and profitability of the customer's business.

Loan disbursement to MSE remains selective despite improvements in macroeconomic conditions and remains with the principles of 5C are well managed. Credit disbursement to the agricultural, hunting, forestry and plantation sectors can be increased because in addition to its large potential, the level of influence towards NPL can still be managed properly. However, this should still take into account the influence of macroeconomic factors, particularly those affecting commodity prices.

## CONCLUSION

Based on the results of the discussion and data analysis, the number of debtor training classes has a significant positive effect on the quality of MSE credit. Increased customer competence needs to be done by the Bank to maintain good credit quality through business training, marketing or other models in accordance with current technological developments.

Business management capability reflected in the age of customers has a negative and significant impact on the quality of MSE credit. Loans to the agricultural sector, hunting, forestry and plantation have a positive and significant impact on credit quality of MSE. This sector's credit distribution can still be improved by taking into consideration the macroeconomic factors affecting commodity prices.

## THE SCOPE OF SUBSEQUENT RESEARCH

Further research can be developed to influence macroeconomic factors of each region (inflation, and economic growth) to NPL of credit distribution area. Need further research is also conducted on the effect of macroeconomic and microeconomic factors on the loan provision that describes directly the cost of PPAP that must be reserved by banks related to productive assets.

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**A STUDY OF EFFECTIVENESS OF TRAINING PROGRAM**

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**ABSTRACT**

*The research project entitled 'A Study of Effectiveness of Training Program' is an attempt to understand the opinion and attitudes of the various blue collar workers of the Sahyadri Starch & Industries Pvt. Limited Miraj MIDC, towards the maintenance of effectiveness of Training services provided by the Company. The data was collected through well-structured questionnaires, which contains closed end question. In the course of study, it was found that the training programs analyzed were provided to various blue collar workers of Sahyadri Starch & Industries Pvt. Limited Miraj MIDC. Random sampling technique was adopted for selecting sample units from the employees. The methods of data collection for the study include both primary and secondary data. The primary data were collected through questionnaire by conducting personal interview with the employees. The source of secondary data was company profiles and websites. A sample of 50 employees helped to analyze their satisfaction level and provide valuable suggestions. The statistical tool used for analyzing and interpreting the opinions of the employees and the tool includes simple percentage analysis. The results were presented with the help of different charts and diagrams. Findings of the study were drawn from the analyzing of data's, suggestions and conclusions have been made based on the findings.*

**KEYWORDS**

training effectiveness, evaluation.

**INTRODUCTION**

Every organization desires that it will grow continuously and make and retain its position in the competitive and continuously changing market environment. For this purpose, the employees of the organization must be skilled and talented. But all the employees may not have the desired skills. Their skills can be improved with the help of training programs. It is an important activity for the origination to conduct appropriate and related program for its employees, so that may be able to understand the terms required for the completion of his job.

So the top management must concentrate on the training programs and organize them in such a way that maximum number of employees wants to attend these programs. These must be related to employees and their jobs. Rapidly Companies that pay lip-service to the need for training, by lazily setting aside a few hours a year, will soon find themselves at the receiving end when talented employees leave in frustration and other employees find it difficult to beat rivals with new products and improved ways of selling. To survive and flourish in the present day corporate-jungle, companies should invest time and money in upgrading the knowledge and skills of their employees constantly. For, any company that stops injecting itself with intelligence is going to die. The purpose of this project is making the students understand the basic principles, areas, and methods of training currently in use and to evaluate effectiveness of training in the corporate circles.

**REVIEW OF LITERATURE**

The primary goal of any training program is to impart to employees a new set of knowledge, skills, abilities, behavior or attitude. Training effectiveness refers to the extent to which the training objectives are achieved (Tai, 2003). In general, training effectiveness is evaluated by measuring a number of training and transfer outcomes. Kirkpatrick (1976) suggested that reaction, learning, behavior and results are four measures that are relevant for the evaluation of training outcomes (Tai, 2003). In Kirkpatrick's model, reactions refer to the extent to which trainees like and how they feel about training. Learning refers to the knowledge and skills acquired by the trainees. Behavior refers to the knowledge and skills transferred to the work situation by trainees. Result refer to the attainment of organizational objectives such as a reduction in absenteeism and personnel turnover, productivity gains and cost reduction (Liao et.al., 2006) Arthur (2003) argued that within the frame work of Kirkpatrick's model, questions about the effectiveness of training or instruction programmers are usually followed by asking, "effective in terms of what? Reactions, learning, behavior or results?" Bedinghan (2003) pointed out that the only criteria that makes sense are those which are related to on the job behavior change. Alleger Tannenbaum, & Bennett (1995) stated that it is application to the job that, in most cases, defines training success. Mathieu et.al.(1993) and Tannenbaum et.el.(1991) argued that explicate training effectiveness, it is crucial to identify and measure the impact of individual and organizational constructs on training outcomes including learning and transfer. Hence, it is logical to state that training effectiveness is how trainees are playing what they learned in training on the job or behavior that is retained and applied in the workplace (training transfer). Supervisor –support is one of the key organizational factors that influence training effectiveness. Supervisory support is clearly a multidimensional construct, which could include encouragement to attend, goal setting activities, reinforcement activities and modeling of behavior (Baumgartel et.al., 1984; Eddy et.al.,1967; Huczynski & Lewis, 1980; Madox, 1987). Employees look to their supervisor for important information regarding how to work successfully within the social environment of the organsiation. As Huczynski & Lewis, 1980 state, employee we perceive that a training program is important to the supervisor will be more motivated to attend, learn and transfer trained skills to the job. Facticeau et al., (1995) have observed that the immediate supervisor plays a significant role in their subordinates training motivation. Managerial support (For example, encouraging trainees to use new skills and tolerating mistakes when they are practicing) has been identified as a key environmental variable affecting transfer (Ford et al., 1992 Huczynski & Lewis, 1980) and is likely to be of central importance in creating a "transfer friendly" climate. However, where mangers are highly supportive, individuals are likely to feel more comfortable performing trained skills (Ford et al., 1992). It is highly likely that immediate supervisors cue the implications of training participation to employees through performance evaluations at the end of the year, and through discussions during the performance period (Chiaburu and Tekleab, 2005)

