INTERNATIONAL JOURNAL OF RESEARCH IN COMMERCE, IT & MANAGEMENT

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CONTENTS

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NEED/IMPORTANCE OF THE STUDY
STATEMENT OF THE PROBLEM
OBJECTIVES
HYPOTHESIS (ES)
RESEARCH METHODOLOGY
RESULTS & DISCUSSION
FINDINGS
RECOMMENDATIONS/SUGGESTIONS
CONCLUSIONS
LIMITATIONS
SCOPE FOR FURTHER RESEARCH
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CUSTOMER INTENTION ANALYSIS OF USE OF FINPAY SERVICES USING UNIFIED THEORY OF ACCEPTANCE AND USE OF TECHNOLOGY (UTAUT) MODEL (STUDY OF FINPAY SERVICE USER IN JAKARTA)

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ABSTRACT

This research aims to determine the factors that influence the intention of using information technology-based payment services by involving the variables commonly used in the UTAUT model by using non-probability sampling method with convenience sampling type, 315 respondents were asked to provide an assessment with a scale of 10 for 18 sentence statements in quizenair format. All variables are latent so that a number of indicators are then converted into 18 quizenair statements. The kuienair was sent to 315 selected respondents using non-probability sampling method with convenience sampling type. Seven hypotheses were developed to examine the causal relationships between the variables and those that make up the structural equation model (SEM). The results of statistical tests indicate that all indicators are valid and reliable and empirical models developed meet the criteria of goodness of fit. Behavioral intention variable are significant to perceived usefulness and perceived ease of use. Perceived usefulness variable are significant to perceived ease of use and trust. The variables that not indirectly influenced are trust, social influence and Perceived Behavioral Intention (PBC) to behavioral intention. This research is expected to be useful for PT Finnet Indonesia in order to achieve the increasing intention of Finpay service.

KEYWORDS

UTAUT, SEM, behavioral intention, perceived usefulness, perceived ease of use, trust.

JEL CODE

L81

INTRODUCTION

Internet is one of the ways that make it easier for us to find out about any information, whenever and wherever. So all of the informations are obtained in a very easy way and without requiring us to leave home [16]. Indonesia entered the top 5 for internet users worldwide with 132.7 million users [11]. Java Island has the largest internet users rate of 86.3 million or 65% [1]. The city of Jakarta is the only one that has the largest internet users in Indonesia at 3.2 Million in 2013 [3]. In the 132.7 million total number of internet users, there are still users who have never done online transactions that amounted to 48.5 million users, one of the causes of the problem is the perception of the security of online transactions. 39.4 million users still feel that online transactions are unsafe and also 37.4 million users stated that online banking is not secure [1]. In addition, the use of e-money or e-payment is still very small at only 0.7% or 928 thousand transactions in 2016 [1]. This research is done to observe the use of Finpay because it is still very rare for people to know about Finpay service, compared to other service provider (PT Mandiri Indonesia) e-money whose users are still very far behind with 3.8 trillions of e-money produced independently in 2017 [8].

The online payment system is a payment system that utilizes the Internet network so that it can connect on the banking system that can make users buy goods sold by the seller then purchased by the buyer through online merchants or sellers who have Internet access at the their store. Indirectly, the online payment system does not make sellers and buyers being face to face, now we are in the time when using the method of payment that is more advanced like transfer, debit and others [9].

PT Finnet Indonesia is a company that engaged in electronic payment services, e-money and remittance. Business activities that are carried out by PT Finnet Indonesia are trade in goods and services. Online payment solution is one of PT Finnet Indonesia's portfolio and one of its products' example is Finpay. Finpay is one of electronic payment solutions with various payment options through credit card, online debit, mini market, Bank ATM network and e-money [5]. Payments using the Finpay service will make it easier for people to do online transaction.

In previous researches, they have never used UTAUT method to analyze user intention of Finpay service. This research is expected to improve or develop UTAUT method from previous researches because those researches using UTAUT model before still not perfect. The questions in this research are: Do the perceived usefulness, perceived ease of use, trust, social influence and perceived behavioral controls have a strong influence to behavioral intention variable on Finpay service users? Is there an influence between perceived ease of use variable to perceived usefulness variable on Finpay service users? And is there any influence between trust variable to perceived usefulness variable on Finpay service users?

This research is conducted with the intention to answer problem of the existing phenomenon. The purpose of this research are: to measure the effect of variable perceived usefulness to variable behavioral intention on Finpay users, to measure the effect of perceived ease of use variable against behavioral intention variable on Finpay user, to measure the effect of perceived ease of use variables against perceived usefulness variables in Finpay users, to measure the effect of variable trust on variable behavioral intention on Finpay users, to measure the effect of variable trust on perceived usefulness variables in Finpay users, to measure the influence of social influence variable on variable behavioral intention on Finpay users, and to measure the effect of PBC variable on variable behavioral intention on Finpay users

This research will explain the relationship between several variables to see if there is a significant relationship to know the intention of users to use in order to increase the intention of users of the future services of Finpay. Based on the previous research, the variables that are used are Perceived Usefulness, Perceived Behavioral Control (PBC), Perceived ease of use, Social influence, Trust and Behavioral Intention. The relationships in this study are perceived ease of use and trust to percived usefulness variable, then percived usefulness variable, Perceived Behavioral Control (PBC), perceived ease of use, social influence and trust to behavioral intention variable whether it affects user intention of Finpay service. This research uses the Unified Theory of Acceptance and Use of Technology (UTAUT) model. The UTAUT model is a model of technology adoption and information systems used to measure customer behavioral intention [21].

LITERATURE REVIEW

Online payment system is one of the alternatives for payment or purchase of goods or services on the internet [20]. In this time, people gradually began to leave paper-based bank services on a large scale. The banking industry began to adjust by applying and starting to use tools for calculation problems (eg PCs, notebooks, tablets, etc.) and communications (cell phones, smart phones, Internet, etc) [12]. Electronic payment system or online payment may be classified or grouped in general as direct online credit or debit payments using credit and payment debits, stored money and electronic bill payment [14].

UTAUT is a model of technology adoption and information system used to measure customer behavioral intention. The UTAUT model was developed based on a combination of eight models or theories about user adoption [21]. The eight models are The Theory of Reasoned Action (TRA), Technology Acceptance Model (TAM), Motivational Model, Theory of Planned Behavior (TPB), Combined TAM and TPB, Model of PC Utilization, Innovation Diffusion Theory and Social Cognitive Theory. Venkatesh et al (2003) [21] research shows that the UTAUT model performs better than the eight models above. Therefore, UTAUT allows us to know what variables that affect the reception and use of new technologies. The model consists of four determinants of performance expectancy, social influence, and facilitating conditions and meanings as formulated by Venkatesh et al. (2003) [21].

In previous studies, variables such as acceptance of a perceived usefulness, community involvement to seek relevant information (Perceived Behavioral Control (PBC)), perceived ease of use, social influence, trust, perceived enjoyment significantly related to user intention (behavioral intention). In this research, the variables that will be used are Perceived Usefulness, Perceived Behavioral Control (PBC), Perceived Ease of Use, Social Influence, Trust, and Behavioral Intention because it is considered to be fit with the users of Finpay services. This model still needs to be improved or re-developed UTAUT model from previous research because the research using UTAUT model was still not perfect until now. In the previous research, model based on literature review, the result of UTAUT model usage is still vary until now, the results are ultimately significant or not and on the results of its R2.

HYPOTHESIS

PERCEIVED USEFULNESS TO BEHAVIORAL INTENTION

Perceived usefulness is defined as the degree to which a person believes that using a particular system will improve his performance [4]. In addition, Perceived Usefulness is also a condition where users are only willing to accept innovation if it provides a unique advantage or advantage over existing solutions or products [15]. The circumstances form a phase in which a person believes that in the use of a particular system will be able to add an achievement or benefit for its users. This is encouraged by the user's feelings of improved performance when they use a technology [22]. Based on a review of previous research that has been made before, in a study conducted by Lingling Gao, Xuesong Bai (2014) [6] has shown that perceived usefullness affects to behavioral intention. It is assumed that the Finpay service should achieve a better adoption rate if it can facilitate the user's daily life. Therefore, the hypothesis is proposed as follows:

H1: Perceived usefullness has a positive impact on Behavioral Intention on Finpay service users

PERCEIVED EASE OF USE TO BEHAVIORAL INTENTION AND PERCEIVED USEFULNESS

Perceived ease of use is defined as a easiness, the user will feel a reduction of the burden of himself. Because the ease of a solution or product used is felt to be the same as the expected work to be done (Venkatesh et al., 2003) [21]. In addition, Perceived Ease of use has another definition that perceived ease of use refers to "the extent to which one believes that using a particular system will be free from effort" This follows the definition of "convenience" and "freedom from difficulty or endeavor" [4]. In addition, the study also showed that perceived easy of use has an effect on behavioral intention and perceived usefulness. This is related to the perceived user's desire when using technology. It is assumed for Finpay service users to adopt service, they will feel that the Finpay layout is easy to use. The ease of use of the Finpay service will affect the user's intent to use and perceived usefulness will after using the Finpay service. Therefore, the hypothesis is proposed as follows:

H2: Perceived ease of use has a positive impact to behavioral intention on Finpay service users.

H3: Perceived ease of use has a positive impact to perceived usefulness on Finpay service users.

TRUST TO BEHAVIORAL INTENTION AND PERCEIVED USEFULNESS

Trust is the most effective tool to reduce uncertainty or minimize a risk and generate security. Given situations such as the sense of eliminating the uncertainty and feeling of security in doing something, it will be very easy for the user to think that using the service will benefit him [13]. As Suh & Han (2002: 249) [18] tells us, trust is a belief and confidence primarily derived from social psychology, which states that the interaction between people and the cognitive-emotional reactions to an interaction will determine the behavior of trust and is a belief that if someone else's promise is trustful. A belief is also often equated with the meaning of a security. When someone already has trust, then they will feel a sense of security in doing or using something. Furthermore, the research also shows that there is influence between trust to behavioral intention and perceived usefulness. This is related to the trust of Finpay service users in the use of the service. It is assumed that the level of trust influences the adoption intentions of the use and usefulness of the technology perceived by users of the Finpay service. Therefore, the hypothesis is proposed as follows:

H4: Trust has a positive impact to behavioral intention on Finpay service users.

H.5: Trust has a positive impact to perceived usefulness on Finpay service users.

SOCIAL INFLUENCE TO BEHAVIORAL INTENTION

Social Influence is a factor that determines the purpose of behavior in using Information Technology that is represented as subjective norm in TRA, TAM, TPB, social factor in MPCU, and image in innovation diffusion theory (IDT) [21]. Social factors are also defined as the degree to which an individual assumes that another person assures him that he or she should use a new system. It can be concluded that the more influence given from an environment whether it comes from friends, family, public figures, government or even advertising to prospective users of Information Technology to use a new information technology, the greater the intention arising from personal potential users in using the information technology because of the strong influence of the surrounding environment. Next, still in the same study shows that there is an influence between social influence on behavioral intention. This is related to a social influence of others or the media even in the use of the Finpay services. It is assumed that social influence affects the effect of using Finpay services. Therefore, the hypothesis is proposed as follow:

H.6: Social influence has a positive impact to behavioral intention on Finpay services users.

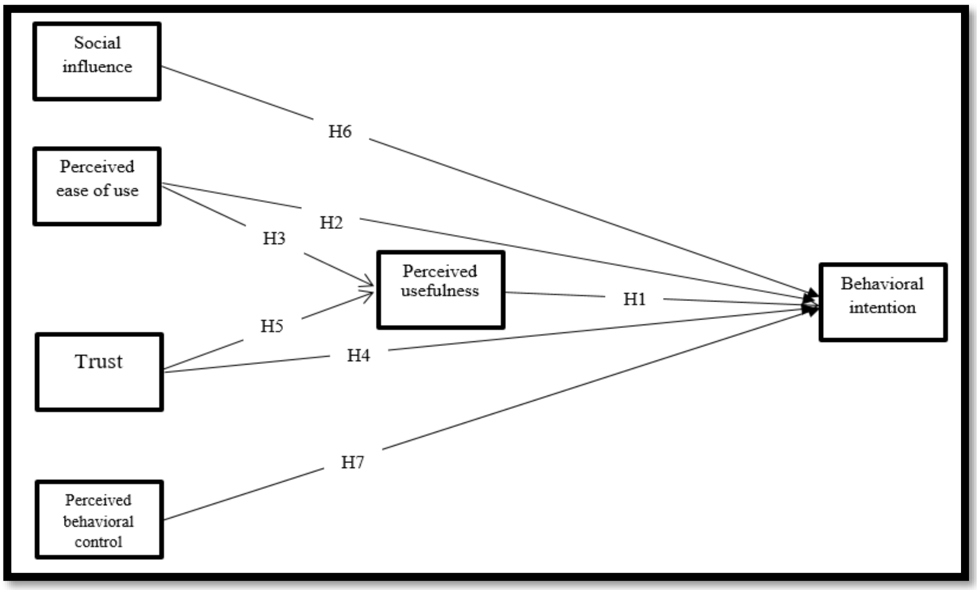
PERCEIVED BEHAVIORAL CONTROL (PBC) TO BEHAVIORAL INTENTION

Behavioral Intention is a direct antecedent of behavioral usage and gives an indication of whom individual will later do something in a particular behavior [19]. In addition, Behavioral Intention is also interpreted as a behavioral tendency to keep applying a technology [4]. In the use of something, the user can be predicted how their behavior and the tendency in the use of something. The study also showed that Perceived Behavioral Control (PBC) has an effect on Behavioral Intention. This is related to the involvement of users or the public in searching for relevant information related to the Finpay services. It is assumed that information affects the using of Finpay services. Therefore, the hypothesis is proposed as follow:

H.7: Perceived Behavioral Control (PBC) has a positive impact to Behavioral Intention on Finpay services users.

According to the variable hypothesis above, it can be concluded the empirical model as follows:

PICTURE 1 EMPIRICAL MODEL



Source: Authorized Results, 2017

RESEARCH METHODS

This research is based on its method is quantitative research [17]. Seeing the purpose is conclusive with the type of correlational investigation and see the involvement of researchers including not manipulate or intervene data. In addition, based on the unit of analysis is individual target because the data that is used in this research comes directly from the respondents from questionnaires that have been spread. Respondents are Finpay service users in Jakarta. Based on research's setting, this research is non-contrivied setting and based on implementation time, this research is cross sectional because the collection and management of data in this research is done in one period in 2017 [10]. The sampling technique using convenience sampling is done by taking available samples and allowing to provide an information for the researcher [2].

Types of variables used are eksogenous and endogenous variables. Eksogenous variables used are Social Influence, Perceived Ease of Use, Trust, Perceived Behavioral Control (PBC), while endogenous variable used are Perceived Usefulness and Behavioral Intention The data that is used in this research are primary and secondary data which use the scale ordinal with numerical measurements to identify some categories of different types of statements. The respondents will then choose numerical 1 for "strongly disagree" to 10 to "strongly agree" on the statements given by the researcher. The population in this study is the users of the Finpay service in Jakarta with a sample of 315 respondents by using screening question in the beginning of survey.

The questionnaires that is used during this research consisted of 18 question indicators divided into 4 eksogenous variables and 2 endogenous variables, all of these variables were ultimately intended to measure the intention of Finpay services users for eksogenous variables. The research used 4 variables: perceived usefulness, Perceived ease of use, trust, and Perceived Behavioral Control (PBC). Meanwhile, for endogenous variable use 2 variables that is perceived usefulness and behavioral intention.

For the validity test, all of these questions are valid by generating values greater than 0.5. All statements are also stated reliable with CR value greater than 0.7. One of the indicator of the statements of the eksogenous variable is that "I find it easy to learn the use of Finpay" goes into perceived usefulness. While one of the indicator of the statements with endogenous variable is "Finpay allows me to make payments more quickly" goes into perceived ease of use.

Analytical technique used is Structural Equation Modeling (SEM) which is an analysis technique that involves the indicators on a variable and structural model. Each indicator on each variable serves to define or represent these variables and the variables used are connected and depend with each variable. SEM analysis technique is a suitable technique used when researchers have many variables that can be distinguished into eksogenous and endogenous variables with some indicators of each variable [7]. To perform SEM analysis techniques, this research uses LISREL program version 8.80. LISREL program is the most commonly used program to perform analysis by using SEM technique [7].

RESULTS AND DISCUSSION

The result of this based the result of screening question that respondents who used its service is 71.3% and the other respondents who did not use its service is 28.7%. The characteristics of users of Finpay service based on the gender were men by 55.2%. Users' characteristics of Finpay based on age is between 25 - 34 years or 52.1% of all. Based on educational background of the respondents are S1 or 55%. Based on job, the respondents mostly are being employee or 72.7%. Based on revenue, the respondents mostly in range ≥ 10,000,000 or 29.5%. Based on the online shopping's goal, the respondents chose a variety of payments equal to 165 respondents. Based on the level of frequent they did the online shopping is 5 to 9 times a year or 26.3%.

TABLE 1: VALID AND RELIABLE

Variabel	Indikator	T-Value	Std. *Loading factors*	Error Variance	Construct Reliability	Avg. Variance Extracted	Explanation
Perceived Ease of Use	PEU1	36.1	0.92	0.25	0.88	0.76	Valid & Reliable
	PEU2	35.8	0.84	0.3			Valid & Reliable
	PEU3	26.93	0.85	0.38			Valid & Reliable
Trust	TRT1	30.81	0.87	0.24	0.85	0.73	Valid & Reliable
	TRT2	32.05	0.84	0.29			Valid & Reliable
Social Influence	SIF1	12.75	0.67	0.56	0.7	0.52	Valid & Reliable
	SIF2	20.39	0.77	0.41			Valid & Reliable
Perceived Behavioral Control	PBC1	18.3	0.74	0.46	0.81	0.58	Valid & Reliable
	PBC2	21.53	0.76	0.42			Valid & Reliable
	PBC3	25.13	0.79	0.38			Valid & Reliable
Perceived Usefulness	PUF1	56.52	0.92	0.16	0.90	0.76	Valid & Reliable
	PUF2	34.85	0.84	0.3			Valid & Reliable
	PUF3	37.43	0.85	0.28			Valid & Reliable
Behavioral Intention	BIT1	30.6	0.85	0.27	0.9	0.59	Valid & Reliable
	BIT2	24.78	0.79	0.38			Valid & Reliable
	BIT3	18.8	0.71	0.5			Valid & Reliable
	BIT4	17.8	0.7	0.51			Valid & Reliable
	BIT5	25.52	0.78	0.39			Valid & Reliable

Source: Authorized Results, 2017

Based on the calculation using all the indicators on each variable, the validity and reliability test can be continued by looking at construct reliability and Average Variance Extracted (AVE). The results show that all indicators have a loading factor of 0.5, which means that all indicators are appropriate measuring instruments for measuring each variable. In addition, the t-value indicators used had values greater than 1.96 with an error rate of 5%. It shows a strong relationship between each variable with its indicators [23]. Validity test using Average Variance Extracted (AVE) also shows good result, that every variable has AVE value above 0.5. AVE values above 0.5 indicate that the indicators on a variable can already be united and can represent these variables. Similarly, the value of construct reliability used to do test reliability, all the variables used show good reliability test results, which is above 0.7. Overall, the measuring tool that was used in this research is valid and reliable.

TABEL 2: GOODNESS OF FIT INDICES

Goodness Of Fit Indices	***Cut-Off Value***	**Research Result**	**Match Rate**
Absolute Fit Indices			
χ2 Significance Probability	≥ 0.05	P = 0.83	*Good Fit*
GFI	≥ 0.90	0.95	*Good Fit*
RMSEA	≤ 0.08	0.0	*Good Fit*
RMR	≤ 0.08	0.028	*Good Fit*
SRMR	≤ 0.08	0.028	*Good Fit*
Nor. Chi-Square (χ2/DF)	< 3	1.44	*Good Fit*
Incremental Fit Indices			
NFI	≥ 0.90	0.99	*Good Fit*
TLI (NNFI)	≥ 0.90	1.00	*Good Fit*
CFI (RNI)	≥ 0.90	1.00	*Good Fit*
RFI	≥ 0.90	0.99	*Good Fit*
IFI	≥ 0.90	1.00	*Good Fit*
Parsimony Fit Indices			
AGFI	≥ 0.90	0.92	*Good Fit*
PNFI	≥ 0.50	0.64	*Good Fit*
PGFI	≥ 0.50	0.55	*Good Fit*

Source: Authorized Results, 2017

In the Goodness of Fit (GOF) appraisal results, the cut-off value criteria in Table 4.10 which is in the Absolute Fit Indice, Parsimony Normed Fit Index (PNFI) and Parsimony Goodness of Fit Index (PGFI) have been adjusted with the results of this research. The results of this research reached the level of Good Fit which means it can be concluded that the model of this study fit all the model is good (Good Fit). In the results, the measurement index that a structural model can be suitable if at least 5 indexes in the measurement of Goodness of Fit can fit in accordance with criteria. The value of chi-square in this research was close to a significant and fit result in accordance with the predefined GOF criterion of 0.95. The value of chi-square may decrease and the probability or p-value may increase as the number of samples increased with a significant yield limit on p-value shows results equal to or greater than 0.5 [7].

PICTURE 3 HYPOTHESIS RESULT

Hipotesis	Regression coefficient	T Value	Result
H1: PUF + → BIT	0.45	3.92	H1 Accepted
H2: PEU + → BIT	0.62	2.36	H2 Accepted
H3: PEU + → PUF	0.5	4.49	H3 Accepted
H4: TRT + → BIT	-0.14	-0.77	H4 No Accepted
H5: TRT + → PUF	0.43	3.71	H5 Accepted
H6: SIF + → BIT	0.41	0.98	H6 No Accepted
H7: PBC + → BIT	-0.44	-1.19	H7 No Accepted

Source: Authorized Results, 2017

The result of regression coefficient shows how big influence between hypothesized variables and T value indicated a significance of influence between variables. Based on the results of the LISREL, it showed, it can be concluded that H1, H2, H3, and H5 are accepted. For the others, H4, H6 and H7 are no accepted. The relationship between variables contained in a research model will form a structural equation. This research has two structural equations:

BIT = 0.45*PUF + 0.62*PEU - 0.14*TRT + 0.41*SIF - 0.44*PBC, Errorvar.= 0.24, $R^2 = 0.76$

PUF = 0.50*PEU + 0.43*TRT, Errorvar.= 0.21, $R^2 = 0.79$

TABEL 4: DECOMPOSITION EFFECT

Decomposition effect	Regression coefficient	T Value	Explanation
PEU + → PUF→ BIT	0.22	2.89	Significant
TRT + → PUF→ BIT	0.19	2.78	Significant

Source: Authorized Results, 2017

There is and indirect influence from perceived ease of use and trust variables are significant toward behavioral intention, with perceived usefulness as the intermediate variable. It shows the result of significant T value on both variables to behavioral intention through perceives usefulness, with perceived ease of use as the variable that has the most indirect influence use behavior because it has the highest regression coefficient, that is equal to 0.22. This research has some similarities and differences from the previous studies. The results of the research obtained will be discussed in accordance with the hypothesis discussed earlier, the following are the results:

H1: Perceived usefulness has a positive impact on behavioral intention on Finpay service users.

The relationship between Perceived usefullness and behavioral intention variables has a T value greater than 1.96, which is 3.92. It means that Perceived usefulness affects behavioral intention positively and significantly, in other words H1 is accepted. This research assumes that Finpay services users receive an innovation of online transaction services, such innovations as payment through Finpay code with code which using telephone number (021xxxxxx) which is not owned by other competitors. PT Finnet Indonesia as the single aggregator, host to host for the payment service of Telkom group at this time, so with the system Finpay services do not have to make an agreement to cooperate with all active channels (Bank, Office, minimarket, etc) because it already has an agreement to cooperate with payment of phone, in this situation like this, it will not be owned by other competitors.

H2: Perceived ease of use has a positive impact on behavioral intention on the use of the Finpay service.

The results of this research indicates that the Perceived ease of use variable has a positive and significant influence on the behavioral intention variable because it has a T value of 2.36. In this research, H2 accepted. It proves that the usage of Finpay service makes it easier for users to conduct online transactions such as many alternative ways of payment (m-banking, internet banking, sms banking, ATM, minimarket, office post, etc. In all Indonesia region). In addition, Perceived ease of use is one of the factors that increase user intention in using Finpay services.

H3: Perceived ease of use positively impacts perceived usefulness in Finpay service users.

In addition, perceived ease of use also had a positive and significant impact on perceived usefulnes, the T value found was 4.49. In other words H3 accepted. It is assumed that the use of the Finpay service makes it easier for users to engage in online transactions that affect the acceptance of the Finpay service with innovations that increase intention in the use of Finpay services, even though this ease has been received but to improve the ease of service Finpay, it can increase the number of merchants for more increase the user's intention to use the Finpay service. The relationship of perceived ease of use to perceived usefulness has an indirect relationship because of the perceived ease of use relationship to perceived usefulness before it is linked to behavioral intention.

H4: Trust has a positive impact on behavioral intention on Finpay service users.

As shown in Figure 4.10, the relationship between trust and behavioral intention has no significant effect because it has a T value of -0.77, in other words that H4 in this research is no accepted. This result that against the trust, that is the most effective tool to reduce uncertainty and risk and generate security (Lin, 2011). Gao & Bai's research (2014) [6] suggests that trust has a positive relationship to behavioral intention because of the unique characteristics of the Internet of Things or IoT technology that is the inability to see and touch products directly and high-level IT engagement. While in this research, it is assumed because Finpay service is lack of promotion, education and socialization that cause the user less trust that services of Finpay are actually safe.

H.5: Trust has a positive impact on perceived usefulness to users of Finpay services.

Different from before, the relation of trust to behavioral intention which is no accepted by the hypothesis, the relationship of trust with perceived usefulness has a significant effect. The relationship of Trust to perceived usefulness also has an indirect relationship because trust relationship is significant if it's not directly connected with behavioral intention but must be through perceived usefulness first. In other words, H5 is accepted in this researcg, because it has a T value of 3.71. It is assumed that the level of trust will affect the intention of usage but is driven by the circumstances in which the user is only willing to use a useful or useful innovation for him so that the user of the Finpay services believes that trust is balanced by the existence of a product that has a profitable innovation.

H.6: Social influence has a positive impact on behavioral intention on users of Finpay services.

The value of T on the relationship of social influence to behavioral intention has a T value of 0.98, so H6 is no accepted in this research because the value of T is less than 1.96. Social factors are also defined as the degree to which an individual assumes that another person assures him that he or she should use a new system. This research is assumed to be lack of promotion, education and socialization to Finpay service although the growth of service users of Finpay from year to year keep increasing but when compared with similar products (Doku, e-money Mandiri and Paypal), Finpay services are still relatively lagging.

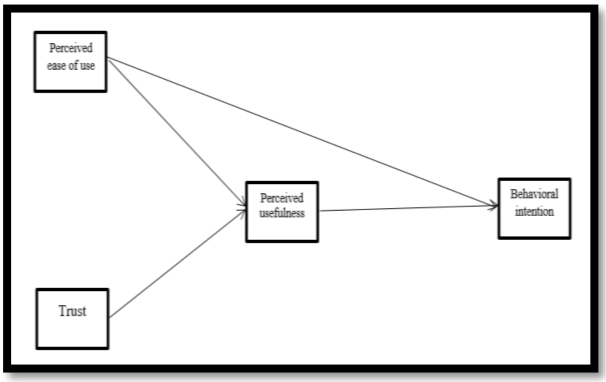
H.7: Perceived Behavioral Control (PBC) has a positive impact on behavioral intention on Finpay service users.

In the relationship Perceived Behavioral Control (PBC) to behavioral intention has a value of T -1, 19 so that H7 is no accepted in this research. These results contradict Gao & Bai (2014) [6] stating that Perceived Behavioral Control (PBC) which is an element to facilitate community involvement in finding relevant information. This gives a perception of users if they have the resources, capabilities, and sense of control necessarily to perform the behavior thoroughly and be done. It is assumed that Finpay service does not provide promo events that can encourage users to search for information to participate in the promo.

CONCLUSIONS AND RECOMMENDATIONS

Based on the results of the research that has been presented, it is concluded that the advantages and benefits from the use of the Finpay service is one of the important element, because there is an influence from the benefits and advantages from the acceptance of innovation on the use of Finpay services. An innovation will further increase the user's intention to use if Finpay has innovations that make it easier to use Finpay services. The ease of use of Finpay services is also influential to increase the user service Finpay. One of the benefit provided by Finpay services is to have many alternative ways such as m-banking, internet banking, sms banking, ATM, minimarket, kantorpos, and others in Indonesia. Ease of use also affects the benefits and benefits derived from the acceptance of a service innovation Finpay. The ease and innovation provided are acceptable enough but to further improve the users of Finpay services should increase the number of involved merchants. Trust does not directly affect the usage of the Finpay service. Based on the researcher's assumption because Finpay service lack of promotion, education and socialization that cause the users less trust that Finpay services are actually safe. Trust affects the benefits from the acceptance of a Finpay service innovation before it connects with the use of the Finpay services. The level of trust will affect the intention of the use indirectly but influenced by circumstances where the user just want to use an innovation that is beneficial or profitable for him so that users of the service Finpay believe that the use of trust is balanced with the existence of products that have a profitable innovation. Social effects of others has no effect on users' intention in the Finpay service. The lack of promotion, education and socialization are the most important factors, so that external influences have little influence on the intention of using Finpay service. A community involvement to seek relevant information in advance does not affect the use of the Finpay service. Lack of promo events that can encourage users to search for information to participate in the promo. From the results of the research it is suggested that Finpay service providers should improve the innovation, ease and level of trust that will increase the level of intention of Finpay service users in the future. The next research is expected to add intervening variable variable to behavioral intention variable that is trust, social influence and Perceived Behariotal Intention (PBC) in order to refine the hypothesis of the model. This study yields a well-tested model of both validity and reliability and goodness of fit to analyze factors affecting behavioral intention in the online transaction services industry. This model modifies the previous UTAUT model, as illustrated below:

PICTURE 2: MODIFIED RESULTS OF UTAUT MODEL



Source: Authorized Results, 2017

BIT = 0.45*PUF + 0.62*PEU ……………………………………………R^2 = 0.76
PUF = 0.50*PEU + 0.43*TRT………………………………………….. R^2 = 0.79

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HUMAN RESOURCE MANAGEMENT PRACTICES AS PREDICTORS OF EMPLOYEES' JOB SATISFACTION IN TOURISM INDUSTRY: A STUDY OF SELECTED HOTELS IN THE LAKE TANA REGION OF ETHIOPIA

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ABSTRACT

In the contemporary era of aggressive business environment, the human resource factor of any organization is considered as a source of sustainable competitive strength, and job satisfaction of employees is regarded as important work place behavior to improve service quality and organizational performance. This research is an exploratory study sought to determine the extent to which human resource management practices can predict employees' job satisfaction in the tourism industry with special focus on selected hotels in the Lake Tana Region of Ethiopia. Six human resource management practices; namely recruitment and selection, employee involvement, training and development, performance appraisal, work condition and compensation practice were used as independent variables to predict job satisfaction of hotel employees. Data was obtained by using structured questionnaire from a total of 294 respondents who were selected from eleven hotels operating in Bahir Dar, an important tourist destination town in the southern shore of Lake Tana. Purposive, stratified and simple random sampling methods were used to select study hotels, departments and respondent employees respectively. Data were analyzed by using Pearson correlation and multiple regression methods. The result of the Pearson correlation indicate that all perceived human resource management practices considered in this study have positive and statistically significant association with job satisfaction. The regression analysis also shows that employee involvement, work condition, performance appraisal and compensation practice have a positive and statistically significant effect on employees' job satisfaction.

KEYWORDS

HRM practices, Ethiopia, job satisfaction, tourism & hospitality industry.

JEL CODES

O15, L83, Z31.

