INTERNATIONAL JOURNAL OF RESEARCH IN COMMERCE AND MANAGEMENT

CONTENTS

CALL FOR ARTICLES/RESEARCH PAPERS

We invite original research papers in the area of finance, marketing, HRM, Banking, Insurance, and other allied subjects. The above mentioned tracks are only indicative, and not exhaustive. The journal expects unpublished and original quality research articles/papers only.

You may submit your articles/papers at the email addresses, info@ijrcm.org.in or infoijrcm@gmail.com.

GUIDELINES FOR SUBMISSION OF ARTICLE/PAPER

1. **COVERING LETTER FOR SUBMISSION:**

The Editor
IJRCM

Subject: **Submission of Manuscript**.

Dear Sir,

Find my submission of research paper/article for possible publications in your e-journal.

I hereby affirm that the content of this manuscript are original. Furthermore it has been neither published elsewhere fully or partially or any language nor submitted for publication (fully or partially) elsewhere simultaneously.

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

Also, if our research paper/article accepted, I/We agree to comply with the formalities as given on the website of journal.

Name of Corresponding Author (s)

Affiliation:

Mailing address:

Mobile Number (s):

Landline Number (s):

E-mail Address (s):

2. **INTRODUCTION:** Manuscript must be in English prepared on a standard A4 size paper setting. It must be prepared on a double space and single column with 1" margin set for top, bottom, left and right. It should be typed in 12 point-Times New Roman Font with page numbers at the bottom and centre of the every page.
3. **MANUSCRIPT TITLE:** The title of the paper should be in a 14 point Times New Roman Font. It should be bold typed, centered and fully capitalised.
4. **AUTHOR NAME(S) & AFFILIATIONS:** The author(s) full name, affiliation(s), mobile/landline numbers, and email/alternate email address should be in 10-point Times New Roman. It must be centered underneath the title.
5. **ABSTRACT:** Abstract should be in fully italicized text, not exceeding 300 words. The abstract must be informative and explain background, aims, methods, results and conclusion.
6. **KEYWORDS:** Abstract must be followed by list of keywords, subject to the maximum of five. These should be arranged in alphabetic order separated by commas and full stop at the end.
7. **HEADINGS:** All the headings and sub-headings should be in a 12 point-Times New Roman Font. These must be bold-faced, aligned left and fully capitalised. Leave a blank line before each heading.
8. **MAIN TEXT:** The main text should be in a 12 point-Times New Roman Font, single spaced, fully justified.
9. **FIGURES &TABLES:** These must be simple, centered & numbered, and table titles must be above the tables. Sources of data should be mentioned below the table.

10. **REFERENCES:** The list of all references should be alphabetically arranged. The authors should mention only the actually utilised references in the preparation of manuscript and they are supposed to Harvard Style of Referencing. The list of all references should be alphabetically arranged. The authors should mention only the actually utilised references in the preparation of manuscript and they are supposed to follow the references as per following:

- All works cited in the text (including sources for tables and figures) should be listed alphabetically.
- Use (**ed.**) for one editor, and (**ed.s)** for multiple editors.
- When listing two or more works by one author, use --- (20xx), such as after Kohl (1997), use --- (2001), etc, in chronologically ascending order…
- Indicate (opening and closing) page numbers for articles in journals and for chapters in books.
- Note that italics are used only for titles of books and names of journals. Double quotation marks are used for titles of journal articles, book chapters, dissertations, reports, working papers, unpublished material, etc.
- For titles in a language other than English, provide an English translation in parentheses.
- Use endnotes rather than footnotes.
- The location of endnotes within the text should be indicated by superscript numbers.
- For sources which have insufficient details to be included in the Reference, use endnotes (such as interviews, some media sources, some Internet sources).

See the following for style and punctuation in References:

Books

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

Contributions to books

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

Journal and other articles

- Schemenner, R.W., Huber, J.C. and Cook, R.L. (1987), "Geographic Differences and the Location of New Manufacturing Facilities," Journal of Urban Economics, Vol. 21, No. 1, pp. 83-104.
- Kiran Ravi, Kaur Manpreet (2008), Global Competitiveness and Total Factor Productivity in Indian Manufacturing, International Journal of Indian Culture and Business Management, Vol. 1, No.4 pp. 434-449.

Conference papers

- Chandel K.S. (2009): "Ethics in Commerce Education." Paper presented at the Annual International Conference for the All India Management Association, New Delhi, India, 19–22 June.

Unpublished dissertations and theses

- Kumar S. (2006): "Customer Value: A Comparative Study of Rural and Urban Customers," Thesis, Kurukshetra University.

Online resources

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

Website

- Kelkar V. (2009): Towards a New Natutal Gas Policy, Economic and Political Weekly, Viewed on 11 September 2009 http://epw.in/epw/user/viewabstract.jsp

HUMAN RESOURCE MANAGEMENT IN ETHIOPIA: CURRENT AND FUTURE TRENDS

RAKESH KUMAR

Department of Management Studies

Aksum University

P.O. Box – 287, Axum

ETHIOPIA

ABSTRACT

This paper focuses on HRM policies and practices such as: recruitment/selection, training/development, compensation, employee performance evaluation, reward systems and industrial relations. These practices will be treated as generic features. The paper reviews and describes HRM practices and examines the evolving context in which HRM is taking place. Hence, the main objective of this paper is to review the nature and scope of HRM in Ethiopia and the factors that affect it. Specifically, the paper tries to explore to what extent Ethiopian organisations are translating Western HRM practices and policies. This paper has four sections. The first section presents the introduction, research methodology and the cultural background of Ethiopia followed by the current trends in HRM in section two. Section three describes the future trends in HRM in Ethiopia. Finally, section four provides conclusions and research implications.

KEYWORDS

Implications, HRM, Policies, Scope & Western HRM.

INTRODUCTION

Ethiopia, with its 5,311 km land boundaries and a population of about 80,713,434 (2008), is Africa's independent country. One of the African nations that were colonised by Western countries, Western control was imposed on Ethiopia for about 52 years: Italy (1900-1941), Great Britain (1942-1952). Almost all enterprises that exist in Ethiopia today were built towards the end of the Italian colonial era. These enterprises had ad hoc management practices where the managers were the owners. The transition from personnel management to HRM was not a new phenomenon as the managers of today are business school graduates in management studies who are well aware of the subject. The dynamics of HRM in Ethiopia derive fundamentally from the establishment of firms with foreign interest during colonial times, as well as through exposure to the British/American-oriented curricula of the country's education system.

Before independence, the economy as well as the human resource base of Ethiopia, especially the skilled and trained manpower witnessed untold degradation. Educational institutions at all levels suffered severely. However, the Government stated its development policy and a strong emphasis on human resource development (HRD) was one of the main four elements of this policy. High priority given to HRD was seen as key for accelerating broad based growth and poverty reduction. Accordingly, over the last decade, Ethiopia has made several attempts regarding HRM. The government of Ethiopia has intensified its HRD programme by expanding a formal education at all levels including vocational education training & university education. The restructuring of industrial sector, both functionally and organisationally enabled the government to clearly see the gap between the available human resources (HR) and that required in the civil service, private sector and educational institutions.

RESEARCH METHODOLOGY

Whether HRM is an organisation initiative or a macro policy instituted, it is manifested in organisations daily activities. Hence, to determine to what extent Ethiopian organisations are adopting HRM policies and practices, we contacted six private and state owned profit-making organisations in the manufacturing and service sectors between January 2010 and March 2010. These sectors were selected because they were considered to be representative cases for most organisations in Ethiopia, and in terms of firm size, structure, managerial staff and capital investment the selected firms are more or less similar to the majority of organisations in Ethiopia. The sample includes two beverage manufacturing firms, two hotels, one medical lens Manufacturing and one tobacco producing firm.

Where necessary, we also contacted other related governmental and semi-governmental agencies. An intensive qualitative case study approach was used; employing semi-structured interviews with human resource professionals, general managers, departmental managers, union leaders and other concerned government officials. These are considered suitable on the premise that managers are primarily responsible for the development, formulation and implementation of key human resource processes and strategies and because they are in a better position to furnish relevant information during the interview. Thus, extensive interviews with managers are important because they have the required knowledge of HRM. To avoid a "managerialist" bias, we extended the scope of the coverage through discussions with departmental managers. Björkman and Xiucheng (2002) state that "conducting longitudinal research and/or gathering data from multiple informants would help researchers to avoid this common method bias problem." In-depth face-to-face interviews were conducted employing open-ended questions. The advantage of open-ended questions is that the respondent is free to express his/her ideas and thus the researcher can get additional information.

We collected qualitative data in order to get an in-depth insight into the HRM practices in Ethiopia. The questions were related to the external environment, to recruitment and selection, training and development, compensation, performance evaluation and rewards. We asked 23 concerned respondents for an interview appointment. We asked open-ended questions to managers, but in order to focus the interviews on the most important issues that would help us answer the research questions, we identified relevant concepts from the literature. However, this did not limit the responses of the interviews. Managers provided and expressed additional insights. In order to pre-test the research instrument for suitability in a field setting, we conducted a pilot study.

CULTURE - COLLECTIVISM

The population is estimated to be 61.6% are Christian, 33.9% of the populations are Muslims and rests of the population are having beliefs in Animist & Judaism. The natural and the underpinning unit of the Ethiopian society is the family, where blood and kinship ties form the social relations. Although being transformed to a modern society, the Ethiopian society can be characterised as patriarchal. Men are dominant at all levels in the society and the father is the dominant member of the family. Children are expected to show absolute obedience to their parents and parents are also expected to obey their own parents. Culture is ingrained and expected to influence the implementation of foreign management practices within society's cultural contexts. Culture may hinder or facilitate the implementation of such practices. Hence, we expect the Western HRM practices to be interpreted within the framework of the Ethiopian culture.

However, as some expatriate managers explained, the culture is conducive to implement Western management practices such as team work or employee participation, but there is a need to strike a balance between quality of work and of life. Thus, we concur with Jackson when he argues that a simple conclusion like 'Western models may be inappropriate' is a total misunderstanding when observing the realities of organisations in Africa (Jackson, 2004). Besides, one important point can be deduced here: the inseparability of work life and social life of an Ethiopian employee. An Ethiopian worker feels more comfortable within a group than alone and harmony in a workplace and within a society is considered vital. Jackson (2002) has argued that human resource management in organisations requires reconciling the gap between work life and home (community) life; and the separation in Africa between home/community life and work life may be a huge problem where life is seen as integral and not to be compartmentalised. Supporting and loyalty to the family is one of the most cherished values in Ethiopian society. The extended family system is a major source of security, economic and social support in daily life, sickness (death in a family), old age, job loss and other societal affairs. It is the moral obligation of an Ethiopian with income within a family, to support financially the poor, the aged and the needy.

The Ethiopian traditional heritages reflect the cultural norms of working together, developing a sense of cooperation and helping one another in times of adversity and prosperity. Supporting to the family is a symbol of solidarity and the interests of the family is always a priority. The extended family system is a risk sharing mechanism that provides a safety net for family members and fellow Ethiopians who have fallen on hard times**.** The extended family system is a symbol of solidarity and the interests of the family are always a priority, because the success and social acceptance of an individual is judged by norm based on traditions.

CURRENT SITUATIONS

This section of the analysis presents HRM in its context by examining the actual practices in Ethiopian organisations. It focuses on how managers actually execute the HRM practices of recruitment and selection, training and development, compensation, employee performance evaluation and reward systems in light of the context of Ethiopia. Furthermore, due attention is provided to the regulatory environment, that is, industrial relations in Ethiopia.

RECRUITMENT AND SELECTION

Employee recruitment and selection in organisations in Ethiopia follow a formal procedure. Selection happens mostly after a series of tests, interviews and references to identify applicants with the necessary knowledge, skills and abilities and due importance is given to educational qualification and work experience. In some cases, local experts (from Centre for Training and Testing & Consultancy from the University) are invited to administer tests and interviews. According to one general manager: "*The aim of having stringent recruitment and selection procedures is because the employee has to be ready to work up to the level of international standards*."

Curriculum vitae, references, employee referrals, interviewing, test and standard application forms are some of the selection methods regularly used in all firms. Organisations in Ethiopia emphasise on internal recruitment, where existing vacancies within the organisation are usually filled by promotion from within. Management notifies existing employees with a time limit of 8 days to compete and if no one applies for the vacant place, then, managers seek external recruitment. Harel and Tzafrir (1999) argue that internal labour market as a source of filling vacancies sends a strong message to the workforce that the organisation values its people and is providing opportunities for advancement to existing employees, which strengthens psychological contract and encourages employees to direct their efforts to acquire a new skill. Recruitment in most cases is part of the annual business plan, but cohered with every department of the organisation's manpower requirement. Youndt *et al*. (1996) also argue that an egalitarian culture is vital for the enhancement of the flow of information and ideas throughout the organisation, both horizontally and vertically. The essence of having a recruitment and selection committee is to control nepotism and favouritism.

We may conclude that HRM practices are less influenced by ethnicity (religion) in Ethiopian firms. Tessema (2005), in his study of HRM in civil services conducted in 10 ministries also stated that nepotism and favouritism do not play any important role in HRM practices. There seems to exist some similarities across countries in Africa, because Debrah (2004) in his study of Tanzanian firms stated that unlike in many other Sub-Saharan African countries, recruitment, selection, training and promotion in Tanzania are less influenced by ethnic origin. Regarding diversity of the work force, managers stated that in recruiting either the core or the peripheral group of employees, ethnic minority, gender and the disability issue are not considered in the composition of the workforce. That is, there is an equal employment opportunity and any qualified candidate will get the job no matter of his/her age, gender, racial group and/or ethnicity.

Traditionally, in Ethiopian firms' secretarial positions are occupied by women, because men do not compete for such positions. Hence, it is not surprising to see women dominating these positions. The acute shortage of skilled manpower has necessitated management to hire temporary female workers because the majority of young male are enlisted in the army. An employment structure comes about with an exceptional presence of women. According to the survey conducted (in 2001), "the average share of women in manufacturing in sub-Saharan Africa was about 38.5 percent in the late 1990s, where as in the Ethiopian sample, women amount to 55.8 percent of the permanent employees, a far larger share than in other surveys in Africa" (CPR Unit, 2002).

TRAINING AND DEVELOPMENT

The government of Ethiopia spends a great deal of money on HRD. Over the last six to nine years a culture of training has developed in Ethiopia. The tone of the government was well heard across all organisations. That is, when the government launched massive training programmes abroad for civil servants in 1997, private and state-owned organisations immediately followed the policy and '*mimiébal akmi seb*' (capacity building/HRD) became talk of the street. In private businesses, public enterprises and civil services training and HRD received considerable attention.

The frequency of training varies from a minimum of one to three times a year. Most of the training was conducted on-the-job with a particular focus to multi-skilling to equip employees with flexible skill so that they can shift between tasks and activities. Furthermore, firms also offer employees training opportunities abroad to get exposure (off-the-job training). Some organisations have a training budget and allocate a great deal of money on training and other firms have also established their own training centres. However, in most cases the training budget is at random. Some researchers (e.g. Mwarua, 1999) report that for best results, a training programme should not last more than one week (with no more than three hours in a single training session) and an employee should not attend more than one training programme in a year.

Sawadogo (1995) argues that in the African tradition of passive learning and respect for knowledge and the trainer, accurate feedback may not be forthcoming. As far as prioritising minorities in training opportunities is concerned, issues of minority, ethnicity, gender and disability are not considered in training or retraining. Unfortunately, the economic crisis had adverse effects on HRM. Accordingly, training of employees and fresh graduates has been deterred as a result of budget cuts. The massive capacity building programme, which was underway, had to be minimised, because a large part of money allocated for training was diverted to other activities to manage the crisis. Furthermore, the government had reduced off-the-job (abroad) training by cutting the budget. Consequently, some organisations with financial problems find training an easy outlet to get savings.