**IMPORTANCE OF THE STUDY**

If the training is given effectively it can bridge the gap between what the employee has and what the job demands. Training offers innumerable benefits to both employees and employers. It makes the employee more productive and more useful to an organization. Trained workers can work more efficiently. They use machines, tools, and materials in a proper way. Wastage is thus eliminated to a large extent. There will be fewer accidents. Training improves the knowledge of employees regarding the use of machines and equipment. Hence, trained workers need not be put under close supervision, as they know how to handle operations properly. Trained workers can show superior performance. They can turn out better performance. They can turn out better quality goods by putting the materials, tools and equipment to good use. Training makes employees more loyal to an organization. They will be less inclined to leave the unit where there are growth opportunities.

**STATEMENT OF THE PROBLEM**

From the perspective of employees, is the training program adopted at Sahyadri Starch & Industries Pvt. Ltd. Miraj MIDC effective or not.

**OBJECTIVES OF THE STUDY**

1. To know the effectiveness of the training program conducted by the company.
2. To study the process and functions of training.
3. To know whether employees are aware about their responsibilities and authorities.

**METHODOLOGY AND TOOLS**

The present study is confined to Sahyadri Starch & Industries Pvt. Ltd. Miraj MIDC. 50 blue collar workers were selected randomly and interviews were conducted. Primary data have been collected with the help of structured and non-disguised close ended questionnaire. The data collected from the primary source are analyzed with various statistical tools. Here secondary data were collected from official records, website and files and from managers /team leads with their permission. The statistical tool used for analyzing and interpreting the opinions of the employees and the tool includes simple percentage analysis. The results were presented with the help of different charts and diagrams. Findings of the study were drawn from the analyzing of data's, suggestions and conclusions have been made based on the findings.

**RESULTS AND FINDINGS**

In Sahyadri starch & Industries Pvt. Ltd. HR department conduct briefing and debriefing sessions for employees under training. After training program, the trainee's reactions to the overall usefulness of the training including the coverage of the topics, the method of presentation, the techniques used to clarify things are taken by the Team leaders and Supervisors. They do it by using questionnaire. They ask questions like what were your learning goals for the Programme. Did you achieve them? Did you like this programme? What suggestions do you have for improving the programme? Should the organization continue to offer it? The training evaluation information (about costs, time spent, outcomes, etc.) are provided to the instructors, trainees and other parties concerned for control, correction and improvement of trainees' activities. These evaluation reports are then checked and viewed by higher authorities. Both On the job & Off the job training methods are used for training. Workers said that they get sufficient duration of time for training and practice. Training helped workers to acquire technical knowledge about their machines and jobs. Trainer method of training and delivering knowledge was effective.

**SUGGESTIONS**

1. Employee should attend the training which is conducted for them and company should make sure that all employees attend training programs specified for them.
2. All trainees should be provided with enough practice during training sessions.
3. Line managers should provide the right kind of climate to implement new ideas and methods acquired by their juniors during training.
4. Employees in the organization should participate in determining the training they need.
5. Training should be given to bridge the gap between what the employee has and what the job demands.
6. Some employees feel off the track. They need more training and proper direction. They should be provided required training.

**CONCLUSION**

Every organization needs to have well-trained and experienced people to perform the activities that have to be done. Training is the process through which employee gain technical knowledge and skills to perform their job. Effectiveness of training program directly or indirectly affects Productivity, Quality, Cost control, Employee satisfaction, Employee absenteeism, reduction in wastage, Customer satisfaction etc. Hence knowing Effectiveness of training program in organizations is one of the important aspects to survive and flourish in the present day corporate world.

**LIMITATIONS**

Sample consisted of 50 employees and the limitations of sampling method do apply to the survey. Time constraints did not permit inclusion of all employees situated in the various branches. It is difficult to effectively control variables that may have affected the subject's responses.

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**APPENDIX****QUESTIONNAIRE**

Name of employee  
Age  
Designation  
Department

1. Before joining actual work did you get the training?
  - a. Yes
  - b. No
2. What kind of Training method was used in training program?
  - a. On job training
  - b. Off job training
  - i. Job Instruction Training
  - i. Lecture method
  - ii. Job Rotation
  - ii. Vestibule training
  - iii. Coaching
  - iii. Role playing
3. How do you rate the Trainer? (Knowledge, Ability to deliver & communicate)
  - a. Excellent
  - b. Very good
  - c. good
  - d. Poor



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