1. INTRODUCTION

In the emerging era of turbulent business environment, the changing role of human resource management practices from the ordinary organizational duties to a more strategic function has been considered as one of the most important measure of helping organizations overcome the insistent pressure of globalization (Agwu and Ohaegbu, 2015; Dar *et al*., 2014; Ashkezari and Aneen, 2012;Wright and Kehoe, 2007). Human resource management is concerned with the people dimension in organization. Since every organization is made up of people, acquiring their services, enhancing their skills, encouraging them to higher levels of performance and realizing that they are satisfied in their job and so that will continue to keep their commitment to the organization are essential factors to achieve organizational objectives (Decenzo and Robbis,2010; Dessler, 2007,). The basic aim of business organizations is customer satisfaction, and to maintain customer satisfaction it is very essential to sustain employee job satisfaction. Several empirical studies reveal that employee job satisfaction has become one of the significant indicators in measuring organizational commitment, organizational performance and meeting the challenges from competitors (Amare, 2015; Arokiasamy, 2013 Joseph, 2013;).

Boella (2013), Nikson (2007) and Hoque (2000) explained that in service delivery business organizations such as the tourism and hospitality industry, human resource management practices significantly contribute to employee job satisfaction, job commitment and organizational performance. Supporting this argument Onyema (2014) claims that human resources management practice such as recruitment and selection, training and development, performance appraisal and compensation jointly and separately affect job satisfaction. The hospitality industry refers to business institutions that provide accommodation and food services for people when they travel away from their permanent place of residence (Boela,2013). According to Yang (2010) the hospitality industry is sometimes considered as a "people oriented business". Yang further elaborates that people in this circumstance refer to both employees who provide the products and services, and customers who consume products and services. Similar to other business institutions, hospitality organisations need employees with different levels and kinds of knowledge, skills, and experience to deliver a standard quality of products and services that are needed by customers. In other words, hospitality business operations depend on a capable and service-oriented labour force (Nickson, 2013; Hoque, 2000). This implies that it is imperative for the hospitality industry to ensure effective and efficient human resource management practices such as employee recruitment and selection, training and development, compensation management and motivational schemes that are linked with its strategic objectives in order to satisfy its workforce and so to improve organisational performance standards, deliver quality service to customers, and maintain its competitiveness in the quest for organisational success (Boella, 2013; Nikson, 2007).

In view of the vital role played by the human resource factor in running service industries, the study of human resource management practices in the tourism and hospitality industry in Ethiopia assumes a much greater significance. The available literature in the country, particularly in Addis Ababa University reveals that there is only few research works conducted pertinent to the subject under study. In so far as the researcher's effort to identify the existing literature is concerned, the contributions of (Itansa, 2016; Amare, 2015; Workineh, 2015; Tegegne, 2008; Wasbeek, 2004) regarding human resource management practices in Ethiopia are relatively works of better significance. However, none of them gives attention for the human resource management practices in the tourism and hospitality sector. Hence, this research endeavor mainly focuses on evaluating the perception of hotel employees on such human resource management practices as recruitment and selection, employees' involvement, training and development, performance appraisal, work condition and compensation practice; and measuring their joint and independent effect on employees' level of satisfaction in selected hotels in the Lake Tana Region of Ethiopia.

2. REVIEW OF RELATED LITERATURE

In order to examine the role of human resource management practices as determinants of employees' job satisfaction, researchers, academicians and policy makers have conducted several studies in different time periods at various places of the world. Hence, in this part of the paper an attempt has been made to present the review of some relevant research work pertaining to those variables under study and their relationship in various organizations with particular emphasis to those works on service industries. This enabled the researcher to identify key findings, inconsistencies and gaps in the existing literature

2.1. HUMAN RESOURCE MANAGEMENT PRACTICES

The dynamic nature of human resource management practices in the service industries has attracted a number of researchers belonging to different areas of specialization to study the various issues of the subject and its relations on employees job satisfaction, organizational commitment and organizational performance (Bratton and Gold, 2007). Human resource management practices refer to the policies and practices involved in carrying out the human resource aspects of a management position including human resource planning, job analysis, recruitment, selection, orientation, compensation, performance appraisal, training and development and labour relations. These bundles or packages of policies, practices and systems influence employees' behaviour, attitude, and performance (Boela, 2013, Armstrong, 2010, Dessler, 2007). Delery and Doty (1996) described human resource management practices as organizational designs and implements regarding the human resource factor with the purpose of achieving the overall objectives through consistent policies. Robbins & Judge (2013) precisely describe human resource management practices as organizational practices implemented to hire, train and motivate employees. Noe *et al*. (2011) prefer to define human resource management as it is composed of the policies, practices, and systems that influence employees' behavior, attitude, and performance.

Tan and Nasurdin (2011) considered performance appraisal, career management, training, reward management and recruitment as human resource management practices while Ahmad and Schroeder (2003) used employment insecurity, selection hiring, use of team and decentralization, compensation/incentive contingent on performance, extensive training, status differences and sharing information as dimensions of human resource management practices. Tabouli *et al* (2016) and Demo *et al*. (2012) used to describe human resource management practices of organizations by considering recruitment and selection, employee involvement, training and development, work condition, performance appraisal and compensation practices. From the various definitions and conceptualizations of human resource management practice given above by different scholars, the Demo *et al* (2012) classification has been considered as a source of explanation and measurement scale of dimensions. Its comprehensive character including the most important and central components of human resource management practices is attributed to the researchers tendency towards the Demo *et al* conceptualization and classification of the human resource management factors.

2.2. JOB SATISFACTION

The term job satisfaction is an interdisciplinary and a multidimensional concept which attracted the attention of researchers and practitioners from different fields of study such as psychology,human resource management, organizational behavior and others. The extant literature witnesses that there are a large number of studies that analyze the term job satisfaction from many different point of view and its relationship with various organizational variables (Lund, 2003). However, there is no universal and agreed definition of job satisfaction that exposes all these dimensions at the same time(Joseph, 2013, Singh, 2013). The most referred characterization of job satisfaction was offered by Locke (1976) who defined job satisfaction as a pleasing or positive emotional state resulting from the evaluation of a person's job(cited in Ray and Ray 2011). Job satisfaction is also defined as a person's universal tendency towards his or her job (Robbins and Judge, 2013). Mullins (1993) mentioned that job satisfaction is closely related to motivation. Various factors such as employee' s needs and desires, social relationships, style and quality of management, job design, compensation, working conditions and perceived opportunities elsewhere are considered to be the determinants of job satisfaction (Moorhead and Griffin, 1999). Job satisfaction has a significant influence on employees' organizational commitment, turnover and absenteeism (Moorhead and Griffin, 1999). According to Robbins and Judge (2013), a satisfied workforce can enhance organizational productivity through less distraction caused by absenteeism or turnover and few experiences of withering manners.

2.3. HUMAN RESOURCE MANAGEMENT PRACTICES AND JOB SATISFACTION

Human resource management practices and job satisfaction are the two management concepts on which a plethora of research has been produced, and the relationship of the two in different organizations is also widely studied in various parts of the world, particularly in the context of the developed nations (Onyema, 2014; Ray and Ray, 2011; Peccei, 2004; Steijn, 2004). However, the explanation on the nature of the relationship between human resource management practices and employee safety is still a matter of debate among scholars (DeHart-Davis *et al*, 2014; Ray and Ray, 2011; Peccei, 2004). Ray and Ray (2011) and Peccei (2004) are in the opinion that the adoption of progressive human resource management practices of the organization is associated with higher levels of job discretion and empowerment for employees. On the other side of the issue, DeHart-Davis *et al* (2014) consider progressive human resource management practices as essentially unfavorable for employees' well being.

However, for Ray and Ray, the provision of a generally more interesting, rewarding and supportive work situations by employers will result in a better quality of work life for employees. This will, therefore, provide an opportunity to have a relatively more satisfied and integrated workforce. Similarly, several other researchers on the same line of argument empirically confirmed that human resource management practices that are adopted by organizations have a significant impact on the security of their employees, and this impact has a tendency to be more positive than negative (Bibi *et al*, 2012; Peccei, 2004). Onyema (2014) also upholds the idea that human resources management practice such as recruitment and selection, training and development, performance appraisal and compensation jointly and independently have significant positive effects on job satisfaction.

In an endeavor to examine the impact of human resource management practices on job satisfaction**,** Arzi and Farahbod (2014) have conducted an empirical study on the hospitality industry employees of Kualalampur, Malaysia. In the study five human resource management practices have been recognized including staffing, training, teamwork, performance appraisal and reward. The effect of each of these independent variables on employees' job satisfaction has been investigated separately. The results of the study demonstrated that there is significant and positive relation among all variables of the study, and the regression analysis found out that excluding training all of the human resource management practices have significant impact on job satisfaction and performance appraisal has been identified to have the maximum impact.

An influential empirical article by Joseph (2013) ventures to evaluate the level of satisfaction among the employees working in selected star hotels in the city of Kasaragod in Kerala State and Mangalore in Karnataka State of India. The study was chiefly based on primary data collected through oral interviews and distributing a structured questionnaire to randomly selected employees in the sample areas. As to the findings of the study, it is portrayed that the employee turnover is very high in the hotel industry. One of the major reasons for this has been suggested to be the low level of employee satisfaction in their organization and the major areas of their strong concern are salary package, training and development, performance appraisal, job security, promotion, employee recognition, grievance handling system and working hours. Another seminal study by Singh (2013) focuses on exploring the impact of human resource management practices on job satisfaction in the context of hotel industry.This study assesses the impact of selected human resource management practices (recruitment and selection, carrier growth and working condition) on job satisfaction in five hotels of Raipur division in India. The result of the analysis shows that recruitment & selection, carrier growth, working condition have positive significant impact among hotel employees.

Likewise, Arokiasamy (2013) has examined the relationship between career development, compensation and rewards, job security and working environment with employee satisfaction in the hotel industry in Malaysia. The results of the study indicate that there is a positive relationship between career development, compensation and rewards, job security and working environment and employee job satisfaction. The work of Islam, Bangish, Muhammad and Jenah (2016) ventured to investigate the effect of human resource management practices such as recruitment and selection, empowerment and working condition on job satisfaction in the prospects of hotel industry in Pakistan. The findings of the study revealed that there is a significant relationship between human resource management practices and job satisfaction. Moreover, the study found out that recruitment and selection, empowerment and work condition have positive effect on job satisfaction while compensation has a negative effect on job satisfaction.

In the context of Sub-Saharan Africa, Amare (2015) has tested the effect of selected human resource management practices (recruitment and selection, training and development, performance appraisal and compensation package) on employees' job satisfaction in Ethiopian public banks. The study confirmed that recruitment and selection has moderate but positive correlation with employees' job satisfaction and the remaining factors like training and development, performance appraisal and compensation package have a strong positive correlation with employees' job satisfaction. Moreover, the regression result shows that recruitment and selection, training and development, performance appraisal and compensation package have a significant positive effect on job satisfaction.

In the misanthropists' point of view, workers may perceive the adoption of more advanced human resource management practices by organizations as leading to an intensification of labour and to a more systematic mistreatment of employees (Guest, 2002; Landsbergis *et al*, 1999). With progressive human resource management practices come increased watching and monitoring of employees' effort by both management and fellow employees (Barker,1993;). Based on the preceding reviews of the existing literature, the study would like to test which one of the two aforementioned perspectives actually exists taking the positive view as a position of reference.

3. THEORETICAL AND CONCEPTUAL FRAMEWORK

The relationship between human resource management practice and employees' work place behavior such as employee satisfaction, organizational commitment and productivity has been analyzed widely in different parts of the world (Jenah, 2016; Amare,2015; Arzi and Farahbod, 2014; Onyema, 2014; Joseph, 2013; Singh, 2013; Ray and Ray, 2011). In those studies it is generally suggested that treating employees as a valuable organizational asset enhances their satisfaction and commitment which in turn leads to better performance for their organization. Most of these studies mainly based their analysis on the popular conventional organizational behavior theories such as Hertzberg Two Factor Theory, Social Exchange Theory, Expectancy Theory, Equity Theory and the different models of human resource management practices. Of these, the current study adopted two fundamental theories to provide the hypothetical background in order to explain human resource management practices as determinant factors of employees' job satisfaction with a special focus on the hotel segment of the tourism industry. These are the Guest Model of human resource management and Herzberg's Two Factor theory of motivation. As presented and discussed by Bratton and Gold (2007)), there are four major models of human resource management practices such as the Fombrun, Tichy and Devana Model of human resource management, the Harvard Model of human resource management, the Guest Model of human resource management, and the Warwick Model of human resource management (Bratton and Gold, 2007).

For this study, the Guest Model of human resource management is considered to be better relevant than others. The bearing of the Guest Model of human resource management for this study lies in its strength to show the close link between human resource management practices and their outcomes such as employee motivation and commitment, organizational flexibility and service quality (Aswthappa, 2008; Bratton and Gold, 2007). The essential argument of Guest's model is that if an integrated set of human resource management practices is applied in a consistent manner, higher individual motivation, satisfaction, commitment and performance is expected to be achieved by training, appraisal, selection, rewards, job designs, involvement, and security(*ibid*).The present study selected the human resource management practices such as recruitment and selection, employee involvement, training and development, work condition, performance appraisal and compensation practices which were incorporated by the Guest Model of human resource management (Bratton and Gold, 2007)

The second theory considered in this study to provide hypothetical background was Herzberg (1959) two factor theory. The Herzberg's motivation-hygiene theory also known as dual-factor theory states that there are some factors in the workplace that cause job satisfaction, while a separate group of factors cause dissatisfaction This theory determines factors in work content and context affecting employees' satisfaction and dissatisfaction (cited in Musa *et al*, 2014). According to Herzberg hygiene and motivation are two features of employee satisfaction. The first category is external to the job and can only dissatisfy an employee if the factors are not present or if mismanaged by job owners. The dissatisfiers represent work condition, salary, interpersonal relations, and supervisory styles (Samuel and Chipunza, 2009). As cited in Amare (2015) and Samuel and Chipunza (2009), Herzberg is in the opinion that employees are motivated by internal values rather than values that are external to their job. This is to mean that motivation is internally driven and is shoved by factors that are intrinsic to the work which Herzberg called "motivators". These intrinsic variables include achievement, recognition, the work itself, responsibility, advancement, and growth.

On the other hand, certain factors which result from non-job related variables cause dissatisfying experiences to employees. These variables were referred to by Herzberg as "hygiene" factors which do not motivate employees. However, they must be present in the workplace to make employees happy. Removing the causes of dissatisfaction through hygiene factors would not result in a state of satisfaction; it rather would result in a neutral state. Satisfaction would only happen as an outcome of the use of internal factors. However, the existing empirical literature indicated that hygiene factors such as competitive salary, good interpersonal relationships, affable work conditions and supervisory styles were found to be key motivational variables that influence employees' satisfaction and commitment in the organizations (Amare, 2015; Musa *et al*, 2014 and Poulston, 2009). This implies that management should give emphasis to the integrated application of both internal and external factors as an effective mechanism to enhance employee satisfaction and commitment.

The findings of the reviewed literature led the researcher to formulate the conceptual framework presented below which shows the relation between the independent variables and the dependent variable where by the independent variables comprise six selected human resource management practices such as recruitment and selection, employee involvement, training and development, performance appraisal, work condition and compensation practice whereas employees' job satisfaction forms the dependant variable.The framework can thus be used to investigate the direct effect of the perceived human resource management practices on employees' job satisfaction in the hotel segment of the tourism industry.

FIGURE 1: CONCEPTUAL MODEL OF THE STUDY

The estimation process was based on Ordinary Least Squares (OLS),i.e.,y= a + bx. For this purpose, we consider the following model specifications and hence, the research model illustrated above can be mathematically expressed as follows:

$JS = F(X_1, X_2, X_3, X_4, X_5, X_6)$

$JS = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \beta_6 X_6 + \epsilon$, Where,

Y = Job Satisfaction X_5= Performance Appraisal X_1= Recruitment and Selection X_6= Compensation Practice X_2= Employee Involvement β_0 = Intercept X_3 = Training and Development β_1- β_6 = Regression coefficients X_4= Work Condition ϵ= Stochastic error term

4. RESEARCH OBJECTIVES

The main objective of the study was to examine the extent to which the perceived human resource management practices predict employees' job satisfaction in the hotel segment of the tourism industry. Therefore, the following are the specific objectives of the study.

- ✓ To explore employees' perceptions of human resource management practices.
- ✓ To determine the association between the perceived human resource management practices and employees' job satisfaction.
- ✓ To examine the effect of the perceived human resource management practices on employees' job satisfaction.

5. RESEARCH HYPOTHESIS

Based on the relationship between the perceived human resource management practices (recruitment and selection, employees' involvement, training and development, work conditions, performance appraisal and compensation practice) and employees' job satisfaction as depicted in the conceptual framework /model, the following hypotheses have been formulated.

H_1: Recruitment and selection have significant effect on employees' job satisfaction.
H_2: Employees' involvement has significant effect on employees' job satisfaction.
H_3: Training and development have significant effect on employees' job satisfaction
H_4: Performance appraisal has significant effect on employees' job satisfaction.
H_5: Work condition has significant effect on employees' job satisfaction.
H_6: Compensation practice has significant effect on employees' job satisfaction.

6. RESEARCH METHODOLOGY

The study characterizes quantitative approach in nature, and it maintained cross-sectional survey design as an appropriate research design to meet the research objectives, and it made use of both primary and secondary data sources. Primary data, the principal source of information, was collected through the use of structured questionnaire, and secondary sources were also considered for the study. The principal data gathering tool for the study constitutes two sets of scales. The first section was adapted from the scale developed by Demo *et al* (2012) that measure human resource management practices. The researcher's choice of the Demo *et al* (2012) HRMPS scale was based on different justifications. Firstly, as recommended by previous researchers the Demo *et al* (2012) HRMPS scale is comprehensive in character including the most important and central components of human resource management practices(Demo and Paschola, 2016; Joudi *et al*,2016 and Tabouli *et al*, 2016). Secondly, the scale has also been recently revalidated in the context of developing nations which are culturally and geographically close to Ethiopia (Tabouli *et al,* 2016). Thirdly, although it is a recently developed measurement scale of HRMPS, the Demo *et al* (2012) scale has been used by a reasonable number of previous researchers in the field and found to be reliable and good fit with a Cronbach's alpha value ranging from.81 to.93.

The second section consists of the participant's responses related to job satisfaction, and for this part the short version of Minnesota Satisfaction Questionnaire (MSQ) developed by Weiss *et al*. (1967) was adapted and used to assess the job satisfaction level of employees. The researcher's confidence to use MSQ was thus emanated from the fact that the instrument has been extensively used by previous researchers. Moreover, its established reliability and user-friendly character contributed to the preference of the researcher towards using MSQ in order to collect primary data for the current study. The items about socio-demographic qualifications such as gender, age, level of education and work experience were included to the instrument. A Five-Point Likert Scale was employed for the survey. All sets of questionnaires were translated into Amharic, the national working language of Ethiopia and back translated to English and the draft was then checked to ensure the consistency of the altered copy.

The sampling method was a combination of three techniques. Purposive, stratified and simple random sampling methods were used to select study hotels, departments and respondent employees respectively. According to the index of hotels in Bahir Dar compiled by the Amhara National Regional State Tourism and Parks Development Bureau (2016), there are a total of seventy four hotels including large, medium and small sized hotels. Of these, a total of eleven hotels which were groomed for star ranking project which was then underway in the country were purposively selected. The target population represents 1502 employees working within four operational departments (front office, housekeeping, food and beverage and food production) of the eleven hotels. Hence, based on the sample decision model developed by Krejce and Morgan (1970) cited in Uma Sekaram and Roger Bougie(2010),the exact sample size was 306. With a ten percent increase for uncertainties, 347 questionnaires were distributed for respondents, and of these 322 questionnaires were returned. From the total returned filled questionnaire, 28 papers were not usable with too much missing values and incorrect filling so that they were excluded from further analysis and interpretation.The analysis was thus made based on 294 properly filled questionnaires.

Once the required data was collected, the raw data gathered from primary sources was edited, classified, coded and introduced into the spreadsheet system on SPSS version 23 in order to make it ready for data analysis. Depending on the nature of the stated objectives and the proposed hypotheses, different statistical techniques such as descriptive statistics were used to summarize data, and Pearson correlation and multiple regression were employed to test the proposed hypotheses.

7. RESULT AND DISCUSSION

After the necessary data for the study was collected using relevant tools and techniques, the next important step in the research process is the analysis, discussion and interpretation of data with the aim of arriving at empirical solution to the identified problem and so to draw conclusions. Data collected from the survey were thus analyzed using the Statistical Package for Social Sciences, SPSS (Version 23.0), and the data analysis techniques included Pearson correlation and multiple regression. However, prior to entering into the data analysis, statistical assumptions for multiple linear regressions such as linearity, normality, independence of errors, multicollinearity and homoscedasticity have been checked and the data met all the required assumption tests. The reliability of the scale was also tested before applying statistical tools using Cronbach's alpha method which is the most widely used technique of testing reliability (Kothari, 2014 and Malhotra and Birks, 2007,). It may be mentioned that its value varies from 0 to 1, but the satisfactory value is required to be greater than 0.6 for the scale to be reliable (*ibid*). In the present study, therefore, reliability of measurement has been tested on SPSS, and the testing result of variables which ranges from $\alpha = .770$ to .930 as presented in the table -2 meets the required standard and indeed proved that the scales are highly reliable for data analysis.

Hence, to begin with the demographic statistics, a summary of descriptive information on socio-demographic characteristics of respondents is presented in the following table (table-1). This is intended to help readers understand the overall socio-demographic picture of the participants involved in the questionnaire survey of this study. The demographic information includes gender, age, education level, work experience and department in which the respondent is operating.

TABLE 1: DEMOGRAPHIC DATA SUMMARY

Demographic Variables		Frequency	Percentage
Gender	Male	108	36.7
	Female	178	60.5
	Unclassified	8	2.8
	Total	294	100
Age	Below 25	135	45.9
	26-35	127	43.2
	36-45	21	7.1
	46-55	7	2.4
	Unclassified	4	1.4
	Total	294	100
Education Qualification	10th Complete	35	11.9
	12th Complete	41	13.9
	Certificate	65	22.1
	College Diploma	99	33.7
	BA/BSC and above	51	17.3
	Unclassified	3	1.0
	Total	294	100
Work Experience	1 -5 years	219	74.5
	6-10 years	54	18.4
	11-15 years	16	5.4
	16 years and above	5	1.7
	Total	294	100
Department	Front Office	74	25.2
	Food and Beverage	39	13.3
	Housekeeping	113	38.4
	Food Production	68	23.1
	Total	294	100

Source: Researchers' survey data, 2016

The demographic data summary as illustrated in table-1 above shows that majority of the respondents were females (60.5%). Age wise distribution of the data showed that the respondents of the age group below 25 years were 45.9%, age group 26-35 years were 43.2%, age group of 36 to 45 years were 7.1% while age group of 46 to 55 years were 2.4%. The distribution of respondents based on educational level depicts that 35(11.9%) of our sample are grade tenth completes or high school graduates,41(13.9%) are preparatory school completes and 65(22.1%) respondents have certificates, 99(33.7%) have college diploma and 51 (17.3%)of the study sample have bachelor degree or above. In terms of work experience among the participants of our research, 219 (74.5%) employees have a work experience of 1 to 5 years, 54 (18.5%) participants served their organization between 6 to 10 years, 16 (5.4%) participants have a working experience between 10 to 15 years, and 5 (1.7 %) participants have worked in hotel services for 16 years or beyond. The distribution of respondents based on their working department shows that 74(25.2%), 39(13.3%), 113(38.4%) and 68(23.1%) sample employees are working in front office, food and beverage, housekeeping and food production department respectively.

The summarized results of the descriptive statistics presented in table-2 below showed that employees in hotel industry have relatively average level satisfaction with employee involvement and work condition, whereas employees were found to appear least satisfied with the recruitment and selection process and training and development opportunities which is an indication of lack of fair recruitment and selection and unsatisfying training and development policies and practices. In so far as the correlation statistics between the distinct variables is concerned, the widely used Pearson product-moment correlation coefficient method was employed to analyze the correlation between the six predictor variables (recruitment and selection, employees' involvement, training and development, performance appraisal, work condition and compensation practice) and job satisfaction, the criterion variable. As table-2 below shows, the correlation value of variables ranges between .314 and .542, which indicates that all the factors are positively correlated with job satisfaction. It is also portrayed that there are moderate correlations between employees' involvement and job satisfaction(r =0.54, p = <0.01), and relatively lower correlation value is observed between training and development and job satisfaction(r =0.36, p <0.01). Hence, it should be necessary to give the highest emphasis on employees' involvement for superb job satisfaction of employees. The other four predictor variables are found to have a correlation value between the two, 0.54 (the higher) and 0.31(the lower).

It is also clear from table -2 that the p-values of all variables are less than 0.01, which indicates the existence of statistically significant relationship between human resource management practices and job satisfaction. Hence, the results of the Pearson correlation statistics as presented in table-2 below shows that all the six human resource management practices have positive and significant correlation with job satisfaction among hotel employees of the Lake Tana Region.

**TABLE 2*: DESCRIPTIVE STATISTICS, RELIABILITY COEFFICIENTS AND CORRELATION MATRIX OF THE STUDY VARIABLES*

Variables	Mean	Standard Deviation	Reliability Coefficient	Correlation Matrix with JS
Rrecruitment and Selection	2.1752	.89566	0.806	.314 **
Employee Involvement	3.1608	1.01736	0.930	.542**
Training and Development	2.5803	.92153	0.817	.364**
Work Conditions	3.1219	.84239	0.770	.536**
Performance Appraisal	2.9651	.98453	0.834	.394**
Compensation Practice	2.8963	.95165	0.816	.402**
Job Satisfaction	3.0600	.72476	0.906	1.00

Note: N=294; **p< 0.01 level (2-tailed).

Source: Researchers' survey data, 2016

Following this, a multiple regression analysis was performed to identify the predictors of job satisfaction as conceptualized in the model. In table-3 below, the value of R square indicates that 36.1% of the observed variability that occurred in the dependent variable (job satisfaction) was attributed to the independent variables (recruitment and selection, employees' involvement,training and development,performance appraisal, work condition, compensation practice), whereas the remaining 63.9% is related with other variables which were not included in this study. The last column of the model summary table, Durbin-Watson test statistics enables us to know whether the assumption of independent errors is acceptable or not. The closer to 2 the value of Durbin-Watson test is the better it meets the requirement (Field, 2013). Hence, for this data the value is 1.820, which is close to 2 so that the data has nearly met the required assumption. The value of F is 27.01% at significant level of.000 which is less than 0.01 indicating that the model is good fit or the *F*-ratio is significant to predict the model. Therefore, the six human resource management dimensions (recruitment and selection, employees' involvement, training and development, performance appraisal, work condition and compensation practice) jointly have significant effect on job satisfaction. The independent effect of each predictor variable is also demonstrated in the same coefficient table (table 3 below).

Table-3 below shows that the constant value of t-statistics is 1.52 with p<.05. The coefficient of recruitment and selection (beta) is.028 at statistically insignificant level of 0.575 rejecting the research hypothesis H_1 that says recruitment and selection have positive and significant effect on employees' job satisfaction. The coefficient of employees involvement (beta) is.238 with p<.01 which shows that employees involvement has positive and significant effect on employees' job satisfaction, thus H_2 is supported, where as the coefficient of training and development (beta) is 0.074 with p-value >0.05, i.e. 0.194 so that H_3 which says training and development have positive and significant effect on employees' job satisfaction is subjected to rejection. H_4 was accepted indicating that work condition has positive and significant effect on employees' job satisfaction (Beta=0.224, p<0.05). The coefficient of performance appraisal (beta) is 0.133 with p<0.05 which denotes positive and significant effect of performance appraisal on job satisfaction, and hence H_5 is accepted. The coefficient of compensation practice (beta) is 0.119 with p-value <0.05, which highlights statistically significant effect of compensation on job satisfaction so that H_6 is supported. Therefore, the overall model underscores that H_2, H_4, H_5 and H_6 are accepted while H_1 and H_3 fall in the area of rejection. The result of this study is found to be in tandem with the findings of Amare (2015), Farahbod (2014), Arokiasami (2013) and Joseph (2013) who concluded that human resource management practices have significant effect on job satisfaction. However, further investigations on the effect of human resource management practices including recruitment and selection and training and development on organizational commitment deemed necessary to better generalize the findings.

TABLE 3: MULTIPLE REGRESSION RESULTS

Model		Estimated Coefficient Value	Standard Error	t-value	Sig.
1	(Constant)	1.523	.157	9.714	.000
	Rrecruitment and Selection	.028	.051	.561	.575
	Eemployee Involvement	.238	.067	3.538	.000
	Training and Development	.074	.057	1.300	.194
	Work Conditions	.213	.065	3.295	.001
	Performance Appraisal	.133	.054	2.483	.014
	Compensation Practice	.119	.045	2.621	.009

a. Dependent Variable: Job Satisfaction

Source: Researchers' survey data, 2016

As it has been explained in the preceding discussions, the estimation process was based on Ordinary Least Squares (OLS), i.e., y= a + bx. Therefore, based on the outputs obtained from the multiple regression analysis as depicted in the coefficient statistics, the following mathematical relationship explains the result of the regression equation of the study.

$Y = 2.169 + 0.028X_1 + 0.238X_2 + 0.074X_3 + 0.213X_4 + 0.133X_5 + 0.119 X_6 + \epsilon$

8. CONCLUSION

Over the last half century, the global market for the tourism and hospitality industry has become increasingly active and dynamic, and the human resource component in the sector is considered as a source of sustainable competitive advantage. This research paper examined the effect of selected human resource management practices on job satisfaction among hotel employees of operational departments in the Lake Tana region of north central Ethiopia. The current study used six human resource management practices such as recruitment and relection, employees' participation, training and development, performance appraisal, work condition, compensation. On the basis of the findings of the research, it can be concluded that compensation practice, employees' involvement, work condition and performance appraisal have positive and significant effect on job satisfaction among hotel employees, while recruitment and selection and training and development have positive value in the regression output, but did not show statistically significant effect on job satisfaction among hotel employees. Employees' involvement is proved to be most important factor for creating satisfaction among employees in hotels under study.

The findings of the present study are consistent with the arguments of the optimist perspective regarding the relationship between human resource management practices and job satisfaction (Ray and Ray, 2011 and Peccei, 2004). The paper, thus, suggests that hotel managers should work to improve the recruitment and selection practices of hotel employees, and there should also be adequate training of employees through seminars and conferences.

9. RECOMMENDATION AND INDUSTRIAL IMPLICATION

Different from the doubters' outlook, which maintains the inverse relationship of human resource management practices and job satisfaction, the result of this research is consistent with the optimists' view, and it also meets the straight understanding that there is a positive relationship between human resource management practices and job satisfaction. So, it is likely to say the higher the employee's rating of the human resource management practices, the more their perceived level of job satisfaction will be, and hence human resource management practices are considered as important tools for enhancing organizational performance through building a more satisfied workers. Therefore, based on the results of the empirical data analysis, the researcher would finally like to suggest that the following industrial and business actions should be adopted to enhance employees' job satisfaction in the hotel segment of the tourism industry in particular and the entire service industry in general.

- ✓ Recruitment and selection process should be carried out very carefully in order to identify the best competence of the candidates for employment and so to realize person organization fit in the sector.
- ✓ Management should promote employees' involvement and participation in decision making, problem solving and policy designing tasks.
- ✓ Human resource management of the organizations should offer extensive employee training and development programs for better enrichment of the employees.
- ✓ Organizations should provide better work condition as a prerequisite to encourage employees to do their work effectively.
- ✓ Organizations should initiate competency based performance appraisal systems, which result in pay rise, promotion and training of the employees that will enhance employees' job satisfaction.
- ✓ Organizations should manage to pay at least even handed compensation to the employees for overtime duties or in the form of bonus for their earnest effort devoted to make attractive profit for the business.