COMPENSATION

Every organisation has a compensation package standard that emanates from Central Personnel Administration (CPA). The CPA administers the payment structure based on educational qualification. The compensation system in most business organisations in Ethiopia is not different from the government's civil services, public enterprises or other Western companies. It includes two aspects, namely monetary compensation (salary, bonus) and benefits such as pension contributions and in some cases health insurance. In Ethiopia, firms' wages, salaries and other benefits largely follow government policies (Ghebregiorgis and Karsten, 2006). In most of the cases, firms provide employees with essential benefits such as medical treatment and in some cases free meals at workplace. The latter practice is more common in the hotel industry. These types of benefits encourage employees to reciprocate with more loyalty and commitment to the organisation.

In most of the state-owned firms, compensation policy is centralised by the government, where as private-sector firms are free to design their own payment system (scale) and policies according to the labour market, nature of work and what they can afford. Managers stated that compensation is very important in attracting and retaining qualified employees. It motivates employees and helps them to be high performers and highly committed to their job and organisation. Although models of workplace organisation (for example, Herzberg, 1968) argue that pay alone is not an effective tool for motivating employees (because it doesn't satisfy many human needs), paying high salaries may have a positive motivational effect on employees as far as developing countries is concerned.

EMPLOYEE PERFORMANCE EVALUATION

Employee performance evaluation is widely practiced in Ethiopian organisations. However, the timing for formal performance evaluation measures is different. In some firms, performance evaluation is conducted on an annual basis and in other firms semi-annually. Performance evaluation is centered on an individual employee and his/her contribution to the organisation as measured against some objective criteria along excellent—poor continuum on a five-point scale. However, a recent phenomenon is being introduced to reduce it to a four point scale to avoid people's central tendency to evaluation. Key success factors and key result areas are used to measure individual performance. In addition, the procedures of performance evaluation are also different among organisations. For instance, in some organisations performance evaluation procedure is a three-way system: self- assessment of the employee, three of his/her peers and management committee; and in other cases a two-way system—self-assessment and the department head. However, in most cases, the human resource manager is responsible for the evaluation of employee performance.

Mekonnen and Mamman (2004) also reported that there is potential and covert resistance to evaluating and discussing individual performance in Ethiopian organisations. Cultural norms not only impact on the process but also the form of performance evaluation (Aryee, 2004). Sawadogo (1995) also suggests that because African society tends to be high context where it is difficult to separate the actor from the actions, people do not criticise others openly.

Scholars who have studied performance evaluation in developing countries have found the exercise to be complicated by cultural and social issues (e.g. see Mendonca and Kanungo, 1994). Besides, the role of supervisors in performance evaluation is limited, because in most cases they lack adequate knowledge of HRM practices in general, and performance appraisal in particular. Supervisors' lack of knowledge and understanding about the meaning of performance evaluation and the generally Western oriented evaluation form (system) contributed to the irregularity of performance evaluation recently. There seems to exist some similarity between Ethiopian and other organizations across the continent with regard to the irregular use of performance evaluation measures. Ramgutty-Wong (2004) points out that "in most cases, performance evaluation does not exist in Mauritian organisations, or else it remains a purely administrative exercise, whose aim is unclear"; and Mekonnen and Mamman (2004) indicated that organisations in Ethiopia do not undertake performance evaluation regularly.

REWARD SYSTEMS

Erez (1994) explained that theories of motivation and managerial practices developed in the United States are mainly guided by the equity rule, namely that the rewards are differentially distributed and that they are contingent upon performance. That is, incentives and bonuses are linked to an individual's performance. In the Ethiopian case, rewards are allocated on the basis of equality—to each employee equally to maintain consistency. As a policy, it is clearly outlined that rewards should be allocated according to each performance, but the managers stated that there were difficulties to implement it in practice. For instance, one financial manager noted: "*Firstly, the collective agreement strictly prohibits rewarding a particular group of employees. Secondly, in our organisation, the nature of the production process is a continuous flow of production and one cannot claim that a certain department performs better than other departments (employees in one department did better job than others), because the final product is the outcome of all departments. Hence, rewarding a group of employees in one part of the production process means creating resentment among other employees and the consequence is that the next part of the production process becomes a bottleneck*."

In some organisations a financial reward and a recognition letter system were introduced to differentiate excellent performers from average performers and every year three of the best performers were awarded. However, it created resentment among the employees, because many important events in the Ethiopian life are the result of collective action. This concurs with Jackson's (2004) recent study of employee commitment in Africa, when he argues, "African employees appear to be team workers. Reward systems may be developed that reflects this group orientation and reward team rather than an individual effort."

For instance, Ramgutty-Wong (2004) in her study of HRM in Mauritius found that most Mauritian firms simply gave annual increments and production bonuses across the board, rewarding good as well as bad performance. A study of HRM in Libya by Almhdie and Nyambegera (2004) indicates that Libyan organizations profess the Islamic faith; hence, performance evaluations primarily focus on the personal characteristics of the employee rather than job performance. Beugré (2004) also stated that in Ivory Coast, performance evaluations are rarely used as a basis for compensation and promotion. In furtherance, another study in South East Asia (South Korea) shows that management and employees take performance evaluations as an annual but irrelevant formality, because performance ratings doesn't affect promotion and compensation decisions in a meaningful way since promotion and compensation is traditionally based on seniority (Kim and Briscoe, 1997).

The reward system in Ethiopian organisations can be seen as similar to profit-sharing mechanisms in Western firms in the sense that both are group incentives that everyone receives and both depend on the performance of the organisation (Ghebregiorgis, 2006). However, due to the free rider problem that may occur in any organization anywhere in the world, it is difficult to state whether the reward provides any noticeable work incentive for the Ethiopian employees. Furthermore, many organisations across Ethiopia also offer training opportunities as a means of reward to empower the employees and to maintain sound relationships. Mwaura (1999) asserted that training in many organisations in Africa is considered as a kind of fringe benefit, to which every employee has a right regardless of need.

INDUSTRIAL RELATIONS

There are laws and regulations to guide HRM practices in the public and private sector. These were developed in order to ensure their employment practices and to promote good industrial relations and human relations at work place. The labour relations in Ethiopia have a long history and have been under repression and intimidation from colonial rulers most of its time. It was by early 1949 that Ethiopian workers organised for self-organisation (unions) in pursuit of their own economic and social goals (Killion, 1997). The new labour law was ratified to attract foreign investment and it gives managers a free hand to hire and fire workers. Employers can recruit directly from the labour market or company gates, through private employment agencies, licensed brokers, or through employment services of the Ministry of Labour and Social Welfare. In accordance of the collective agreement, employees through their union have the right to participate in decisions affecting employment issues. Jackson and Shuler (1995: 249) also argue that “unions give voice to their members; establish policies and procedures for handling wage and working condition grievances; provide for job security; and secure health and retirement benefits.”

Similarly, although policies for handling wages and retirement benefits are the responsibility of the State of Ethiopia, one of the union leaders noted: "*whenever management is to make decisions with regard to the number and type of employees to be recruited, trained or promoted, we cast our vote like the rest of the members of management committee*." Other leaders also agree that "*the collective agreement binds management and employees and it leaves no room for management to manoeuvre decisions against the interest of employees*."

FUTURE TRENDS IN HRM IN ETHIOPIA

So far, we have raised the relevant issues in detail regarding the current employment practices (human resource management) in the selected organisations. In this section, we would like to pay attention to some factors that are more likely to challenge Ethiopian managers in general, and the government in particular, in the future with regard to HRM. These variables include: health status of the society (HIV/AIDS), brain drain, privatisation and globalisation.

HRM AND HIV/AIDS

The HIV/AIDS pandemic is a global problem, although extremely severe in sub- Saharan Africa. It is estimated that some 25.4 million people in Africa are living with HIV and in some regions such as Southern Africa over 25 percent of the population is infected with the virus (UNAIDS, 2004). If more is not done to combat the epidemic, in the next 20 years HIV could infect nearly 90 million (up to 10 percent of the continent's population) Africans (UNAIDS, 2005). HIV/AIDS is rapidly weakening economic stability and a decline in labour productivity in the countries that have been hardest hit by this epidemic. The AIDS situation in Ethiopia is worrying, but there are reasons to be hopeful. According to UNAIDS (2004), the national HIV prevalence rate in Ethiopia is 2.4 percent, but currently "there seems to be stabilisation of the prevalence, thanks notably to the government efforts with clear and precise commitment."

Hence, the costs associated with the health status of the workforce may also add pressure on the critical HRD as a strategic HRM in Ethiopian organisations and may also raise costs of training and development. Experiences of other countries, for instance, show that employers in Zimbabwe are not spending money on training employees, as they see this as a bad investment and wastage of resource if a high proportion of employees are likely to die of AIDS; and organisations in Kenya and Botswana are screening recruits for HIV (Jackson, 2004). Research has shown that some 12 percent of the labour-force in Malawi and 20-30 percent of employees in South Africa are HIV positive (Achmat and Cameron, 1995; Baruch and Clancy 2000). Ethiopia is not an exception from these countries and a similar trend will occur in HRM unless tackled properly. Organisations may incur an increasing cost of recruitment, additional training costs to replace others and a reduction in revenue because of absenteeism due to illness and above all delivery of essential services will be under threat. Productivity will also decline as a result of increased absenteeism due to ill health of the employees and time taken off to care infected family members or to visit others, as the social life for an Ethiopian is as important as work life. Employees will also be less productive at work, particularly in more demanding physical jobs. Hence, organisations may refrain from employing (provide training opportunities to) people diagnosed as HIV/AIDS, because their life expectancy is shorter with an expected decline in individual and firm performance.

HRM AND BRAIN DRAIN

Unless the problems of compensation package and other HRM issues are handled with great care, soon there is considerable risk of a significant brain drain both domestic and international. Civil service servants, state-owned enterprise employees and others that choose not to work in these institutions will either migrate to other private and non-government organisations inside the country or flow to other countries. One of the major problems that Africa is critically facing regarding its human resources utilisation is international migration. This is one of the biggest threats to sustainable economic growth. The flawed approach to human resources utilisation leads to brain drain. We believe that two main factors contribute to the brain drain: the harsh economic and political condition of the country (push factor) and the opportunities of better standard of living and working conditions of industrialised countries such as Europe and USA (pull factor). Scholars argue that professionals who find themselves treated with disrespect and constantly threatened with dire consequences ultimately vote with their feet (Kamoche *et al*. 2004); and individuals whose skills seem to be highly appreciated in countries other than their own migrate to other countries (Balogun and Mutahaba, 1990). Undoubtedly, the government of Ethiopia can play a significant role in addressing the problem of brain drain. Hence, if the flight (international migration) of highly skilled individuals is to be avoided, then, the government at macro level and the managers at the micro level seek to effectively utilize human resources by attracting, developing, motivating, treating with respect and dignity and retaining professionals and others with a key skill.

HRM AND PRIVATISATION

Probably, due to the border conflict, privatization in Ethiopia attracted limited foreign investment. Nonetheless, the government is still making extra effort to privatise all state-owned firms. It is true that privatisation leads to a private sector business practice with a focus on quality. On the one hand, privatisation is important to HRM, because it introduces modern management practices, work organisation and new production technologies. There is also high possibility that firms would engage in advanced manufacturing technology, total quality management and just-in-time production. Hence, technology will shape HRM, because firms will need highly selective hiring, comprehensive training and developmental evaluation, which are absent at present. Generally, investment in different management capabilities will be required. On the other hand, privatisation leads to loss of jobs in the pursuit of efficiency. It is too early to judge the overall consequences of privatisation. However, the minimal experience in Ethiopia indicates that although new technology and new working practices introduced, privatisation resulted in more dismissals and lack of guarantee for immediate improvement in organisational work performance. As far as Ethiopia is concerned, this is not conducive for retaining highly qualified workforce.

HRM AND GLOBALISATION

With the advancement and fast growth of information and communications technology (ICT), the world is becoming smaller and smaller with a speedy interaction. Globalisation can have far reaching implications for HRM and management practices in general. Accordingly, it is expected that Ethiopian firms will face increased competition in the domestic and international markets. It is not that far for the Ethiopian firms to seek to gain a foothold in overseas markets in search of profits and mastery of new technologies. Recently, globalisation is talk of the street in Ethiopia. Hence, Ethiopian firms need to transform their HRM systems in order to compete effectively in the global market. Whereas the present HRM system stress on group reward and neglect individual performance, the future of HRM policy would emphasise a performance-based system. Performance may emerge as one of the main important variables to determine employee compensation as firms try to increase productivity. There would be a link between evaluation and reward. Therefore, performance evaluation will serve as an evaluation tool for pay increase and will be developmental in orientation. Thus, firms would shift from the current two-way and three-way performance evaluation procedures to a more objective measurement of employee performance such as the 360-degree evaluation, which include supervisors (boss), self, peers (subordinates) and customers. Extremely few Ethiopian organisations have self and peer evaluation practices.

CONCLUSIONS AND IMPLICATIONS

The evidence reveals the prospect that the concepts and knowledge of HRM practices are in place with some local influence. The concept of HRM practices as exhibited in Ethiopia is at an early stage, although slow in process. It is recognised these days more than ever before that the employee is a critical resource for the success of the organisation. Unfortunately, the environment as it evolves today presents certain challenges to HRM practices through a series of influential trends. The political instability, economic crisis, the unpredictability of the environment and other institutional difficulties significantly influence managers' strategic thinking. The prevalent situation impedes the strategic management of human resources, because HRM policies and practices were not systematically integrated among each other. Nevertheless, the culture is conducive for implementing HRM practices such as teamwork and employee participation.

Based on the current HRM practices, the paper also highlights future trends in HRM in Ethiopia. Specifically, the impact of the AIDS epidemic in Africa is now a matter of great concern to policy makers and managers. This study sheds light on HRM practices in a developing country. The findings of the present study offer important academic and practical implications. Several suggestions for practitioners follow from our results. Firstly, managers should realise that employees should be given an opportunity to evaluate the training provided to determine if the programme is accomplishing its objectives and to identify strengths and weaknesses in the programme. An ideal training programme should provide timely feedback to trainees and trainers. There is no doubt that the role of feedback is so important in order to guide the attainment of objectives and to make important decisions concerning programme improvements. Secondly, managers need to recognise that training should be provided in light of its impact in bringing change in both— the organisation and the individual employee. There should be goal congruence because if the organisation is to develop and prosper, then the employee should also be trained and developed. The absence of advancement opportunities could discourage hard work. Kamoche (2002) also concluded that firms should take into account the specific circumstances of their employees while designing and implementing HRM practices. Thirdly, managers must also strive to integrate HRM practices with one another if they are eventually to have an effect on organizational performance and employee's emotional and physical well-being.

Furthermore, the government should take the necessary steps to demobilise the professionals and others with skills who are currently enlisted in the army doing national service. This will provide Ethiopian industries the opportunity to move forward for better performance. The government should focus on the expansion of training institutes to ensure the production of employable skills and develop the necessary skills and knowledge based on labour market information.

REFERENCES

Abraham, Kiflemariam (2001), *Governance Without Government: Community Managed Irrigation in Eritrea*, Ph.D. Thesis, University of Groningen, The Netherlands.

Achmat, Z. and Cameron, E. (1995), AIDS in the workplace, *South African Labour Bulletin*, 19 (5): 8-26.

Aryee, Samuel (2004), HRM in Ghana, in Kamoche, K., Debrah, Y., Horwitz, F. and Muuka, G.K. (eds.), *Managing Human Resources in Africa*, Routledge.

Balogun, M.J. and Mutahaba, G. (1990) The dilemma of brain drain, in C. Grey- Johnson (eds) *The employment crisis in Africa: issues in human resource development policy*, Mount Pleasant Harare.

Baruch, Y. and Clancy, P. (2000), Managing AIDS in Africa: HRM Challenges in Tanzania, *International Journal of Human Resource Management*, 11 (4): 789-806.

Beugré, C.D. (2004), HRM in Ivory Coast, in Kamoche, K., Debrah, Y., Horwitz, F. and Muuka, G.K. (eds.), *Managing Human Resources in Africa*, Routledge.

Björkman, I. and Xiucheng, F. (2002), HRM and Performance of Western firms in China, *International Journal of Human Resource Management*, 13 (6): 853-864.

CPR Unit (December 2002), Conflict and Labour Markets in Manufacturing: The Case of Eritrea, *Social Development Report Dissemination Notes*, World Bank.

Debrah, Y. (2004), HRM in Tanzania, in Kamoche, K., Debrah, Y., Horwitz, F. and Muuka, G.K. (eds.), *Managing Human Resources in Africa*, Routledge.

Erez, M. (1994), Towards a Model of Cross-Cultural and Organisational Psychology, in Triandis, H.C. Dunnete, M. and Hogh, L. (eds), *Handbook of Industrial and Organisational Psychology*, Vol. 4, 2nd ed. 557-607.

Ghebregiorgis, F. (2006) *Western Models and African Realties: Human Resource Management and Performance in Eritrea*, University of Groningen, The Netherlands.

Ghebregiorgis, F. and Karsten, L. (2006) Human Resource Management Practices in Eritrea: Challenges and Prospects, *Employee Relations Journal*, 28 (2):144-163.

Government of Ethiopia (1994), *Macro Policy*.

Government of Ethiopia(1996), *Ethiopia's Export Sector: Constraints and Prospects*.

Government of Ethiopia (2001), *The Labour Proclamation of Ethiopia* Proclamation No. 118/2001, Vol. 10/2001, Number 5.

Harel, G. H. and Tzafrir, S. S. (1996), The Effects of Human Resource Management Practices on the Perceptions of Organisational and Market Performance of the Firm, *Human Resource Management*, 38(3): 185-200.

Herzberg, F. (1968), One More Time: How Do You Motivate Employees? *Harvard Business Review*, January-February, 53-62.

Jackson, S. E. and Shuler, R. S. (1995), Understanding Human Resource Management In the Context of Organisations and Their Environments, *Annual Review of Psychology*, 46: 237-264.

Jackson, T. (2002), The Management of People Across Cultures: Valuing People Differently, *Human Resource Management*, 41 (4): 455-475.

Jackson, T. (2004), *Management and Change in Africa: A Cross-Cultural Perspective*, Routledege.

Kamoche, K. (2002), Introduction: Human Resource Management in Africa, *International Journal of Human Resource Management*, 13 (7): 993-997.

Kamoche, K., Debrah, Y., Horwitz, F. and Muuka, G.K. (eds.) (2004), *Managing Human Resources in Africa*, Routledge.

Killion, T. (1997), The Eritrean Workers' Organisation and Early Nationalist Mobilization: 1948-1958, *Eritrean Studies Review*, 2(1): 1-37.

Kim, S. and Briscoe, D.R. (1997), Globalization and a New Human Resource Policy in Korea: Transformation to a Performance based HRM, *Employee Relations*, 19 (4): 298-308.

Mekonnen, S. and Mamman, A. (2004), HRM in Ethiopia, in Kamoche, K., Debrah, Y., Horwitz, F. and Muuka, G.K. (eds.), *Managing Human Resources in Africa*, Routledge.

Mendonca, M. & Kanungo, R. N. (1994), Managing Human Resources: The Issue of Cultural Fit, *Journal of Management Inquiry*, 3 (2): 189-205.

Ministry of National Development (2005), *Consumer price index*, State of Ethiopia.

Mwarua, M. (1999) "Training and Development in Africa", in Waiguchu, M.J. *et al*. (eds.) *Management of Organisations in Africa: A Handbook of Reference*. Westport, CT: Quorum Books, 267-279.

Nyambegera, S. M. (2002), Ethnicity and Human Resource Management Practices in sub-Saharan Africa: the Relevance of the Managing Diversity Disclosure, *International Journal of Human Resource Management*, 13 (7): 1077-1090.

Ramgutty-Wong, A. (2004), HRM in Mauritius, in Kamoche, K., Debrah, Y., Horwitz, F. and Muuka, G.K. (eds.), *Managing Human Resources in Africa*, Routledge.

Sawadogo, G. (1995), Training for the African Mind, *International Journal of Intercultural Relations*, 19 (2): 281-293.

Tessema, M. (2005), *Practices, Challenges and prospects of HRM in Developing Countries: The Case of Eritrean Civil Service*, Ph.D. thesis, University of Tilburg, the Netherlands.

UNAIDS (2004), *AIDS epidemic update: December 2004*, UNAIDS/WHO.

UNAIDS (2005), *AIDS in Africa: Three Scenarios to 2025*, MarchUNAIDS/WHO.

World Bank (2008), World Development Indicators.

Youndt, Mark A. *et al.,* (1996), Human Resource Management, Manufacturing Strategy and Firm Performance, *Academy of Management Journal*, 39(4): 836-866.

APRIL ANOMALY AND RETURN PREDICTABILITY IN INDIAN STOCK MARKET – AN EMPIRICAL STUDY

DR. V. RAJESH KUMAR

Professor of Finance and Head

Alliance School of Management

No. 2 & 3, 2nd Cross, 36th Main, Dollar Scheme, BTM 1st Stage

BANGALORE – 560 068

MS. T. S. RAVIDARSHINI

Lecturer

St. Joseph's College of Commerce

No. 163, Brigade Road

BANGALORE

ABSTRACT

This paper examines whether the 'April anomaly' or 'seasonality of monthly returns' found in several advanced markets as January Anomaly also found in the fast developing Indian markets. Most of the reasons offered for January Anomaly are applicable for the month of April in Indian Context. Any anomaly, which includes April anomaly or effect, would enable the investors and speculators to gain abnormal returns. Although the presence of April anomaly defeats the basic premises of the efficient market hypothesis, it has greater implications to design suitable investment strategies in the long run. We use the logarithmic data of the five most important indices of the National Stock Exchange of India (NSE) *for the period from April 2000 to March 2010 and apply a set of selected statistical parameters to examine the presence of anomaly, if any, in the market. Our analytical results indicate the presence of 'April anomaly' in S&P CNX Nifty which is the benchmark index of the NSE. Kruskal-Wallis test shows statistically significant differences in monthly returns in respect of three indices while Wilcoxon-Mann-Whitney test reveals statistically significant differences in the month of July, February and March when compared to April returns. Dummy Variable Regression, yet another test applied to investigate the April anomaly, also reveals statistically significant results in monthly returns. Friedman ANOVA test suggests that seasonality in stock returns is present in the case of only one index, S&P Nifty Jr. Our findings corroborate the results of previous evidences documented in the literature. Our investigation further reveals that June and July turn significant negative returns but prove to be the potential months to buy the scrips (buy low); Contrary to this, February and March show significant positive high returns goading us to conclude that these two months are the best period to sell the securities (sell high). Tax-loss selling hypothesis and Accounting-information hypothesis could be the possible explanations for the anomalous behavior of the scrips in the Indian markets. In a nutshell, our results indicate that Indian markets show evidences of seasonal anomalies and offer enormous opportunities to gain reasonable returns in the long-run.*

KEY WORDS

April Effect, Market Anomalies, Seasonality, K-W test, Mann-Whitney, Friedman ANOVA, Dummy Variable Regression.

1. Introduction

An accurate predictor of share price behavior has been a topic of considerable interest among researchers and portfolio managers for several decades. Such prediction of returns defeats the basic premises of Efficient Market Hypothesis (EMH) which states that if the markets are efficient then there will be no historical patterns of returns or prices, or profitable trading strategies, to earn abnormal returns. Finance literature, of course, is replete with several instances or anomalies that are inconsistent with the EMH. January effect, Monday effect, Small-firm effect, Neglected firm effect, Low price/earning effect, Low-priced stocks, Market crashes and Market over-reactions are some of the market anomalies documented in the literature.

As stated, one such widely reported anomaly is the much hyped-up January effect or Calendar effect. To put it in simpler terms, the empirical findings on the January effect indicate that the returns for the month of January have been significantly higher when compared to the other months in a year.

The finance literature has enormous evidences provided by researchers challenging the EMH debate, with a specific focus on January anomaly. For instance, Rozeff and Felix (1983), Kinney (1976), Roll (1983), Lakonishok and Smidt, (1984); Haugen and Lakonishok, (1988), Jagadeesh (1991) have provided evidence supporting to this anomaly. Evidences of abnormal returns have been reported from the emerging markets as well. Empirical works of Aggarwal and Leal (1993), Lee (1992), Bae and Kim (1996), and Classens et al (1995) prove this phenomenon of abnormal returns in the month of January.

2. Review of Literature

As stated earlier, the Finance literature has documented evidences of various anomalies in the global securities markets in terms of a few specific days or months suggesting to the investors to go long or short in order to gain robust returns. January effect or Turn-of-the-year effect, Turn-of-the-month effect, Day-of-the-week effect, and Holiday effect are the Calendar- related anomalies documented in the literature.

Among these, January effect is of substantial interest to the researchers and examining the same is the scope of this paper.

(a) ***Explanations for January effect***

Researchers have provided several explanations for the January anomaly and a few of them are discussed below:

i. The year-end tax-loss selling hypothesis:

According to this hypothesis, investors holding a portfolio of scrips, identify the losing scrips and try to sell them in order to realize capital losses set against capital gains with a view to reduce the tax liability(e.g., Branch (1977), Dyl (1977), Schultz (1985)). Consequently, this activity triggers a downward pressure on the scrips that have witnessed a fall during the year. Contrary to this, when a new tax year begins, the bearish pressure on losing scrips starts vanishing and the share prices bounce back to equilibrium or real market price thus generating abnormal returns at the beginning of each tax year.

ii. Accounting information hypothesis:

According to this hypothesis, abnormal returns in the month of January are due to the announcements/new information provided by the firms pertaining to the previous accounting year. (e.g., Rozeff and Kinney, (1976)). When new positive information reaches the market, investors display renewed enthusiasm to buy the scrips thus pushing the prices bullish. This reportedly results in higher returns for the investors.

iii. Positive risk-return trade-off:

This theory states that in the US and Belgium there is a significant positive relationship between risk premium and average portfolio returns in the month of January. Cora *et al* (1987).

In addition to the above, the window dressing hypothesis (Haughen and Lakonishok, 1988), Ritter and Chopra (1989), turn-of-the-year liquidity hypothesis (Odgen, 1990) and bid and ask spread (Keim, 1989) are some of the possible explanations advocated in an attempt to explicate the January anomaly.

(b) ***Evidences For and Against January Anomaly***

A considerable body of researchers supports the view that January anomaly could be exploited to make abnormal returns. For instance, research studies of Gultekin and Gultelkin (1983), Lakonishok and Smidt (1984), Jagadeesh (1991) report seasonality in stock returns. They further state that stock returns are abnormally high in January compared to other months of the year. Other noteworthy studies in support of Calendar anomalies include the following. (French (1980), Gibbons and Hess (1981) Theobald and Price (1984), Jaffe and Westerfied (1985) and Board and Sutcliff (1988), Ko (1998), O.Felix Ayadi (1998)).

Quite contrary to this, a few studies argue that January anomaly of low price stocks outperforming high-price stocks cannot be used to earn abnormal returns. (Bhardwaj and Brooks (1992), Mills and Coutts (1995), Draper and Paudyal (1997), Booth and Keim (2000). They state that given the prohibitive transaction costs, lower bid-ask spread and commission, the suggested excess profit disappears. So, January anomaly cannot economically be exploited, they argue.

(c) ***Studies on Market Anomalies in the Indian Context***

Although a few research works have analyzed the different market anomalies in the Indian markets, studies on January anomaly is very limited in number. Studies by Obaidullah (1994), Choudhary (1991) on monthly and daily returns, Broca (1992) on the day-of-the-week effect, Pandey (2002) on seasonality in stock returns due to 'tax-loss-selling effect' and Sharma (2004), on the presence of the day-of-the-week effect in Indian markets are some of the prominent studies worth mentioning here. Rengasamy Elango and Nabila (2008) analyzed the presence of Monday effect in select indices of the National Stock Exchange (NSE).

A majority of these studies have considered the closing values of the respective share price indices for analytical purposes. Indian bourses have undergone unprecedented changes, challenges and growth during the past one decade. So, it is of enormous interest to re-examine the conclusions drawn from the previous studies in view of the widening portfolio choices and methods of analysis that are available in the present day highly competitive scenario.

In India, the accounting year being April 1 – March 31, the reasons identified for January Anomaly is more suitable to the month of April. Hence, this study focuses on understanding the April Anomaly and Return predictability in Indian Stock Markets.

This study makes an attempt to examine whether India, which is one of the fast emerging markets, offers evidences of anomaly, thus ensuring abnormal returns to the investors. In a nutshell, the primary objective of this paper is to explore whether the Indian stock market is efficient in weak-form offering abnormal returns in the month of April, In addition to this, the researchers would also like to identify the specific months that yield abnormal returns to the investing population in a year. A set of selected indices of the National Stock Exchange (NSE) which is the most active stock market in India, has been taken up for the present study.

The rest of the paper is organized as follows: Section III presents an overview of the National Stock Exchange. In section IV, the data and methodology have been discussed. Section V and VI discuss the analytical results and findings of the study. Section VII presents the summary and suggests a trading rule based on the findings. The summarized results from our empirical analysis and the resulting policy implications pertaining to stock picking/selling have also been discussed. This section summarizes the conclusions of the paper as well.

3. The National Stock Exchange of India – An Overview

(a) *The Inception and the Segments*

The National Stock Exchange of India (NSE) is the world's third-largest stock exchange in terms of transactions, and covers more than 330 cities across the country and has its terminals located at 1486 locations all over India. The NSE provides access to different types of investors from all the nook and corners of India. It has registered 41.12 percent annual compound growth rate over the last decade and the trade volumes are expected to cross 10 million a day in the next few years. The National Stock Exchange of India was promoted by leading financial institutions at the behest of the Government of India, and was incorporated in November 1992 as a tax-paying company. In April 1993, it was recognized as a stock exchange under the Securities Contracts (Regulation) Act, 1956. (Source: www.nseindia.com, www.en.wikipedia.com accessed on 07.04.2010.) The NSE commenced operations in the Wholesale Debt Market (WDM) segment in June 1994. The Capital Market (Equities) segment commenced operations in November 1994 and operations in Derivatives segment commenced in June 2000. It provides nationwide screen-based automated trading system ensuring high degree of transparency and equal access to all investors which includes small investors as well. It is widely believed that the standards set by the NSE in terms of market practices, products, technology and service standards have become the benchmarks for the industry and many exchanges are replicating the practices adopted by the NSE. The NSE comprises *Wholesale Debt Market Segment*, *Capital Market Segment* and *Options and Futures Segments* and serves the expectations of a wide range of investors.