10. LIMITATION AND DIRECTIONS FOR FUTURE RESEARCH

As it is natural for any research to have certain limitations, the current study has inevitable deficiencies, which simultaneously show gaps and open up opportunities for future studies. The results may not thus be generalized because the data were collected only from lower level hotel employees, which might create the potential for common method bias. Hence, for the issue of generalizing, for future studies data should be collected from different sources including employees' supervisors or managers. The replication of this study in other institutions and regions of Ethiopia is also recommended.Tourism and hospitality industry still needs much more information and investigation on what factors do really satisfy the employees of the sector, therefore other variables should be included into the research model and empirically tested to validate the authenticity of the findings and for universality.

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POSITIVE AND NEGATIVE IMPACT OF GST ON INDIAN ECONOMY

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ABSTRACT

Goods and Services Tax prevalently known as GST a solitary assessment on the supply of products and ventures, ideal from the maker to the buyer. Credits of information charges paid at each stage will be accessible in the consequent phase of significant worth expansion, which makes GST basically an expense just on esteem expansion at each stage. This examination paper features the positive and negative effect of the GST in the Indian Tax System.

KEYWORDS
GST in India, impact of GST, tax system in India, mechanism of GST.

JEL CODE
H20, H21, H25, H26, H29.

I. INTRODUCTION

GST is a comprehensive, multi-arrange, goal based duty that will be imposed on each esteem expansion. Goods and Service Tax (GST) implemented in India to get the 'one country one assessment' framework, yet its impact on different enterprises will be marginally unique. The primary level of separation will come in contingent upon whether the business manages fabricating, appropriating and retailing or is giving an administration.

II. OBJECTIVES OF STUDY

The investigation has following destinations:

- To cognize the idea of GST
- To think about the highlights of GST
- To assess the favorable circumstances and difficulties of GST
- To outfit data for additionally explore deal with GST

It is a solitary circuitous expense for the entire country, one which will make India a brought together normal market. It is a solitary assessment on the supply of merchandise and enterprises, appropriate from the producer to the purchaser. The GST Bill was presented in Lok Saba in 2009 by UPA government. However, they neglected to get it passed. The NDA government presented a 'somewhat adjusted' adaptation of the GST Bill in the Parliament and both the Houses passed it. Through GST, the administration plans to make a solitary exhaustive duty structure that will subsume the various littler aberrant assessments on utilization like administration charge, and so on. Touted to be a noteworthy distinct advantage, in the expressions of Union Finance Minister Arun Jaitley 'it will prompt the money related coordination of India'.

III. EXISTING INDIRECT TAX STRUCTURE IN INDIA

A. CENTRAL TAXES

- Central Excise duty
- Additional duties of excise
- Excise duty levied under Medicinal & Toiletries Preparation Act
- Additional duties of customs (CVD & SAD)
- Service Tax
- Surcharges & Cesses

B. STATE TAXES

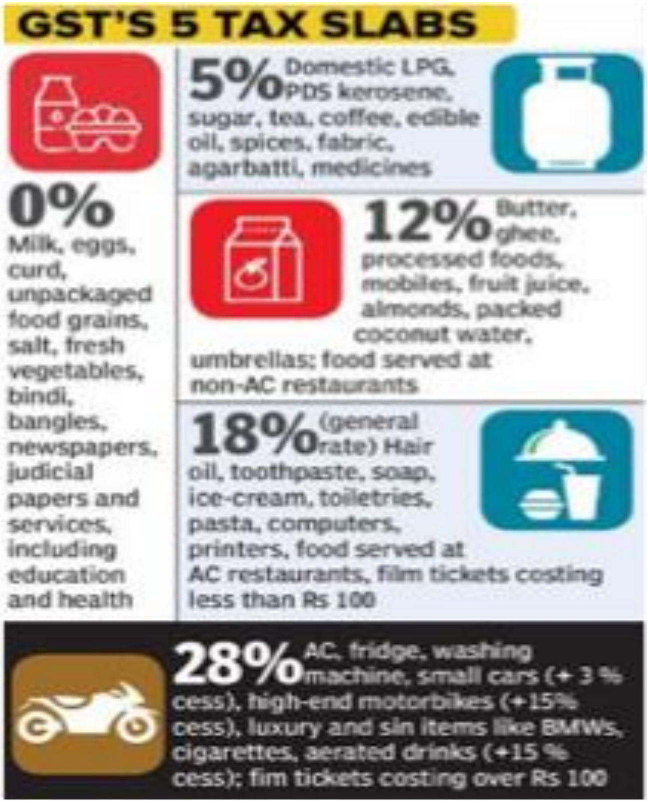
1. State VAT / Sales Tax
2. Central Sales Tax
3. Purchase Tax
4. Entertainment Tax (other than those levied by local bodies)
5. Luxury Tax
6. Entry Tax (All forms)
7. Taxes on lottery, betting & gambling
8. Surcharges & Cesses

IV. BENEFITS OF GST

- General diminishment in Prices for Consumers
- Reduction in Multiplicity of Taxes,
- Falling and Double Taxation
- Uniform Rate of Tax and Common National Market
- More extensive Tax Base and abatement in "Dark" exchanges
- Free Flow of Goods and Services – No Checkpoints.
- Non-Intrusive Electronic Tax Compliance System

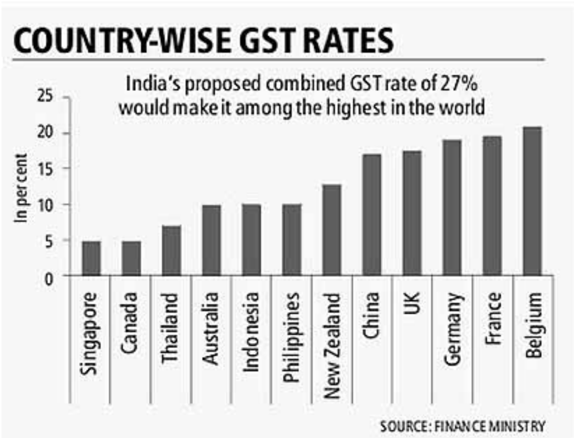
It will support fare and assembling exercises, produce greater business and along these lines increment GDP with profitable work prompting substantive monetary development. At last, it will help in destitution annihilation by creating greater work and more money related assets. GST Will anticipate falling of assessments as input Tax Credit will be accessible crosswise over merchandise and enterprises at each phase of supply;

FIG 1



Source: Times of India

FIG. 2: COUNTRY-WISE GST



V. GOODS & SERVICE TAX NETWORK

Goods and Services Tax Network (GSTN) has been set up by the Government as a privately owned business under recent Section 25 of the Companies Act, 1956. GSTN would give three front end administrations, to be specific enlistment, installment and come back to citizens. Other than giving these administrations to the citizens, GSTN would be creating back-end IT modules for 25 States who have selected the same. The relocation of existing citizens has just begun from November, 2016. The Revenue bureaus of both Center and States are seeking after the by and by enlisted citizens to finish the fundamental conventions on the IT framework worked by Goods and Services Tax Network (GSTN) for effective movement. Around 60 percent of existing registrants have just relocated to the GST frameworks. GSTN has officially delegated M/s Infosys as Managed Service Provider (MSP) at an aggregate venture cost of around Rs 1380 crores for a time of five years.

CASE OF GST CALCULATION

Give us a chance to accept that the GST is set at 5% Suppose that the assembling expense of a Product An is 100 and expecting a GST of 5% the aggregate sum is Rs. 105 The following stage of tax assessment would be the point at which the Product is sold to shoppers, suppose at a cost of 150. So the GST will charge another 5% on simply the distinction of Rs. 150 and Rs. 105 i.e. just 5% on Rs. 45 which is equivalent to Rs. 2.25. So the last cost is Rs. 150 + Rs. 2.25. Not at all like the instance of oil estimating, there is no assessment on a duty now. This takes out the falling impact of charges, which is extremely common in our economy and has been disentangled to a basic level in the case. Since the GST will be connected at each progression of significant worth creation it will be exceptionally troublesome for dark cash proprietors to take an interest anywhere in the esteem chain with the GST without representing every other exchange.

POSITIVE IMPACT OF GST

All practically every industry body are "completely arranged" for execution of the new backhanded expense administration, while recognizing the administration's endeavors towards its rollout. The across the country GST will upgrade India's convoluted backhanded tax assessment framework and bring together the over $2 trillion economy with 1.3 billion individuals into a solitary market.

The medium-term effect of GST on macroeconomic markers is relied upon to be to a great degree positive. Expansion will be diminished as falling of charges will be disposed of. Assocham president Sandeep Jajodia said India would move many indents up the worldwide simplicity of doing step by this single, however the most vital expense change in the nation.

NEGATIVE EFFECTS OF GST

India has embraced double GST rather than national GST. It has made the whole structure of GST reasonably muddled in India. The inside should organize with 29 states and 7 union domains to execute such duty administration. Such administration is probably going to make monetary and in addition political issues. The states are probably going to lose the say in deciding rates once GST is executed. The sharing of incomes between the states and the middle is as yet a matter of dispute with no accord arrived in regards to income nonpartisan rate. Pre GST benefit expense of 15%, which would increment to 18-20% in post GST. Thus, in spite of the fact that costs of goods and items can descend, benefit industry will endure the worst part of higher duties. Air travel, lodgings would turn out to be more costly. As of now, economy class tickets are exhausted 6% and non-economy class tickets are charged 9%. When GST is actualized, it would increment to 18%, consequently prompting direct increment of 9-12% expense on the tickets. Unless the aircrafts retain this expansion, the extra assessment must be paid by the buyer.

1. Proposed GST Rate Is Higher Than VAT

The rate of GST is proposed to be higher than the present VAT rate in India, which despite the fact that diminishing the cost in the more extended run, will be of no assistance in chopping down costs of items.

2. Double Control

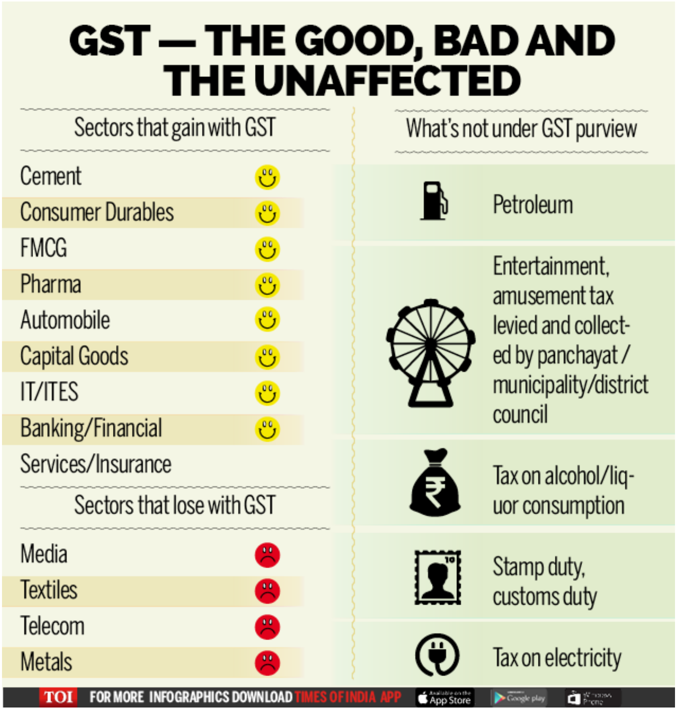
A business will be in a roundabout way controlled by both the Center and the State in all assessment related issues. The State will lose self-sufficiency to change the assessment rate, which will be managed by the GST Council.

3. Misfortune Incurred By the Manufacturing States

Since GST is generally identified with the assembling fragment, most assembling states may cause misfortunes.

In any case, the administration has proposed to make up for those misfortunes for a time of 5 years. The medium-term effect of GST on macroeconomic pointers is required to be greatly positive. Expansion will be decreased as falling of duties will be wiped out. Assocham president Sandeep Jajodia said India would move many indents up the worldwide simplicity of doing stepping stool by this single, yet the most imperative expense change in the nation.

FIG. 3



VI. CONCLUSION

There are approx. 140 nations where GST has just been actualized. A portion of the mainstream nations being Australia, Canada, Germany, Japan, and Pakistan, to give some examples. Usage of GST impacts a country both ways, decidedly and adversely. Overlooking negative angles, positive viewpoints can be mulled over, with a specific end goal to enhance the economy of the nation. Keeping in mind the end goal to quantify the Impact the GST we have to sit tight for the time and the Government needs to convey increasingly about the frameworks. It could be a decent approach to lessen the dark cash and great exertion by the Government of India after the Demonetization of the cash in 2016.

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THE EFFECT OF SELECTED FINANCIAL RATIOS ON PROFITABILITY: AN EMPIRICAL ANALYSIS OF LISTED FIRMS OF CEMENT SECTOR IN BANGLADESH

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ABSTRACT

The plinth emergence of infrastructures sector in Bangladesh cardinally hinges upon the growth and development of the Cement industry. The Bangladesh cement industry is most cost competitive in the world due to availability of raw material and Fuel at very low prices by the government. This has encouraged the researchers to analyze the relationship between profitability and selected financial ratios of cement industry in Bangladesh. The research paper makes an endeavor to determine the profitability of listed cement companies in Bangladesh with five years accounting period from 2012 to 2016. The paper encompasses six variables, namely, Debt to Equity Ratio (DER), Inventory Turnover Ratio (ITR), Debtors' Turnover Ratio (DTR), Creditors' Velocity (CRSV), Total Assets Turnover Ratio (TATR) and Net profit Margin (NPM). Profitability as a dependent variable is exhibited by Net profit Margin (NPM) while the selected ratios DER, ITR, DTR, CRSV, TATR and CRSV are expressed as independent variables. Based on the findings of the study, it is cogently revealed that there is a significant relationship between the three selected ratios and Net Profit Margin (NPM) of cement companies in Bangladesh.

KEYWORDS

Profitability, Financial ratios, Cement industry.

JEL CODE

G17.

1. INTRODUCTION

Profitability is the state of yielding a financial gain. It is the primary goal of all enterprises. Without profitability, the business will not continue in the long run. Increasing profitability is one of the most important tasks of the entrepreneur. They constantly look for ways to change the business to improve profitability. So measuring yesteryear profitability and projecting future profitability is very important. A variety of Profitability Ratios can be used to assess the financial health of a business. These ratios, created from the income statement, can be compared with industry benchmarks. Profitability ratios manifest an enterprise's ability to spawn earnings relative to sales, assets and equity. These ratios gauge the ability of an enterprise to yield earnings, profits and cash flows relative to some indicator, often the capital invested. Profitability is outcome of a numerous policies and decisions. In sum, the profitability ratios expose the blended outcome of liquidity, asset management and debt on the efficiency of the enterprise. Examples of profitability ratios are

- Return on Sales
- Return on Investment
- Return on Equity
- Return on Capital Employed (ROCE)
- Cash Return on Capital Invested (CROCI)
- Gross Profit Margin
- Net Profit Margin

The above mentioned ratios educate about the company performance at earning profits relative to a select standard of measurement. Higher values for most of these ratios convey that the company is providing satisfactory balance in generating profits, revenues and cash flows. Net profit ratio gives a good indication of the overall level of profitability of the company. This ratio quantifies how much of each dollar obtained by the company is transformed into profits. The higher the net profit margin is, the more effective the company is at converting revenue into actual profit. Net profit margin provides evidence to the company's policies& decisions, cost framework and production efficiency. Different strategies cause the net profit margin to vary among different companies. The higher the margin is, the more effective the company is in converting revenue into actual profit.

Cement is a man-made powder that, when mixed with water and aggregates, produces concrete, which uses in building infrastructures. Infrastructures are the basic physical and organizational structure needed for the operation of a society or enterprise, or the services and facilities necessary for an economy to function. So cement plays a key role in the development of an economy.

2. REVIEW OF RELEVANT LITERATURE

Many studies have described multi-facets of financial management in order to study the profitability of an organization. Research papers have educated that there are multiples of variables, which contribute into play varying degree of influence on the profitability of the organization. Therefore, it is desirable for the financial managers to gauge the prime variables exerting substantial influence on the profitability.

Saleem and Rehman (2011) studied the kinship between liquidity and profitability of oil and gas companies of Pakistan. The results reported that there is a significant effect of only liquid ratio on ROA while there is insignificant effect on ROE and ROI; thus, the study found that liquidity and profitability are closely related because as one increases the other decreases. Innocent *et al.* (2013) studied the relationship between the financial ratio analysis and profitability of the Nigerian Pharmaceutical industry over the past eleven (11) years period from 2001- 2011. The researcher's advocate that the financial ratio analyses has tremendous potentials to help organizations in enhancing their revenue generation ability as well as minimization of costs. The study covered five (5) variables for the analyses such as: Inventory Turnover Ratio (ITR); Debtors' Turnover Ratio (DTR); Creditors' Velocity (CRSV); Total Assets Turnover Ratio (TATR) and Gross Profit Margin (GPM). Profitability as a dependent variable is expressed by Gross Profit Margin (GPM) while financial ratio analysis represents as ITR, DTR, CRSV and TATR for independent variables. The study reported that there is a negative relationship between all independent variables with profitability in the Nigerian pharmaceutical industry. Dave (2012) examined the link between financial management and profitability of the Indian Pharma sector for a period of 10 years. The study covered six variables viz. Long term Debt to Equity Ratio (LTDER), Inventory Ratio (IR), Debtors Ratio (DR), Creditors Velocity (CRSV), Total Assets to Sales Ratio (TASR) and Profit after Tax to Sales Ratio (PATSR). These variables are calculated for 64 public limited pharmaceutical companies. The results proved that TASR and CRVS are the central variables for enhancing the profitability of the enterprise. Napompech (2012) studies the effects of working capital management on profitability. The results exposed a negative relationship between the gross operating profits and inventory conversion period and the receivables collection period. Ajanthan (2013) studies the relationship between dividend payout and firm profitability among stock listed hotels and restaurant companies in the Colombo Stock Exchange. The study proved that dividend payout was a crucial factor affecting firm performance. Velnampy and Niresh (2012) analyze the relationship between capital structure and profitability of ten Stock exchange listed Srilankan banks period from 2002 to 2009. The research shows that there is a negative association between capital structure and profitability. Quayyum (2012) studied the relationship between working capital management and profitability of manufacturing enterprises. The author encompasses companies enlisted with the Dhaka Stock Exchange the year 2005 to 2009.The outcome of the paper clearly present that except food industry, all other covered industries have a significant level of relationship between the profitability indices and various working capital components. Okwo *et al.* (2012) studied the link between firm financial management techniques and profitability in selected Pharmaceutical firms in Nigeria. The authors covered six variables including Long-Term-Debt to Equity Ratio (LTDER), Inventory Turnover Ratio (ITR), Debtors' Turnover Ratio (DTR), Creditors' Velocity (CRSV), Total Assets Turnover Ratio (TATR) and Net Profit Margin (NPM). Profitability as a dependent variable is represented by Net Profit Margin (NPM) while LTDER, ITR, DTR, CRSV and TATR were the independent variables. The paper discovered a positive relationship between LTDER, DTR, TATR and profitability, while ITR and CRSV have negative relationships with profitability. Capkun *et al.* (2009) investigated the relationship between inventory performance, both total inventory (INV) and its discrete components (Raw Material (RMI), Work-in-Process (WIP)& Finished Goods (FGI)) and financial performance in manufacturing companies. The study covered the period from 1980 to 2005.The paper brought out a significant positive correlation between inventory performance and measures of financial performance for firms in manufacturing industries. Mohammadzadeh *et al.* (2013) examined the relationship between the capital structure and the profitability of pharmaceutical companies in Iran. The study includes top 30 Iranian pharmaceutical companies and the financial data were gathered for the period of 2001 to 2010. Net margin profit and debts to asset ratio were expressed as indicators of profitability and capital structure respectively, the sales growth was selected as a control variable. The research showed that there was significant negative relationship between the profitability and the capital structure. Salawu (2009) tested the impact of the capital structure on profitability of Stock listed companies in Nigeria. The study covered financial data for 50 non-financial quoted companies. The study disclosed that profitability shows a positive correlation with short-term debt and equity and an inverse correlation with long-term debt. Furthermore, the study observed a negative association between the ratio of total debt to total assets and profitability. Dănuleţiu (2010) studied the efficiency of working capital management of companies from Alba County. The paper inquired the relation between the efficiency of the working capital management and profitability covering a sample of 20 annual financial statements of companies encompassing a time frame from the year 2004 to 2008. The study concluded that there is a weak negative linear correlation between working capital management indicators and profitability rates. Lazaridis and Tryfonidis (2006) examined the relationship of corporate profit-ability and working capital management. The research covered 131 listed companies in the Athens Stock Exchange (ASE) for the time frame 2001 to 2004. The study described that there is statistical significance between profitability, measured through gross operating profit and the cash conversion cycle. Rehman and Anjum (2013) examined the association between working capital management and profitability with correlation; regression analysis the result proved that there is inverse and positive association between working capital management and profitability in cement industry of Pakistan.

Literature review shows that various studies have been carried on the determinants of profitability but there is a lack of studies related to effect of determinants on profitability in Cement sector in Bangladesh. In fulfilling this gap, the research paper makes an endeavor to determine the profitability of listed Cement com-panies in Bangladesh with five years accounting period from 2010 to 2014. The infrastructure developments in the Bangladesh largely depend upon the growth and development of the Cement industries

3. RESEARCH METHODOLOGY

The study uses Pearson correlation to measure the degree of association between selected variables. Further, the study encompasses multiple regression analysis techniques to examine the relationship of independent variables with dependent variable, to know the extent of influence the independent variables exercise over the dependent variable. Selection of variables is influenced by the literature review. Secondary source of data is taken for the study. The population of Cement companies in Bangladesh stock exchange is seven (7). So, the study encompasses ten (7) Cement companies. Table 2 shows the list of companies (Cement Industry). The data from the audited annual financial reports for the ten listed companies are taken for five years (2012 to 2016) in order to assess the effect of selected financial ratios on Net Profit Margin of cement companies in Bangladesh. Table 3 reveals the variables for the study. All the variables stated below have been used to test the hypotheses of the study. The dependent variable is Net profit (NP).The independent variables are commonly used financial ratios. Table 4 covers the computation of the selected variables.

TABLE 1: LIST OF CEMENT INDUSTRY IN DSE

Company Name	Trading Code
MI Cement	MICEMENT
Lafarge Surma Cement	LAFSURCEM
Heidelberg Cement	HEIDELBCEM
Premier Cement	PREMIERCEM
Aramit Cement	ARAMITCEM
Megna Cement	MEGHNACEM
Cofidence cement	CONFIDCEM

TABLE 2: LIST OF VARIABLES

Dependent Variable	Independent Variable
Financial Performance 1. Net Profit Margin (NPM)	1. Debt to Equity Ratio (DER) 2. Inventory Turnover Ratio (ITR) 3. Debtors' Turnover Ratio (DTR) 4. Creditors' Velocity (CRSV) 5. Total Assets Turnover Ratio (TATR)

Through their significance, the select dependent variable and the independent variables define the multi facets of efficient financial management and therefore are considered in analyses of the sector.

Net Profit Margin (NPM): The ratio is an effective measure to check the profitability of business.

Debt to Equity Ratio (DER): It indicates the soundness of financial policies and capital structure of the company.
Inventory Turnover Ratio (ITR): This ratio indicates whether investment in inventory is efficiently used or not.
Debtors 'Turnover Ratio (DTR): It indicates the speed at which debts are being collected.
Creditors' Velocity (CRSV): It indicates the speed with which the payments for credit purchases are made to the creditors.
Total Assets Turnover Ratio (TATR): It indicates the efficient utilization of fixed assets.

TABLE 3: LIST OF VARIABLE'S RATIOS

Variable	Method of Computation
Net profit Margin (NPM)	Net Profit /Sales
Debt to Equity Ratio (DER)	Total Debt/Shareholder Equity
Inventory Turnover Ratio (ITR)	Cost of Sales / Inventory
Debtors' Turnover Ratio (DTR)	Sales /Trade Debtors
Creditors' Velocity (CRSV)	Cost of Sales /Trade Creditors
Total Assets Turnover Ratio (TATR)	Sales / Total Assets

The study intends to study the relation in the followings ratios:

- To study the effect of Debt to Equity Ratio (DER) on Net Profit Margin (NPM) of cement companies in Bangladesh.
- To study the effect of Inventory Turnover Ratio (ITR) on Net Profit Margin (NPM) of cements companies in Bangladesh.
- To study the effect of Debtors' Turnover Ratio (DTR) on Net Profit Margin (NPM) of cements companies in Bangladesh.
- To study the effect of Creditors' Velocity (CRSV) on Net Profit Margin (NPM) of cements companies in Bangladesh.
- To study the effect of Total Assets Turnover Ratio (TATR) on Net Profit Margin (NPM) of cements companies in Bangladesh.

3.1. STATEMENT OF HYPOTHESES

For better understanding of the effect of the selected ratios on the Net Profit Margin, the following hypotheses are framed.
Hypothesis 1 (H0): There is no significant relationship between Debt to Equity Ratio (DER) and Net Profit Margin (NPM) of cement companies in Bangladesh.
Hypothesis 2 (H0): There is no significant relationship between Inventory Turnover Ratio (ITR) and Net Profit Margin (NPM) of cement companies in Bangladesh.
Hypothesis 3 (H0): There is no significant relationship between Debtors' Turnover Ratio (DTR) and Net Profit Margin (NPM) of cement companies in Bangladesh.
Hypothesis 4 (H0): There is no significant relationship between Creditors' Velocity (CRSV) and Net Profit Margin (NPM) of cement companies in Bangladesh.
Hypothesis 5 (H0): There is no significant relationship between Total Assets Turnover Ratio (TATR) and Net Profit Margin (NPM) of cement companies in Bangladesh.
The study has applied Ordinary Least Squares (OLS) method. For the purpose of analysis, the E Views software is used to examine the financial data.
The basic model estimated is as follows:
(NPM) y = b0 + b1 (DER) + b2 (ITR) + b3 (DTR) + b4 (CRSV) + b5 (TATR) + Є
In order to specify the analysis model, the study use the following variables as a series of indicators of financial analysis computed mainly, such as Debt to Equity Ratio (DER), Inventory Turnover Ratio (ITR), Debtors' Turnover Ratio (DTR), Creditors' Velocity (CRSV), Total Assets Turnover Ratio (TATR). For the evaluation of profitability, Net Profit Margin (NPM) is taken as a dependent variable (Dave, 2012).

3.2. DESCRIPTIVE STATISTICS

Table 5 is showing the descriptive statistics of all variables used in this model about the selected companies of the cement sector of Bangladesh over the period of 5 years from 2010 to 2014. The total no. of observations is fifty (35). Information about the ranges of the variables is contained in the Minimum and Maximum. Variability can be assessed by examining the values in the Standard Deviation column.

TABLE 4: DESCRIPTIVE STATISTICS FOR ALL THE VARIABLES TESTED FOR SELECT COMPANIES OVER THE 5 YEAR

	observation	Minimum	Maximum	Mean	Std. Deviation
NPM	35	.02	.12	.0746	.03442
DER	35	.53	4.46	2.1442	1.67944
ITR	35	3.84	21.98	8.9921	6.08079
DTR	35	2.78	29.38	10.1380	8.96795
CRSV	35	2.41	44.03	15.5442	14.25121

Source: Data computed on the basis of the company's annual financial statements

3.3. ANALYSIS

The standard deviation measures the amount of variability in the distribution of a variable**.** The Net Profit Margin (NPM) measured by Net Profit/Sales gives positive mean values, that is 0.0746. This indicates that the companies showed overall good performance in the analyzed period. The descriptive statistics reveals that under the study period, the selected financial ratios as measured by Debt to Equity Ratio (DER), Inventory Turnover Ratio (ITR), Debtors' Turnover Ratio (DTR), Creditors' Velocity (CRSV), Total Assets Turnover Ratio (TATR) have a positive mean value which ranges from 10.1380 for Debtors' Turnover Ratio (DTR) to 1.0714 for Total Assets Turnover Ratio (TATR). Creditors' Velocity (CRSV) have highest standard deviation of 14.25121. This indicates that the observations in the data set are widely dispersed from the mean. So the management of Cement industry in Bangladesh should monitor their creditors.

4. CORRELATION STATISTICS

Table 6 indicates the relationship between the various independent variables and the dependent variable used in the study. The correlation matrix below shows that Debt to Equity Ratio (DER), Inventory Turnover Ratio (ITR), Debtors' Turnover Ratio (DTR), Creditors' Velocity (CRSV), Total Assets Turnover Ratio (TATR), Creditors' Velocity (CRSV) have a weak positive relationship with Net Profit Margin (NPM). The strength of their relationship is indeed at 0.325%, 0.939%, 0.560%, 0.968%, and 0.963% for Debt to Equity Ratio (DER), Inventory Turnover Ratio (ITR), Debtors' Turnover Ratio (DTR), Creditors' Velocity (CRSV), Total Assets Turnover Ratio (TATR), and Creditors' Velocity (CRSV) respectively.

TABLE 5: CORRELATION TEST

	NPM	DER	ITR	DTR	CRSV	TATR
NPM	1.000	-.882	.567	.708	.129	.400
DER	-.882	1.000	-.549	-.528	-.344	-.335
ITR	.567	-.549	1.000	.872	.083	.924
DTR	.708	-.528	.872	1.000	-.153	.906
CRSV	.129	-.344	.083	-.153	1.000	-.151
TATR	.400	-.335	.924	.906	-.151	1.000

4.1. REGRESSION STATISTICS

In Table 7(Model Results), the coefficient column for variable CRSV stands at -.050. This reveals that there is a negative relationship between NPM and CRSV, it means that increase in CRSV will also led to decrease in NPM. At the significance level of .163, it is more than 0.05, so it is statistically insignificant. The weight of evidence, therefore suggests accepting the null hypothesis and confirming that there is a no significant relation between CRSV and Net Profit Margin of cement sector companies in Bangladesh. As shown in the table, the coefficient column for variable DTR stands at +1.310. This reveals a positive relation between DTR and

Net Profit Margin; it means that an increase in DTR will also lead to an increase in the Net Profit Margin. At the significance level of 0.015, it is less than 0.05, so it is statistically significant. The weight of evidence, therefore suggests rejecting the null hypothesis. This implies that change in DTR have influence on the Net Profit Margin of cement companies in Bangladesh.

TABLE 6: REGRESSION ANALYSIS

	Unstandardized Coefficients		Standardized Coefficients		
Model	B	Std.Error	Beta	t	Sig.
(Constant)	.079	.002		49.471	.013
DER	-.009	.000	-.419	-23.327	.027
ITR	.002	.000	.424	10.585	.060
DTR	.005	.000	1.310	42.060	.015
CRSV	.000	.000	-.050	-3.809	.163
TATR	-.052	.002	-1.327	-28.749	.022

As shown in the table, the coefficient column for variable DER stands at -0.419 this indicates that DER has negative relationship with Net Profit Margin. It means that an increase in DER will lead to decrease in the Net Profit Margin. At the significance level of 0.027< 0.05, it is statistically significant. The weight of evidence, therefore, suggests that null hypothesis Ho (ITR) be rejected and the alternate hypothesis H1 (DER) be accepted. This means DER exert significant influence over Net Profit Margin negatively of cement companies in. As per the table, the coefficient column for variable ITR stands at +.424. This indicates that ITR has positive relationship with Net Profit Margin. At the significance level of 0.060>0.05, it is statistically insignificant The weight of evidence, therefore, suggests that null hypothesis H0 (ITR) be accepted and the alternate hypothesis H1 (ITR) be rejected. This means ITR exert insignificant influence over Net Profit Margin of cement companies in Bangladesh. As per the table, the coefficient column for variable TATR stands at -1.327. This indicates that TATR has negative relationship with Net Profit Margin. At the significance level of 0.022 that is less than 0.05, it is statistically significant. The weight of evidence, therefore, suggests that null hypothesis H0 (TATR) be rejected and the alternate hypothesis H1 (TATR) be accepted. This means TATR does exert significant influence over Net Profit Margin of cement companies in Bangladesh.