(b) *NSE - The Pioneer*

The NSE has always stood first in pioneering many innovative methods and systems in securities trading. A few of the innovative methods introduced by NSE are given below:

The NSE is the first stock exchange to introduce electronic limit order book (LOB) exchange to trade securities in India. This has helped in expediting the order processing and execution. It has also set up the first clearing corporation, the National Securities Clearing Corporation Ltd, (NSCCL) in India first. Consequently, NSCCL became a landmark in providing innovation on all spot equity market and later, derivatives market trades in India. It has also co-promoted in the setting up of National Securities Depository Limited, the first depository in India. NSE also pioneered commencement of Internet Trading in February 2000, which led to the wide popularization of the NSE in the broker community. NSE is the first and the only exchange to trade GOLD ETFs (exchange traded funds) in India. In August 2008, NSE launched Currency Derivatives, in August 2009, it launched Interest Rate Futures and in November 2009 - Mutual Fund Service System. In all these, being the first In the process.

(c) ***The Largest Technology User***

NSE is one of the largest interactive VSAT based stock exchanges in the world. Today it supports more than 3000 VSATs. The NSE- network is the largest private wide area network in the country and the first extended C- Band VSAT network in the world. Currently more than 9000 users are trading on the real time-online NSE application. There are over 15 large computer systems which include non-stop fault-tolerant computers and high-end UNIX servers, operational under one roof to support the NSE applications. This coupled with the nation wide VSAT network makes NSE the country's largest Information Technology user. A few milestones achieved by the NSE are given in Table 1.

Table 1

An Overview of NSE Operations

Settlement Guarantee Fund	31 MAR 2009	Rs.4,843.50 Cr.

Investor Protection Fund	31 DEC 2009	Rs. 307 Cr.
Number of securities available for trading	31 MAR 2010	1806
Record number of trades	19 MAY 2009	11260392
Record daily turnover (quantity)	19 MAY 2009	19225.95 Lakhs
Record daily turnover (value)	19 MAY 2009	Rs. 40151.91 Cr.
Record market capitalization	07 JAN 2008	Rs.67,45,724 Cr.
Record value of S&P CNX Nifty Index	08 JAN 2008	6357.10
Record value of CNX Nifty Junior Index	04 JAN 2008	13209.35

(Source: www.nseindia.com)

4. Data and Methodology

The present study considers the daily indices as reported by the NSE. The data employed comprise daily closing prices of the National Stock Exchange (NSE) from 1.1.2000 to 31.3.2010 covering a period of ten years in the case of four indices, and 9.25 years in case of one index. (Refer to Table 2). This study makes an attempt to examine the presence of April effect, if any, in one of the premier and most active stock exchanges in India, the NSE. In order to achieve the same the sample indices were selected applying a few logical considerations. These five indices, S&P CNX Nifty, CNX Nifty Junior, CNX

Midcap, CNXIT, and Bank Nifty form part of both the large and small indices categories of the National Stock Exchange convincing us that the dataset used fairly represent the Indian market. So, I am reasonably optimistic that the analytical results reported are realistically sufficient enough to draw meaningful conclusions about the investor behavior and share price movements. For instance, S&P CNX Nifty comprises the largest highly liquid fifty blue-chips in India representing twenty four sectors of the economy. This index represents 52% of the traded value of all the stocks in NSE. It also represents 63% of the free-float market capitalization as on 31st December 2009. (Source: www.nseindia.com) This also serves as the benchmark index for many other important purposes such as Index Funds and Stock Index-based derivatives computations. The S&P Nifty Junior has in it, the next fifty large, liquid growth stocks in India. So, these two indices make up the 100 most liquid stocks traded in the National Stock Exchange. Also, out of the seven indices for which records are maintained by the NSE, the present study covers the most active five indices. The required data for the study were downloaded from the NSE website (www.nseindia.com). The indices included for the study along with the period covered are given in Table 2.

Table 2

Sample Indices and Period of Study

Sl. No	Index	Period	No. of Observations
1	S&P CNX NIFTY	1.4.2000 TO 31.3.2010	2494
2	CNX NIFTY JUNIOR	1.4.1999 TO 31.3.2010	2494

3	CNX MIDCAP	1.1.2001 TO 31.3.2010	2306
4	CNX IT DATA	1.4.2000 TO 31.3.2010	2494
5	BANK NIFTY	1.4.2000 TO 31.3.2010	2494

Indian stock exchanges function throughout the year except on Saturdays, Sundays and other government-declared national holidays. NSE maintains a database of all the share prices sector-wise. Before computing the returns, we checked for the presence of any structural-breaks in the data. The visual inspection and the tests conducted revealed no structural breaks in the data during the study period thus encouraging us to proceed with further analysis.

a. ***Computation of monthly returns.***

The monthly share price returns on the NSE indices were computed using the first differences of the logarithmic price index. MSExcel and SPSS (Version 14) were used in data analysis. This more pragmatic approach of logarithmic transformation of time series data was first suggested by Osborne (1959). The argument put forth is that the lognormal returns tend to follow the Normal distribution more closely than arithmetic returns. (See, Lauterbach and Ungar (1995)). First, daily returns on the index is computed applying the following formulae. (See Equation 1).

$$R_t = [\ln(P_t / P_{t-1})] * 100 \qquad (1)$$

Where, R_t is the daily mean return percent from the index, P is the price index, t and $t-1$ represent the current and immediate preceding days. Followed by this, mean return for each month is computed applying simple arithmetic mean. (See, Equation 2).

$$R_m = \sum \frac{Rt1 + Rt2 \ldots . Rtn}{N} \qquad (2)$$

Where, R_m is the mean return percent from the index for the respective month, R_{t1} to R_{tn} are the daily mean return percentages from the price index for the month, and N represents the number of observations during the month. Before computing the mean return percent for the month, the daily returns for the whole period of 10 years were checked for the presence of 'outliers', if any, in the data. In order to nullify the impact of outliers, Dixon's outlier test was applied using SPSS. It reported the ten most extreme values and the same were removed from the purview of our analysis. This preliminary data standardization helped us to avoid the presence of any extreme values or outliers in the data. So, the simple arithmetic mean percent used in the computation of monthly returns did not suffer from any abnormal or extreme values.

b. ***Computation of return seasonality***

i. *Kruskal-Wallis test*:

After the computation of daily returns, normality test was applied on the returns. Kurtosis, which forms part of the descriptive statistics gave an idea that the distributions were non-normal as in the case of most of the indices, the values were above 3 indicating peakedness (leptokurtic) of the distribution (Friedrich, 2003). Consequently, Shapiro-Wilk test for normality too confirmed that the distributions were asymmetric for the sample indices. (See, Appendix 1). With the result, K-W test, which is a non-parametric test applied to examine whether or not the ranks of the rates of return in each month of the year are equal, is applied. The Kruskal-Wallis statistic is defined as:

$$H = \frac{12}{[N(N+1)]}\left(\frac{\left(\sum R_1\right)^2}{n_1} + ... + \frac{(R_k)^2}{n_k}\right) - 3(N+1) \quad (3)$$

Where,

$\sum_{R1...} \sum_{Rk}$ are sums of the samples 1,2…k, n_1, n_2 …. n_k are sizes of samples 1,2…k. N is the combined number of observations for all samples. Equation 3 is distributed as a Chi-Square with (k-1) eleven degrees of freedom. The null hypothesis in this case is that the distribution of stock returns for all the months in a year is equal. The Null Hypothesis, Ho will be rejected if the computed value of the test statistic; H is more than the critical value at a chosen level of significance. (Daniel, 1990). In addition to the above test, Friedman Anova, was also applied to the daily returns obtained from the sample indices. This is also a non-parametric equivalent of One-Way Anova which identifies skewness or seasonality in the distribution. Daniel (1990), and Alford and Guffey (1996) advocate in favor of Friedman Anova over K-W test.

ii. Mann-Whitney U test:

The Mann-Whitney U test is a non-parametric test for assessing whether two samples of observations come from the same distribution. It is one of the best-known non-parametric significance tests. It was proposed initially by Wilcoxon (1945), for equal sample sizes, and extended to arbitrary sample sizes and in other ways by Mann and Whitney (1947). The null hypothesis is that the two samples are drawn from a single population, and therefore that their probability distributions are equal. It requires the two samples to be independent, and the observations to be ordinal or continuous measurements.

The Mann-Whitney "U" is then given by:

$$U_1 = R_1 - \frac{n_1(n \;\; +1)}{2} \qquad (4)$$

where n_1 is the two sample size for sample 1, and R_1 is the sum of the ranks in sample 1.

iii. Computation of April Effect Applying Dummy Variable Regression

In addition to the above non-parametric tests, in order to investigate the April effect, the following dummy variable regression equation is used.

$$R_t = \beta_1 D_{1(Apr)} + \beta_2 D_{2(May)} + \ldots + \beta_{12} D_{12(Mar)} + \varepsilon_t \qquad (5)$$

Where,

R_t = Index return percent in the month t;

$D_{1(Apr)}$ = dummy variable equal to 1 if t is a April and 0 otherwise,

$D_{2(May)}$ = dummy variable equal to 1 if t is a May and 0 otherwise,

....

$D_{12(Mar)}$ = dummy variable equal to 1 if t is a March and otherwise,

$\acute{\varepsilon}_{i,t}$ = error term

The intercept, β_1 .... $\beta_{12,}$ represent the average deviation of each month from the April return. Thus, if the monthly returns are equal, one expects the dummy variable coefficients to be statistically close to zero. So, the coefficients of the regression are the mean returns obtained from January to December applying ordinary least square (OLS). Ultimately, if NSE indices register April effect, its estimated co-efficients would be either a) higher than the returns of the other months of the year, or b) positive, which may or may not be c) statistically significant. With the result, it would, hopefully, be possible to identify a specific trading rule in order to gain abnormal returns, particularly from the Indian markets. Again, if proved, it would be a judicious strategy to identify whether stocks could be picked up in April to capitalize on the anomaly.

5. Descriptive Statistics and Interpretation

In Table 3, we present the results of the descriptive statistics of monthly mean stock return percentage and standard deviation for all the five indices.

Table 3

Mean Monthly Return(%) and S.D for the Sample Indices

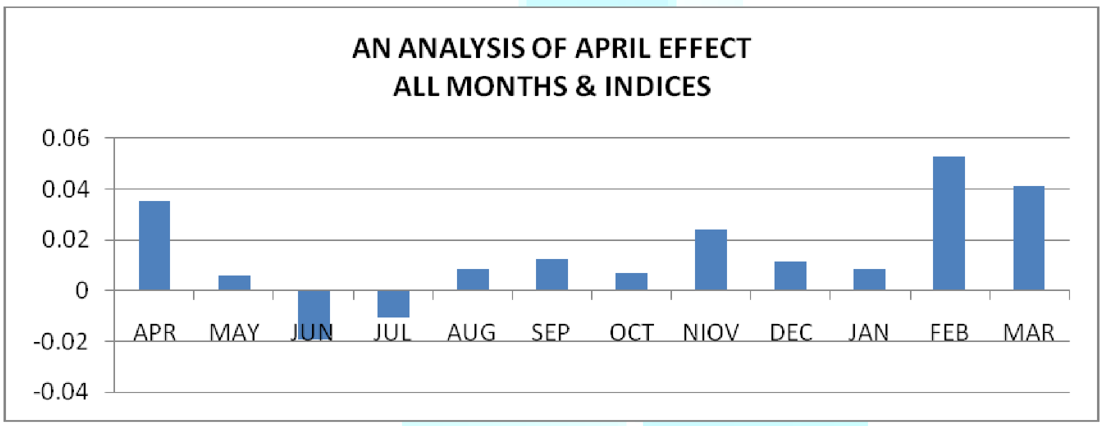
Month	Value	S&P CNX Nifty	S&P CNX Nifty Jr	CNX Midcap	CNX IT Data	Bank Nifty
APR	Mean	0.103	0.009	0.000	0.034	0.031
	S.D	0.202	0.217	0.193	0.300	0.274
	Obs	194	194	176	194	194
MAY	Mean	0.008	0.003	0.004	0.013	0.001
	S.D	0.195	0.234	0.197	0.254	0.267
	Obs	213	213	191	213	213
JUN	Mean	-0.013	-0.014	-0.020	-0.036	-0.013
	S.D	0.213	0.251	0.216	0.336	0.258
	Obs	216	216	194	216	216
	Mean	-0.019	-0.020	0.026	-0.047	0.007

JUL	S.D	0.240	0.293	0.187	0.345	0.242
	Obs	220	220	199	220	220
AUG	Mean	0.010	0.008	0.013	-0.003	0.014
	S.D	0.241	0.282	0.214	0.295	0.238
	Obs	213	213	191	213	213
SEP	Mean	0.022	0.007	0.004	0.021	0.009
	S.D	0.205	0.238	0.219	0.256	0.251
	Obs	207	207	187	207	207
OCT	Mean	0.005	0.012	0.003	-0.004	0.018
	S.D	0.182	0.193	0.167	0.269	0.218
	Obs	208	208	187	208	208
NOV	Mean	0.027	0.024	0.029	0.034	0.007
	S.D	0.157	0.177	0.156	0.213	0.189
	Obs	203	203	184	203	203
DEC	Mean	0.003	0.012	0.021	0.000	0.022
	S.D	0.211	0.217	0.181	0.287	0.230
	Obs	208	208	188	208	208
JAN	Mean	0.008	0.003	0.014	0.007	0.010
	S.D	0.206	0.226	0.159	0.282	0.218
	Obs	210	210	210	210	210
FEB	Mean	0.042	0.055	0.059	0.062	0.046
	S.D	0.162	0.173	0.140	0.221	0.194
	Obs	196	196	196	196	196
MAR	Mean	0.031	0.049	0.048	0.044	0.035
	S.D	0.162	0.204	0.170	0.245	0.213

	Obs	206	206	206	206	206
All Months	Mean	0.0189	0.0147	0.0167	0.010	0.015
	S.D	0.0317	0.023	0.022	0.032	0.016
	Obs	2494	2494	2306	2494	2494

Obs. indicates the number of observations

Figure – 1



(a) <u>April Return – Moderately High</u>

From the mean values of the stock returns presented in Table 3, we can understand that the return in the month of April is the highest only in the case of one index, i.e S&P CNX Nifty (mean 0.103%). (Graphical view of all the indices in Appendix-2). This is one of the benchmark indices in India and the presence of a moderately higher April return indicates that the share price behavior could be predicted by the analysts and investors. Although it is in clear violation of the efficient market hypothesis, it gives a fairly good idea of the share price movements. Although return percent in April is moderately high in S&P CNX Nifty Jr (0.009) CNX IT (0.034) and Bank Nifty (0.031), the returns are not the highest when compared to other months during the study period. Another interesting fact is that no negative returns were generated in April in respect of all the indices.

(b) June and July Yield Low Returns

An interesting finding of this study is that the month of June has registered negative returns during the study period. This could be due to several reasons. The possible reason could be that June is the month in which income-tax assessees have to file their tax returns and settle their income tax dues. So, generating the required amount is an uphill task and the investors would be bee-lining to sell the scrips to settle their dues. So, this is closely related to the tax-loss selling hypothesis discussed earlier in the literature review. However, this offers an excellent opportunity to buy stocks as the prices would be lesser compared to the other months in a year. The month of July has also recorded negative returns in the case of three important indices S&P CNX Nifty, Nifty Jr and CNX IT. So, this again might be due to tax considerations and the mandatory payment and settlement of tax dues by the assessees/investors.

(c) February and March – A Boon for the Investors

Another interesting finding from this study is that the months of February and March offer reasonably very high returns. This interesting trend could be seen in the case of all the five indices. So, logically, if investors want to sell their holdings, these two months could be considered as the best period.

6. Inferential Statistics and Discussion

(a) Analytical Results of Equality of Returns

In Table 4, we present the results of the non-parametric tests Kruskal-Wallis and Friedman rank sums test for all the five sample indices. The K-W test uses the rankings of the mean returns and tests that all monthly mean returns are equal. The analytical results indicate that returns in all months are not equal. This test has confirmed the presence of seasonality in the case of three indices as reported in Table 4. The interpretation is that in the Indian stock markets the returns are not equal in all the months of the year. In the same way, Friedman Anova, yet another non-parametric test has also been applied. According to

Alford and Guffey (1996), Friedman test is not sensitive to any possible inter-year heterogeneity in stock returns which the K-W test could not satisfy. However, Friedman suggests that seasonality in stock returns is present in the case of only one index, S&P Nifty Jr. However, the same is not true in the case of all the other indices. Overall, it could be interpreted that the KW tests have confirmed the presence of skewness or seasonality in stock returns in the stock market while the Friedman Anova has confirmed the presence of seasonality only in the case of one index during the study period.

Table 4

Results of Equality of Monthly Returns

Index	K-W Test		Friedman Rank Sums	
S&P CNX Nifty	Chi- square	15.310	Chi- square	11.615
	df	11	df	11
	P Value	0.169	P Value	0.393
S&P CNX Nifty Jr.	Chi- square	21.349	Chi- square	20.470
	df	11	df	11
	P Value	0.030**	P Value	0.039**
CNX Midcap	Chi- square	25.995	Chi- square	16.275
	df	11	df	11
	P Value	0.007***	P Value	0.131
CNX IT Data	Chi- square	27.580	Chi- square	15.030
	df	11	df	11
	P Value	0.004***	P Value	0.131
Bank Nifty	Chi- square	9.940	Chi- square	14.577
	df	11	df	11
	P Value	0.536	P Value	0.203

*Significant at 10% level **Significant at 5% level ***Significant at 1% level

(b)Analytical Results of Pair-wise Comparison of Returns.

As discussed earlier, both K-W and Friedman tests examine whether returns across the months are equal. These two tests cannot examine whether April effect is present in the Indian stock market. In order to examine the same, we apply the Wilcoxon Mann-Whitney pair-wise test. This test addresses the following question. Is the return in the month of April statistically different and significant from each of the other months during the study period? Out of the five indices analyzed (see Table 5), the results suggest that April returns are not significantly different from other months during the years. However, returns in the months of February and March are significantly different from April returns in the case of three different indices, S&P Nifty, S&P Nifty Jr and CNX Midcap. CNX Midcap has registered significantly different return in the month of July also. In the case of CNX IT, significant differences have been noticed in June and July as well. To corroborate the findings, a visual inspection of the graphs (See-Appendix 2) clearly indicates that except for one index i.e., S&P Midcap, the returns in the month of April are invariably higher in the case of all the indices. So, the month of April offers a potential opportunity for the investors to reap abnormal returns.

Table 5

Results of Wilcoxon Mann-Whitney Test

Return Pair	**S&P CNX Nifty**	**S&P CNX Nifty Jr**	**CNX Midcap**	**CNX IT Data**	**Bank Nifty**
APR/MAY	Z -0.165 P 0.869	Z -0.123 P 0.902	Z -0.648 P 0.517	Z -0.702 P 0.483	Z -0.483 P 0.629
APR/JUN	Z -0.878	Z -0.477	Z -0.409	Z -1.683	Z -1.229

	P 0.380	P 0.633	P 0.683	P 0.092*	P 0.219
APR/JUL	Z -0.613	Z -0.125	Z -1.870	Z -2.298	Z -0.377
	P 0.869	P 0.900	P 0.061*	P 0.022**	P 0.706
APR/AUG	Z -0.691	Z -0.804	Z -1.353	Z -0.834	Z -1.167
	P 0.489	P 0.421	P 0.176	P 0.404	P 0.867
APR/SEP	Z -0.804	Z -0.294	Z -0.264	Z -0.185	Z -0.355
	P 0.421	P 0.769	P 0.792	P 0.853	P 0.723
APR/OCT	Z -0.206	Z -0.152	Z -0.585	Z -1.351	Z -0.271
	P 0.837	P 0.879	P 0.558	P 0.177	P 0.786
APR/NOV	Z -1.241	Z -0.885	Z -1.586	Z -0.143	Z -0.624
	P 0.215	P 0.376	P 0.113	P 0.886	P 0.533
APR/DEC	Z -0.626	Z -1.052	Z -1.448	Z -0.983	Z -0.538
	P 0.531	P 0.293	P 0.148	P 0.325	P 0.590
APR/JAN	Z -0.082	Z -0.170	Z -0.512	Z -0.780	Z -0.434
	P 0.935	P 0.865	P 0.609	P 0.435	P 0.664
APR/FEB	Z -2.026	Z -2.754	Z -3.132	Z -1.149	Z -1.037
	P 0.043**	P 0.006***	P0.002***	P 0.250	P 0.300
APR/MAR	Z -1.693	Z -2.589	Z -2.695	Z -0.617	Z -0.715
	P 0.090*	P 0.010***	P0.007***	P 0.537	P 0.475

*Significant at 10% level **Significant at 5% level ***Significant at 1% level

(c)Results of April Effect

In Table 6, we present the results of the 'dummy variable regression' to the daily month stock returns of the sample indices. The co-efficient β_1 is the measure of mean April returns while the other coefficients, β_2 to β_{12} represent the differences between mean returns percent from May to March. The analytical findings offer the following results. Dummy variable regression is a robust test to capture the April effect as advocated by the financial economists in their research studies. The co-efficient in the month of April is positive invariably in respect of all the sample indices analyzed. This phenomenon is not found in any of the months and indices except for February and March. So, we can confidently conclude that there is April effect in one of the benchmark indices of the Indian bourses and the investors could capitalize on it appropriately. The results are statistically significant at 1% level in the case of two indices, i.e., CNX IT and Bank Nifty.

Table 6

January Anomaly - Results of Dummy Variable Regression Analysis

Month	Parameter	S&P CNX Nifty	CNX Nifty Jr	CNX Midcap	CNX IT	Bank Nifty
β_1 Apr (Intercept)	Coef	0.010	0.009	0.000	0.034	0.031
	Std.Err	0.015	0.017	0.015	0.020	0.018
	t-stat	0.700	0.531	-0.004	1.651	1.720
	Prob	0.484	0.596	0.997	0.099*	0.086*
β_2 May	Coef	-0.001	-0.006	0.004	-0.020	-0.030
	Std.Err	0.021	0.024	0.022	0.029	0.026
	t-stat	-0.061	-0.260	0.171	-0.701	-1.146
	Prob	0.951	0.795	0.864	0.483	0.252
β_3 Jun	Coef	-0.023	-0.022	-0.020	-0.069	-0.045
	Std.Err	0.021	0.024	0.022	0.029	0.026
	t-stat	-1.121	-0.954	-0.912	-2.404	-1.752
	Prob	0.262	0.340	0.362	0.016*	0.080*

β 4 Jul	Coef	-0.029	-0.029	0.026	-0.082	-0.082
	Std.Err	0.021	0.024	0.022	0.029	0.023
	t-stat	-1.395	-1.223	1.199	-2.779	-0.887
	Prob	0.163	0.221	0.231	0.006***	0.375
β 5 Aug	Coef	0.000	-0.001	0.013	-0.037	-0.017
	Std.Err	0.021	0.024	0.022	0.029	0.025
	t-stat	0.003	-0.024	0.590	-1.296	-1.670
	Prob	0.997	0.981	0.555	0.195	0.503
β 6 Sep	Coef	0.012	-0.002	0.004	0.012	-0.022
	Std.Err	0.020	0.023	0.021	0.028	0.025
	t-stat	0.563	-0.094	0.177	-0.434	-0.856
	Prob	0.574	0.925	0.859	0.665	0.392
β 7 Oct	Coef	-0.005	0.004	0.003	-0.037	-0.013
	Std.Err	0.020	0.023	0.021	0.028	0.025
	t-stat	-0.242	0.150	0.155	-0.316	-0.528
	Prob	0.809	0.881	0.877	0.188	0.597
β 8 Nov	Coef	0.017	0.015	0.029	0.000	-0.024
	Std.Err	0.021	0.023	0.021	0.028	0.025
	t-stat	0.834	0.652	1.353	0.014	-0.939
	Prob	0.405	0.514	0.176	0.988	0.348
β 9 Dec	Coef	-0.007	0.003	0.021	0.033	-0.009
	Std.Err	0.021	0.024	0.022	0.029	0.026
	t-stat	-0.333	0.138	0.993	-1.153	-0.340
	Prob	0.739	0.890	0.321	0.249	0.734

β 10 Jan	Coef	-0.002	-0.006	0.014	-0.026	-0.020
	Std.Err	0.021	0.024	0.022	0.029	0.026
	t-stat	-0.103	-0.264	0.652	-0.903	-0.797
	Prob	0.918	0.792	0.515	0.367	0.426
β 11Feb	Coef	0.033	0.047	0.059	0.029	0.016
	Std.Err	0.021	0.024	0.022	0.029	0.026
	t-stat	1.573	1.982	2.738	0.994	0.618
	Prob	0.116	0.048*	.006***	0.320	0.537
β 12 Mar	Coef	0.021	0.040	0.048	0.010	0.005
	Std.Err	0.021	0.024	0.022	0.029	0.026
	t-stat	1.017	1.715	2.207	2.343	0.188
	Prob	0.309	0.086*	0.027**	0.731	0.851
F		1.425	1.747	2.003	2.375	0.807
Prob		0.155	0.058*	0.025**	0.00***	0.633

*Significant at 10% level **Significant at 5% level ***Significant at 1% level

The results of K-W test have also confirmed the same in respect of the CNX IT index. Also, the results are in total conformity with the descriptive statistics presented in Table 3. Secondly, the coefficients in the case of June and July are negative for all the indices except CNX Midcap (For July) indicating that July and August are the potential periods in which returns are lower. However, it offers an excellent opportunity for the investors in picking up the right stocks as many would beeline to the market to sell their holdings. This unusual rush to sell the scrips would undoubtedly create a bearish pressure in the market thus pushing the prices down. So, potential investors could make use of this opportunity.

The next important outcome of this research is that in none of the indices, like April returns, the returns were negative for the months of February and March. This again presents an excellent opportunity for the investors to sell their holdings as this period returns abnormal gains. These results are confirmed by descriptive statistics, K-W test and Mann-Whitney test as well thus ensuring consistency in the results.

Finally, the results discussed above goad us to frame the following trading rule in the case of NSE in particular and the Indian markets in general. "June and July are the best months to buy (buy low) and April, February and March are the best period to sell (sell high)". So, the results indicate the presence of January effect in one of the leading Indian bourses. Although some of the results are not statistically significant, a closer look at the analytical results indicate that the returns recorded in the month of January are unusually high in most of the indices analyzed. The benchmark CNX S&P Nifty, CNX IT and Bank Nifty stand testimony to the same offering higher January returns. (See Appendices-2 for a graphical view of the returns.

7. Summary and Conclusions

In this paper, we examine the January anomaly and monthly return- patterns for the five prominent indices of the National Stock Exchange of India (NSE) from seven to nine year period. The NSE provides an unique opportunity for investors to test for seasonality as many foreign players intend to enter into the Indian markets. We use the logarithmic data for all the above indices and apply a set of statistical parameters to examine the same. Our analytical results indicate the presence of seasonality and January anomaly in this market. The tests further reveal that March and April have significant negative returns but are the best months to buy the scrips (buy low) and November and December show significant positive high returns goading us to conclude that these two months are the best period to sell the securities (sell high). Tax-loss selling hypothesis and Accounting information hypothesis could be the possible explanations for the above phenomenon. Our findings corroborate the results of previous evidences documented in the literature. The Indian Markets follow the patterns/trends observed in the advanced Western markets. Although the findings violate the basic premises of the efficient market hypothesis in its weak-form, this phenomenon could be considered as a superior opportunity for the investors to earn reasonable returns from the market.

8. References

i. Aggarwal, R. and R. Leal.(1993). Integration and Anomalies in the Emerging Markets of Asia and Latin America, Working Paper, Georgetown University, Washington, D.C.

ii. Alford, A. and D.M. Guffey.(1996). A Re-examination of International Seasonalities. Review of Financial Economics, Vol.5, No.1, 1-17.

iii. Bae, C. and D.J.Kim.(1996). A Revisit to Return Seasonality and the Tax Selling Hypothesis in the Korean Market, Global Business and Finance Review, Vol.1, No.1, 39-46.

iv. Bhardwaj. Ravinder K. and Leroy D. Brooks(1992). The January Anomaly: Effects of Low share Price, Transaction Costs, and Bid-Ask Bias, The Journal of Finance 47, 553-575.

v. Board, J L G and Sutcliffe, C M C.(1988). The Weekend Effect in UK Stock Market Returns. Journal of Business Finance and Accounting, 15(2), 199-213.

vi. Booth. Donald G. and Donald B. Keim.(2000). Is there still a January effect? Chapter 8 in Keim, Donald B. and William T. Ziemba, Security Market Imperfections in World Wide Equity Markets, UK, Cambridge University Press.

vii. Branch. Ben.(1977). A Tax Loss Trading Rule. The Journal of Business 50, 198-207.

viii. Broca, D.(1992). Day of the Week Patterns of the Indian Stock Market, Decision, 19(2), 57-64.

ix. Choudhury, S K.(1991). Seasonality in Share Returns: Preliminary Evidence on the Day of the Week Effect, Chartered Accountant, 407-409.

x. Claessens, S. (1995). The Emergence of Equity Investment in Developing Countries: Overview, The World Bank Economic Review, Vol.9, No.1, 1-17.

xi. Corhay, A. Hawaini, p. and Michel, P.(1987). Seasonality in the risk-return relationship: Some International Evidence. Journal of Finance 42, 49-86.

xii. Daniel, W.W.(1990). Applied Nonparametric Statistics. Boston: PWS-Kent.

xiii. Draper. Paul, and Krishna Paudyal.(1997). Microstructure and Seasonality in the UK Equity Market. Journal of Business Finance & Accounting 24, 1177-1204.

xiv. Dyl. Edward A.(1977). Capital Gains Taxation and Year-End Stock Market Behavior. The Journal of Finance, 32, 165-175.

xv. French, K.(1980). Stock Returns and the Weekend Effect. Journal of Financial Economics, 8(1), 55-70.

xvi. Friedrich, S. Mark, T.(2003). Simple Tests for Peakedness Fat Tails and Leptokurtosis Based On Quantities, Computational Statistics and Data Analysis, Vol.43, Issue. 1.

xvii. Gibbons, M R. and Hess, P.(1981). Day of the Week Effects and asset Returns. Journal of Business, 54(4), 579-596.

xviii. Gultekin. Mustafa and N. Bulent Gultekin.(1983). Stock Market Seasonality: International Evidence. Journal of Financial Economics 12, 469-481.

xix. Haugen. Robert A. and Josef Lakonishok.(1988). The Incredible January Effect: The Stock Market's Unsolved Mystery, United States of America, Dow Jones-Irwin.

xx. Jaffe, J. and Westerfield, R.(1985). Patterns in Japanese Common Stock Returns: Day of the Week and Turn of the Year Effects. Journal of Financial and Quantitative Analysis, 20(2), 261-272.

xxi. Jegadeesh, N. (1991). Seasonality in Stock Price Mean Reversion: Evidence from the U.S and the U.K. Journal of Finance, Vol.46, 1427-1444.