The adjusted R2, the coefficient of multiple determinations indicate the extent to which the independent variables influence the dependent variable. The (model snapshot) demonstrates that coefficient of multiple determinations (R2) is 0.999. Thus 99% of the variations in the dependent variable are explained by the independent variables of the model. It also shows that the independent variables are the major determinants factor of net profit margin of the Cement companies in Bangladesh. While, the remaining 1.0% could be explained by other macro economic factors. F-test provided in Table 7, manifests that F = 1.960 at a significance level of 0.017. This indicates that all standardized regression coefficients will be non-zero. So, the test outputs described below provide considerable reliability to the results and the emerging multiple regression equation is as:

NPM = 0.79 + -.419(DER) +.424 (ITR) + 1.310(DTR) + -.050(CRSV) +-1.327(TATR) + Єi.

TABLE 7: TESTING OF HYPOTHESIS

No.	**Hypothesis**	**Result**
Hypothesis 1 (H0):	There is no significant relationship between Debt to Equity Ratio (DER) and Net Profit Margin (NPM) of cement companies in Bangladesh.	**Rejected**
Hypothesis 2 (H0):	There is no significant relationship between Inventory Turnover Ratio (ITR) and Net Profit Margin (NPM) of cement companies in Bangladesh.	**Accepted**
Hypothesis 3 (H0):	There is no significant relationship between Debtors' Turnover Ratio (DTR) and Net Profit Margin (NPM) of cement companies in Bangladesh.	**Rejected**
Hypothesis 4 (H0):	There is no significant relationship between Creditors' Velocity (CRSV) and Net Profit Margin (NPM) of cement companies in Bangladesh.	**Accepted**
Hypothesis 5 (H0):	There is no significant relationship between Total Assets Turnover Ratio (TATR) and Net Profit Margin (NPM) of cement companies in Bangladesh.	**Rejected**

CONCLUSION

Cement industry is one of the major contributors to Bangladeshi's economy. The Bangladeshi government is actively promoting the sector's diversification and greater downstream expansion for increasing the production of value added products. This move is expected to enhance the profitability of local producers. The challenge that determines the pace and scale of future development of this industry is the profitability. Thus, the objective of this paper is to examine the selected financial ratios as a determinant of profitability in the Cement Industry in Bangladesh, so that the financial managers may gauge the prime variables exerting substantial influence on the profitability. It is revealed that the Total Assets Turnover Ratio (TATR) have the highest standard deviation of 9.945440. The management of the Cement sector have to rein in this ratio. The study covered five hypotheses. Out of the five hypotheses, it is revealed that two variables Debtors' Turnover Ratio (DTR) and Total Assets Turnover Ratio (TATR) have no significant relationship with Net Profit Margin (NPM) of Cement companies in Bangladesh. This reveals that the Debtors' Turnover Ratio (DTR) and Total Assets Turnover Ratio (TATR) are not considered as a significant determinant of the profitability of the enterprise. Based on the findings of the study, it is cogently revealed that there is a significant relationship between the three selected ratios and Net Profit Margin (NPM) of Cement companies in Bangladesh.

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A STUDY ON 'THE ROLE OF DIC IN WOMEN ENTREPRENEURSHIP DEVELOPMENT' WITH SPECIAL REFERENCE TO PATHANAMTHITTA DISTRICT (KERALA)

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ABSTRACT

Women have been successful in breaking their confinement within the limits of their homes by entering into varied kinds of professionals and services women entrepreneurs have proved to be on par with their men counterparts in business acumen and are emerging as smart and dynamic entrepreneurs. Women owned businesses are highly increasing in the economies of almost all countries. The hidden entrepreneurial potentials of women have gradually been changing with the growing sensitivity to the role and economic status in the society. Skill, knowledge and adaptability in business are the main reasons for women to emerge into business ventures. „Women Entrepreneur" is a person who accepts challenging role to meet her personal needs and become economically independent. Even though the government organizes women by various associations, they are not ready to undertake the business. As compared to men, women are less motivated to start business units due to some unwanted fear, lack of motivation and kind of activities. Thus, the study aims at analysing their entrepreneurial development and role of DIC (district Industries Centre) in it with special reference to Pathanamthitta district. The future will see more women venturing into areas traditionally dominated by men.

KEYWORDS

DIC, women empowerment, entrepreneurship, women entrepreneur.

JEL CODE

L26.

INTRODUCTION

Entrepreneurship refers to the act of setting up a new business or reviving on existing business so as to take advantage from new opportunities. An entrepreneur is a person who starts an enterprise. He searches for opportunities around him. The economists see an entrepreneur as a forth factor of production. Entrepreneurs have a main role in developing the condition of an economy. He generates income for himself as well as provides employment for others. An entrepreneur is one who finds solution to a problem or need around him. He converts the problem to an opportunity for him.

Entrepreneurship has been a field where women were not seen a lot. But recently there has been a change in the scenario. Women empowerment has helped women in coming up in various professions. But it's seen around us that there are many women entrepreneurs too. The presence of women in this field is increasing day by day.

SIGNIFICANCE OF THE STUDY

Entrepreneurship is a solution to many problems in a developing country like ours. The DIC has been trying to assist and bring more people to be entrepreneurs. As a result, the number of entrepreneurs has increased. Women have been not so popular in this field. It was not a common thing for a woman to be an entrepreneur. Government has made initiatives to empower women in all ways and it has made impact in this sector too. The number of women entrepreneur has increased. The study is to know the role of DIC in it.

STATEMENT OF THE PROBLEM

Women entrepreneurship can contribute to the economic development of an economy. But it's a far dream for many places. It can be possible only by motivating and providing all support to them so that they will be encouraged. They have to be provided with adequate industrial, capital, training etc. The study is done to evaluate the assistance provided by DIC in the areas of marketing, financing, training provided to women entrepreneurs.

OBJECTIVES

1. To study the growth of women entrepreneurs in Pathanamthitta district
2. To analyse financial and various assistance provided by DIC for women entrepreneurship
3. To understand the effectiveness of training programmes imparted by DIC to women entrepreneurs
4. To study problems faced by women entrepreneurs
5. To give suggestions to women for improving their status as women entrepreneurs.

RESEARCH METHODOLOGY

The study is an empirical one. Both primary and secondary data have been used for the purpose.

Primary data has been collected from 150 women entrepreneurs from the district. Sample was selected using convenience sampling technique. Data was collected using questionnaires and schedules.

Secondary data was collected from journals, websites, magazines and publications.

REVIEW OF LITERATURE

- Anitha and A.S. Kaxmisha (1999) stated in their study that entrepreneurs are motivated by both pull and push factors and evidenced that entrepreneurs are no longer born but they can be made. They suggested that in order to make the women entrepreneurship movement to be a success government and non Governmental organizations have to play a vital role. Women entrepreneurs in backward areas need special assistance and tiely marketing of goods. They advocated for EDP training.
- C. Natarajan and M. Kavitha (2003) suggested that the financial institution assisting women entrepreneurs should provide necessary guidelines to the women entrepreneurs for getting financial assistance at the right time.
- Watson (2003) has examined the failure rates among female control business in Australia. The analysis of study highlighted that failure rate female control business is relatively higher than male controlled business. But the difference is not significant after controlling for the effects of industry. None of the study seems to have touched the area like perception of women entrepreneurs on the obstacles faced by women entrepreneurs. This study has tried to break the traditional method of conducting analysis. In this study, an attempt has been made to analyse obstacles faced by women entrepreneurs by using factor analysis approach.

- K. Lavanya Latha (2006) suggested that the hard work, self-confidence, self-determination, personality traits and availability of timely financial support were the important factors for success of women entrepreneurs.
- Dr. Madhur Bala and Dr.O.P. Monga have (2007) associated and opined that the women employment supplements the family income and enhances their economic status and places them in higher income group. Among employed women, their better education, employment and improved family income, all the three raises their socio-economic status and place them in upper or upper – middle class from lower or upper – lower class.

RESULTS AND DISCUSSIONS

From the collected data from women entrepreneurs through structured questionnaire, the following analysis and interpretations have been made

1. AGE WISE CLASSIFICATION

TABLE 1: AGE WISE CLASSIFICATION

Age Group	No of Respondents	Percentage
20-30	24	16
30-40	60	40
40-50	51	34
Above 50	15	10
Total	**150**	**100**

From the Table No. 1 it is showing that a lion portion of the respondents belongs to the age group between 30 years and 40 years (40%). 34% of the respondents belongs to 40-50 years age group, 16 % of the respondents are belongs to 20-30 years age group and remaining 10% of the respondents are belongs to above 50 years age group. It implies that the majority of the household respondents belongs age group between 30 years and 40 years.

2. EDUCATIONAL BACKGROUND

TABLE 2: CLASSIFICATION BASED ON EDUCATIONAL BACKGROUND

Qualification	No of respondents	Percentage
Below SSLC	12	8
SSLC	54	36
Plus Two	36	24
Degree	39	26
Others	9	6
Total	**150**	**100**

From the Table No. 2 it is showing that a majority portion of the respondents have only studied till SSLC (36). 26% of the respondents passed Plus two, 24 % of the respondents are degree holders and 8% of the respondents comes in the category of below SSLC and remaining 6% has done diploma and other such courses. It implies that the majority of the respondents have only an educational background of SSLC.

3. NATURE OF ACTIVITY

TABLE 3: CLASSIFICATION BASED ON ACTIVITY

Activity	No of Respondents	Percentage
Manufacturing	72	48
Services	3	2
Sales	33	22
Others	42	28
Total	**150**	**100**

Activity of the respondents have been classified under 3 major groups; manufacturing, services, sales and others. From the below Table No. 3 it is showing that 48% of the respondents engaged in manufacturing, 22% are involved in sales, 2% are in service sector and remaining 22% of the respondents are in other activities.

4. YEARS ESTABLISHED

TABLE 4: CLASSIFICATION BASED ON YEARS ESTABLISHED

Period	No of respondents	Percentage
Before 2005	15	10
2005-2010	12	8
2010-2015	42	28
After 2015	81	54
Total	**150**	**100**

From the Table No. 4 we can understand that majority of the respondents (54%) said that they started their venture after 2015. 28% of the respondents are in between the years 2010 and 2015, 10% of the respondents established their business before 2005 and the remaining 8% are between 2005 and 2010.

5. TRAINING PROGRAMME

TABLE 5: CLASSIFICATION BASED ON TRAINING PROGRAMME

Training status	No of respondents	Percentage
Training attended	111	74
Not attended	39	26
Total	**150**	**100**

From the Table No. 5 we can understand that majority of the respondents (74%) said that they have attended training classes conducted regarding entrepreneurship. 26% of the respondents have not attended any training classes conducted.

6. EVALUATION ON TRAINING

TABLE 6: CLASSIFICATION BASED ON EVALUATION ON TRAINING

Factors	No of respondents who agreed	No of respondents who did not agree	Percentage of respondents who agreed	Percentage of respondents who did not agree	Total percentage
Continuity	111	39	74	26	**100**
Relevance	99	51	66	34	**100**
Informative	105	45	70	30	**100**
Productive	81	69	54	46	**100**

From Table No. 6 we can understand 74% of the respondents agreed that the training programmes were in a continuing nature and 26% dint agree to it. Also regarding relevance of the training programmes conducted, 66% of respondent opined that the programmes were relevant where as 34% opined against it. 70% of the respondents said that the programmes were informative and 30% said it was not informative. 54% of the respondents said the programmes were productive while the remaining 46% said it was not productive.

7. PROBLEMS FACED BY ENTREPRENEURS

TABLE 7: CLASSIFICATION BASED ON PROBLEMS FACED BY ENTREPRENEURS

Problems	No of respondents	Percentage
Lack of raw materials	24	16
Lack of skilled labour	30	20
Lack of marketing	12	8
Lack of capital	24	16
Lack of govt support	0	0
Tax burden	3	2
No problem	57	38
Total	150	100

From the Table No. 7, we can understand that 38% of the entrepreneurs had not faced any problem where 16% of the respondents said lack of raw materials is a problem. Another 16% said lack of capital is the problem faced by them. 20% of the respondents felt lack of skilled labour is a problem. Lack of marketing facilities was the problem faced by 8% of the respondents. 2% opined that tax is the problem they are facing. All the respondents said they dint have any lack of support from government.

8. OPINION ON THE FINANCE PROVIDED FOR VARIOUS INDUSTRIES

TABLE 8: CLASSIFICATION BASED ON OPINION ON THE FINANCE PROVIDED FOR VARIOUS INDUSTRIES

Type of business	No of respondents	Percentage
Government based	36	24
Print based	12	8
Food	48	32
Rubber	3	2
Agro	12	8
Other Service	39	26
Total	150	100

From the table we can understand 24% of respondents said the finance is provided for government based industries. 8% of respondents said the finance is provided for print based industries. 32% of respondents said the finance is provided for food industries. 2% of respondents said the finance is provided for rubber based industries. 8% of respondents said the finance is provided for agro based industries and the remaining 36% said finance is provided for other service sector industries.

9. EVALUATION OF OVERALL PERFORMANCE OF DIC

TABLE 9: CLASSIFICATION BASED ON EVALUATION OF THE PERFORMANCE OF DIC

Rating	No of respondents	Percentage
Highly satisfied	30	20
Moderately satisfied	30	20
Neutral	81	54
Dissatisfied	6	4
Highly dissatisfied	3	2
Total	150	100

From Table No. 9 we can understand 54% of the respondents; the majority was neutral in the satisfaction level about the activities of DIC. 20% of the respondents were highly satisfied in the activities of DIC. 20% of the respondents were satisfied in the activities of DIC. 4% of the respondents were dissatisfied in the activities of DIC. 2% of the respondents were highly dissatisfied in the activities of DIC.

10. EXPECTATIONS REGARDING TRAINING PROVIDED

TABLE 10: CLASSIFICATION BASED ON EXPECTATIONS REGARDING TRAINING PROVIDED

Excepted factors	No of respondents	Percentage
Technical knowledge	57	38
Management skill	30	20
Customer relationship	6	4
Financial knowledge	39	26
Accounting knowledge	18	12
Total	150	100

From Table No. 10, we can understand 38% of the respondents, the majority expected technical knowledge. 26% of the respondents expected financial knowledge from the training. 20% of the respondents expected management skill from the training. 12% of the respondents expected accounting knowledge from the training and the remaining 4% mentioned they expected knowledge about customer relationship.

11. EXPERIENCE REGARDING THE TRAINING

TABLE 11: CLASSIFICATION BASED ON EXPERIENCE REGARDING TRAINING PROVIDED

Rating of factors	No of respondents	Percentage
Technical knowledge	27	18
Management skill	30	10
Customer relationship	36	25
Financial knowledge	39	25
Accounting knowledge	33	22
Total	150	100

From Table No. 10, we can understand 18% of the respondents, the majority experienced benefits in technical knowledge. 25% of the respondents felt they benefited in financial knowledge from the training. 10% of the respondents benefited in acquiring management skill from the training. 22% of the respondents got accounting knowledge from the training and the remaining 25% mentioned they experienced benefits in acquiring knowledge about customer relationship.

FINDINGS OF THE STUDY

1. A lion portion of the respondents belongs to the age group between 30 years and 40 years.
2. Majority portion of the respondents have only studied till SSLC.
3. Most of the respondents engaged in manufacturing sector and the least is in the service sector.
4. Majority of the respondents said that they started their business after 2015.
5. Majority of the respondents said that they have attended training classes conducted regarding entrepreneurship.
6. Most of the respondents mentioned the training programmes are overall effective from the basis of continuity, relevance, informative and productive.
7. Majority of the respondents mentioned that they don't face any problem in their business and also said they are having support from government. Among the problems, lack of skilled labour, raw materials and capital were the main ones.
8. Majority of the respondents opined that finance was easily available for food related and government based industries and least pointed that finance is available to rubber related business.
9. Majority of the respondents were satisfied and a minority was dissatisfied by the support and performance of DIC.
10. Majority of the respondents expected knowledge regarding technical and financial aspects of entrepreneurship from the trainings conducted by DIC.
11. Majority mentioned that the training conducted by DIC was helpful in acquiring financial and accounting knowledge and maintaining customer relationships.

SUGGESTIONS

1. The majority of entrepreneurs were having an educational background of SSLC only. It would be a better scenario if the women entrepreneurs get more chances to study further either through regular mode or distance mode. More education can increase open a bigger world for them.
2. Service sector is said to be the most income generating sector and a very few respondents only mentioned their entrepreneurship in service sector. More possibilities should be availed by the women in service sector.
3. Training programmes were not attended by some of the entrepreneurs. Training classes should be conducted in a way ensuring more participation by adjusting time of providing factors attracting participation.
4. Lack of skilled labour was a problem faced by the respondents. Training facilities should be provided to the local people so that there wouldn't arise any such problems. They also mentioned problems regarding difficulty in availing capital. DIC has assisted many entrepreneurs in availing capital but they should widen their activities so that the remaining entrepreneurs also wouldn't face such problem.
5. Training classes were effective though the entrepreneurs expect to gain more technical and financial knowledge. So the training programmes should be more focused on bringing benefits in such areas.

CONCLUSION

The present study 'the role of DIC in Women Entrepreneurship Development' with special reference to Pathanamthitta district has made it clear that the budding entrepreneurs are benefitting well from DIC. The entrepreneurs are satisfied with the DIC's performance. The transition from job seekers to job givers is very much needed in our society. This can be achieved well by the support, which DIC is providing. Women are now coming forward in all spheres and this can help our economy in developing faster. The study has helped to know the status of women entrepreneurship, their problems, needs etc.

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EXTENDING BRANDS TO EMERGING MARKETS - IMPLICATIONS FOR BRAND MANAGEMENT STRATEGY: A CASE OF LUXURY FOUR WHEELER IN INDIA

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ABSTRACT

This research aims to examine the implication of brand management strategy for foreign companies in the form of brand extension strategy for Indian emerging market. The research is conducted with reference to foreign companies (Toyota, Honda, Suzuki and Fiat) in Indian emerging luxury four wheeler market. The research attempts to achieve following objectives: to examine the role of branding and brand management strategy; to examine the role of brand extension in brand management strategy; to identify and assess the success of different brand extension strategies; and to identify and assess the risks and success criteria of successful brand extension strategy. For achieving these objectives 50 Marketing /Branding Managers of foreign companies (Toyota, Honda, Suzuki and Fiat) in Indian emerging luxury four wheeler market were surveyed through questionnaire. The major findings of the research are given below. Product differentiation as branding approach has been comparatively more successful (than market segmentation) for Toyota, Honda, Suzuki and Fiat as luxury four wheeler multinational companies in Indian emerging market. Successful brand management is characterized by corporate culture and values for Toyota, Honda, Suzuki and Fiat as luxury four wheeler multinational companies in Indian emerging market. Certainly, brand orientation has played an important role in pursuing competitive advantage for Toyota, Honda, Suzuki and Fiat as luxury four wheeler multinational companies in Indian emerging market. Brand extension has been greatly successful as banding strategy for Toyota, Honda, Suzuki and Fiat as luxury four wheeler multinational companies in Indian emerging market. Launching new product as brand extension strategy has been successful on greater degree for Toyota, Honda, Suzuki and Fiat as luxury four wheeler multinational companies in Indian emerging market. Creating entry barrier and cost cut has been the foremost advantage of brand extension for Toyota, Honda, Suzuki and Fiat as luxury four wheeler multinational companies in Indian emerging market. Weakening customer belief and negative publicity has been the major risk of brand extension for Toyota, Honda, Suzuki and Fiat as luxury four wheeler multinational companies in Indian emerging market.

KEYWORDS

brand management strategy, luxury four wheeler.

JEL CODE

M31, M39.

1. INTRODUCTION

Every year in the world several new products and services are introduced in various categories. In recent years, various factors such as increasing advertising costs and growing competition have made implementation of any new product very difficult. Today, 95% new products are launched and all these are linked with an existing brand. They are very far from product category where one can found the parent brand (Strategic Direction, 2002).

Today, in every industry brand extension concept could be applied. Number of companies uses this particular marketing strategy. In this, some selects to extend in close and familiar businesses and other enters totally different area of product category.

Brand extension strategy in automobile industry covers huge area where car companies have literally expanded their entire operations. Some of the organizations, base their own brand extensions concept on technological and functional know-how aspects, for example Swedish car manufacturer Saab. It used metal-working know-how for producing household appliances of it (www.saabnet.com).Several automobile companies have entered into lifestyle and fashion sector, to transfer exclusive and luxurious image of them in the minds of consumers. For example, Bentley, which produces highly priced wrist, watches and Jaguar, which produces high-priced apparels or clothes.

The Indian Automotive Industry includes auto component and automobile sectors and in 1993, it has recorded a great growth by following delicensing and by opening a sector to FDI. This industry deals with unbundling nature, which helps, in realizing its own potential, aligning to global developments, absorbing the new technologies and restructuring with industrial growth and significant development in nation. The Automotive Industry, in India as well as in the world, is the main area of economy. It has very deep backward and forward linkages with number of economic segments, so automotive industry acts very strongly and has strong impact economic growth. Indian automotive industry which is well-developed produces huge varieties of vehicles such as: heavy, medium and light commercial vehicles, passenger cars, tractors, three wheelers, mopeds, motor-cycles, scooters, jeeps etc. Indian automotive sector has great potentiality in providing different kinds of employments and it helps to improve current employment' figure in the manufacturing sector. In India, it is too low of 12% than other countries such as China (31%), Malaysia (50%) and Korea (62%).

In this sector, the competitiveness depends largely on industries' capacity to upgrade and innovate. If companies have demanding local customers, strong and powerful domestic competition and home based suppliers, then the industry get benefits. It's a fact that economies of scales, duties, labor cost and interest rate are vital determinants of competitiveness. The key determinant of it is productivity, which influence per capital income of nation. Worldwide successful auto makers and OEMs will ultimately used to create their own base in those places where enterprise's competitive advantages can be sustained and created and where productivity factor is very high. This sector also includes process technology and core products, which are apart from productive HR and the reward for all the advanced skills.

Thus, in automotive sector Government's most vital intervention has come with an ambitious project to set world-class R&D infrastructure and automotive testing in India, to extend the area of manufacturing, boost exports, encourage local R&D, converge unparalleled strengths of India in electronics and IT with the automotive engineering sectors to place the country in USD 6 trillion automotive business globally. The aim of NATRIP is to facilitate performance and emission standard in India, introduce world-class automotive safety and it ensure about Indian automotive industry's seamless integration with world wide industry. Today, the aim of this project is to address critical handicaps in automotive industry's growth, i.e. pre-competitive and testing R&D infrastructure's shortfall.

The research aims in undertaking and critically reviewing the various brand management strategies undertaken by the luxury segment of the automobile sector in order to promote growth and development. On the basis of research a clear idea of the brand management strategy will be identified as well as various ways undertaken by these companies will also be cleared. Furthermore, the role played by the brand management strategies in order for the growth of these companies will also be defined. Overall, the outcome will enable us to identify the importance of the brand management in every organization. The concept of emerging markets is holding very much crucial in the current business plans. The project will help us to understand the overall potential of these markets as well will also help to undertake further developments of the various strategies implicated by the giant corporations.

AIMS AND OBJECTIVES

This research aims to examine the implication of brand management strategy for foreign companies in the form of brand extension strategy for Indian emerging market. The research is conducted with reference to foreign companies (Toyota, Honda, Suzuki and Fiat) in Indian emerging luxury four wheeler market. The objectives are as per following:

1. To examine the role of branding and brand management strategy;
2. To examine the role of brand extension in brand management strategy;
3. To identify and assess the success of different brand extension strategies; and
4. To identify and assess the risks and success criteria of successful brand extension strategy.

2. LITERATURE REVIEW

In present context, branding is neither classic marketing and nor standard communication process. In marketing context, branding has several meanings. According to Aaker and Keller (1998) "The Corporate Marketing activities are publicly visible actions and programs which aren't identified by single brand or product and that is initiated by a specific company.

According to Kapferer (1998) branding's effective approach is holistic in nature. As per the author "Branding is more than just a brand name that a product or a service imprint or mark an organizations' name.

Its main aim is creating successful brand, which can able to differentiate it from competitive brand, evoke relatedness with all the target customers and held in very high esteem (Keller, 2003; Aaker, 1996).

As stated by David Taylor (2004) present brand extension strategy is very famous because it is cheaper and less risky than creating new brand. Chaternatony and McDonald (1998) have pointed similar kind of economical advantage through pointing "new brands' economy are pushing the companies towards stretching existing names of them into several new markets. It is daunted by huge costs of heavy R&D and aware of failures rates statistics for various new brands. Marketers are taking establish names of products into the fields of new products" (Leslie de Chaternatony and Malcolm McDonald, 1998).

Today, marketplace is moving rapidly. In this, a company should have to be very good in managing and developing its own brands and also the growth to successfully competing in market. To grow, a company has two different options such as; enter in new product category or/and have additional or extra items in existing product category. The company, in doing this can use existing brand name or new brand name. By this, company has four different kinds of growth strategies such as brand extension, line extension, new brand and multi brand (Kotler and Armstrong, 2004). In this, brand extension is used frequently, basically in fast-moving and mature consumer goods (Ambler and Styles, 1997).

Brand extension, in business reality is one of the most famous and important branding strategy, in launching new products and establishing several brand names (Völckner and Sattler 2006). It theoretically, help a firm to control its own existing brand equity for reducing the marketing costs in introducing new products beyond and within original product category. Brand extensions' profitability, for fast-moving consumer goods (FMCG), isn't provide any high failure rate as (80%) (Völckner and Sattler, 2006; Mahajan et al., 2000).

3. RESEARCH METHODOLOGY

Research methodology is a pursuit of fact with the help of experiment, comparison, observation and study. In simple words, searching knowledge through systematic and objective method to find answer of a question is known as research.

RESEARCH METHOD

Research method is a guideline or steps, which are used to perform research task (Dyer, 2006). Methods are basically the goal directed plans. It manipulates all the constructs, by this solution can be realized. In research methodology, there are two types of research methods: qualitative and quantitative.

QUALITATIVE METHOD

Qualitative method is diagnostic and exploratory in nature. It relies on open-ended questions (Dyer, 2006). It deals with small number of respondents but interview is conducted at a large number. Through focus groups or interviews, it explores behaviors and attitudes of participants. It gets in-depth information from respondents. It deals with various methodologies. It is impressionistic. It is basically conducted to have initial understanding of research problem. It is non-statistical method. It usually uses inductive approach, where relevant data are first collected and then grouped into meaningful categories.

QUANTITATIVE METHOD

Researcher used quantitative method because it is statistical and gives a clear result. It handles direct and structured questions. It used to quantify collected data and generalize it. The principal purpose of this research was to achieve certain objectives: to examine the role of branding and brand management strategy; to examine the role of brand extension in brand management strategy; to identify and assess the success of different brand extension strategies; and to identify and assess the risks and success criteria of successful brand extension strategy. For achieving these objectives firstly, a literature review was conducted and then based on emerged assumptions questionnaire survey was conducted involving 50 marketing /Branding Managers of foreign companies (Toyota, Honda, Suzuki and Fiat) in Indian emerging luxury four wheeler markets. The data is collected in quantitative form using questionnaire survey.

DATA COLLECTION

Primary data

Primary data are directly linked with the research subject. It is collected by the researcher (Lancaster, 2005). If sample is small, then it is cheap and quick. It allows the generalization of a very large population. It is verifiable by re-questioning and replication of respondents or interviewees. But if it comes to large sample then it is very time consuming. If there are closed-questions then it may constrain research data. The participants may differently interpret all the questions.

Secondary data

Here inaccuracies and biasness are not checked. Published source can arise more questions. Secondary data are very cheap and quick and it is very good foe starting research study. In this process, whatever the data is collected is not useful because required information is not present here. Secondary data may not be impartial, relevant, up-to date and accurate. The major advantages of this data are, this data can be easily obtained.

Both secondary and primary data was collected in this research. Secondary data was collected using books and journals. The secondary data in this research is in literature form, which assisted the researcher to develop research assumptions based on which the primary data was collected.

SAMPLING

Sampling is a kind of tool that concludes about specific population (Blumberg et al., 2005). In other words, it's a technique that selects a sample from entire population. The chosen sample must represent the sample so results can be generalized with certain degree or level of confidence. Marketing researcher of a market, used to decide whether a research will be a census or survey. Sample size depends on statistical methods. It reproduces and defines the characteristics of population.

Probability sampling

In probability sampling, every unit has a chance of selection and that selection chance can largely be quantified (Blumberg et al., 2005). It allows result generalization to a large population. It emphasizes on data sources. It involves random selection of sample. It is very costly, time consuming and complex as compare to non-probability sampling.

Non-probability sampling

Here the researcher used non-probability technique because the samples are selected as per the choice of researcher. By this method, search cost of samples becomes very low. Using non-probability method, the sample is selected in the research from Marketing /Branding Managers of foreign companies (Toyota, Honda, Suzuki and Fiat) in Indian emerging luxury four wheeler market were surveyed through questionnaire. The sample is selected from the branches of these companies in Delhi. The total sample size is 50.

PILOT TEST

Pilot test refers to two different kinds of activities. Here questionnaire is used to test on respondents' small sample before a researcher can conduct a full-scale study (McIntire & Miller, 2007). For identifying any research problem such as questionnaire or wordings are taking lot of time to administer. It is also used which refers to an early measurement before subsequent measures are taken and experimental treatments are administered. By this it is also known as pre-wave, benchmark or a base line. It is a kind of scientific investigation of validity and reliability of a new test as per the intended purpose of it. Pilot test process involves the administration of test for a small group of audience of test after that it evaluates all the information that the researcher obtained from the pilot test. Then, test developers make important revisions for new test. After this, they are responsible to fix all the problems that come under test performance which are discovered form pilot test (McIntire & Miller, 2007).

Pilot study is conducted in this research to pre-test the questionnaire. In pilot study a group of people was selected firstly and then key themes of the literature was discussed. Based on the discussion finally 9 subjective questions were finalized for the questionnaire survey.

4. FINDINGS AND ANALYSIS

The principal purpose of this research was to achieve certain objectives: to examine the role of branding and brand management strategy; to examine the role of brand extension in brand management strategy; to identify and assess the success of different brand extension strategies; and to identify and assess the risks and success criteria of successful brand extension strategy. For achieving these objectives firstly a literature review was conducted and then based on emerged assumptions questionnaire survey was conducted involving 50 marketing /Branding Managers of foreign companies (Toyota, Honda, Suzuki and Fiat) in Indian emerging luxury four wheeler market. The data collected through questionnaire survey is analyzed here with reference to assumptions emerged from literature review. Since the questionnaire consisted of 9 questions, therefore the analysis of findings is as well presented into 9 sections.

4.1 MAIN BODY

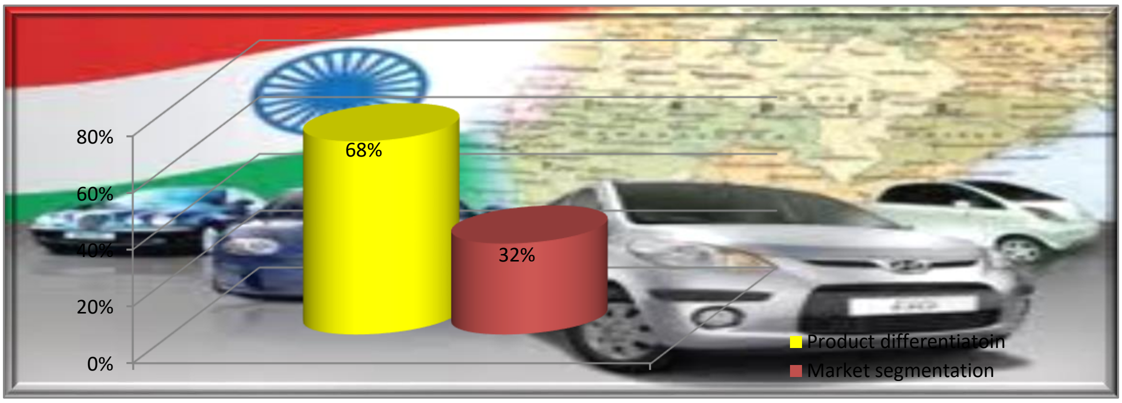
BRANDING APPROACH

The research literature establishes that branding is neither classic marketing and nor standard communication process. In marketing context, branding has several meanings. According to Aaker and Keller (1998), "The Corporate Marketing activities are publicly visible actions and programs which aren't identified by single brand or product and that is initiated by a specific company." As marketing perspective, branding should not only pay attention towards design, advertising or sponsoring but it has to focus on clients, employees, lobbyists, investors and on press. Particularly, multipliers in political and financial areas and in general public are the main factors for the success of an integrated branding strategy. It aims at catching vital target groups' attention. According to Kapferer (1998) branding's effective approach is holistic in nature. As per the author "Branding is more than just a brand name that a product or a service imprint or mark an organizations' name. Brand refers to direct result of product differentiation and market segmentation". Therefore, knowledge brand strategy should be exits from company's competence strategy. For example, how methodologies, skills and experiences of it can be systematically bundled which are coherently developed and used for the benefits for clients. Based on theses assumptions, it was investigated in this research as which branding approach has been comparatively more successful for Toyota, Honda, Suzuki and Fiat as luxury four wheeler multinational companies in Indian emerging market. The data collected in this regard divulges that product differentiation as branding approach has been comparatively more successful (than market segmentation) for Toyota, Honda, Suzuki and Fiat as luxury four wheeler multinational companies in Indian emerging market (**Table and Figure 4.1**).