xxii. Keim, Donald.(1983). Size related anomalies and stock return seasonality: Further Empirical Evidence. Journal of Financial Economics 12, 13-32.

xxiii. Keim. Donald B.(1989). Trading Patterns, Bid-Ask Spreads, and Estimated Security Returns: The Case of Common Stocks at Calendar Turning Points. Journal of Financial Economics 25, 75-97.

xxiv. Ko, Kwangsoo.(1998). Strategic International diversification and Monthly Seasonality. Journal of Business Finance & Accounting 25, 203-223.

xxv. Lakonishok, Josef; and S. Smidt.(1984). Volume and Turn-of-the-Year Behavior. Journal of Financial Economics, Vol.13, 435-455.

xxvi. Lauterbach, B. and M. Ungar.(1995). Real vs. nominal stock return seasonalities: Empirical evidence International Review of Economics and Finance, 4(2), 133-147.

xxvii. Lee. Insup.(1992). Stock Market Seasonality: Some Evidence from the Pacific-Basin Countries, Journal of Business Finance & Accounting, Vol.19, No.2, 199-210.

xxviii. Mann, H. B., & Whitney, D. R.(1947). On a test of whether one of two random variables is stochastically larger than the other. Annals of Mathematical Statistics, 18, 50-60.

xxix. Mills. Terence C. and J. Andrew Coutts.(1995). Calendar Effects in the London Stock Exchange FT-SE indices. The European Journal of Finance 1, 79-93.

xxx. O.Felix Ayadi.(1998). Stock Return Seasonalities in Low-Income African Emerging Markets. Journal of Managerial Finance, Vol.24, 22-33.

xxxi. Obaidulla, M.(1994). Indian Stock Market: Theories and Evidence, Hyderabad: ICFAI, 90-93.

xxxii. Ogden. Joseph P.(1990). Turn-of-Month Evaluations of Liquid Profits and Stock Returns: A Common Explanation for the Monthly and January Effects. The Journal of Finance 45, 1259-1272.

xxxiii. Osborne.(1959). MFM, Brownian Motions in the Stock Market. Operations Research, 10, 345-379.

xxxiv. Pandey, I M.(2002). The Monthly Effect in Stock Returns: The Indian Evidence, The ICFAI Journal of Applied Finance, 8(6), 53-66.

xxxv. Rengasamy Elango and Nabila.(2008). Monday Effect and Stock Return Seasonility: Further Empirical Evidence. Social Science Research Network, SSRN Online Journal.

xxxvi. Ritter. Jay R. and Navin Chopra.(1989). Portfolio Rebalancing and the Turn-Of-The-Year Effect. The Journal of Finance 44, 149-166.

xxxvii. Roll, R.(1983). The Turn of the Year Effect and the Return Premia of Small Firms. Journal of Portfolio Management, Vol.9, 18-28.

xxxviii. Rozeff. Michael S. and William R. Kinney, Jr.(1976). Capital Market Seasonality: The Case of Stock Returns. Journal of Financial Economics 3, 379-402.

xxxix. S.N. Sarma.(2004). Stock Market Seasonality in an Emerging Market. Journal Vikalpa, Vol.29, 35-41.

xl. Schultz. Paul.(1985). Personal Income Taxes and the January Effect: Small Firm Stock Returns Before the War Revenue Act of 1917: A Note. The Journal of Finance, 40, 333-343.

xli. Theobald, M. and Price, V.(1984). Seasonality Estimation in Thin Markets. Journal of Finance, 39(2), 377-392.

xlii. Wilcoxon, F. (1945). Individual comparisons by ranking methods. Biometrics Bulletin, 1, 80-83.

xliii. http://en.wikipedia.org/wiki/Special:Search?search=Jacques+Bera+test

xliv. www.en.wikipedia.com Accessed on 07.04.2010.

xlv. www.nseindia.com Accessed on 07.04.2010.

Appendix 1

Results of Shapiro-Wilk Tests of Normality

Month	Value	S&P CNX Nifty	S&P CNX Nifty Jr	CNX Midcap	CNX IT Data	Bank Nifty
APR	P Value	0.531	0.017*	0.000***	0.614	0.055*
	Obs.	194	194	176	194	194
MAY	P Value	0.023**	0.001***	0.000***	0.002***	0.061*
	Obs.	213	213	191	213	213
JUN	P Value	0.663	0.001***	0.000***	0.000***	0.005***
	Obs.	216	216	194	216	216
JUL	P Value	0.000***	0.000***	0.000***	0.008***	0.002***
	Obs.	220	220	220	220	220
AUG	P Value	0.000***	0.000***	0.000***	0.000***	0.000***
	Obs.	213	213	191	213	213
SEP	P Value	0.088*	0.000***	0.000***	0.001***	0.096
	Obs.	207	207	187	207	207
OCT	P Value	0.000***	0.276	0.000***	0.000***	0.007**
	Obs.	208	208	187	208	208
NOV	P Value	0.011***	0.003***	0.000***	0.011***	0.002***
	Obs.	203	203	181	203	203
DEC	P Value	0.000***	0.000***	0.000***	0.000***	0.000***
	Obs.	208	208	188	208	208

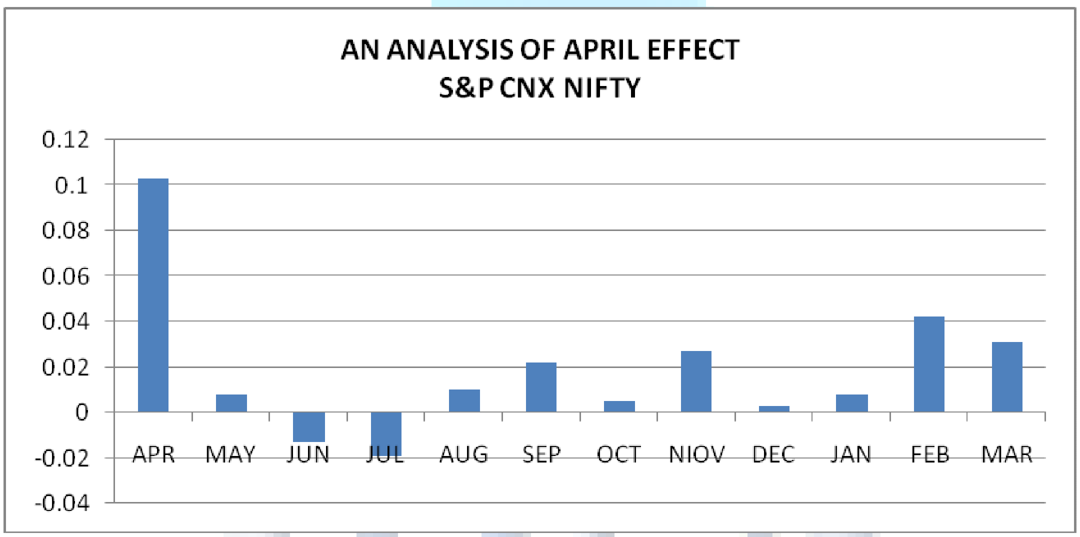
JAN	P Value	0.130	0.005***	0.808***	0.012***	0.726
	Obs.	210	210	210	210	210
FEB	P Value	0.003***	0.000***	0.010***	0.000***	0.810
	Obs.	196	196	196	196	196
MAR	P Value	0.004***	0.000***	0.000***	0.009***	0.033**
	Obs.	206	206	206	206	206

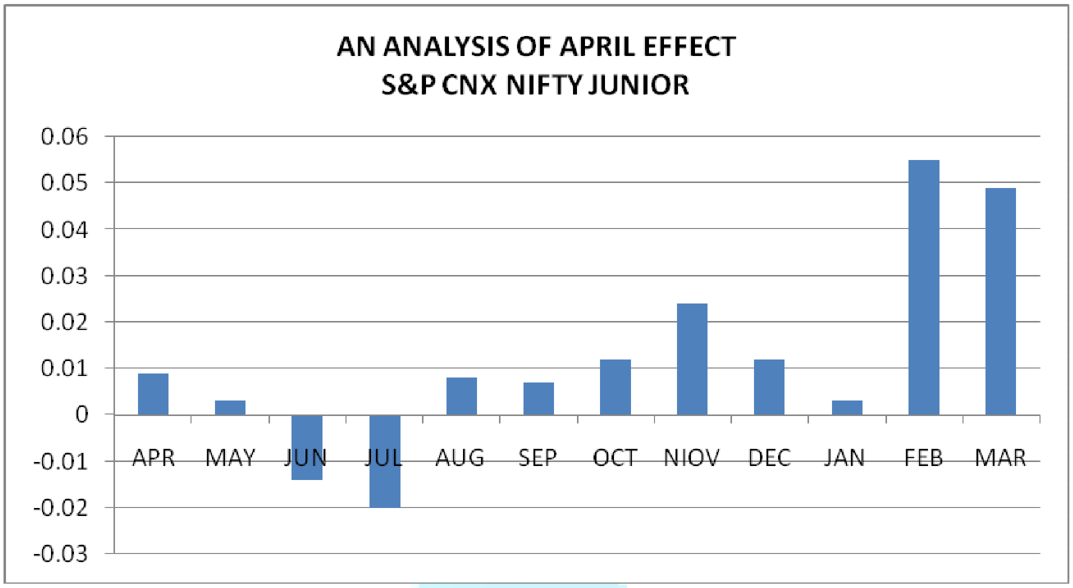
***indicates significance at 1% level

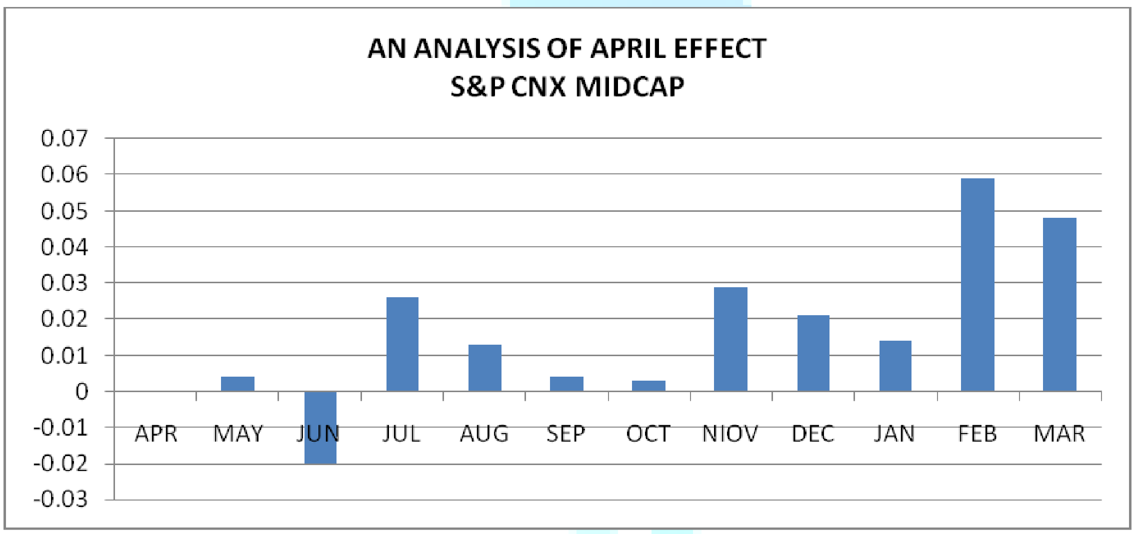
**indicates significance at 5% level

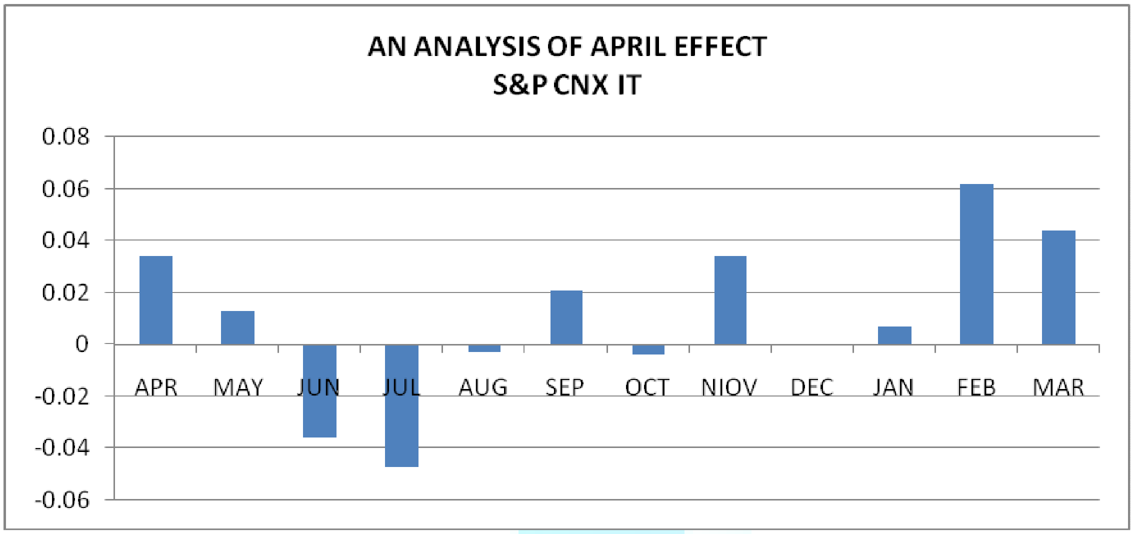
*indicates significance at 10% level

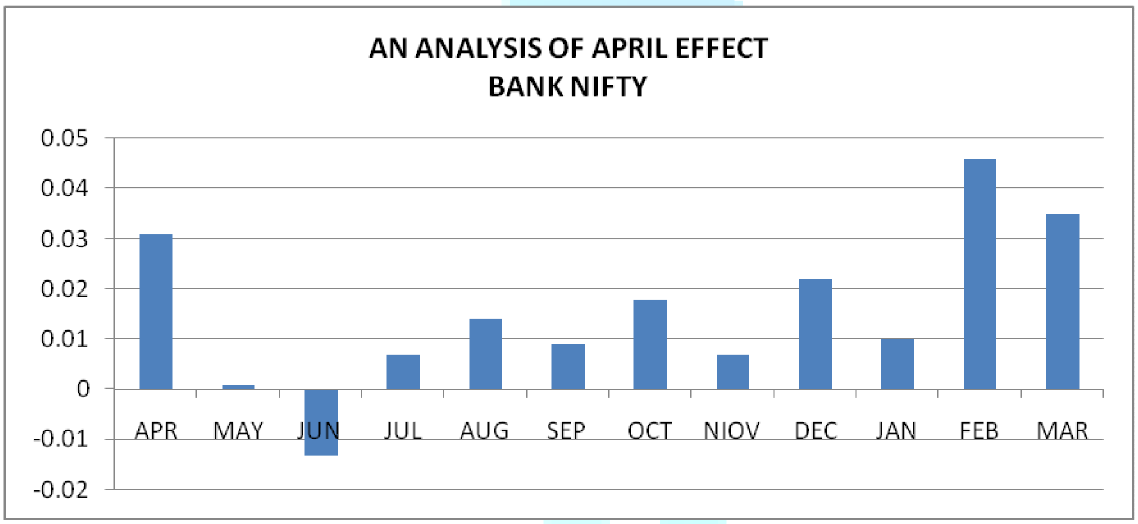
Appendices 2




AN ANALYSIS OF APRIL EFFECT
S&P CNX NIFTY JUNIOR
0.06
0.05
0.04
0.03
0.02
0.01
0
-0.01
-0.02
-0.03
APR
MAY
JUN
JUL
AUG
SEP
OCT
NIOV
DEC
JAN
FEB
MAR


AN ANALYSIS OF APRIL EFFECT
S&P CNX MIDCAP
0.07
0.06
0.05
0.04
0.03
0.02
0.01
0
-0.01
-0.02
-0.03
APR
MAY
JUN
JUL
AUG
SEP
OCT
NIOV
DEC
JAN
FEB
MAR


AN ANALYSIS OF APRIL EFFECT
S&P CNX IT
0.08
0.06
0.04
0.02
0
-0.02
-0.04
-0.06
APR
MAY
JUN
JUL
AUG
SEP
OCT
NIOV
DEC
JAN
FEB
MAR


AN ANALYSIS OF APRIL EFFECT
BANK NIFTY
0.05
0.04
0.03
0.02
0.01
0
-0.01
-0.02
APR
MAY
JUN
JUL
AUG
SEP
OCT
NIOV
DEC
JAN
FEB
MAR

CUSTOMIZING ENTERPRISE BRAND RESONANCE THROUGH PRIVATE LABELS

DR. P. BABA GNANAKUMAR

Head, Department of Commerce

Sri Krishna Arts and Science College

COIMBATORE – 641 008

ABSTRACT

Growth in private label sales appears to be coming more from new buyers making the change to store brands. Customers benefit from private labels' lower prices, which are often significantly less than those of national brands. This combination, while beneficial to retailers and consumers, can put substantial pressure on the manufacturers of branded goods, who have to compete against their own customers (the retailers) for market share. In this contest the research was carried with an aim of identifying the cost consciousness level and customization level created by the private labels. The result of the study underlines the concept of using private label with brand equity value of the retail outlets. The private labels can be used by the retailing units having good reputation, experience and brand resonance. However private-labels will create impressive value only in long-run.