TABLE 4.1: BRANDING APPROACH

Factors	*No. of respondents*	*Response in percentage*	*Cumulative Percentage*
Product differentiation	34	68%	68%
Market segmentation	16	32%	100%

FIGURE 4.1: BRANDING APPROACH



According to the data detail in the above table, for respondents in majority (68% out of the total 50), they come to the conclusion that product differentiation as branding approach has been comparatively more successful for their company in Indian emerging market; while for the remaining respondents (32%), they find that market segmentation as branding approach has been comparatively more successful for their company in Indian emerging market. Largely these data conclude that product differentiation as branding approach has been comparatively more successful (than market segmentation) for Toyota, Honda, Suzuki and Fiat as luxury four wheeler multinational companies in Indian emerging market.

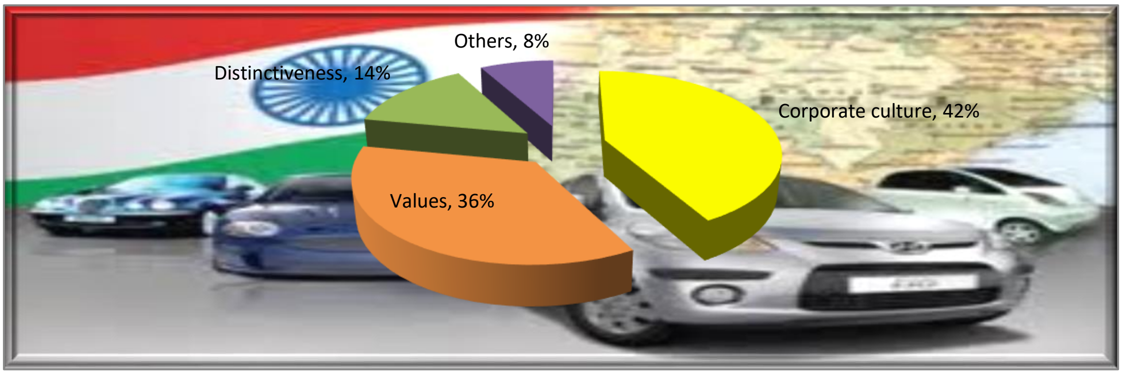
BRAND MANAGEMENT

The research literature establishes that in marketing, brand means a contemporary issue. Several academics have been constantly trying to systematically rationalize an efficient and effective brand management, which consist of several topics including brand image, brand proliferation, brand awareness, brand equity, brand differentiation, brand knowledge, brand loyalty and brand perceptions (Keller, 2003; Aaker, 1996; de Chernatony, 1992).Its main aim is creating successful brand which can able to differentiate it from competitive brand, evoke relatedness with all the target customers and held in very high esteem (Keller, 2003; Aaker, 1996). Keller (2003, 1993) has presented brands' cognitive view as regards to what all the consumers know about a particular brand and marketing strategy's implications. Aaker (1996, 1991) has presented a comprehensive framework in describing a strong brand. The author embraces brand associations, perceived quality, brand loyalty and brand name awareness, which are vital features for any strong brand. Consumers' perception feeds back to brand management system. It includes firm's corporate culture, values and distinctiveness. By this, a firm can able to deploy a specific brand to achieve objectives of firm (de Chernatony and Riley, 1998; Goodyear, 1996). Based on theses assumptions, it was investigated in this research as successful brand management is characterized by which aspect in Indian emerging market for Toyota, Honda, Suzuki and Fiat as luxury four wheeler multinational companies in Indian emerging market. The data collected in this regard divulges that successful brand management is characterized by corporate culture and values for Toyota, Honda, Suzuki and Fiat as luxury four wheeler multinational companies in Indian emerging market (**Table and Figure 4.2**).

TABLE 4.2: BRAND MANAGEMENT

Factors	*No. of respondents*	*Response in percentage*	*Cumulative Percentage*
Corporate culture	21	42%	42%
Values	18	36%	78%
Distinctiveness	7	14%%	92%
Others	4	8%	100%

FIGURE 4.2: BRAND MANAGEMENT



According to the data detail in the above table for respondents in greater majority (78% out of the total 50), they come to the conclusion that successful brand management of their company is characterized by corporate culture and values in Indian emerging market; while for the remaining respondents (22%), they find that successful brand management of their company is characterized by distinctiveness and others in Indian emerging market. Largely these data conclude that successful brand management is characterized by corporate culture and values for Toyota, Honda, Suzuki and Fiat as luxury four wheeler multinational companies in Indian emerging market.

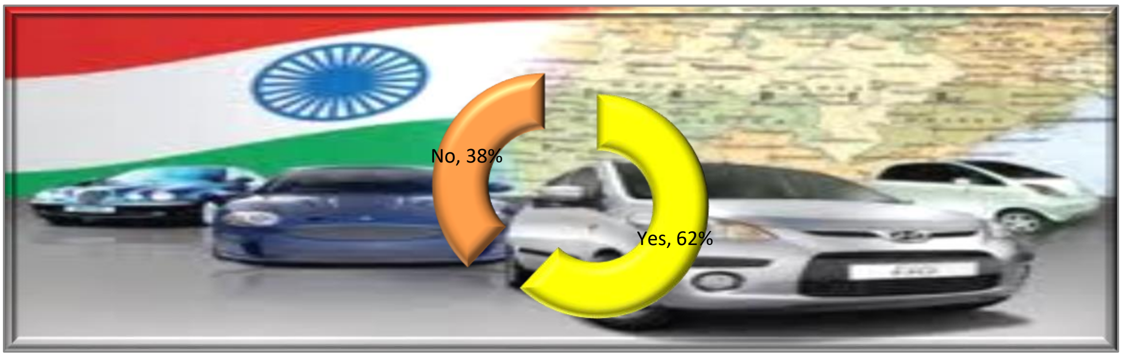
BRAND ORIENTATION

The research literature establishes that Brand orientation plays an important role in pursuing competitive advantage at the stage of marketing planning to know that a brand utilizes at which place. According to Urde (1999) brand, orientation refers to an approach where organizational process revolves around protection, creation and development of brand identity with target customers' ongoing interaction with an aim to achieve competitive advantages for long-term in brands. Thus, brand orientation is strategy's choices, which determine competitive edge of firm with enhanced future's consequences for long-term. In brand orientation, literature is twofold. At first, this is normative. Several models have been advocated to understand and know brand orientation. To support a particular argument that marketing idea drives a business requires empirical evidences. Further Mosmans and Van der Vorst (1998) have stated that, firms should have to move from brand strategy to the brand-based strategy. It plays an important role in maintaining and selecting firms' strategic direction. It means that, brands should drive entire strategic decisions and this is the main issue of a firm. For brands' custodian, senior management should have to be responsible (Capon et al., 2001). Based on theses assumptions, it was investigated in this research as whether brand orientation has played an important role in pursuing competitive advantage for Toyota, Honda, Suzuki and Fiat as luxury four wheeler multinational companies in Indian emerging market. The data collected in this regard divulges that certainly brand orientation has played an important role in pursuing competitive advantage for Toyota, Honda, Suzuki and Fiat as luxury four wheeler multinational companies in Indian emerging market (**Table and Figure 4.3**).

TABLE 4.3: BRAND ORIENTATION

Factors	*No. of respondents*	*Response in percentage*	*Cumulative Percentage*
Yes	31	62%	62%
No	19	38%	100%

FIGURE 4.3: BRAND ORIENTATION



According to the data detail in this table for respondents in majority (62% out of the total 50), they come to the conclusion that yes brand orientation has played an important role in pursuing competitive advantage for their company in Indian emerging market; while for the remaining respondents (38%), they find no that brand orientation has not played an important role in pursuing competitive advantage for their company in Indian emerging market. Largely these data conclude that certainly brand orientation has played an important role in pursuing competitive advantage for Toyota, Honda, Suzuki and Fiat as luxury four wheeler multinational companies in Indian emerging market.

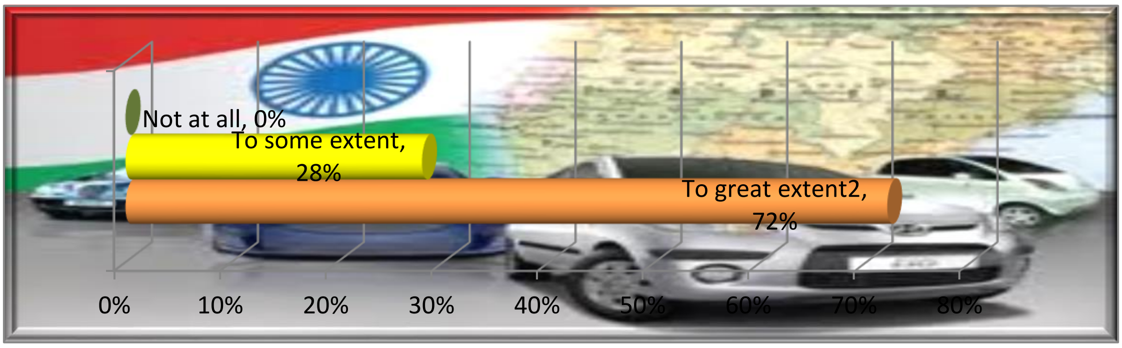
BRAND EXTENSION AS BRANDING STRATEGY

The research literature establishes that in corporate world the companies acknowledged for a long-term brand extension's strategic role (Chen and Liu, 2004). To introduce new products or services in different product class, brand extension can able to represent several branding strategies, which are already, used (Collins-Dodd and Louviere, 1999; Aaker and Keller, 1990). The launch of several new products provide failures in high rates, for avoiding this thing company uses brand extension strategy which is in last two decades is the most lucrative develop opportunity (Martinez and Chernatony, 2004). Generally, from every 10 products 8 products are existing brand's extension (Ourusoff et al., 1992). To new service or product, brand or company name is used to have an instant credibility (Amis et al., 1999). Brand extensions provide several benefits to the companies. The main benefits are: it reduces the risks (van Riel et al., 2001), it enlarges market actions' success (Morrin, 1992), it exploits the brand equity (Aaker and Keller, 1990), it reduces entrance barriers or obstacles (van Riel et al., 2001) and it reduce advertising costs (Morrin, 1992; Aaker and Keller, 1990). According to Martinez and Pina (2004) reduction of sales stimulus and marketing costs are very well-known concepts. Based on theses assumptions, it was investigated in this research as to what extent brand extension has been successful as banding strategy for Toyota, Honda, Suzuki and Fiat as luxury four wheeler multinational companies in Indian emerging market. The data collected in this regard divulges that brand extension has been greatly successful as banding strategy for Toyota, Honda, Suzuki and Fiat as luxury four wheeler multinational companies in Indian emerging market (**Table and Figure 4.4**).

TABLE 4.4: BRAND EXTENSION AS BRANDING STRATEGY

Factors	*No. of respondents*	*Response in percentage*	*Cumulative Percentage*
To great extent	36	72%	72%
To some extent	14	28%	100%
Not at all	0	0%	100%

FIGURE 4.4: BRAND EXTENSION AS BRANDING STRATEGY



According to the data detail in this table for respondents in greater majority (72% out of the total 50), they come to the conclusion that brand extension to great extent has been successful as banding strategy for their company in Indian emerging market; while for the remaining respondents (28%), they find that brand extension to some extent has been successful as banding strategy for their company in Indian emerging market. Largely these data conclude that brand extension has been greatly successful as banding strategy for Toyota, Honda, Suzuki and Fiat as luxury four wheeler multinational companies in Indian emerging market.

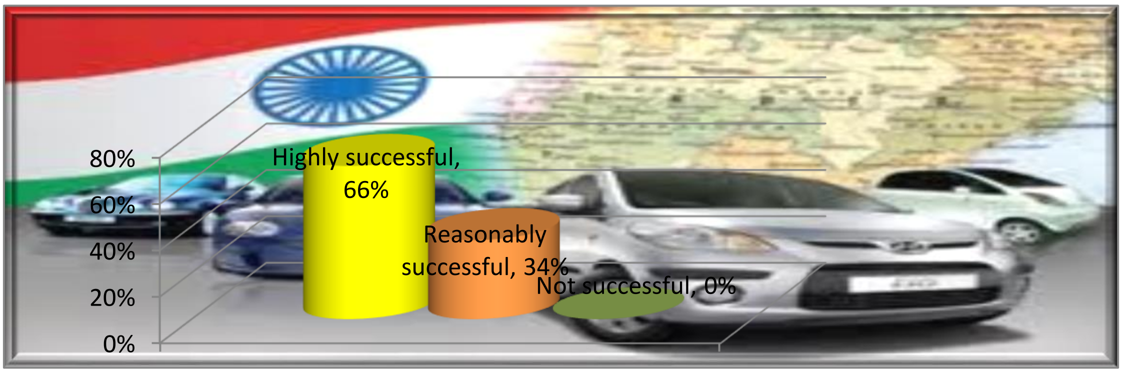
NEW PRODUCT AS BRAND EXTENSION STRATEGY

The research literature establishes that brand extension strategies are of two types such as vertical and horizontal. If horizontal brand extension is used by a company then it extends or applies an exciting name of a product to a specific product category which is new for the company or to a new product in similar product class. Horizontal brand extensions are of two types such as franchise extensions and line extensions. Line extension is basically use of existing brand name for entering new market segment in product class of it. In present article, franchise extensions have been investigated which are commonly used to enter company's product category with current brand name's use (Aaker and Keller, 1990). Vertical brand extension refers to the launch of related brand in same product category or section but, with different price and quality point (Keller and Aaker, 1992). As horizontal extension, the vertical extension also provides two alternatives. First is step down option, here brand extension is usually launched at lower quality level and lower price as compare to core brand. Second is step up option, here brand extension is launched as compare to core brand, at higher quality level and price (Chen and Liu, 2004). Mostly times as per this situation, second brand name is introduced in the place of core brand name. It makes a link between core brand name and brand extension (Chen and Liu, 2004). Based on theses assumptions, it was investigated in this research as how successful has been launching new product as brand extension strategy for Toyota, Honda, Suzuki and Fiat as luxury four wheeler multinational companies in Indian emerging market. The data collected in this regard divulges that launching new product as brand extension strategy has been successful on greater degree for Toyota, Honda, Suzuki and Fiat as luxury four wheeler multinational companies in Indian emerging market **(Table and Figure 4.5).**

TABLE 4.5: NEW PRODUCT AS BRAND EXTENSION STRATEGY

Factors	*No. of respondents*	*Response in percentage*	*Cumulative Percentage*
Highly successful	33	66%	66%
Reasonably successful	17	34%	100%
Not successful	0	0%	100%

FIGURE 4.5: NEW PRODUCT AS BRAND EXTENSION STRATEGY



According to the data detail in the above table for respondents in majority (66% out of the total 50), they come to the conclusion that launching new product as brand extension strategy has been highly successful for their company in Indian emerging market; while for the remaining respondents (34%), they find that launching new product as brand extension strategy has been highly successful for their company in Indian emerging market. Largely these data conclude that launching new product as brand extension strategy has been successful on greater degree for Toyota, Honda, Suzuki and Fiat as luxury four wheeler multinational companies in Indian emerging market.

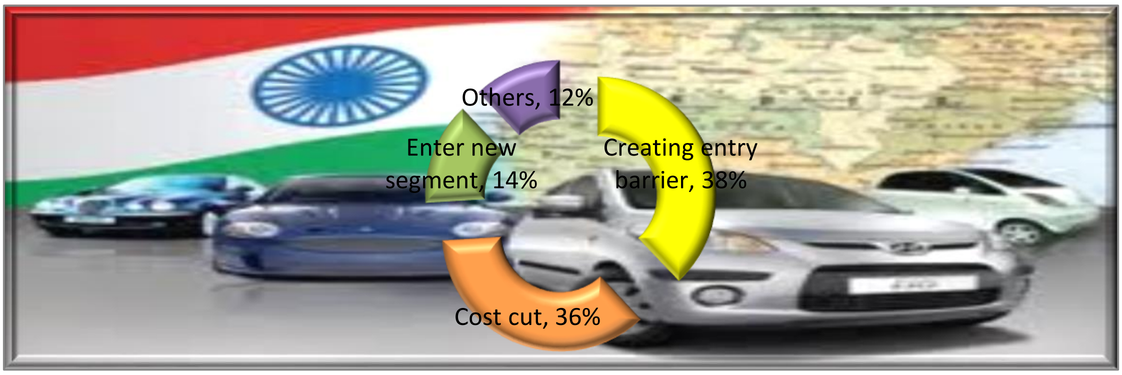
BRAND EXTENSION ADVANTAGE

The research literature establishes that brand extensions provide several benefits to the companies. The main benefits are: it reduces the risks (van Riel et al., 2001), it enlarges market actions' success (Morrin, 1992), it exploits the brand equity (Aaker and Keller, 1990), it reduces entrance barriers or obstacles (van Riel et al., 2001) and it reduce advertising costs (Morrin, 1992; Aaker and Keller, 1990). According to Martinez and Pina (2004) reduction of sales stimulus and marketing costs are very well-known concepts. Consumer awareness regarding name of core brand gives a lot of support to the brand extension to rapidly capture the new markets and to enter marketplace (Dawar and Anderson, 1994). As stated by David Taylor (2004) present brand extension strategy is very famous because it is cheaper and less risky than creating new brand. Chaternatony and McDonald (1998) have pointed similar kind of economical advantage through pointing "new brands' economy are pushing the companies towards stretching existing names of them into several new markets. It is daunted by huge costs of heavy R&D and aware of failures rates statistics for various new brands. Marketers are taking establish names of products into the fields of new products" (Leslie de Chaternatony and Malcolm McDonald, 1998). Based on theses assumptions, it was investigated in this research as what has been the foremost advantage of brand extension for Toyota, Honda, Suzuki and Fiat as luxury four wheeler multinational companies in Indian emerging market. The data collected in this regard divulges that creating entry barrier and cost cut has been the foremost advantage of brand extension for Toyota, Honda, Suzuki and Fiat as luxury four wheeler multinational companies in Indian emerging market (**Table and Figure 4.6**).

TABLE 4.6: BRAND EXTENSION ADVANTAGE

Factors	*No. of respondents*	*Response in percentage*	*Cumulative Percentage*
Creating entry barrier	19	38%	38%
Cost cut	18	36%	74%
Enter new segment	7	14%	88%
Others	6	12%	100%

FIGURE 4.6: BRAND EXTENSION ADVANTAGE



According to the data detail in the above table for respondents in greater majority (74% out of the total 50), they come to the conclusion that creating entry barrier and cost cut has been the foremost advantage of brand extension for their company in Indian emerging market; while for the remaining respondents (28%), they find that enter new segment and others has been the foremost advantage of brand extension for their company in Indian emerging market. Largely these data conclude that creating entry barrier and cost cut has been the foremost advantage of brand extension for Toyota, Honda, Suzuki and Fiat as luxury four wheeler multinational companies in Indian emerging market.

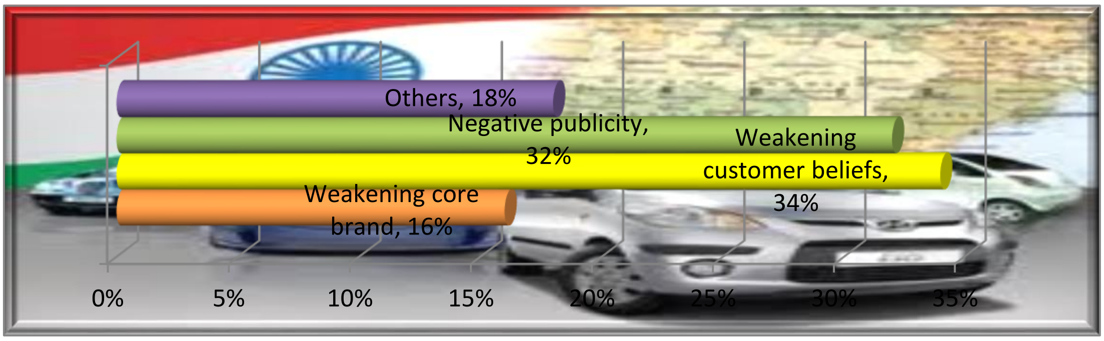
BRAND EXTENSION RISK

The research literature establishes that brand extensions also have some risks. Brand extension through connecting or linking a new product with known company name or brand can able to help making consumer acceptance. This is also weakening the risks of core brand image (Aaker, 1990). The harm which is caused by the brand extensions isn't caused by negative information (Ahluwalia and Gurhan, 2000) or by the extension failure always (Chen and Chen, 2000). Brand extensions can also weaken beliefs of customers about extended brand in market (Martinez and de Chernatony, 2004). Nike observes a sponsored team or athlete not as paid promoter but, as organization's essential part. Two components with each other become very identical. In abstract term, if resources are developed and used more then, it creates more value for that organization that uses those resources. It happens as extensions in consumers' mind create new associations (Sharp, 1993). Brand extensions which are unsuccessful harm brand equity, weaken positive associations or links and weaken brands' value for further various extensions (van Riel et al., 2001) or cause undesirable or unwanted associations. Brand extension's another risk is cannibalization. Excessive cannibalization is a general argument against the brand extension. Common branding strategy deals with similarity and similarity always invites the replacement strategy. Umbrella branding can increase disaster risk for a company. It is because if one brand under umbrella branding deals with negative publicity then it also impacts other brands. Based on theses assumptions, it was investigated in this research as what has been the major risk of brand extension for Toyota, Honda, Suzuki and Fiat as luxury four wheeler multinational companies in Indian emerging market. The data collected in this regard divulges that weakening customer belief and negative publicity has been the major risk of brand extension for Toyota, Honda, Suzuki and Fiat as luxury four wheeler multinational companies in Indian emerging market (**Table and Figure 4.7**).

TABLE 4.7: BRAND EXTENSION RISK

Factors	*No. of respondents*	*Response in percentage*	*Cumulative Percentage*
Weakening core brand	8	16%	16%
Weakening customer beliefs	17	34%	50%
Negative publicity	16	32%	82%
Others	9	18%	100%

FIGURE 4.7: BRAND EXTENSION RISK



According to the data detail in the above table for respondents in majority (66% out of the total 50), they come to the conclusion that weakening customer belief and negative publicity has been the major risk of brand extension for their company in Indian emerging market; while for the remaining respondents (34%), they find that weakening core brand and others has been the major risk of brand extension for their company in Indian emerging market. Largely these data conclude that weakening customer belief and negative publicity has been the major risk of brand extension for Toyota, Honda, Suzuki and Fiat as luxury four wheeler multinational companies in Indian emerging market.

4.3 SUMMARY

Product differentiation as branding approach has been comparatively more successful (than market segmentation) for Toyota, Honda, Suzuki and Fiat as luxury four wheeler multinational companies in Indian emerging market. Successful brand management is characterized by corporate culture and values for Toyota, Honda, Suzuki and Fiat as luxury four wheeler multinational companies in Indian emerging market. Certainly, brand orientation has played an important role in pursuing competitive advantage for Toyota, Honda, Suzuki and Fiat as luxury four wheeler multinational companies in Indian emerging market. Brand extension has been greatly successful as banding strategy for Toyota, Honda, Suzuki and Fiat as luxury four wheeler multinational companies in Indian emerging market. Launching new product as brand extension strategy has been successful on greater degree for Toyota, Honda, Suzuki and Fiat as luxury four wheeler multinational companies in Indian emerging market. Creating entry barrier and cost cut has been the foremost advantage of brand extension for Toyota, Honda, Suzuki and Fiat as luxury four wheeler multinational companies in Indian emerging market. Weakening customer belief and negative publicity has been the major risk of brand extension for Toyota, Honda, Suzuki and Fiat as luxury four wheeler multinational companies in Indian emerging market. Line extension and multi-brand extension as brand extension strategy has been most successful for Toyota, Honda, Suzuki and Fiat as luxury four wheeler multinational companies in Indian emerging market. Parent brand image and consumer characteristics has been the most important success criterion of brand extension for Toyota, Honda, Suzuki and Fiat as luxury four wheeler multinational companies in Indian emerging market.

5. RESULTS, DISCUSSION & CONCLUSION

The findings of this research divulge that product differentiation as branding approach has been comparatively more successful (than market segmentation) for Toyota, Honda, Suzuki and Fiat as luxury four wheeler multinational companies in Indian emerging market. As according to Kapferer (1998) branding's effective approach is holistic in nature and branding is more than just a brand name that a product or a service imprint or mark an organizations' name. Brand refers to direct result of product differentiation. Further, the findings of this research divulge that successful brand management is characterized by corporate culture and values for Toyota, Honda, Suzuki and Fiat as luxury four wheeler multinational companies in Indian emerging market. Notably, consumers' perception feeds back to brand management system. It includes firm's corporate culture, values and distinctiveness, where a firm can able to deploy a specific brand to achieve objectives of firm (de Chernatony and Riley, 1998; Goodyear, 1996).

Besides the findings of this research, divulge that certainly brand orientation has played an important role in pursuing competitive advantage for Toyota, Honda, Suzuki and Fiat as luxury four wheeler multinational companies in Indian emerging market. As brand orientation plays an important role in maintaining and selecting firms' strategic direction implying that brands should drive entire strategic decisions and this is the main issue of a firm (Capon et al., 2001). Further, the findings of this research divulge that brand extension has been greatly successful as banding strategy for Toyota, Honda, Suzuki and Fiat as luxury four wheeler multinational companies in Indian emerging market. As brand extensions provide several benefits to the companies, the main benefits are: it reduces the risks (van Riel et al., 2001), it enlarges market actions' success (Morrin, 1992), it exploits the brand equity (Aaker and Keller, 1990), it reduces entrance barriers or obstacles (van Riel et al., 2001) and it reduce advertising costs (Morrin, 1992; Aaker and Keller, 1990). According to Martinez and Pina (2004) reduction of sales stimulus and marketing costs are very well-known concepts.

Moreover, the findings of this research divulge that launching new product, as brand extension strategy has been successful on greater degree for Toyota, Honda, Suzuki and Fiat as luxury four wheeler multinational companies in Indian emerging market. Vertical brand extension refers to the launch of related brand in same product category or section but, with different price and quality point (Keller and Aaker, 1992). Further, the findings of this research divulge that creating entry barrier and cost cut has been the foremost advantage of brand extension for Toyota, Honda, Suzuki and Fiat as luxury four wheeler multinational companies in Indian emerging market. As notably, brand extensions provide several benefits to the companies. The main benefits are: it reduces the risks (van Riel et al., 2001), it enlarges market actions' success (Morrin, 1992), it exploits the brand equity (Aaker and Keller, 1990), it reduces entrance barriers or obstacles (van Riel et al., 2001) and it reduce advertising costs (Morrin, 1992; Aaker and Keller, 1990). According to Martinez and Pina (2004) reduction of sales stimulus and marketing costs are very well-known concepts.

In addition, the findings of this research divulge that weakening customer belief and negative publicity has been the major risk of brand extension for Toyota, Honda, Suzuki and Fiat as luxury four wheeler multinational companies in Indian emerging market. As brand extensions also have some risks. Brand extension through connecting or linking a new product with known company name or brand can able to help making consumer acceptance. This is also weakening the risks of core brand image (Aaker, 1990). The harm which is caused by the brand extensions isn't caused by negative information (Ahluwalia and Gurhan, 2000) or by the extension failure always (Chen and Chen, 2000). Brand extensions can also weaken beliefs of customers about extended brand in market (Martinez and de Chernatony, 2004). Further, the findings of this research divulge that line extension and multi-brand extension as brand extension strategy has been most successful for Toyota, Honda, Suzuki and Fiat as luxury four wheeler multinational companies in Indian emerging market. As in order to grow, a company has two different options such as; enter in new product category or/and have additional or extra items in existing product category. The company, in doing this can use existing brand name or new brand name. By this, company has four different kinds of growth strategies such as brand extension, line extension, new brand and multi brand (Kotler and Armstrong, 2004).

Finally, the findings of this research divulge that parent brand image and consumer characteristics has been the most important success criterion of brand extension for Toyota, Honda, Suzuki and Fiat as luxury four wheeler multinational companies in Indian emerging market. As the relationship between brand extension and parent brand is defined in literature, through categorization theory. When consumer meets or observes any new brand, then consumer make a classification after putting that particular object or item into a category particularly (Nan, 2006).

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AN ANALYTICAL PERSPECTIVE ON ASEAN INDIA TRADE AND ASEAN INDIA FREE TRADE AGREEMENT (AIFTA)

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ABSTRACT

ASEAN demonstrates that countries with different cultures, traditions, languages, political systems and levels of economic development can act in concert to expand their collective potential. ASEAN's economic potential is undoubtedly impressive. If treated as a single entity, the ASEAN would rank as the third largest economy in Asia and seventh largest in the world (after the US, China, Japan, Germany, the UK and France) based on 2014 figures in current Dollar terms. Over the past decade, trade and investment relations between India and ASEAN have continued to improve. Total bilateral trade increased more than threefold from US$21 billion in 2005-06 to US$65 billion in 2015-16. However, this has been accompanied by a rising trade deficit trade deficit with ASEAN from US$ 0.5 billion in 2005-06 to US$14.6 billion in 2015-16- Under ASEAN India Free Trade Agreement (AIFTA) entered into force on January 1, 2010, tariffs on over 4,000 product lines will be eliminated by 2016 and sensitive products have been given a longer timeframe for tariff liberalisation. This paper looks at many dimensions of India's growing economic ties with the ASEAN and takes an analytical perspective on ASEAN India trade and ASEAN India Free Trade Agreement (AIFTA).

KEYWORDS
ASEAN India trade, ASEAN India free trade agreement (AIFTA).

JEL CODE
F53

INTRODUCTION

ASEAN is a fast expanding trade bloc in Asia with a growing economic clout. With a combined population on of more than 620 million, ASEAN's aggregate economic size surpasses US$2.5 trillion. ASEAN economies have generally remained buoyant thanks in part to the bloc's expanding intra-Asia trade. Investment has played a key role in spurring GDP growth in many ASEAN economies. In the past decade alone, intra-Asia trade has tripled by value, rising more rapidly than either extra-Asia trade or global trade, which has just doubled in value.

Over the past decade, trade and investment relations between India and ASEAN have continued to improve. Total bilateral trade increased more than threefold from US$21 billion in 2005-06 to US$65 billion in 2015-16. With ASEAN India Free Trade Agreement (AIFTA) in place and elimination of tariffs on vast number of product lines in coming years will provide tremendous boost to our bilateral trade.

There is no denying that the ASEAN India Free Trade Agreement brings strategic gains to India; however, economic gains can be substantial only if supply chains are developed with a focus towards intra-industry trade. The AIFTA agreement provides increased scope for integration of supply chains in the machinery, electrical and electronics sectors and transport, which could be further supplemented by services trade and investment. However, full trade potential and product integration to be realized, facilitation of business to business connections, information flow, harmonization and mutual recognition of standards as well as removal of other such non-tariff barriers are crucial.

Indian businesses must recognize the opportunities presented by the ASEAN's growth and economic integration. It will be important for Indian Businesses to understand their strength in the ASEAN market and to tailor their strategies accordingly. We need to think of ASEAN as a whole with distinctive regions to get a clear sense of perspective.

The importance of India's current relationship with ASEAN and its future potential for mutually beneficial growth will require greater political, economic, and diplomatic engagement with ASEAN. ASEAN's geostrategic importance stems from many factors, including the strategic location of member countries, the large shares of global trade that pass through regional waters.

OBJECTIVE OF THE STUDY

To have an analytical perspective on ASEAN India trade and ASEAN India Free Trade Agreement (AIFTA).

RESEARCH METHODOLOGY

The paper is based on secondary data, which collected various sources like ASEAN Secretariat, Investopedia, and Trading economics etc. The paper is majorly in descriptive in nature.

DATA ANALYSIS

The importance of India's current relationship with ASEAN and its future potential for mutually beneficial growth will require greater political, economic, and diplomatic engagement with ASEAN. ASEAN's geostrategic importance stems from many factors, including the strategic location of member countries, the large shares of global trade that pass through regional waters. Indo ASEAN economic engagement should not be viewed from a purely merchandise trade perspective, but from the future potential of trade in services and investment flows. Trade is not a negative sum game it brings with it benefits of lower input prices, greater competition and virtuous cycle of rising productivity and growth.

Growth accelerated in FY 2015-16 despite a double-digit decline in exports. It is projected to dip marginally in FY 2015-16 with a slowdown in public investment, stressed corporate balance sheets, and declining exports, then pick up in FY 2015-16 as newly strengthened bank and corporate finances allow a revival in investment. Notwithstanding unexpected delays in enacting some economic reform, the prospects for continued rapid growth are undiminished.

OVERALL TRENDS

India's exports to ASEAN increased from U.S. $ 10.41 billion in 2005-06 to U.S. $ 25.20 billion in 2015-16 and imports over the same period quadrupled from U.S. $ 10.81 billion in 2005-06 to U.S. $ 39.84 billion. This reflects a compound annual growth rate (CAGR) of about 9.2 per cent in exports to the AEAN region and close to 14 per cent per annum growth in imports during 2005-06 to 2015-16. Concomitantly, India's trade deficit with the ASEAN surged from US$0.5 billion in 2005-06 to US$14.6 billion. In terms of market share, share of imports in India's total imports from ASEAN went up from 7.3 % in 2005-06 to 10.5 % in 2015-16, over the same period share of exports to ASEAN in India's total exports fell from 10.1 % to 9.6%.

TABLE 1: ASEAN TRADE BY SELECTED PARTNER COUNTRY/REGION, 2015 AS OF NOVEMBER 2016

Partner country/region	Value (US$million)			% Share to total ASEAN trade		
	Exports	Imports	Total trade	Exports	Imports	Total trade
ASEAN	305,693	238,059	543,751	25.9	21.9	24.0
Australia	32,959	18,784	51,743	2.8	1.7	2.3
Canada	6,927	4,787	11,714	0.6	0.4	0.5
China	134,249	211,515	345,764	11.4	19.4	15.2
EU 28 1/	127,584	100,056	227,640	10.8	9.2	10.0
India	39,101	19,453	58,554	3.3	1.8	2.6
Japan	113,694	124,350	238,044	9.6	11.4	10.5
Republic of Korea	45,809	76,676	122,484	3.9	7.0	5.4
New Zealand	4,945	3,403	8,348	0.4	0.3	0.4
Pakistan	5,359	999	6,357	0.5	0.1	0.3
Russia	3,989	9,392	13,381	0.3	0.9	0.6
USA	129,171	83,172	212,343	10.9	7.6	9.4
Total selected partner countries	949,479	890,645	1,840,124	80.3	81.8	81.1
Others2/	232,552	197,634	430,186	19.7	18.2	18.9
Total ASEAN	**1,182,031**	**1,088,279**	**2,270,310**	**100.0**	**100.0**	**100.0**

Source: ASEAN Secretariat

INDIA ASEAN MERCHANDISE TRADE

TABLE 2

Year	India's exports to ASEAN	Share in India's Total exports	India's Imports from ASEAN	Share in India's total Imports	Trade Balance	Total Trade
(1)	(2)	(3)	(4)	(5)	[(2)-(4)]	[(2)+(4)]
2000-01	2,91	6.5	4.15	8.2	-1.24	7.06
2005-06	10.41	10.10	10.88	7.3	-0.47	21.29
2006-07	12.61	10.0	18.11	9.7	-5.50	30.72
2007-08	16.41	10.1	22.67	9.0	-6.26	39.08
2008-09	19.14	10.3	26.20	8.6	-7.06	45.34
2009-10	18.11	10.1	25.80	8.9	-7.69	43.91
2010-11	25.63	10.3	30.61	8.3	-4.98	56.24
2011-12	36.74	12.0	42.16	8.6	-5.42	78.9
2012-13	33.00	11.0	42.87	8.7	-9.87	75.87
2013-14	33.13	10.5	41.28	9.2	-8.15	74.41
2014-15	31.81	10.2	44.71	10.0	-12.90	76.52
2015-16	25.20	9.6	39.84	10.5	-14.64	65.04

In 2005-06, Singapore accounted for more than 50 % share in India's total exports to ASEAN followed by Indonesia, Malaysia and Thailand with a market share of 13 %, 11% and 10 % respectively. A decade after in 2015-16, export shares in the ASEAN market have undergone a major change with Singapore, Vietnam, Malaysia, Thailand and Indonesia accounting for a share of 31%, 21%,15%,12 % and 11% in India's total exports to the ASEAN. At an aggregate level, the share of ASEAN in India's total exports fell from more than 10 % in 2005-06 to 9.6 % in 2015-16. On the import side, the combined share of 4 countries (Singapore, Indonesia, Malaysia & Thailand) in the total imports from the ASEAN continues to be high though it has fallen from 91 % in 200506 to 88 % in 2015-16. In 2005-06, Singapore was the largest source of imports from the ASEAN with a share close to 31 % of total imports from the ASEAN that status has been taken over by Indonesia with a share of 335 in total imports from the ASEAN in 2015-16.

The net trade deficit of U.S. $ 14.6 billion with the ASEAN in 2015-16 is the outcome of trade deficit of U.S. $ 10.2 billion with Indonesia, U.S. $ 5.4 billion with Malaysia and U.S. $ 2.5 billion with Thailand. India's combined trade deficit with ASEAN in 2015-16 would have been much higher but for the fact that India ran a trade surplus of U.S. $ 2.7 billion with Vietnam, U.S. $ 826 million with Philippines and U.S. $ 416 million with Singapore.

INDIA's MERCHANDISE TRADE WITH ASEAN MEMBER COUNTRIES

TABLE 3

	2005-06			2015-16			CAGR	
	Exports	Imports	TD	Exports	Imports	TD	2015-16/2005-06	
	$ Million	$ Million	$ Million	$ Million	$ Million	$ Million	Exports	Imports
Brunei	43	1	42	28	554	-526	-4.0	90.5
Cambodia	24	1	23	143	54	89	19.4	52.9
Indonesia	1380	3008	-1628	2841	13068	-10227	7.5	15.8
Lao	5	0	5	38	180	-142	21.4	111.6
Malaysia	1162	2416	-1254	3707	9084	-5377	12.3	14.2
Myanmar	111	526	-415	1068	984	84	25.4	6.5
Philippines	495	235	259	1369	542	826	10.7	8.7
Singapore	5425	3354	2072	7722	7306	416	3.6	8.1
Thailand	1075	1212	-136	3009	5510	-2501	10.8	16.4
Vietnam	691	131	559	5270	2560	2710	22.5	34.6
Total ASEAN	**10411**	**10884**	-472	**25195**	**39843**	-14648	9.2	13.9
Total Global	**103091**	**149166**	-46075	**262031**	**380665**	-118634	9.8	9.8

ASSESSMENT OF ASEAN INDIA FTA

There have been some criticisms that the rules of origin in AIFTA are relatively lax and therefore could facilitate entry of non-member country goods into India through the preferential route.

As regards the RoO, India has traditionally specified these in terms of two criteria. These are change in tariff heading (CTH) and value addition (VA). However, in AIFTA the criterion for RoO is confined to a mere 35 per cent value addition criterion for RoO. The dilution is significant in light of both the twin criterion and the 40 per cent VA rule that is operative in the cases of the India-Singapore and India-Thailand FTAs as both are member countries of ASEAN. Additionally, the change in tariff classification norm for non-originating material in these mentioned bilateral agreements are at the 4 digit level, which is also relatively more restrictive than the '6 digit' in ASEAN agreement.

The total number of items on the negative list has been restricted to 489. The negative list includes agricultural items, textiles and chemicals and the extended schedule for items like pepper, coffee, tea, oil and rubber. The duties on these items will only be reduced in 2019.

Another structural difference between AIFTA and India Singapore CECA pertains to the absence of 'Advance Ruling' mechanisms in AIFTA while it is present in the India Singapore CECA. This mechanism allows the importer/ exporter prior to importation or exportation to utilise a competent customs authority to determine whether or not the concerned product qualifies as an originating product. Advance Ruling is mostly applied to determine classification, origin and customs value and is a proven trade facilitation tool providing transparency and certainty in customs operations.

In addition to sensitive and negative lists, bilateral safeguard measures can also be used to ensure adequate protection of the domestic industry. In the case of an influx of large quantities of foreign goods, safeguard measures are allowed for a period of up to three years with a probable extension of up to one additional year. These measures, however, cannot be applied for a product import from a country which accounts for less than three percent of total imports of that product from other parties by the importing country. The agreement has also placed emphasis on transparency, simplification and harmonisation of custom procedures and prohibition on imposition of non-tariff barriers (NTBs).

The other issue pertains to inconsistencies in items included in the negative list in AIFTA, especially when compared to the India-Thailand FTA and India-Singapore CECA. The exclusion or negative list in India-Singapore CECA amounts to 6,551 products at the 8-digit HS code. While trade may not occur in all the products specified in this list, there are many traded items on this list, which are under normal track slated for tariff elimination in AIFTA. For example, a large range of products under precious stones and metals are under normal track liberalization under AIFTA but protected via the negative list in the India-Singapore CECA.

A timeline has also been agreed upon for the sensitive list items, with 489 items excluded from the list of tariff concessions. The items thus excluded pertain to farm products, automobiles, some auto parts, machinery, chemicals and textile products. In respect of the sensitive items like crude and refined palm oil, tea, coffee and pepper, tariff concessions will be graduated over a period of ten years. There is huge potential for furthering India-ASEAN economic relations and the FTA is expected to open new opportunities in this direction. However, several elements of the FTA call for a more cautious conclusion in this regard, when more carefully analyzed.

A differential timeline has been specified for the sensitive commodities. It needs to be seen if the underlying differential in productivity and competitiveness between India and ASEAN countries in the respective sectors can be eliminated in ten year period. This is particularly true of the plantation sector, which is likely to be impacted given the relative advantage that the ASEAN countries have in commodities like tea, pepper, coffee and palm oil. Productivity of pepper is 380 kilograms per hectare in India while it is 1,000 kilograms per hectare in Vietnam and 3,000 kilograms per hectare in Indonesia. Similarly, coffee productivity in India stands at 765 kg/ha while Vietnam produces 1.7 tonnes/ha. Higher wage and input costs in India further aggravate this differential. Fisheries and marine products are the other sectors that are likely to suffer as a consequence of the agreement. The threat from Thailand and Vietnam, which is the world's largest seafood exporter, cannot be ruled out.

Given that Indian tariff levels are generally higher than tariffs of ASEAN nations, India has relatively less to gain from this trade in goods agreement. India's average tariff rate in agriculture is more than 34 percent against 13 percent for ASEAN. Likewise, India's average

MFN tariffs for manufacturing goods are more than 10 percent compared to 7.5 percent for ASEAN. Presently, about 75 percent of Indian products already have access to the ASEAN market at duty-free tariff rates. ASEAN tariffs on the other hand have been low for some time and the FTA concessions may not mean much for India in terms of additional gains. The expected smaller gains that the deal entails for India in terms of goods trade needs to be viewed in the backdrop of larger gains that India may garner in the future through the services and investment component of the pact between the two regions. Indeed, the potential for services trade and investment opportunities is large. India is among the top ten services exporting nations globally while ASEAN is a major importer.

FACTORS AFFECTING AND ITS EFFECTS

ECONOMIC PERFORMANCE

Advance government estimates point to the economy growing at 7.6% in FY2015 (ending 31 March 2016), marginally above the forecast of 7.4% in *Asian Development Outlook 2015 Update*. The estimate could be a tad optimistic, however, as achieving it would require GDP to increase by 7.7% in the last quarter of the fiscal year.

Despite a weak monsoon for a second consecutive year, agriculture grew by 1.1% in FY2015, mainly on strong growth in livestock. Food grain production is estimated to have increased by 0.5% in FY2015, though there was lower production of rice, coarse cereals, oilseeds, and sugarcane.

After growing by 5.9% in FY2014, industry accelerated further to 7.3% in FY2015. Manufacturing growth rebounded to 9.5% with the aid of robust performance in the manufacturing operations of private corporations, whose margins have been inching up with lower input costs. Strong growth in manufacturing as measured by value added continues to be at variance with anemic growth in industrial production, which measures volume. Growth in other industry subsectors—mining, construction, and utilities—moderated in FY2015.

Expansion in services also moderated, to 9.2%, largely in line with slower growth in public administration, defense, and the "other. Services" category. An increase in bank deposit and credit growth in the second half of FY2015 helped financial, real estate, and professional services grow at a healthy 10.3%, while robust growth in airline passengers and sales of commercial vehicles bolstered expansion in trade, hotels, transport, and communications to 9.5%.

Private consumption growth is estimated to have picked up to 7.6% in FY2015 from 6.2% a year earlier. However, these estimates are likely to be optimistic, as achieving them would require private consumption to grow at 11.7% in the fourth quarter of FY2015, nearly double the 6.1% growth rate achieved in the first 3 quarters. Much of the improvement in private consumption stems from a pickup in urban consumption, while rural consumption has remained subdued as a result of two consecutive weak monsoons. Government consumption growth also stayed tepid as the central government boosted capital expenditure and curtailed current expenditure. A 20.9% increase in capital expenditure undertaken by the central government helped investment growth improve to 5.3% from 4.9% in FY2014. However, private investment remained weakened by overcapacity and Indian corporations' debt overhang.

Inflation has stayed subdued, averaging 5.0% in FY2015. Despite 2 years with weak monsoons, food inflation continues to trend low, though it picked up in the second half of the year on higher prices for selected products such as pulses, onions, and sugar. The easing of food inflation overall was helped by lower global commodity prices, restrained increases in domestic procurement prices, and improved management of government food stocks. Despite soft global prices for crude oil, fuel inflation inched up to 5.5% from 4.1% in FY2014. The uptick came primarily from higher fuel inflation in rural areas, which commonly use domestically produced fuel such as firewood and biogas that are not acted by low oil prices. Even in urban areas, the decline in oil prices was only partly passed through to retail prices, as taxes were increased to bolster government revenues. After declining by nearly 300 basis points in FY2014, core inflation has remained relatively sticky, staying within the narrow range of 4.1% to 4.8% in FY2015, indicating entrenched inflation expectations.

Despite inflation declining by nearly 500 basis points from its peak in late 2013, key policy rates were reduced by a cumulative 125. basis points: 75 basis points in the last quarter of FY2014 followed by 50. basis points in September 2015. Such calibrated policy rate reduction reflected concern about the prospect of the US Federal Reserve increasing interest rates and the resulting volatility in global financial markets, sharp price increases for some food products, and possibility of deviation from the path of fiscal consolidation.

Bank credit growth averaged less than 10% in FY2015 as falling inflation lowered firms' input costs and thereby reduced their working capital requirements, and as firms increased their use of nonbank financing. Banks' limited pass-through of cuts in policy rates meant the cost of funds fell only slowly, prompting firms to shift to other instruments such as corporate bonds and commercial paper, for which interest rates fell much more steeply. Moreover, a surge in foreign direct investment, low global interest rates, and ready access to credit allowed companies to source foreign funds at lower cost.

Weak balance sheets at public banks, which account for 70% of bank lending, continue to pose risks for economic growth as they limit banks' ability to fund investment. The ratio of nonperforming assets to total advances deteriorated from 4.6% in March 2015 to 5.1% in September 2015, though restructured loans declined a bit to 6.2% from 6.4%. Taken together, the ratio of stressed advances exceeds. 11%, raising concern about the quality of bank assets. The government and the central bank have moved to revitalize public sector banks by recapitalizing selected banks, allowing others to raise capital from markets (thereby diluting the government's holding), and improving governance by appointing executives in a professional and transparent manner. Moreover, bank lenders were given the option to convert their loans into equity in borrowers' companies under a specified pricing formula to collectively become majority shareholders, and to appoint new management if a company failed to meet milestones set up under a restructuring package.

The government was able to achieve its target of reducing the budget deficit to the equivalent of 3.9% of GDP from 4.1% in FY 2014. The reduction came through curtailed current expenditure and through tax revenue growth that exceeded the target. While corporate and personal income tax collection fell short of their targets, revenue from excise duties and taxes on services grew faster than planned, helped by hikes in excise duties on petroleum products. Despite receipts from planned asset sales falling well below their target, nontax revenue registered healthy growth at over 30% as public sector enterprises, including public banks, paid higher dividends.

Expenditure grew by 7.3% in FY2015, marginally higher than budgeted growth at 6.8%. Unlike in previous years, capital expenditure grew robustly, by 20.9%, such that the ratio of capital expenditure to GDP rose to 1.8% in FY2015. By contrast, current expenditure growth was tamed at 5.5%. The sharp drop in global oil prices, deregulation of diesel prices, and use of cash transfers to qualified recipients to rationalize the subsidized cooking gas benefit cut expenditures on the petroleum subsidy by more than half. However, there was an uptick in the outgo on account of fertilizer and food subsidies.

A national commission that reviews the salaries of the central government employees every decade recommended a 23.5% increase in salaries and pensions. According to the commission, the wage revision would cost the central government budget the equivalent of 0.46% of GDP. The government is waiting for a committee set up in late January. 2016 to announce its final verdict on the commission's recommendations.

Imports are estimated to have contracted by 15.5% in FY2015, primarily aided by a sharply reduced oil import bill. With the price of imported crude oil declining by more than half in the course of FY2015, oil imports fell by more than 40% even as volume picked up by 8% over the previous year. Gold imports increased by 2.6%, despite lower prices, as import volumes registered a marked gain of 21.4% during the year. At the same time, imports other than oil and gold stabilized as consumption goods such as electronics and readymade garments registered growth, indicating improved domestic consumption demand. However, imports of capital goods such as machinery, transport equipment, and iron and steel remained weak.

Lower commodity prices and anemic global demand weighed on exports, which contracted by 18.0% in FY2015. While lower oil prices brought refined petroleum exports down by more than half, non-oil exports also declined by 9.4%. Exports of key products including engineering goods, electronics, leather, textiles, and gems and jewelry contracted as demand weakened in the advanced economies, the People's Republic of China, and oil-producing nations. Higher service exports and remittances helped to narrow the estimated current account deficit to the equivalent of 1.3% of GDP.

Buoyed by measures to enhance foreign direct investment—including raising the ceiling for investment in several important sectors such as broadcasting and defense, as well as rationalizing and simplifying procedures—net flows of foreign direct investment surged to an estimated $32 billion, nearly 26% higher than in the previous year. Inflows in the form of deposits by nonresident Indians also remained strong, growing to nearly $15 billion in FY2015. These inflows and continuing business and government loan inflows increased gross international reserves in FY2015 by $9.2 billion to over $350 billion.

Portfolio flows turned negative during the year with estimated net outflows of $3.7 billion from the equity market and $0.7 billion in debt, in line with the experience of other emerging markets. The silo reflected concerns about interest rates rising in the US, the economic slowdown in key emerging markets, and slower-than-anticipated progress on politically midcult domestic economic reforms. The outflow from the equity market was a factor pushing stock prices on the Bombay Stock Exchange Sensex down by 13% over the year.

The Indian rupee depreciated by 8% against the US dollar in FY2015. However, it weakened in nominal elective terms by a smaller 5%, and in real elective terms by less than 3%, implying that it moved in parallel with the currencies of trading partners.

ECONOMIC PROSPECTS

While public investment and urban consumption were the major drivers of growth in FY2015, a revival of private investment and rural consumption is critical if growth is to remain strong in FY2016 and FY2017, given the likely sluggish recovery in the advanced economies and the anemic outlook for global trade. Urban consumption is expected to receive a boost from the impending salary hike for government employees in 2016. That salary hike is likely a factor in pushing private sector wages somewhat higher. However, reviving rural consumption will hinge on the quality of the monsoon, as a major part of the rural economy continues to depend heavily on agriculture. Nevertheless, budgetary support for programs to improve agricultural productivity and funding for the government employment scheme for poor rural families should boost rural incomes and spending.

Public investment will continue to be an important driver of growth, as the government is expected to use savings from oil to further boost government investment. However, the finances available to ramp up investment in FY2016 will be considerably smaller than in FY2015, given sharper fiscal tightening and increased outgo on account of a higher public sector wage bill. New investment announcements are just beginning to recover and inch higher. While the number of stalled projects has declined marginally, it remains elevated. Ongoing deleveraging by private corporations, reductions in policy rates, and public investment are likely to initiate a recovery in private investment. Further, the uptick in consumption could soak up excess capacity across sectors and invite fresh investment.

Various investment outlook surveys provide a mixed picture. The manufacturing purchasing managers' index declined for 6 consecutive months to December but turned higher in January and February 2016 on new orders and exports. The services index has been more robust, reaching a 21-month high in January but then falling in February on a marginal increase in output. At the same time, Nomura's index of composite leading indicators shows growth momentum stabilizing, while the central bank's industrial outlook survey points to strengthening business sentiment.

A normal monsoon would augur well for growth in agriculture, which has been depressed by weak rains in the past 2 years. The slowdown in advanced economies including the US, lower export commodity prices, and weaker currencies in some major trading partners vis-à-vis the Indian rupee are likely to hit merchandise exports and financial, telecom, business, and other tradable services. Lower net exports could thus impinge on growth.

Limited policy headroom exists to bolster growth, given pressures from an uptick in inflation and plans for further fiscal consolidation. However, with new guidelines from the central bank requiring banks to set their lending rates based on marginal cost of funds or the rates offered to new deposits, there will be greater transmission of reduced policy rates to lending rates. The consequent reduction in the cost of borrowing is likely to boost aggregate demand.

On balance, growth is projected at 7.4% in FY2016, marginally lower than the 7.6% achieved in FY2015 as the expected decline in external demand offsets a pickup in domestic demand. Moreover, the weak balance sheets of public sector banks will hamper lending and growth prospects. Growth is expected to pick up a bit to 7.8% in FY2017, helped by the government's strengthening of public sector banks' capital and operations, private investment benefitting from corporate deleveraging, the financing of stalled projects, and an uptick in bank credit.

After 2 years of decline, consumer inflation is likely to accelerate slightly in both years. The salary hike for civil servants would boost consumption, perhaps fueling broad inflation. Meanwhile, somewhat higher global oil prices are likely in the second half of FY2016, some of which would transmit to retail prices. On the other hand, a normal monsoon would help mitigate some of the pressure on food prices, which firmed up in the second half of FY2015. Despite inflation declining substantially in the past 3 years, inflation expectations have remained elevated and even inched up since the beginning of FY2015, implying that core inflation is entrenched. Inflation is likely to average 5.4% in FY2016, rising to 5.8% in FY2017 as global oil prices firm up and domestic demand strengthens.

The central bank has signaled an accommodative monetary stance, though further cuts to key policy rates would be contingent on the evolving inflation trajectory and the implementation of planned budget consolidation. Thus, while aggressive rate cuts are unlikely, FY2016 may see some monetary easing.

The FY2016 budget displays fiscal prudence by reaffirming the path of fiscal consolidation and reducing the fiscal deficit to 3.5% of GDP. Gross tax revenue growth of 11.7% in FY2016 seems achievable with a tax buoyancy of 1.1. In fact, estimates of indirect tax growth appear to be conservative with excise duty growth pegged at 12.2% even after the government hiked the excise duty on petroleum products late in FY2015. Estimates of service tax revenue growth also appear to be more conservative than in previous years. By contrast, estimates of nontax revenue are optimistic. The government has targeted a 21% increase in the dividends of public sector companies excluding banks. Moreover, proceeds from telecommunications spectrum sales are expected to rise sharply from Rs. 560.billion in FY2015 to Rs. 990 billion, while the disinvestment target has been set at Rs. 565 billion, more than double the Rs. 253 billion achieved in FY2015. Reliance on asset sales makes achieving budget targets dependent on market conditions.

A focus of the budget is to revive rural demand, which has remained under stress for 2 consecutive years of weak monsoons. The budget also increases social sector spending and boosts infrastructure allocations for road transport, power generation, renewable energy, and railways. The expenditure mix is expected to deteriorate, however, with capital expenditure projected to grow by only 3.9% (and decline as a share of GDP), against 11.8% expansion for current expenditure. Within current expenditure, while petroleum subsidies are expected to decline further, allocations for food subsidies will increase. Outgo on account of salaries and pensions are budgeted to increase as the government implements recommendations from the national commission.

As crude oil prices are projected to decline by 32% in FY2016, refined petroleum exports, which account for nearly 20% of merchandise exports, are likely to contract by 28% during FY2016. Sluggish global growth and an appreciating rupee in real effective terms are likely to further impede exports. Encouragingly, exports by volume of metal and metal products, basmati rice, and drugs have been resilient, and higher prices for these key exports are likely to provide a boost. On balance, exports will likely contract by 1.5% in FY 2016. Imports of crude oil are expected to decline by 24% on weak prices. Gold imports are likely to remain flat as volumes rise but prices decline. Other imports could inch up as domestic demand strengthens, increasing total imports by 3.5%. Consequently, the current account deficit is expected to widen a bit to the equivalent of 1.6% of GDP in FY2016, up from an estimated 1.3% in FY2015.

With growth in the large advanced economies edging up, and higher oil prices in 2017 helping exports of refined petroleum, overall merchandise exports are expected to recover to 5.0% growth. At the same time, imports are projected to rebound by 9.0% with higher growth and oil prices, causing the current account deficit to widen to 1.8% of GDP. The higher current account deficit will likely be easily financed by stable capital flows. In the medium term, a sustained pickup in exports would require a competitive currency, continued progress in reducing supply-side bottlenecks, and a lower cost of doing business.

Numerous measures enacted to attract foreign direct investment and further measures to improve the business environment will ensure that India remains a favored base for manufacturing and exporting. After registering an outflow of $4.4 billion in FY2015, portfolio investment is likely to pick up as Indian assets continue to look attractive vis-à-vis assets in emerging market peers.

POLICY CHALLENGE—FOSTERING BANK FINANCE OF INFRASTRUCTURE

The private sector has played a large role in infrastructure financing since 2005. The Twelfth Five-Year Plan, 2012–2017 envisioned 21% of infrastructure financing (and 42% of all debt financing) being sourced from banks. Infrastructure financing needs were estimated at around $200 billion per year to FY2017. Healthy banks are needed to ensure that the private sector can continue to play its desired role in infrastructure financing, as public infrastructure spending can be raised only so far, even in light of a substantial drop in government debt. However, high and rising nonperforming assets (NPAs) in the banking sector, coupled with an overleveraged corporate sector, could choke o. this important source of infrastructure financing, leaving a speed bump on India's road to high and sustained economic growth. Since 2011, gross fixed capital formation has begun to decline as a share of GDP and is no longer a significant driver of economic growth.

The nexus of a highly indebted corporate sector and proliferating NPAs will be difficult to resolve quickly. The interest cover ratio, measuring companies' ability to pay interest on their debts, remains low in over 2,000 companies operating in such key sectors as electric power, steel, and construction, as regularly surveyed by the Reserve Bank of India, the central bank—though some sectors, such as manufacturing, experienced a decisive uptick in the last quarter of FY2014. Credit growth has been slow, particularly at public sector banks, which still hold about 72% of all bank assets and are a vital source of infrastructure financing for India's corporate sector. Key financial indicators deteriorated rapidly. With banks understandably cautious about extending new loans while resolving their NPA issues and cleaning up their balance sheet, and with the highly leveraged corporate sector reluctant to undertake new investment, viable projects may go unfinanced, considerably impeding economic growth.

The causes for the sharp rise in NPAs are both internal and external: supply-side bottlenecks, a highly leveraged corporate sector, weak governance and project appraisal capacity within banks, and a slowdown in global and domestic demand. Moreover, loans to the electric power sector, to which banks are highly exposed, are beset with problems related to the deteriorating health of power distribution companies. However, the government is taking a wide range of steps to address these issues, tackling bank governance, recapitalization, debt restructuring, and NPA recognition. Its Indradhanush program, announced in early 2015, aims to recapitalize public sector banks with Rs. 700 billion over the next 4 years and strengthen internal governance.

A package to strengthen the financial health of state-owned electricity distributors was unveiled in November 2015, with states voluntarily taking over 75% of the debt of their distribution companies. The package provides incentives for electricity distributors to reduce their technical losses and debt service costs and to improve their financial discipline.

In December 2015, a bankruptcy law was introduced in Parliament that promises to substantially improve the quality and speed of debt restructuring, a process that has heretofore been slow and unstructured. The central bank undertook several measures to strengthen NPA disclosure, risk control, and the appointment process at public sector banks. In early February 2016, the central bank governor advocated "deep surgery" for banks in place of Band-Aids, encouraging all banks to disclose and fully provide for all NPAs by March 2017. This call for greater recognition of NPAs came after an intense review of asset quality conducted by the central bank in the last 2 months of 2015 and can be expected to push up the reported incidence of NPAs in the banking system. While the FY2016 budget provision tore capitalize banks generally disappointed industry observers and some international rating agencies, the central bank's revision on 29 February 2016 of how tier 1 capital is calculated is estimated to boost tier. 1 capital by Rs. 350 billion to Rs. 400 billion. Meanwhile, the government is taking steps to revive flagging private sector investment: introducing a strengthened resolution mechanism for troubled public–private partnerships, setting up the National Infrastructure Investment Fund to attract private sector financing into infrastructure, and introducing tax-free infrastructure bonds.

Together, these measures should gradually unclog bank finance channels and increase private sector spending on infrastructure, provided that the legal changes are implemented properly and there is no further dramatic deterioration in the health of banks or corporations.

CONCLUSION

Under ASEAN India Free Trade Agreement (AIFTA) entered into force on January 1, 2010, tariffs on over 4,000 product lines will be eliminated by 2016 and sensitive products have been given a longer timeframe for tariff liberalisation. Both sides are now consolidating the trade in services and investment provisions. The tariff liberalisation schedule for AIFTA has five components – (i) Normal Track; (ii) Sensitive Track; (iii) Special Products; (iv) Highly Sensitive List; and (v) Exclusion List. The tariff liberalization schedule began in January 2010 and is to be fully implemented by 2013 and 2016 in respect of the items on the two 'normal tracks'. The trade in goods agreement contains phased elimination/reduction of custom duties on imports from signatory countries. The objective of the agreement is to reach a zero customs duty regime for 'substantially all trade' between India and ASEAN countries. The time frame for phasing out of tariffs varies by country and product grouping. Once the agreement comes into full implementation, tariffs will be eliminated on 80 percent of traded goods between India and ASEAN countries that is about 75 percent of the total trade.

There is no denying that the ASEAN India Free Trade Agreement brings strategic gains to India; however, economic gains can be substantial only if supply chains are developed with a focus towards intra-industry trade. The AIFTA agreement provides increased scope for integration of supply chains in the machinery, electrical and electronics sectors and transport, which could be further supplemented by services trade and investment. However, full trade potential and product integration to be realized, facilitation of business to business connections, information flow, harmonization and mutual recognition of standards as well as removal of other such non-tariff barriers are crucial.