KEY WORDS

Cost consciousness level, Customization level.

1. INTRODUCTION

Consumers have switched to private label on an "unprecedented scale". In an IRI study conducted in 2008, 91% of shoppers said that they will buy some private-label products. Retailing in India is still very primitive. Only in China and India retail chains have as many stores as they have in the US. In no other country can one imagine companies having 5,000-6,000 stores of their own. By 2011, most retail chains will have close to 5,000 stores in India. A profit of Rs 5 lakh a store a month would mean a profit of Rs 250 crore. Ten such companies would mean profits of Rs 2,500 crore with their combined turnover being more than Rs 25,000 crore. In the next 20 years, the richest Indian or one of the top three richest people in India will surely be a retailer. Private labels will have a huge role to play in this. As much as 50 per cent of Indian retail will be occupied by private labels. Similarly, the downturn provides that extra motivation for many consumers to finally make the move to private labels. Previously they feared the negative halo that surrounds store brands, now the change looks smart - not cheap. As a result, the growth in private label sales appears to be coming more from new buyers making the change to store brands. This has an important long-term impact on brands. Once families become accustomed to private labels, it will be hard to reel them back into branded products.

Private labels offer several benefits to both retailers and customers, driving the segment's rising popularity. For retailers, margins on private label goods are an average of 10% higher than those on similar branded products. Customers benefit from private labels' lower prices, which are often significantly less than those of national brands. This combination, while beneficial to retailers and consumers, can put substantial pressure on the manufacturers of branded goods, who have to compete against their own customers (the retailers) for market share.

2. STATEMENT OF PROBLEM

Retailers with high degree of market power carry private label substitutes for national brands in order to capture more profit from the vertical structures they share with brand manufacturers. But private labels are not a generic competitor, because the retailer that sells them is also the national brand's customer. The private label as a category has been growing by 30-35 per cent year-on-year. Future Brands, which owns 18 trademarks in segments like apparel, FMCG and consumer electronics, is aiming to achieve a turnover of Rs 750 crore from the private trademarks. Globally owned brands contribute 17 per cent of retail sales with a growth of 5 per cent per annum. International retailers like Wal-Mart and Tesco have 40 -55 per cent own label brands in their stores. In Aditya Birla Retail the segment accounts for around three per cent of its total sales but they are targeting 10-15 per cent in the next two to three years. Bharti Enterprises, is eyeing 30 to 40 per cent growth in its private label segment in the next five years. At present, the private labels contribute to 8 to 9 per cent to the company revenues. Most retailers are eyeing 20 to 40 per cent growth in their private label segment in the next three years. As much as 50 per cent of Indian retail will be occupied by private labels. In this context, the research is undertaken.

3. OBJECTIVES OF THE STUDY

The primary aim of the research is to identify the factors that influence the customers to move towards private label products. Secondary objectives are as follows:

- To identify the factors that influence to buy private labels as compared to national brands
- To identify the input pricing strategies of marketing private labels and
- To find out the cost consciousness level and customization level for the private labels.

4. REVIEW OF LITERATURE

Stephen J. Hoch (1996) considers alternative strategies for national brands to respond to private label encroachment, including doing nothing, distancing themselves through quality innovations, fighting back by reducing price gaps, and establishing several "me-too" strategies. Rajeev Batra (2000) examine how different determinants of perceived risk help explain variations in purchasing preferences for national brands versus private label (store) brands (PLBs), across twelve different product categories. The present research aims to identify the penetration strategies used by the retailers to expand their private label segments. Mills (2005) research interprets private label marketing as a retailer instrument for overcoming the double-marginalization problem inherent in the distribution of well-known manufacturer brands. Retailers with some degree of market power carry private label substitutes for popular national brands in order to capture more profit from the vertical structures they share with brand manufacturers. Bontemps (2003) study the price response of national brands to the development of private labels and conclude that private labels have a significant effect on national brands prices. Private labels are developed in value innovators and premium categories by most retailer for profit maximization and customer loyalty (Anuja,2009). They have shaped consumer behaviour, transformed the market place, and redefined the rules of engagement with their competitors and suppliers.(Kumar, 1998) Marcel research portrayed that a quality store brand policy is profitable only if a significant portion of shoppers buys the national brand (Marcel, 2000). Jorge (2000) research provides an analytical framework of retailer-manufacturer interaction that focuses on retail competition between a national brand and private labels and suggests that private labels decrease prices to consumers, wholesale prices, national brand manufacturer profits and the double margin of the vertical structure and increases retailers' profits. The present study focuses on the customer side and enables the retailer to find-out the product category that needs to have private labels.

5. METHODOLOGY

To study the factors that influence the consumers towards private labels are studied with primary data collected from 1250 consumers in 25 shopping malls in Tamil nadu. The table- 1 shows the different stages used in analysis.

Exhibit 1

Methodology

S.No	Stage	Objective	Input	Process	Output
I	Sampling -	To find out the	Malls list	Retail units	25 chain type

	Identification of retail units	organizations that are using Private labels	from Chennaitrade mart.com	having at least 20% private labels	retail units were identified
II	Pilot Study	To enable to prepare interview schedule	30 questions were examined	Pilot study from 100 respondents	Interview Schedule
III	Sample Size	To fix sample size	Customer Data base maintained by the retailers	Confidence Interval Approach	1105 - 1298 Fixed as 1250
IV	Reliability Analysis	To filter the Sample	Responses of 3 questions	Reliability test based on Scalogram analysis	1140 responses were selected
V	Validity Measurement	To validate the responses with retail units	1140 responses	Validity measurement	1028 responses
VI	Factor that influence purchase of private labels	To filter the insignificant factors	Responses of all variables – Interval scaled Data	Factor Component analysis	3 factors established
VII	Customer Perception	To represent the perceptions	Perception data based on	Multidimensional scaling Analysis	Two dimensions

	Measurement	of respondents spatially towards product	similarity ratings		were identified

6. PRIVATE LABELS IN INDIA

Private labels in India are poised to heavy growth. Store-brand labels in apparel industry in India are on a complete upswing. With more and more retailers offering products under their own private labels, consumers have not had it so good as far as shopping for apparels is concerned. Private label products encompass all merchandise sold under a retailer's brand. That brand is the retailer's own name or a name created exclusively by that retailer. Marketing managers struggle between cost-saving standardization for a mass market and high-cost customization for a specific niche to improve consumer-acceptance. Given the technological developments in recent times, standardized products no more enjoy unique selling propositions as imitations cannot be prevented from entry. Organizations continuously strive to find a method of creating unique selling proposition (USP) to retain their existing customers and acquire new customers. A popular private label changes the status of the retailer from a customer to a competitor for a national brand marketer. When customers are competitors, standard predatory strategies and tactics may not be appropriate; instead, there is a premium on creating a successful basis for coexistence. This calls for improvisation in the elements of marketing strategy of the national brands. Manufacturers of national brands need to look for ways of carrying out business due to the potential loss of business resulting from such local onslaughts. In India, private brands have attracted attention primarily only in the last decade.

Store brands are the only set of brands for which the store is entirely responsible. Thus, the store has to bear all the costs (development, sourcing, marketing effort, time, risk and promotion) and it reaps all the rewards of the brand's success. It is intuitively evident that a store will enter into that product category that has (a) high profit margin (b) low entry barrier to labelling and (c) low switching cost to the consumers, which may be either monetary of affective. The characteristics that enable store brand introduction are: (a) inexpensive, easy, low risk purchase for customer (b) easy to make from commodity ingredients (c) perishable, therefore local supplies are favoured (d) category sales are growing fast, enabling the private brand's garnering reasonably high volumes and (e) low number of national players dominating the category so the retailer feels the need to reduce dependency on them. The retailer's profits will increase more likely in product categories consisting of a large number of national brands.

Apart from these benefits, the retailer also gets a chance to test its product marketing capabilities, track the categories more closely and do the long term category planning. Lets have a look at one such example, around 2 years back, country's largest organized retailer Future Group(Big Bazaar) had a tussle with PepsiCo's Frito-Lay. The company decided not to accept the unilateral terms of Frito-Lay (which had more than 50% market share in potato chips category in those days), and instead took the bold step of removing all the company products from its shelves. This actually proved to be a blessing in disguise for the company as its own private brand "Tasty Treat" filled the void and in fact emerged as a category leader cornering around 16% of business across big bazaar stores. The group also has its own cola brand with the same name ("tasty Treat Cola") which gives a tough competition to the two cola majors. Buoyed by these successes the company now plans to launch other FMCG products and is even offering its products to the open markets and other retailers. In store labels are at least 5-20% cheaper across various categories. This is because they cut out middlemen costs and pass on the benefit to the consumer. But this is not only about price any more; private labels have come a long way over the last three decades. Globally, the biggest change has been the entry of premium private labels. By offering high quality products, many private labels are actually charging more than the regular manufacturers. In India retailers are increasingly putting their weight and marketing muscles behind their private labels. The worsening economic condition has also forced them into looking for ways of combating increasingly intolerant manufacturers and retaining higher profits through means like private labels. Financially strained consumers are also more likely to try these 'value for money' products. Previously many retailers were reluctant to actively promote their private labels, fearing this could damage their brand as a retailer (make them look like a downscale discounter) and strain their relationship with manufacturers. Manufactures are responding with increased promotional activity and new marketing campaigns. But they are fighting as hard as they can against any "new deals" for retailers. They know that if they go down that path there's no turning back once the economy picks up.

7. INPUT PRICING OF PRIVATE LABELS

The growth in private label is likely to slow, although a shift in consumers' loyalty from branded to own-label lines is "permanent", .As a result, value has become the overriding objective for retailers looking to develop their private labels, with major retailers such as Carrefour, Tesco and Metro Group exploiting this opportunity with "fighter" ranges designed to slow rampant discounter growth, At the value end, the fighter ranges will lose momentum and shelf space, as the novelty factor wears off, although they will not disappear altogether. Nonetheless, the research company said that, even with fighter brands' diminishing importance, FMCG producers are not yet through the worst. Private labels are generally priced 15% lower than their branded counterparts, offering the retailer an incremental margin over the earnings from a national FMCG brand. Traditionally, private labels have performed well in low-branded categories such as rice, sugar and salt. According to data from the Future Group, the potato chips category is dominated by brands such as Frito lay, Future Group's Tasty Treats has registered second place with an in-store share of 22%, falling back by a small margin. In the Namkeen (ready-to-eat snacks) category, driven by brands such as Haldirams, Tasty Treats has become a top seller at the group's Food Bazaar outlets with a 21% in-store share. The company's Care Mate diaper brand has clocked a share of about 41% in a category known to be built by brands such as Huggies. The group plans to grow into a Rs 10,000-crore consumer products company by 2012, with private labels contributing a third of its revenue. RPG Group's Spencer's Retail, which sees private labels accounting for 25% of its revenue over the next two years from 10% at present, sees a similar trend. Brands, as retailers show up with market leading in-store sales figures. Take, for instance, Aditya Birla's retail arm More, whose Feaster's private food label outsells iconic instant noodles brand Maggie across many zones. More currently sees its private labels accounting for about 5% of total revenues, but expects this to jump to 15-20% soon. Private labels are generally priced 15% lower than their branded counterparts, offering the retailer an incremental margin over the earnings from a national FMCG brand. Traditionally, private labels have performed well in low-branded categories such as rice, sugar and salt. According to data from the Future Group, the potato chips category is dominated by brands such as Frito lay, Future Group's Tasty Treats has registered second place with an in-store share of 22%, falling back by a small margin. In the namkeen (ready-to-eat snacks) category, driven by brands such as Haldirams, Tasty Treats has become a top seller at the group's Food Bazaar outlets with a 21% in-store share. The company's Care Mate diaper brand has clocked a share of about 41% in a category known to be built by brands such as Huggies. The group plans to grow into a Rs 10,000-crore consumer products company by 2012, with private labels contributing a third of its revenue.RPG Group's Spencer's Retail, which sees private labels accounting for 25% of its revenue over the next two years from 10% at present, sees a similar trend.

New pricing and promotion strategies will be needed to bring consumers back into the brand fold. There is no question that brands will always have a place in our retail marketplace. But, it's not clear how companies will be able to re-energize their brands and re-capture those who have spent some time on the Private Label side of the aisle.