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TEXTILE FACTORIES AND THEIR PERFORMANCE IN USING AGOA OPPORTUNITY (THE CASE OF MAA GARMENT AND ALMEDA TEXTILE AND GARMENT FACTORIES)

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ABSTRACT

Despite the fact that Ethiopia has immense resources in the area of textile and garment factories the existing export performance and income generating capacity of the sector in the country and/or the study region is low. The country/region has failed to promote its export performance using the privileges given by US government. This being so, the purpose of the study was to assess the Textile Factories and Their Performance in Using AGOA Opportunity, the case of MAA Garment and Almeda Textile and Garment Factories. In this study, cross sectional and census method were used. The data collecting instruments employed in the study were: questionnaires and key informant interview guides. Primary data was collected using self-administered structured questionnaire from the total of 82 respondents (management groups). The Interview was conducted with selected (marketing, production, DGM, supply, finance, quality) departments in the factories, Chamber of Commerce. Secondary data was collected from the two factories and Custom & Revenue Authority. The data obtained from the above sources were organized, presented and analyzed by using both qualitative and quantitative methods of research analysis. The major statistical tools used for analysis were frequency count, percentage and mean. The result of the research indicates that the performance of the factory in exporting to US under AGOA program is low. Finally, the recommendations given based on the major findings were: the factories should focus efficient production management, improved market strategy, the FDRE Government should support and encourage small and medium firms to produce accessories, prepare national AGOA strategy to use it the opportunity by providing information, technical assistance, and market linkage with USA.

KEYWORDS

AGOA, export sales, textile performance.

JEL CODES

L67, F40, F49.

INTRODUCTION

It is noted that in various literatures the garments and textiles industry shapes a vital element of world trade, specifically for some Sub-Saharan Countries and African least developed countries which has huge amount of the total exports. In 2004, the global exports of textiles were estimated at $195bn and of clothing at $258bn, representing 2.2% and 2.95 respectively of total world commodity operated (WTO, 2005). Here, although the developed countries dominated the global exports in textiles and clothing; currently, developing countries produce half of the world's textile exports and around three quarters of the global clothing exports (UNCTAD, 2005).

While share of developing countries in the textile and clothing area shows growth, the growth has been focused on distinct in labor-intensive and lower-value added part of the textile manufacture (e-business Watch, 2005).

Literature on the subject reveal that export performance of textile industry is limited to exporting raw cotton, Depreciation of nominal exchange rate are some of the factors affecting the textile export performance negatively; whereas labor cost affects positively because of cheap labor availability in our country (Yared, 2010).

An empirical study also shows that infrastructural growth affects the performance of textile industry as it is more interconnected with economic development (CBN, 2000). Study conducted by David (2003) confirmed that weak infrastructure influences for the performance of textile factories negatively and make the companies to use their own power. During 2004 and 2005 Botswana and Ethiopia increased their exports of clothing (USITC, 2007).The key products include yarn, garment, and woven products Ministry of Trade and Industry (MoTI, 2009).

It is stated in ministry of Agriculture and Rural Development document that Ethiopia has around 2,575,810 hectares of land for cotton production and this makes it the 4th largest cotton producer in the world like Pakistan. Pakistan cotton production capacity from its 2.9 million hectare area is around 4.5-5.7 million MT. In Ethiopia, from the 2.6 million hectare total land suitable for cotton production, 1.7 million hectare is found in 38 high cotton producing areas and 0.9 million hectare in 75 medium potential areas (China Textile Planning Institute of Construction, 2004).

Nonetheless, as indicated in various studies there is huge gap between potentials of cotton and the existing export performance income generating capacity of the textile factories in the region. That is, the immense resource in the country has not been exploited.

Be that as it may, although Federal Democratic Republic of Ethiopia government has been devising various favorable development policies and strategies to bring about sustainable solution for the prevailing gaps in the country the practices have not shown remarkable improvements on the mentioned area. The country, for instance, has failed to fully utilize the opportunity African Growth and Opportunity Act (AGOA) created by United States government. As indicated in the study conducted by Rahel (2007) the share of Ethiopia from AGOA has showed a decline of 0.01%.i.e., 0.03% in 2002 to 0.02% in 2003. Furthermore, a study conducted on Assessment of the Competitiveness of the Manufacturing Sector (2010) confirms that government encouragement, availability of cotton, labor resources, is not proportionate to the textile industry's performance.

The study conducted by Institute of Social Studies (2003) has generally discovered that most eligible enterprises in Ethiopia cannot take full advantage of AGOA due to shortage of market information, poor production capacity, not well-trained and skilled labor, weakness of management skills, and red tap problems in the governmental office.

Similarly, the textile firms in the study Region (Tigray) have not taken full advantage of AGOA.

It is thus with aforementioned gaps that the researcher has intended to assess the existing performance of textile factories using AGOA as an opportunity of exporting textile products and to analyze how the Ethiopian/Regional government supports the textile factories in order to enable them to exploit the opportunity of AGOA in the study region.

As there was no previous study research in specified area done to improve the performance textile sub-sector at firm level, this study would therefore contribute to fill the information gap by investigating the performance of textile factory under AGOA.

REVIEW OF RELATED LITERATURE

Countries of the global world vary in their level of innovation and technology, capital endowment in the production of goods and services. So, entry of nations in different international market is highly related with their interest in the production of goods and service that helps them to have a comparative cost advantages in order to develop the benefit of their nation (Hailegiorgis, 2011). Basically, this theory was goes back to the 18th century; Adam Smith contributes more in the significance of specialization and trade in his wealth of nations. In contrast, according to Katsikeas et al (2000) in their 100 empirical studies argue that export performance is the more explored concern in global marketing and to be expected debatable.

AGOA (African Growth and Opportunity Act): Initially it was signed by Bin Clinton, president the USA, on May 18, 2000 as Title 1 of The Trade and Development Act of 2000. The aim of AGOA is to provide supports and incentives for African Countries to open their door to free markets and encourage their economic developments.

Generalized System of Preference: In this system, AGOA develops a list of products, which are entitled to Sub-Saharan African countries to export to United States of America duty free and tax free. The program GSP covers more than 6400 items and the AGOA provisions come to an end by September 30, 2015 (Jones, 2010).

Ethiopia's engagement in manufacturing different handcraft products has long experience. However, the contribution of the sector to the economic growth of the country is not as expected (Loop, 2003). According to Befekdu and Berhanu (1999/2000) explained that state involvement in industry was small. Almost all of the establishments were privately owned. Out of 273 establishments, 91% were totally private owned. The role of government makes the process of the establishment progress smooth by providing kind supports to the foreign investor (Loop, 2003). During the military regime private sector was dejected through many factors; such as privileges were given to state owned enterprises in cases such as market information, providing land, providing foreign exchange and connecting to market. Now a day under the administration of EPRDF (Ethiopian People Revolutionary Democratic Front) beginning 1991, the country follows Agriculture-led Industrialization strategy. The policy focuses on export-oriented, labor-intensive manufacturing (Shiferaw, 2007). Especially the strategy targets import substitution and export oriented industries such as leather and leather products, textile and garment, sugar, flowers, high-value fruits and Cement Industries (Admmas University College, 2010). In 2007/8 the number of large and medium scale industries created job opportunity for more than 133, 803 employees Central Statistics Authority (CSA, 2008).

The Ethiopian textile industry faces many challenges in exploiting the AGOA opportunities. According to the report of Ethiopia AGOA strategy 2004, the following are some of the general challenges: lack of accurate and latest market information about privileges given by USA, weak industrial capability, support and experience, problems of quality, efficiency, and responsiveness, low level of skilled labour force, weak production and operation, lack of management skills and knowledge, uncertainty of the program when it will expire, and many obstacles in government offices.

Measurement of performance: performance is the accomplishment of job, tasks or objectives to achieve the expected level & standard of satisfaction. Performance is one of the oldest methods of measurement in firm related researches. According to the study of Ittner and Lacker (1998), there are different measurement of performance and their interpretation for creativity. So far, other studies targeted market share (Greve, 1998), share sales profit (Audia, Locke and Smith, 2000), assets (Miller and Chen, 2004) and investments (Luo, 1997). Zahid and nanik (2011) summarized the general performance of textile sub-sector highly influenced by income statement, management, sales volume, receivables, and productivity.

According to the study conducted by Assocham (2008) on factories performance on 28 textile factories in Mumbai Stock Exchange found factors affects by net profit, interest costs, power, and raw materials. Virambhai (2010) textile factory productivity and financial performance targeted on plant's current position and its performance. The study focused and concluded on the management/firm should take in to account cost minimization, maximizing production.

Ajay Kumar (2011) studied on Indian garment and textile industry analysis with inflation, sales, income, and textile production and his finding was import and export performance in crisis period. Performance measurement in small and medium enterprises was targeted on standards of financial measures. However, productivity, responsiveness, and customer satisfaction could be lacking (Cooper, S., 2005).

ELIGIBILITY FOR AGOA

According to U.S. International Trade commission (2002), US government put the following main requirements for Sub-Saharan African countries to be eligible and receive the opportunities of duty free of certain products. Most of the time legislation shows a country's eligibility for AGOA depends on three requirements.

1. Market oriented economy, rule of law, and elimination of trade barriers, economic policies reduction of poverty, system to combat corruption, protection of workers' right.
2. Avoidance of activities that challenges U.S. national security
3. Not supporting terrorism. There is also annual supervision on the Sub Saharan African countries to determine whether they are performing based on the AGOA's conditionality.

SIGNIFICANCE OF THE STUDY

Since the research is focused on assessment of Textile Factories and Their Performance in using AGOA Opportunity, the case of MAA Garment and Almeda Textile and Garment Factories, the specific factories will use it as input to improve its export performance and decision making so as to attract investors who want to invest on the textile factory. It will also be used as a reference material by researchers who want to conduct their study on similar area.

STATEMENT OF THE PROBLEM

It is well known in world's history that textile industry is one of the highest contributing sectors to the world's economy and it is the earliest manufacturing and industrializing economy.

In Ethiopia, from the 2.6 million hectare total land suitable for cotton production, 1.7 million hectare is found in 38 high cotton producing areas and 0.9 million hectare in 75 medium potential areas (China Textile Planning Institute of Construction, 2004).

However, the country/study region, for instance, has failed to fully utilize the opportunity (AGOA) created by US government (Rahel, 2007). As indicated in the study conducted by Rahel (2007) the share of Ethiopia from AGOA has showed a decline of 0.01%.i.e., 0.03% in 2002 to 0.02% in 2003. It is thus with the aforementioned gaps that the researcher has intended to assess the existing performance of textile factories using AGOA as an opportunity of exporting textile products in the study region.

As there was no previous study research in specified area done to improve the performance textile sub-sector at firm level, this study would therefore contribute to fill the information gap by investigating the performance of textile factory under AGOA.

OBJECTIVES

1. To assess export performance of Tigray Textile sub-sector under AGOA.
2. To assess the challenges that faces the factories in implementing AGOA initiative and exporting quality products to the United States.

QUESTIONS

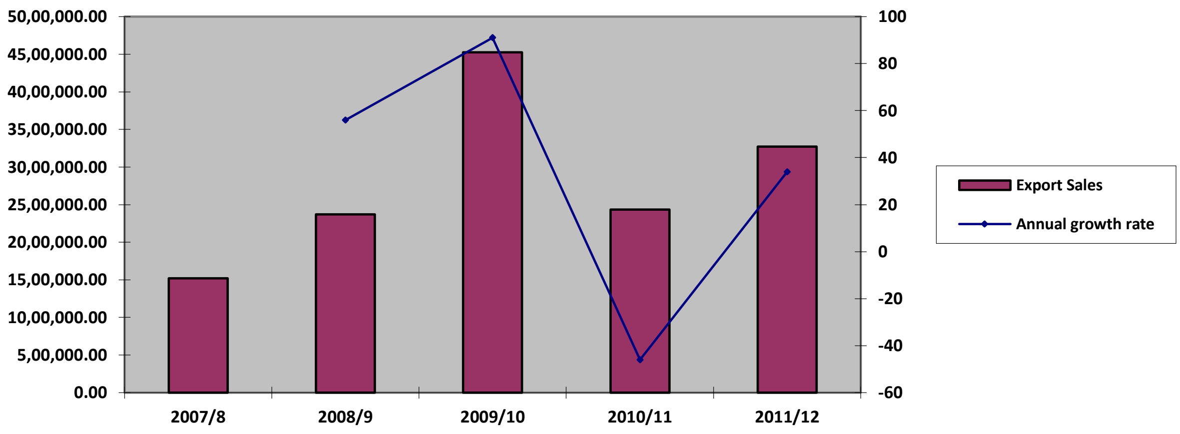
1. What is the export performance of Tigray textile sub-sector under AGOA?
2. What are the challenges the factories faces to implement AGOA initiative?

RESEARCH METHODOLOGY

The study area, Tigray region, is purposively selected due to financial and time constraints. In addition, the region is among the highest cotton producing regions in Ethiopia. The research used both qualitative and quantitative data types. With regard to data sources, the research used both primary and secondary source of data were used. The primary data was collected through structured questionnaire and interview from the two textile factories (MAA and Almeda Garment and textile Factory). Secondary data were collected from the textile factories 2007/8-2011/12 annual reports, audit reports, Ministry of Trade and Industry annual reports/magazines, and USAID-AGOA reports. Data were coded, entered into computer and processed by using the software SPSS version 16 and excel was employed. Next, the result obtained was descriptively discussed. Then, the analyzed data were presented by graphs, tables, frequency count, percentage and mean. The interview questions were analysed using the qualitative method.

DATA PROCESSING AND ANALYSIS

FIGURE 1: MAA GARMENT & TEXTILE FACTORY EXPORT SALES (IN BIRR) TO USA UNDER AGOA AND ITS ANNUAL GROWTH RATE



Source: MAA Garment & Textile factory and Almeda Textile factory profile, 2013

ALMEDA AND MAA GARMENT & TEXTILE FACTORY

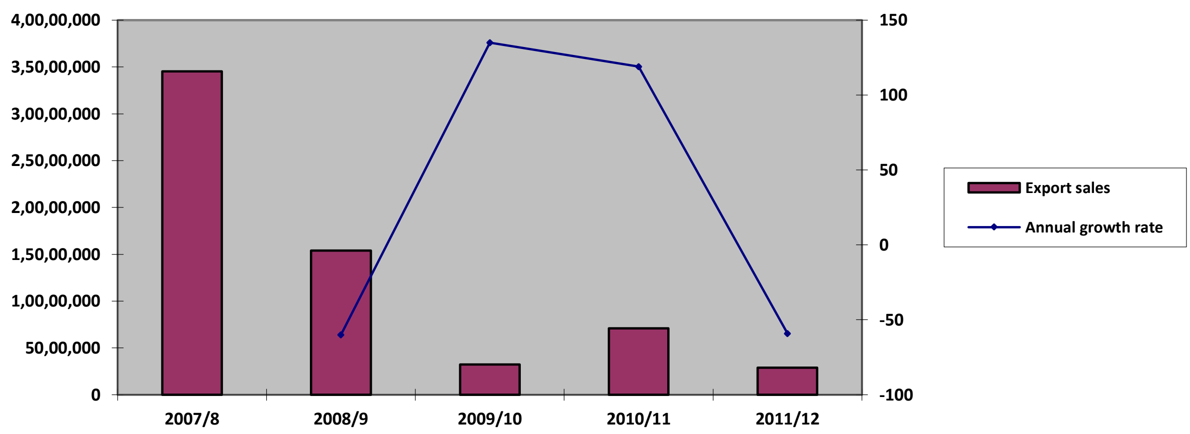
TABLE 1: ANNUAL EXPORT SALES GROWTH TO USA UNDER AGOA AND TO OTHER COUNTRIES 2007/08-2011/12

Factory name	Export (birr)	2007/2008	2008/2009	2009/2010	2010/2011	2011/2012
Almeda Textile PLC	Total Export sales	28,738,790.00	18,626,130.18	19,226,085.00	42,062,799.00	19,988,299.00
	Export to USA-AGOA	3,420,714.86	1,371,368.33	3,228,415.49	7,076,785.28	2,894,018.25
	Annual growth rate (%)		(60)	135	119	(59)
	Annual average growth Rate (%)	33.75				
	Other countries (EU, China, Africa)	25,318,076	17,254,761.85	15,997,669.5	34,986,013.72	17,094,280.75
	Annual average growth Rate (%)		(31)	(7.2)	118.6	(51)
	Annual average growth Rate (%)	7.35				
MAA Garment and Textile factory	Total Export sales	3,068,682.00	3,304,770.00	18,421,283.00	85,288,467.00	118,062,905.80
	Export to USA-AGOA	1,520,300.00	2,370,000.00	4,526,320.00	2,432,430.00	3,270,000.00
	Annual growth rate (%)		56	91	(46)	34
	Annual average growth Rate (%)	33.70				
	Other countries (EU, China, Africa)	1,548,382.00	934,770.00	13,894,963.00	82,856,037.00	114,792,905.8
	Annual growth rate (%)		(39.6)	13.86	4.96	38
	Annual average growth Rate (%)	14.2				

Source: Computed from Almeda Textile factory and MAA Garment and textile factory annual report, 2013

The above figure shows that the factory increased its annual growth rate in 2008/9 by 56% taking annual growth rate 2007/8 as a base year. Furthermore, in 2009/10 the annual growth rate increased to 91%. However, in 2010/11 the export performance of the factory has declined to 46%. Finally, in the year 2011/12 the annual export growth rate increased by 34%. So the performance of the factory fluctuates from year to year and has shown an average of 33.7% annual growth rate. Furthermore, the reason for the highest performance of 2008/9 and 2009/10 has been confirmed by key informant of the study that it is due to the expansion and exportation of semi-finished and finished yarn and fabric products. So, the data revealed that the overall export performance of the factory to USA is shown to be low and with high fluctuation. The interview conducted with the selected department indicates that the main reasons for low export are lack of marketing skill, and AGOA information, and unable to compute in price with other competitors.

FIGURE 2: ALMEDA TEXTILE FACTORY EXPORT SALES (IN BIRR) TO USA UNDER AGOA AND ITS ANNUAL GROWTH RATE



Source: Almeda Textile Factory, 2013

CHALLENGES FACING THE FACTORIES TO IMPLEMENT AGOA

Literatures show lack of producing quality product and exporting to the international market is one of the main challenges facing the Ethiopian factories. Challenges face SSA AGOA beneficiaries are strong environmental and sanitary standards (Mold, 2005). Inefficient production management skill; insufficient skilled of labor; quality, and insufficient AGOA market information (Mulagwe, 2004). So with this objective the questions were prepared in relation to quality, credit access, market information, non tariff barriers and management attitude and commitment.

TABLE 2: FACTORIES PRODUCT QUALITY

Description	Responses	Frequency	Percent	Mean
4.2. Products are produced based on the given specification & standard	Strongly disagree	3	3.7	3.21
	Disagree	33	40.2	
	Undecided	6	7.3	
	Agree	23	28.0	
	Strongly agree	17	20.7	
	Total	82	100.0	
4.2. There is strong internal quality management in the factory	Strongly disagree	5	6.1	2.9
	Disagree	39	47.6	
	Undecided	9	11	
	Agree	16	19.5	
	Strongly agree	13	15.9	
	Total	82	100.0	
4.2. Focus on minimizing operational deficiency	Strongly disagree	3	3.7	3.19
	Disagree	21	25.6	
	Undecided	23	28.0	
	Agree	27	32.9	
	Strongly agree	8	9.8	
	Total	82	100.0	
4.2. There is skilled manpower in our factory	Strongly disagree	4	4.9	3.01
	Disagree	40	48.8	
	Undecided	4	4.9	
	Agree	19	23.2	
	Strongly agree	15	18.3	
	Total	82	100.0	

Source: own survey, 2013

Majority of the respondents agree that the qualities of products in the factories are poor. The finding is also consistent with a research finding conducted by Amare (2006) in model development of quality management system for Ethiopian textile industry: that there is poor resource utilization, low quality, scarcity of raw material supply, and weak performance of products.

TABLE 3: CREDIT ACCESS

Description	Responses	Frequency	Percent	Mean
4.3 Credit Access/finance Free from bureaucratic procedures and red-tap	Strongly disagree	8	9.8	2.79
	Disagree	31	37.8	
	Undecided	18	22.0	
	Agree	20	24.4	
	Strongly agree	5	6.1	
	Total	82	100.0	
4.3 Financial institution's policy & readiness to provide credit on time	Strongly disagree	6	7.3	3.00
	Disagree	27	32.9	
	Undecided	15	18.3	
	Agree	29	35.4	
	Strongly agree	5	6.1	
	Total	82	100.0	
4.3 Limited credit and foreign exchange	Strongly disagree	6	7.3	3.26
	Disagree	12	14.6	
	Undecided	23	28.0	
	Agree	36	43.9	
	Strongly agree	5	6.1	
	Total	82	100.0	

Source: own survey, 2013

The above table result shows the respondents agree that there is credit access. However, the amount of credit is not sufficient and there is limited access of foreign currency. The research output is consistent with the research finding conducted by Rahel (2007) on challenges and opportunities on AGOA the case of Ethiopian textile industry. It revealed that bureaucracy, delay, and very long processing time negatively influence export performance.

TABLE 4: MARKET INFORMATION

Description	Responses	Frequency	Percent	Mean
4.4 Market information Availability of updated global market information	Strongly disagree	13	15.9	2.65
	Disagree	29	35.4	
	Undecided	20	24.4	
	Agree	13	15.9	
	Strongly agree	7	8.5	
	Total	82	100.0	
4.4 The factory produces customer-oriented products on time	Strongly disagree	4	4.9	2.95
	Disagree	35	42.7	
	Undecided	15	18.3	
	Agree	17	20.7	
	Strongly agree	11	13.4	
	Total	82	100.0	
4.4 High global bargaining power of factory marketing expert/manager	Strongly disagree	6	7.3	2.63
	Disagree	39	47.6	
	Undecided	19	23.2	
	Agree	15	18.3	
	Strongly agree	3	3.7	
	Total	82	100.0	

Source: own survey, 2013

The majority of the respondents confirm that there is insufficient availability of global market information, inability to produces customer-oriented product on time, and weak bargaining power of marketing expert/manager in the factories. Lack of market information and the ability to use the USA market and failure to be competitive in the international market affects the performance of the factory negatively (Chatima, 2007). So it is consistent with this finding.

TABLE 5: AGOA PROGRAM

Description	Responses	Frequency	Percent	Mean
4.5 Is more complex and difficult to implement by our factory	Strongly disagree	11	13.4	3
	Disagree	16	19.5	
	Undecided	21	25.6	
	Agree	32	39.0	
	Strongly agree	2	2.4	
	Total	82	100.0	
4.5 Is highly linked with governmental policy	Strongly disagree	3	3.7	3.63
	Disagree	11	13.4	
	Undecided	12	14.6	
	Agree	43	52.4	
	Strongly agree	13	15.9	
	Total	82	100.0	
4.5 program is uncertain its continuity	Strongly disagree	3	3.7	3.43
	Disagree	16	19.5	
	Undecided	16	19.5	
	Agree	36	43.9	
	Strongly agree	11	13.4	
	Total	82	100.0	

Source: own survey, 2013

Regarding the AGOA program the respondents confirm that the program is highly linked with government policy, it is more difficult to implement the opportunity, and uncertain continuity of the opportunity. The finding of the study is consistent with government policy and AGOA conditionality (Rahel, 2007). Many political and economical preconditions are incorporated in the agreement (AGOA, 2004).

TABLE 6: NON-TARIFF BARRIERS

Description	Responses	Frequency	Percent	Mean
4.6 Our factory are unable to fulfill the required US quality standards	Strongly disagree	9	11.0	3.01
	Disagree	23	28.0	
	Undecided	14	17.1	
	Agree	30	36.6	
	Strongly agree	6	7.3	
	Total	82	100.0	
4.6 Non tariff barriers :US safety and sanitary are more challenge for your factory	Strongly disagree	5	6.1	3.17
	Disagree	26	31.7	
	Undecided	9	11.0	
	Agree	34	41.5	
	Strongly agree	8	9.8	
	Total	82	100.0	

Source: own survey, 2013

Majority of the respondents believe that the non-tariff barriers challenge the factories to fulfill US standard. In addition, the majority of the respondents agree that the US safety and sanitary standards are strong challenge for their factories. The reason why the US safety and sanitary standards are challenges for the factories is due to their poor quality and low competence in the international market (Rahel, 2007). So this is similar with the findings of this research.

TABLE 7: MANAGEMENT ATTITUDE AND COMMITMENT

Description	Responses	Frequency	Percent	Mean
4.7 The factory's management are free from corruption	Strongly disagree	18	22.0	2.5
	Disagree	27	32.9	
	Undecided	20	24.4	
	Agree	12	14.6	
	Strongly agree	5	6.1	
	Total	82	100.0	
4.7 In our factory there is high and vulnerability procedure to corruption	Strongly disagree	12	14.6	2.76
	Disagree	27	32.9	
	Undecided	17	20.7	
	Agree	20	24.4	
	Strongly agree	6	7.3	
	Total	82	100.0	
4.7 The sales and tender activities of the factory is transparent and modern	Strongly disagree	7	8.5	2.82
	Disagree	34	41.5	
	Undecided	13	15.9	
	Agree	22	26.8	
	Strongly agree	6	7.3	
	Total	82	100.0	
4.7 Deal to improve the infrastructure with government	Strongly disagree	8	9.8	3.02
	Disagree	23	28.0	
	Undecided	15	18.3	
	Agree	31	37.8	
	Strongly agree	5	6.1	
	Total	82	100.0	

Source: own survey, 2013

The above table shows there is lack of transparent sales and tender activities of the factory, the management of factories deals with government officials regarding infrastructure facilities and other challenges facing the sector. Basically, in Ethiopia, the electric, internet services, road and other basic infrastructure are owned by the government. The finding is similar with the research conducted on Ethiopian textile sector challenges and lack of paved communication infrastructure and internet services (Admaw, 2010).

FINDING AND CONCLUSION

Export performance of the factories to US under AGOA in 2007/8 was 4,941,014.86 Birr and has increased to 6,164,018.25 Birr in 2011/12. Nevertheless, comparing with the huge US market it is very low or the factories are not exploiting the opportunity given by US government.

The main challenges are insufficient supply of accessories, low operation management skills, insufficient of AGOA information, lack of effective marketing skill, quality, price, nontariff barriers, and delay in delivery. The finding shows there is insufficient awareness, lack of global market skills, and linkage of the factories with international market. Furthermore, they have a problem in searching potential customers throughout the world, visit to other international business operation and increase the export sales volume.

To increase the export performance of the textile industry; credit access is very important. So the government is better to facilitate the way of credit delivery on time by minimizing unnecessary bureaucracy and red-tap and maximize the amount of credit they required to achieve their objective. To improve the performance of textile factory, there should be improvement in marketing, imported accessory, sufficient quality of cotton supply, committed management, skilled manpower, closely relationship with the government in order to solve immediate challenges faces. To be competitive in terms of price, the factories should be more committed and improve management operation skills, decrease operation cost, in the overall factory performance. So they should focus on maximizing production efficiency and apply kaizen methods.

ACKNOWLEDGMENT

The author acknowledge the contribution of his wife Fyory Adhena, Asst. Professor, for her great support in giving me love, comments and suggestions. Furthermore, the author would like to extend his thanks to Alemseged Gerezgiher, Tefera Kebede, Asst. Professor and Abera Hunde for their unreserved cooperation, comments and assistance towards the successful completion of present research paper.

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THE FACTORS THAT AFFECTING STRUCTURE CAPITAL IN MANUFACTURING COMPANIES: THE STUDY IN INDONESIA OF 2012-2014

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ABSTRACT
The purpose of this research to analyze and empirical evidence of factors affecting the company capital structure in manufacture of BEI. In this study population of several manufacturing companies who enrolled BEI in 2012-2014 years. Samples of the sampling method purposive by using the criteria samples from 109 companies. The method of analysis test composed of the classic, linear regression analysis of multiple, the t, and the R^2. Test results show that this study classical normally distributed, there will be no multicolinierity, and heteroscedatisity autocorrelation regression on the model. The results showed that the testing of hypotheses profitability, liquidity, the size of the company, higher than that of the company assets and structure and it has some positive effects on the capital structure in manufacturing firm BEI.

KEYWORDS
capital structure, profitability, liquidity, the size of the company.

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INTRODUCTION
The problem the main objective of the company is to maximize its shareholders (Gitman Prosperity, 2009). The conclusion can be achieved when company has a high value, which means to optimize the use of the price of stock of a corporation, to take the most appropriate capital structure by balancing between the use of debt and their own capital. Optimal combination should be able to minimize the cost capital that have to be covered by the company with respect to the use of these funds. When using treasury debt manager, capital cost arising non-competitive purchase will be charged interest costs by a creditor. That is not a right capital structure election would give rise to a fixed charge in the form of capital cost high that affects profit produced by a corporation (Sartono, 2012).

From the table above, shows that capital structure some rise and fall these phenomena showed factors affect capital structure, this is because capital structure play an important role for the company overall, because the capital structure, company can assess the company performance and able to decide to expand. The company capital structure consisting of two side, that is the side debt (liability) and sides their own capital (equity).

With debt (liability) is a source of funding company derived from external sides in form of loan, while with their own capital (equity) is a source of funding company derived from the internal company. Capital structure optimal is capital structure is expected to produce capital cost weighted average coal the most low expected to improve value of enterprise. The determination of capital structure a little many will be influenced by factors internal company. The internal factor the profitability of them, liquidity, the size of the company, growth of assets and structure.

PROBLEM STATEMENTS
1. Whether influential profitability significantly to capital structure on a manufacturing company in Indonesia Stock Exchange?
2. What is the liquidity effect significantly to capital structure on a manufacturing company on Indonesia Stock Exchange?
3. What is the size of the influential perushaaan significantly to the capital structure on a manufacturing company on Indonesia Stock Exchange?
4. What is the growth of assets effect significantly to capital structure on a manufacturing company on Indonesia Stock Exchange?
5. What is the structure of assets of significant effect against the capital structure on a manufacturing company on Indonesia Stock Exchange?

THE PURPOSE
The purpose of this research to analyze and empirical evidence that:
1. Profitability has significant on structure capital in manufacturing company in Indonesia Stock Exchange.
2. Liquidity has significant on structure capital in manufacturing company in Indonesia Stock Exchange.
3. The size of the company significant has on capital structure in manufacturing company in the Indonesia Stock Exchange.
4. The growth of asset has significant on capital structure in several manufacturing companies in Indonesia Stock Exchange.
5. To provide evidence that the impact of the current structure of the company assets on significant structure capital in manufacturing company in Indonesia Stock Exchange.

The result of this research would be expected: (1) able to provide information to manufacturing companies as input that it can be optimize the use of funding sources on the structure of capital company, (2) can add insight readers and become additional reference in the field of capital structure for research conducted in the future, and (3) give additional knowledge especially knowledge on capital market.

LITERATURE AND HYPOTHESES

Profitability is return on an investment capital. Profitability calculated of its divided capital investment (Wild, 2005). Company with the rate of return that high on an investment use debt relatively small. The rate of return that high allow to finance most of the needs funding with funds generated internally. The higher profitability shows that the profit obtained the company is also high. If corporate profits high so company have the financial resources from within which large enough so the company less need debt, in addition when profit detained increase, the ratio of a debt by itself will decline, assuming that the company do not increase the amount debt. This is supported with the results of research of Joni & Lina (2010), Meidera Elsa & Dwi Putri (2012), Tatik Agustini & Budiyanto (2015) who discovered that profitability significant to structure capital.

H1 = profitability have a significant impact on capital structure manufacturing companies.

All manager want his company have the ability in fulfill their obligations. But not all the company has this capacity. Companies have been able to is a company that has assets large, while the company who has assets small quite challenging in fulfill their obligations. The bigger assets company owned the small debts of the company, on the other hand the less assets the large the debts of the company. The company which has debt small tend to have the ability liquidity high, the ability of liquidity high, company can reduce the risk of company with reduce debt. So the company has the ability liquidity high the to use funding source of internal in fund their operations. This is in accordance with with pecking order theory, a prefer the use of internal funding to fund their operations (Halim, 2007), it is supported by the results of study of Devi Verenasari (2013) who discovered that liqudity has a significant on capital structure.

H2 = liquidity have a significant impact on capital structure manufacturing companies.

The amount the size of a company will have an influence to capital structure, the grand corporate the more large also the needed funds company to do investment. The bigger the size of a company, so a tendency use capital foreigner too the bigger, this is because big companies need big fund dedicated to support operating, and an alternative their fulfillment is foreign capital when their own capital insufficient. A company that of large tends to be flexible in access the source funds, so will increase her debt to maximize capital structure (Halim, 2007). This is supported with results of the research of Meidera Elsa & Dwi Putri (20120 and Tatik Agustini & Budiyanto (2015) who discovered that size of the company has an effect significant impact on capital structure.

H3 = the size of the company have significant impact on capital structure manufacturing companies

Theory said that companies with high level of growth will expand which is to use funds external of debt. An increased occurrence of asset followed an increase in operating results will be more increase trust outside of the company, with increasing trust outside (creditors) of the company, so the proportion of the debt will be getting even bigger than their own capital. It is based on the belief creditors for funds that is implanted into the company guaranteed by the asset owned the company (Robert Ang, 2010). This is supported the study of Joni & Lina (2010) who discovered that is higher than have a significant impact on capital structure.

H4 = higher than a significant impact on capital structure manufacturing companies

The company that owns structure high assets mean having assets a great. Weston & Copeland (2010) said that companies that had long term assets are larger, so the company would often used long term debt, in the hope of the assets could be used to cover loan. On the other hand, a company that most of any assets that are she had of receivable and an inventory of goods whose value is highly dependent on level profitability there each of the enterprises, not so depends on financing long-term debt and more dependent on financing short-term. Based on the discussion the can be concluded that variable structure assets have had a positive impact to structure capital. This is supported with the results of the research of Joni & Lina (2010), Meidera Elsa & Dwi Putri (2012), Tatik Agustini & Budiyanto (2015) who discovered that structure any assets that are having significant impact on capital structure.

H5 = structure assets have significant impact on capital structure manufacturing companies

RESEARCH METHOD

Population is the sum a whole financial data on manufacturing companies who enrolled in BEI a number of 187 company. The sample in this research was financial data company banking industry that enrolled in BEI Jakarta in year of 2012-2014. The sample collection done with purposive sampling criteria company as manufacturing industry and profit always positive, so that sample in this research a number of 109 company. The capital structure is balance or the comparison of short-term debt, which are permanent, long-term debt, preferred stock, and common stock. The capital structure in research have proxied in debt to equity ratio (Halim, 2007). Profitability in this research measured by retrurn on assets that is one form of the ratio profitability intended to measures the company of overall funds, that is implanted in an activity used for the activity of operations of a firm for purpose generate profit by using assets present (Harahap, 2010).

Liquidity Company showed the ability to meet obligations short term, as settle debts due in the short term (Astuti, 2004). The size of company is size or magnitude Assets Company. The size of company in this research is a reflection of the size of total assets a company at the end of the year, measured using logs natural (Ln) of the total assets (Sujoko & Soebiantoro, 2007).

Growth of is of growth potential measured by ratio the difference total assets in the t-1, to the total assets t-l, the sooner of growth, the bigger funding need for the future, increasingly possible company hold income, not payed as dividend. Indicators to the factors of this is the growth rates a mixture arranged every year in total assets (Sri Sudarsi, 2002). Structure assets is a composition the number of assets fixed owned company.(Yeniatie & Destriana, 2010).

RESULT AND DISCUSSION

The results from the data obtained model the regression equation is linear multiple as follows:

$Y = 1{,}813 + 0{,}046.X1 + 0.010.X2 + 0{,}113.X3 + 0{,}003.X4 + 0{,}063X5 + e$

The interprestasi of the equation linear regression multiple on the top is as follows: (1) $\alpha = 1{,}813$, that means that capital structure it has value negative when profitability, liquidity, the size of the company, growth, and structure assets are considered to be constant/fixed, (2) $\beta 1 = 0{,}046$, it means variable profitability had a positive impact to structure capital company, when profitability up 1 unit, so capital structure company will be up by 0,046 point, (3) $\beta 2 = 0.010$, it means variable liquidity had a positive impact to structure capital company, when a unit of liquidity up 1, so capital structure company will go up 0.010 point, (4) $\beta 3 = 0{,}113$, the size of the company that had a positive impact on the company capital structure, when the size of the company unit up 1, so the company capital structure will rise 0,113 point, and (5) $\beta 4 = 0{,}003$, is higher than that of the positive effect on company capital structure, when the unit higher than 1, so the company capital structure will rise 0,003 point, as well as (6) $\beta 5 = 0{,}063$, it means the assets had a positive impact on the structure of the company capital structure, if the structure of the company assets up 1, so the company capital structure will rise 0,063 point.

The regression coefficient variable size of regression coefficient 0,113 company has the greatest among the other means that the size of the company is the variable dominant in this research. For the profitability, results of the test on this fact profitability obtained the significance of 0,006; 0,05, shows that it has some positive effects profitability on structure and significant company capital manufacture in BEI. The conclusion of the testing suggests that hypothesis (1) to prove true. This study supports the research of Joni & Lina (2010), Meidera Elsa Dwi Putri & Tatik Agustini (2012) and Budiyanto (2015) who discovered that profitability significant impact on capital structure.

For variables liquidity, the calculation on test in partial obtained value significance liquidity of 0.010 ($\alpha = 0.05$), shows that liquidity had a positive impact and significant on structure capital manufacturing companies in BEI. The conclusion of testing this indicates that hypothesis (2) prove true. This research support research of Devi Verena Sari (2013) who discovered that liquidity significant on structure capital.

The size of the company, partial results of the significance of size of the company got 0,004 ($\alpha = 0.05$), shows that the size of the company it has some positive effects on the capital structure and manufacturing firm in BEI. The conclusion of the testing indicates that hypothesis (3) to prove true. This report supports the

research of the Dwi Meidera Elsa Putri & Tatik Agustini (2012) and Budiyanto (2015) who discovered that size of the company that has significantly affect the capital structure.
For variables growth, the calculation on test in partial obtained value significance growth assets of 0,007 (α = 0.05), shows that growth of have had a positive impact and significant to structure capital manufacturing companies in BEI. The conclusion of testing this indicates that hypothesis (4) prove true. This research support the research of Joni & Lina (2010) who discovered that growth of that has an effect significant impact on capital structure.
For the structure assets, the results of the partial obtained in the structure of the significance of assets 0,009 (α = 0.05), shows that structure assets influential positive and significant to structure the company capital manufacture in BEI. The conclusion of testing suggests that hypothesis (5) to prove true. This research support study of Joni and Lina (2010), Meidera Elsa Dwi Putri (2012), Tatik Agustini and Budiyanto (2015) who discovered that structure assets that has significant impact on capital structure.
The value of coefficient of determination (Adjusted R^2) is 0,844 or 84,4%, this shows that the variable profitability, liquidity, size of the company, higher than that of and structure of assets in the capable of being explained 84,4 % on variables at manufacturing firm capital structure, while the rest 15.6% described by other variables that not be researched as the price of the stock, and the company performance of corporate governance.

CONCLUSION
1. Influential positive profitability and capital structure significantly to manufacturing companies in BEI.
2. The liquidity effect positively and significantly to capital structure manufacturing company in BEI.
3. The size of the company's positive and significant effect against the capital structure manufacturing company in BEI.
4. Positive and influential asset Growth significantly to capital structure manufacturing company in BEI.
5. The structure of assets of the positive and significant effect against the capital structure manufacturing company in BEI.

LIMITATIONS
1. An object researchers only performed at manufacturing in BEI with a period 2012-2014, so the result of survey cannot be generally to other companies.
2. Variable used only profitability, liquidity, size of the company, growth and structure assets as the independent variable as well as structure capital as dependent variable.

SUGGESTIONS
1. Profitability had a positive impact and significant on structure capital manufacturing companies in BEI, hence researcher a suggest that more firm used the funds internal (profit detained) on the external (a debt and equity) to pay for capital with the high profitability the company would reduce the level of use of debt. The higher profitability means getting better and increase Prosperity Company.
2. It has some has positive effects and significant liquidity on structure manufacture in BEI company capital, hence the researchers suggested that company did not use funding from debt, so the company will use the funds to finance investment internal first before using externally through debt financing.
3. The size of the company had a positive impact and significant on structure capital manufacturing companies in BEI, hence suggest increase the size of company existing, big company will safer in obtaining debt because firms capable of in fulfilling duties with the diversification and having cash flows stable, and will structure capital is increased.
4. Higher than influential positive and significant on structure the company capital manufacture in BEI, hence suggested maximize assets in raising the company, if the use of internal funding remained be inadequate capital Requirements Company, financial resources external of debt be an option the next from in the issuance of common stock.
5. The structure assets had a positive impact and significant on structure capital manufacturing companies in BEI, hence suggest assets will still fulfilment of capital of their own capital. The use of assets will created a burden of fixed cost and if company uses foreign capital in spending fixed asset, cost of will the more. Long-term debt will is dominant composition the use of debt to companies that their assets.
6. To further researchers suggest to use the sample services company or kind of another company has researched with a period of research longer so the results are more likely to generally.
7. To further research would add another variable as managerial ownership, the size of the company and foreign exchange change predicted bias affecting structure capital.

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IMPACT OF GST ON THE UNORGANIZED RETAILERS IN PALAI MUNICIPALITY, KERALA

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ABSTRACT

Goods and Service Tax system was implemented in India on 01 July 2017 after a 17 year long journey. The execution of the refined tax system is considered as the most significant tax reform since the economic liberalisation of 1991. GST is a unified tax structure and has replaced all the existing indirect taxes. The various Central and State levied taxes like central excise duty, customs duty, ad-valorem duty, additional duties of excise, sales tax, value added tax, central sales tax and many alike were abolished and in their place GST was introduced. The implementation of GST has far-reaching consequences on the economy at large. The initial results are not favourable for a developing nation like India. The present study is to find out the impact of GST on the unorganised retailers in Palai Municipality, Kerala. It was believed that the unorganised retailers faced severe setback upon the introduction of GST. Experts argue that the new system was entirely designed satisfying only the needs of corporate houses. In this context, it very relevant to study the impact on the unorganised retailers as the retail segment in total account for 10 percent of our country's GDP. The study focusses on the impact of GST on the turnover and profitability of unorganised retailers. And also the retailers' perception on various attributes of GST are also addressed. It was found that majority of the retailers in the unorganised sector feel that GST had a negative impact on their turnover and profitability. It was a herculean task for them to understand the rigid procedures for adapting to this new system of taxation. Retailers are of the opinion that a tremendous impact would happen on their business operations if GST continues in the existing form.

KEYWORDS

GST, unorganized retailers, Palai municipality.

JEL CODES

E21, G18, G20, H24.

INTRODUCTION

Retailing consists of all the activities directly related to the sale of goods and services to the ultimate customers. It is the interface between the producer and the ultimate consumers. It is the largest sector next to agriculture, accounting for 10 percent of our country's GDP and 8 percent of employment. The Indian retail sector is divided into organized and unorganized sectors. Organized sectors are those who undertake business activities through license, pay sales tax, income tax etc. On the other hand, unorganized sectors refer to the traditional format of low-cost retailing. Indirect tax system plays an important role in the economic development of a country by influencing the rate of production and consumption. The Goods and Services Tax (GST) is a vast concept that simplifies the giant indirect tax structure by supporting and enhancing the economic growth of a country. GST is a comprehensive tax levy on manufacturing, sale and consumption of goods and services at a national. Integration of various taxes into a GST system will bring about an effective cross-utilization of credits. The previous system taxes production, whereas the current GST will aim to tax consumption. It is said that GST is a technology driven taxation system, which requires mandatory compliance through digital technology only. It is a fact that as of now, nearly 60 percent of small businesses in the country have yet to adopt computerization in their existing business format. Therefore, though traders want to comply under GST, perhaps they may not be able to do so for want of technology. The worst to be hit under GST regime will be small businesses, the informal sector. These companies will find it hard to operate in the short to medium term, much like the demonetization era where their businesses were also hit the hardest. Analysts generally state that larger companies are clearly better prepared for GST implementation with their IT systems in place. But smaller companies typically follow the lead of larger companies and will implement with a lag. Analysts say that share of the informal segment in the tiles industry will decline from 40 percent currently to 20 percent. Similarly, nearly 60 percent of the ready-mixed concrete market is unorganized. In the light electrical segment, more than 35 percent of the businesses are in the informal sector. Economists say that the informal or unorganized sector accounts for nearly 50 percent of India's gross domestic product and is responsible for more than 80 percent of total job creation in the country.

GST become a very popular subject of common discussions since it has been seen as a game changing reform for the Indian economy. It is popular as it creates a common Indian market and reduces the cascading effect of tax on the cost of goods and services. GST will have an impact over tax structure, incidence of tax, computation and payment of tax, compliance, credit utilization and reporting.it will also will lead to a complete overhaul of the current indirect tax system and will have a far-reaching impact on almost all the aspects of the business operations in the country, including, pricing of products and services, supply chain optimization, IT, accounting, and tax compliance systems. Thus, it is important that the respondents who are the real users of the proposed GST Must understand the concept for their use. Thus, this project analyses the views of the small business owners who will be the real users of the proposed GST.

STATEMENT OF THE PROBLEM

Introduction of Goods and Services Tax (GST) in India is a certainty and its impact on the retail sector is equally crucial to examine. It was believed that traders, including retailers, would be one of the biggest beneficiaries of this harmonized system of taxation. Although retail sector has succeeded in evolving as an organized revenue generating sector, it still continues to be fraught with some inherent challenges posed by the current indirect tax regime. The study is focused on impact of GST policy among the unorganized retailers in Palai Municipality, Kerala and the difficulties they would face in case of the current awareness about it.

The pertinent questions raised in the study are:

1. What is the awareness of retailers about the provisions of GST act?
2. What is the impact of GST on the turnover and profitability of the retailers?
3. What are the key issues for the successful implementation of GST?
4. How to provide for smooth transformation from previous tax regimes to current GST scheme?

LITERATURE REVIEW

Chouhan (2017), the study investigate the awareness of the Business owners about GST and the difficulties faced on the basis of the current awareness about it. The study has revealed that there is a lack of awareness amongst the Small business owners regarding the GST and its rules. For the purpose of the paper the responses were gathered from those who will be affected from the applicability of GST were selected. Most of them have encountered issues like Client/customer refuse to pay GST and having problem to submit report to Authority. The Small business owners are also more interested in making and joining Training rather redressing for the grievances by using consumer protection law. Further most affected preparation to be GST ready has included the technicality and complicacy in the proposed GST model. The study revealed that GST improves the revenue growth to the state and country, rationalize and simplify the tax structure, will evade the cascading effect in Indirect tax regime, assist in better conformity and revenue resilience, bring uniformity, results in a good administration of tax structure.

Lethy and Nair (2017), the study indicated that introduction of GST would be a significant step in the reform of indirect taxation in India. Amalgamating several central and state taxes into a single tax, which mitigate cascading or double taxation, will facilitate a common national market. The simplicity of tax should lead to easier administration and enforcement. From the consumer point of view the biggest advantage would be in terms of a reduction in the overall tax burden on goods which Is currently estimated at 25percent-30percent.in the movement of goods from one state to another without stopping at state borders for hours for payment of state tax or entry tax and reduction in paperwork to a large extent. The arrival of GST, it will help to control and avoid exploitation on tax system GST is one of the most important tax reforms in recent history with an aim of one nation one tax.

Ansari and Jain (2017), the present paper tries to investigate the impact of GST on Indian start-ups. India is the home of the third largest start-up ecosystem and the youngest start-up nation with more than 4000 start-ups and 80000 employments in such start-ups. This paper tries to briefly describe the salient features of GST, its applicability and important provisions like concept of taxable person, taxable point and composition levy scheme and a comparison of existing tax regime with the proposed GST and their impact on manufacturers, Traders, Service providers, Importers and Exporters. This paper tries to consider all possible advantages and disadvantages of GST on Indian start-ups. In conclusion, we can say that although proposed GST act may not be completely perfect but in spite of all these problems GST is one of the most business friendly reforms in India and in long term, the benefits of GST are likely to overcome the problems of GST.

Nazia and Rizvi (2017), this paper examines the impact of GST on the entrepreneurship of India. The idea of "a country, a tax" was well received by businessmen, governments, experts and politicians. GST will simplify the indirect tax by incorporating all major indirect taxes, such as excise duties, service tax, VAT; single duty tax on consumption will increase the convenience of business in India. This document summarizes the impact of the most outstanding characteristics, the applicability and the comparison with the current GST tax and the previous tax system. With the introduction of the GST, transparency increases because the existing tax system to simplify documentation costs and savings only to alleviate the backing of the newly created company is the effective tax rate on services supporting the creation of companies and the short-term improvement, will be at least increased inflation. This article tries to consider all the pros and cons of the GST to the new Indian companies. In conclusion, even though the proposed GST legislation is not totally and GST is one of the most business-friendly reforms in India, and the long-term benefits of the GST can say that there is a possibility to overcome the problems of the GST.

METHODOLOGY OF THE STUDY

Both primary and secondary data are used in this study. Primary data are collected through interview schedule from the respondents. Secondary data are collected through marketing journals, newspapers, magazines, books, reports and internet sources. The secondary data were collected from the records and documents pertaining to the details of GST policy and the sources associated with their impact on customers, organized and unorganized retailers in Palai. Convenient sampling technique was used to derive the sample units for the survey. Interview schedule were prepared for collecting the data from the sample taken. A sample of 50 respondents from the total population of unorganised retailers from Palai Municipality are selected.

OBJECTIVES OF THE STUDY

1. To discuss the various aspects of the provisions of GST Act.
2. To analyse the perception and attitude of unorganized retailers regarding the implementation of GST.
3. To determine the impact of GST on turnover and profitability of the unorganized retailers.
4. To identify the key issues faced by the retailers in relation to the implementation of GST.
5. To find out the measures for smooth transformation from previous tax regimes to current GST scheme.

LIMITATIONS OF THE STUDY

- The study was conducted within Palai municipality.
- The number of respondents are limited.
- The response of the respondents may be biased.
- The other aspects of effects of GST in the Indian retailing sector are excluded from the study.

DATA ANALYSIS

The collected data from the respondents were analysed to extract the results. Below tables, show the results of frequency and percentage for respondent's agreement with statements.

TABLE 1.1: SHOWING THE TYPE OF RETAIL BUSINESS

Particulars	Frequency	Percent
1.stationary shop	12	24
2.Textile shops	4	8
3.Electronic shop	9	18
4.bakery and cool bar	6	12
5.Groceries and stores	8	16
6. other	11	22
Total	**50**	**100**

Source: Primary data

FIGURE 1.1 SHOWING THE TYPE OF RETAIL BUSINESS

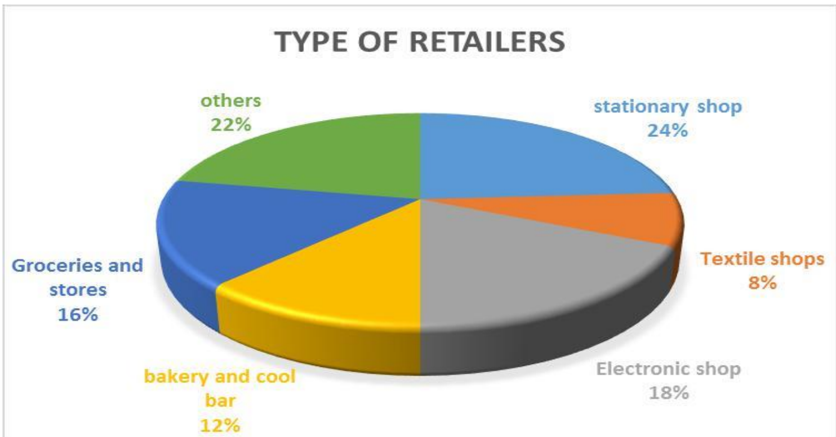

Table 1.1 shows the type of retail businesses who were the respondents towards the interview schedule. Out of the sample size which consisted of 50 respondents 24 percent were stationary shops, 8 percent were textile showrooms, 18 percent were electronic shops, 12 percent were bakery and cool bar, 16 percent were groceries and stores and the rest 22 percent were of other types.

TABLE 1.2: SHOWING THE TYPE OF OWNERSHIP

Particulars	Frequency	Percent
Sole proprietorship	41	82
Partnership	5	10
family business	2	4
joint venture	1	2
Other	1	2
Total	**50**	**100**

Source: Primary data

Table 1.2 shows the type of ownership. Out of the 50 respondents a lion's share of 82 percent were sole proprietorship, 10 percent of the retail business were partnership, while 4 percent were family business, 2 percent were joint venture and merely 2 percent were other type of ownership.

TABLE 1.3: SHOWING THE SOURCE OF INVESTMENT

Particulars	Frequency	Percent
Own investment	40	80
Bank loan	7	14
Other	3	6
Total	**50**	**100**

Source: Primary data

Table 1.3 shows the Source of investment.as per this out of the 50 respondents, 80 percent of them run the business with own investment, 14 percent with bank loan and the rest 6 percent by other sources of investment.

TABLE 1.4: SHOWING THE YEARS OF EXPERIENCE IN RETAIL BUSINESS

Particulars	frequency	percentage
Below 5 years	13	26
5-10 years	13	26
Above 10 years	24	48
Total	**50**	**100**

Source: Primary data

Table 1.4 shows the experience in retail business. As per this out of the 50 respondents, 48 percent of the businesses were have being running for more than 10 years, 26 percent have being running for 5-10 years and the rest 26 percent have being running for less than 5 years.

TABLE 1.5: SHOWING THE ANNUAL TURNOVER

Particulars	Frequency	Percentage
Up to 1 lakhs	7	14
1 – 5 lakhs	15	30
5 – 10 lakhs	8	16
above 10 lakhs	20	40
Total	**50**	**100**

Source: Primary data

Table 1.5 shows the annual turnover the retail businesses. As per this 14 percent of the retailers have an annual turnover of less than 1 lakh, 30 percent have an annual turnover between 1-5 lakhs, 16 percent have an annual turnover between 5-10 lakhs and rest 40 percent have a turnover more than 10 lakhs.

TABLE 1.6: SHOWING WHETHER REGISTERED UNDER GST

Particulars	frequency	Percentage
Registered	33	66
Not registered	17	34
Total	**50**	**100**

Source: Primary data

Table 1.6 shows whether the retailers are being registered under the GST act. As per the data collected 66 percent of the retailers were registered under the new GST act and only 34 percent of them aren't registered under the indirect taxation scheme.

TABLE 2: SHOWING THE LEVEL OF AWARENESS OF UNORGANIZED RETAILERS TOWARDS THE IMPLEMENTATION OF GOODS AND SERVICE TAX

Statements	Highly aware		Aware		Neutral		Not aware		Not at all aware	
	F	per-cent	F	per-cent	F	per-cent	F	per-cent	F	per-cent
1. Awareness about GST rates	9	18	26	52	9	18	6	12	0	0
2. Awareness about Negative list	0	0	6	12	17	34	22	44	5	10
3. Awareness about Marginal composition scheme	2	4	5	10	12	24	23	46	8	16
4. Awareness about Payment and refund mechanism	2	4	11	22	11	22	23	46	3	6
5. Awareness about Input tax credit provisions	1	2	3	6	11	22	29	58	6	12
6. Awareness about Taxing provisions for retailers under GST regime globally	0	0	4	8	7	14	25	50	14	28
7. Awareness about Software solutions to handle the proposed GST	12	24	13	26	7	14	11	22	7	14
8. Awareness about CGST, IGST and SGST	3	6	19	38	17	34	7	14	4	8
9. Awareness about reverse charge	0	0	6	12	10	20	25	50	9	18

Source: Primary data

Table 2 shows the level of awareness of unorganized retailers towards the implementation of goods and service tax. 18 percent of the retailers are highly aware about the GST rates, while 52 percent are aware of the GST rates. Another 18 percent are neither aware nor not aware about the GST rates while 12 percent are not aware about the GST rates. 12 percent of the retailers are aware about the negative list. 34 percent are neither aware nor not aware about the negative list while 44 percent are not aware about the GST rates. 10 percent are not at all aware of the negative list. 4 percent of the retailers are highly aware about the marginal composition scheme, 10 percent are aware of the marginal composition scheme. 24 percent are neither aware nor not aware about the marginal composition scheme while 46 percent are not aware about the marginal composition scheme. Again, 16 percent are not at all aware about the marginal composition scheme. 4 percent of the retailers are highly aware about the GST Payment and refund mechanism, 22 percent are aware of the GST Payment and refund mechanism. Another 22 percent are neither aware nor not aware about the GST Payment and refund mechanism while 46 percent are not aware about the GST rates. 6 percent are not at all aware about the Payment and refund mechanism. While 2 percent of the retailers are highly aware about the Input tax credit provisions, 6 percent are aware of the Input tax credit provisions. 22 percent are neither aware nor not aware about Input tax credit provisions while 58 percent are not aware about the Input tax credit provisions. About 12 percent are not at all aware of the Input tax credit provisions. 8 percent are aware of the Taxing provisions for retailers under GST regime globally while 14 percent are neither aware nor not aware about taxing provisions for retailers under GST regime globally. 50 percent are not aware about the Taxing provisions for retailers under GST regime globally. Another 28 percent of the retailers are highly unaware about the Taxing provisions for retailers under GST regime globally. 24 percent of the retailers are highly aware about the Software solutions to handle the proposed GST, 26 percent are aware of the Software solutions to handle the proposed GST. 14 percent are neither aware nor not aware about the Software solutions to handle the proposed GST while 22 percent are not aware about the GST rates. About 14 percent of the retailers are highly unaware about the Software solutions to handle the proposed GST. 6 percent of the retailers are highly aware about CGST, IGST and SGST, 38 percent are aware of the CGST, IGST and SGST. 34 percent are neither aware nor not aware about the GST rates while 14 percent are not aware about the GST rates. 4 percent retailers are highly unaware about CGST, IGST and SGST. 12 percent are aware of the reverse charge. 20 percent are neither aware nor not aware about the reverse charge while 50 percent are not aware about the reverse charge. 18 percent of the retailers are highly unaware about reverse charge.

TABLE 3: SHOWING THE LEVEL OF PERCEPTION AND ATTITUDE OF UNORGANIZED RETAILERS TOWARDS THE IMPLEMENTATION OF GOODS AND SERVICE TAX

STATEMENTS	Strongly agree		Agree		Neutral		Disagree		Strongly disagree	
	F	percent	F	percent	F	percent	F	percent	F	percent
1. Fairer way of taxing consumers	2	4	12	24	14	28	19	38	3	6
2. Have affected turnover	10	20	19	38	10	20	9	18	2	4
3. Affected the cash flow and profitability	14	28	15	30	13	26	6	12	2	4
4. Have Disrupted the business	12	24	19	38	6	12	10	20	3	6
5. Affected the bargaining Power with wholesalers and consumers	2	4	13	26	17	34	15	30	3	6
6. Tax structure was simplified	1	2	11	22	23	46	13	26	2	4
7. Improves the revenue growth to the state and country	8	16	34	68	5	10	2	4	1	2
8. Working capital was impacted	3	6	11	22	30	60	5	10	1	2
9. Evade the cascading effect in Indirect tax regime	0	0	5	10	21	42	22	44	2	4
10. Reduction of tax burden on the retailers	3	6	11	22	11	22	22	44	3	6
11. Better opportunities and growth of retail market.	1	2	12	24	17	34	16	32	4	8

Source: Primary data

Table 3 shows the level of perception and attitude of unorganized retailers towards the implementation of goods and service tax. 4 percent of retailers strongly agree that GST is a fairer way of taxing customers, while 24 percent of them agree that GST is a fairer way of taxing customers. 28 percent of the respondents are neutral and 38 percent disagree that GST is a fairer way of taxing customers. About 6 percent of the retailers strongly disagree that GST is a fairer way of taxing customers. 20 percent of retailers strongly agree that GST have affected their turnover, while 38 percent of them agree that GST have affected their turnover. 20 percent of the respondents are neutral and 18 percent disagree that GST have affected their turnover. About 4 percent of the retailers strongly disagree that GST Have affected their turnover. 28 percent of retailers strongly agree that GST have Affected the cash flow and profitability, while 30 percent of them agree that GST have Affected the cash flow and profitability. 26 percent of the respondents are neutral and 12 percent do disagree that GST have Affected the cash flow and profitability. A small share of 4 percent of the retailers strongly disagree that GST have Affected the cash flow and profitability. 24 percent of retailers strongly agree that GST have disrupted the business, while 38 percent of them agree that GST have disrupted the business. 12 percent of the respondents are neutral and 20 percent disagree that GST have Disrupted the business. About 6 percent of the retailers strongly disagree that GST have disrupted the business. 4 percent of retailers strongly agree that GST affected the bargaining power with wholesalers and consumers, while 26 percent of them agree that GST affected the bargaining power with wholesalers and consumers. 34 percent of the respondents are neutral and 30 percent disagree that GST Affected the bargaining power with wholesalers and consumers. About 6 percent of the retailers strongly disagree that GST Affected the bargaining power with wholesalers and consumers. 2 percent of retailers strongly agree that Tax structure was simplified, while 22 percent of them agree that Tax structure was simplified. 46 percent of the respondents are neutral and 26 percent disagree that Tax structure was simplified. About 4 percent of the retailers strongly disagree that Tax structure was simplified. 16 percent of retailers strongly agree that GST Improves the revenue growth to the state and country, while 68 percent of them agree that GST Improves the revenue growth to the state and country. 10 percent of the respondents are neutral and 4 percent disagree that GST Improves the revenue growth to the state and country. About 2 percent of the retailers strongly disagree that GST Improves the revenue growth to the state and country. 6 percent of retailers strongly agree that Working capital was impacted, while 22 percent of them agree Working capital was impacted. 60 percent of the respondents are neutral and 10 percent disagree that working capital was impacted. About 2 percent of the retailers strongly disagree that working capital was impacted. While 10 percent of them agree that GST have Evaded the cascading effect in Indirect tax regime, 42 percent of the respondents are neutral and 44 percent disagree that GST have Evaded the cascading effect in Indirect tax regime. About 4 percent of the retailers strongly disagree that GST have Evaded the cascading effect in Indirect tax regime. 6 percent of retailers strongly agree that GST will Reduce tax burden on the retailers, while 22 percent of them agree that GST will Reduce tax burden on the retailers. 22 percent of the respondents are neutral and 44 percent disagree that GST will Reduce tax burden on the retailers. About 6 percent of the retailers strongly disagree that GST will Reduce tax burden on the retailers. 2 percent of retailers strongly agree that GST will provide Better opportunities for the growth of retail market, while 24 percent of them agree that GST will provide Better opportunities for the growth of retail market. 34 percent of the respondents are neutral and 32 percent disagree that GST will provide Better opportunities for the growth of retail market. About 8 percent of the retailers strongly disagree that GST will provide Better opportunities for the growth of retail market.

FINDINGS, SUGGESTIONS AND CONCLUSION

With respect to the Indian economy, unorganized retail traders are considered essential to the economy. They sell the products to be used primarily for consumption purposes the customers with the current goods and services tax scheme. The common objective of the goods and service tax was to simplify the tax structure, to create uniform common market within the country, which will bring down prices that would enable the producers of goods to reduce costs, face competition from abroad and to increase exports. However the introduction of GST had a negative turns in case of unorganized retailers in India overall. Similar is the situation in case of unorganized retailers in Palai.

The study was conducted to analyze the impact of effectiveness of implementing GST among the unorganized retailers in Palai. It covered the opinions of the unorganized traders. It brought to light the impacts of GST on their daily business fortunes. Through the study, we are able to understand the reactions of the retailers on the impact of the GST in their businesses, the negative and positive aspects that affect them, their customers and their short-term running. It was concluded that the retailers felt there is an adverse effect of GST on the turnover and profit. There is a customer reluctance experienced by the retailers as the change in tax rate has led to the increment in the prices of commodities.

The study provides information regarding strategies adopted by unorganized retail outlets to overcome the obstacles faced by them due to quick implementation of new tax structure. Thus, this study looks into all such information and knowledge regarding impact of GST among the unorganized retailers of Palai municipality.

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