8. FACTORS INFLUENCING PURCHASE OF PRIVATE LABEL PRODUCTS

Eleven factors were identified. The factors are filtered by factor analysis. Q-sort scale was developed to sort the perceived values of customers and classify them into five categories. The expecting values from customer's perspective are listed as quality, second brand, perceived quantity, desired assurance, tangibility, reliability, assurance, competitive pricing, mark-down pricing, trust and sophistication. The average score less than 2.5 are filtered out. Thus, quality, second brand, reliability, assurance and sophistication variables are filtered out. The value of Kaiser-Meyer-Olkin statistic is 0.594. Bartlett's test of sphericity was used to examine the hypothesis that the variables are uncorrelated. Since, KMO is greater than 0.5 and the variables are significantly correlated, factor analysis was considered as an appropriate technique. Principal component extraction method was used. Three factors are established and mentioned in table 1

Table-1

Customer Perception Factors

Factors Established	**% Variance Explained**	**Variables**	**Loadings**
Customization	26.14	Perceived quantity Desired assurance Tangibility	0.668 0.627 0.609
Pricing	18.40	Competitive pricing Mark-down pricing	0.680 0.648
Trust	15.85	Trust	0.557

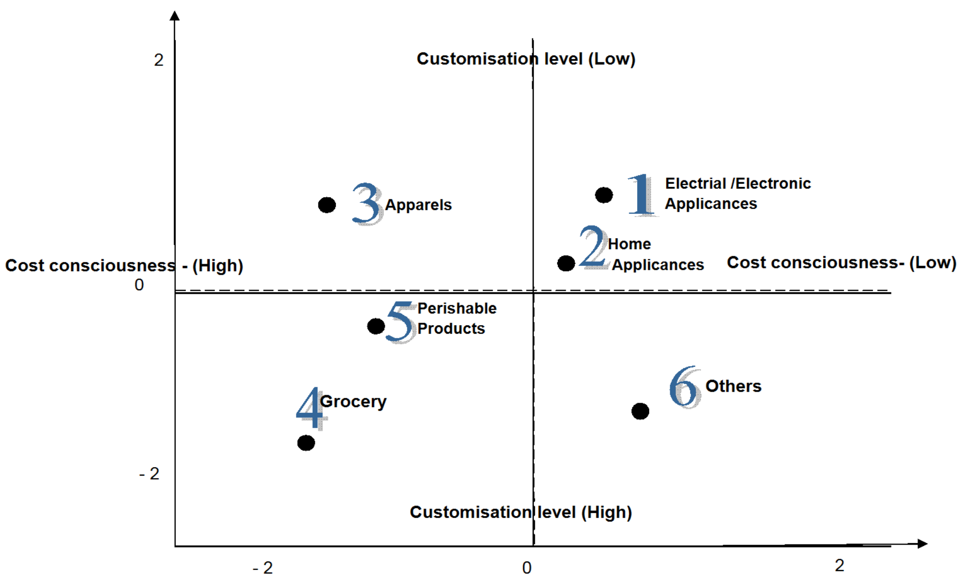
Since factor 1 seemed to capture the different methods of customizing the customer requirements, it was named as 'customization. Factor 2 seemed to represent the pricing strategies of private labels. Hence, it was named as 'pricing'. Factor 3 portraits the trust towards the private labels by the customers.. Thus, the private labels are perceived by the customers because of customization of products, pricing discrimination used by retailers and trust on retailers.

9. SUITABILITY OF PRIVATE LABELS – PRODUCT STRATIFICATION

To identify the cost consciousness towards private label product, rank order scaling was constructed. The customers are presented with same five options and asked to rank them according to customization level.. Multidimensional scaling was used to measure the relative importance given by the respondents. The perceived relationships among the promotional attempts are represented in the spatial map(Exhibit IV). The vertical axis was labeled as customization level (High to low).The horizontal axis represents the cost consciousness level (High to low) incurred by the urban retailers. Exhibit – 3 shows the Euclidean Distance Model that measures the customer perception.

Exhibit 3

Euclidean Distance Model



The result shows that private levels for the grocery category are having high consciousness over cost and customization level. Hence it may be conclude that the private labels are moving well with regard to grocery products.

10. CHALLENGING NATIONAL BRANDS

As retailers have become more powerful and global, they have increasingly focused on their own brands at the expense of manufacturer brands. Rather than simply selling on price, retailers have transformed private labels into brands. Consequently, manufacturers such as Johnson & Johnson, Nestle, and Procter & Gamble now compete with their largest customers: major retail chains like Carrefour, CVS, Tesco, and Wal-Mart. The growth in private labels has huge implications for managers on both sides. Yet, brand manufacturers still cling to their outdated assumptions about private labels. Most important, they lay out actionable strategies for competing against--or collaborating with--private label purveyors.

11. PROJECTION FOR PRIVATE LABEL

Private retailers will occupy 50 per cent of the market the world over. At 50 per cent, they begin to saturate. In countries such as Switzerland and the UK, private labels have reached this limit and these markets have saturated. But they will continue grow in the other countries till they reach the same level. And this will happen very soon in India, too. Private labels are giving established fast moving consumer goods brands a run for their money. Though private labels comprise 10 to 12 per cent of the overall FMCG volumes, analysts said they were recording double-digit growth annually and could pose problems for the big players in the near future. In food and beverages, for instance, Aditya Birla Retail's Feasters Noodles Family pack contributes 40 per cent of the revenues from the category. Aditya Birla's private labels cover seven brands and over 290 products and variants. Spencer's and Future Group private labels have double-digit market share in food (10-20 per cent) and beverages (8-10 per cent), home care (10 per cent) and personal care (10 per cent). Spencer's sells private labels under the Spencer's Smart Choice name. It is targeting 20 per cent market share across the categories in the next three years. Spencer's has a 0-20% market share in food; 8-10% in beverages; 10% in home care and personal care. Pantaloon's Fresh n Pure, Cleanmate, Tasty Treat, Caremate, Sach have 15-40% market share in the respective categories. In international markets, private labels contribute to more than 55% of store value in FMCG sales

12. CONCLUSION

Private labels are often designed to compete against branded products, offering customers a cheaper alternative to national brands. Though the public generally used to see them as low-cost imitations of branded products, private labels have overcome this reputation and achieved significant growth in recent years. The most commonly known private label goods are the "store brands" sold by food retailers, though this is just one example of many. Department stores, electronics stores, and office supply retailers all offer private label products or services. The result of the study underlines the concept of using private label with brand equity value of the retail outlets. The private labels can be used by the retailing units having good reputation, experience and brand resonance. However private-labels will create impressive value only in long-run. The brand proposition created by the private labels leads to create enterprise brand resonance rather than product brand resonance. Hence it will create brand heritage value for the enterprise.

REFERENCES

1. Bontemps, C.Orozco, V. Réquillart, V. (2005) Confirming the price effects of private labels development, Economics Working Paper Archive (Toulouse)
2. Judy Corstjens, Marcel Corstjens, Rajiv Lal (1995)Retail competition in the fast-moving consumer goods industry European Management Journal Volume 13, Issue 4
3. Marcel Corstjens, Rajiv Lal, Building Store Loyalty Through Store Brands, Journal of Marketing Research, Volume: 37 | Issue: 3, August 2000, 281-291
4. Mills, David E(1995) Why Retailers Sell Private Labels,Journal of Economics & Management Strategy Pages: 509-28
5. Nirmalya Kumar, The revolution in retailing: from market driven to market driving, Long Range Planning,Volume 30, Issue 6, December 1997, Pages 830-835

6. Pandey, Anuja , Private Labels: The Winning Strategy for Grocery Retailers in India, Working paper, All India Management Association, September 1, 2009.

7. Rajeev Batra and Indrajit Sinha(2000) Consumer-level factors moderating the success of private label brands Journal of Retailing Volume 76, Issue 2, Pages 175-191

8. Scot Burton, Donald R. Lichtenstein, Richard G. Netemeyer (1998)A scale for measuring attitude toward private label products and an examination of its psychological and behavioral correlates Springer Netherlands

9. William P. Putsis Jr (1997) An Empirical Study of the Effect of Brand Proliferation on Private Label –National Brand Pricing Behavior Review of Industrial Organization

10. Yaron Timmor (2007)Manufacturing for overseas private labels: A win–win strategy for retailers and producers The International Review of Retail, Distribution and Consumer Research, 1466-4402, Volume 17, Issue 2

A STUDY OF FACTORS RESPONSIBLE FOR INDUSTRIAL SICKNESS AS PERCEIVED BY ENTREPRENEURS

HEMANTKUMAR P. BULSARA

Senior Assistant Professor (Economics and Management) & In-charge - Management

S V National Institute of Technology

Ichchhanath, **SURAT** – 395 007

DR. D. V. BHATT

S V National Institute of Technology

Ichchhanath, **SURAT** – 395 007

ABSTRACT

Day by day, more and more numbers of industrial units are coming in to existence but simultaneously more and more units are facing problems of industrial sickness also. It is high time to study and analyze the factors responsible for industrial sickness. The authors have made a study for the same in the geographic area of Surat. Surat is one of the fast growing industrial areas in India now but it is facing problems of industrial sickness also. With the help of secondary data collection and primary data collection through the survey of industrial units in industrial are near by Surat, a study have been made

in this direction. This study will help entrepreneurs to understand the factors responsible for industrial sickness. It will give clear ideas about the criticality of some crucial factors. If they can understand these factors in effective manner, half of the job is done. So they can manage these factors in effective manner to avoid damage due to industrial sickness.

1.0INTRODUCTION

The term industrial sickness has been defined in a number of ways and its concept lacks uniformity. A sick industrial unit may be defined as one when it fails to generate surplus on a continuous basis and depends on frequent infusion of external fund for its survival. In other way, a sick unit is one which incurs heavy cash losses for one year and, in the judgement of the bank, it is likely to continue to incur cash losses for the current year as well as for the next year or the unit has an imbalance in its financial structure such as current ratio, working debt – equity ratio or a unit has accumulative losses exceed capital and reserve.

According to the Sick industrial Companies Act, the sick unit is defined as ‘ An industrial company which has at the end of any financial year accumulated losses equal to or exceeding its entire net-worth and has also suffered cash losses in such financial year immediately preceding such financial year.

According to the Reserve Bank of India, the sick unit is defined as ‘Incurred cash loss in the previous accounting year and is likely to continue to incur cash loss in the current accounting year, and has erosion on account of cumulative cash losses to extent of 50% of those of its net-worth.

According to ICICI, 'A sick industry is one whose financial viability is threatened by adverse factors present and continuing. The adverse factors might relate to management, market fiscal burden, labor relation or any other. When the impact of factors reaches a point where a company begins to incur cash losses leading to erosion of its funds, there is threat to its financial stability.'

Each and every day more and more numbers of industrial units are coming in to existence but simultaneously more and more units are facing problems of industrial sickness also. It is high time to study and analyse the factors responsible for industrial sickness. The authors have made a study for the same in the geographic area of Surat. Surat is one of the fast growing industrial are in India now but it is facing problems of industrial sickness also. With the help of secondary data collection and primary data collection through the survey of industrial units in industrial are near by Surat, a study have been made in this direction. This study will help entrepreneurs to understand the factors responsible for industrial sickness. It will give clear ideas about the criticality of some crucial factors. If they can understand these factors in effective manner, half of the job is done. So they can manage these factors in effective manner to avoid damage due to industrial sickness.

2.0RESEARCH METHODOLOGY

Here the objective of the paper is to study the factors responsible for the industrial sickness. And for that authors have made the **survey of entrepreneurs** in near by Surat area. The **sample size** is kept as 50 Small Scale Enterprises in industrial area near by Surat. Basically 5 zone have been considered for the survey i.e. A.K.Road, Sachin Udhyog nagar, Udhana Udhyog nagar, Katar gam GIDC and Khatodara GIDC area.

In the Questionnaire only two questions have been included related to factors responsible for industrial sickness and importance of the factors. In the 1st question, respondents have been asked to tick mark the factors responsible for the industrial sickness on the basis of their own perception. Total 25 factors have been considered as shown in the table 1 of data analysis. And in the 2nd question, respondents have been asked to rate the importance of the factors, restricted to 1st five important factors according to their own perception.

On the basis of data collected, data analysis has been made and interpretation on the basis of the same has been given in the further section.

3.0DATA ANALYSIS AND FINDINGS

ANALYSIS OF ALL 5 ZONES IN INDUSTRIAL AREA OF SURAT

TABLE 1: FREQUENCY OF FACTORS: n = 50

Sr. No.	Factors	Frequency	%
1.	Adverse Government rules and regulations	35	70.00
2.	Mismanagement	18	36.00
3.	Economic conditions	21	42.00
4.	Tough Competition	27	54.00

5.	Shortage of man-power	**14**	**28.00**
6.	Shortage of raw material	**6**	**12.00**
7.	Inadequate technical know-how	**15**	**30.00**
8.	High cost of production	**33**	**66.00**
9.	Poor quality control	**25**	**50.00**
10.	Excessive high wage structure	**13**	**26.00**
11.	Lack of trained skilled labour or technically competent personnel	**12**	**24.00**
12.	Depending on a single customer	**12**	**24.00**
13.	Transport bottlenecks	**2**	**4.00**
14.	Under utilization of resources	**10**	**20.00**
15.	Shortage of Power Supply	**18**	**36.00**
16.	Delay in getting financial assistance	**16**	**32.00**
17.	Inadequate maintenance and replacement	**5**	**10.00**
18.	Delay in the implementation of the project	**7**	**14.00**
19.	Increase in cost due to delay in implementation of project	**6**	**12.00**
20.	Diversion of Funds	**12**	**24.00**
21.	Lack of management depth	**9**	**18.00**
22.	Bad industrial relations	**13**	**26.00**

23.	Inadequate working capital	**14**	**28.00**
24.	Changes in technology	**22**	**44.00**
25.	Changes in consumer behaviour	**20**	**40.00**

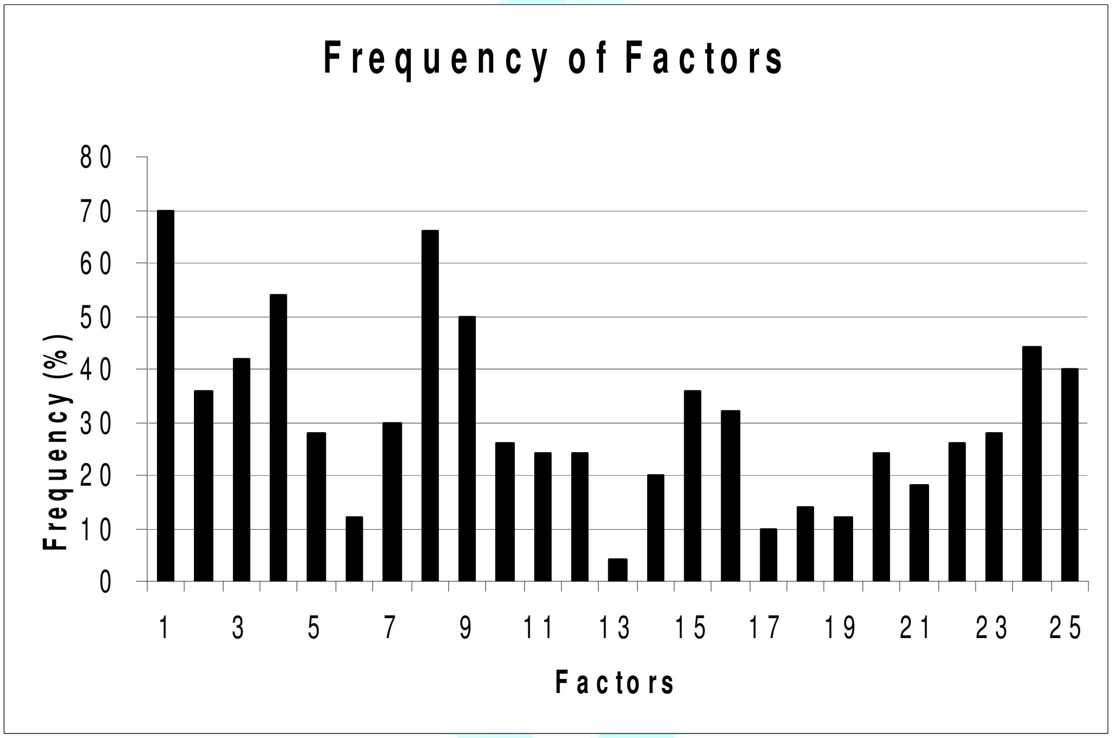


TABLE 2: IMPORTANCE OF FACTORS:

Sr. No.	Factors	Importance

1.	Adverse Government rules and regulations	**1**
2.	Mismanagement	**4**
3.	Economic conditions	**12**
4.	Tough Competition	**3**
5.	Shortage of man-power	**11**
6.	Shortage of raw material	**16**
7.	Inadequate technical know-how	**9**
8.	High cost of production	**2**
9.	Poor quality control	**5**
10.	Excessive high wage structure	**9**
11.	Lack of trained skilled labour or technically competent personnel	**9**
12.	Depending on a single customer	**19**
13.	Transport bottlenecks	**20**
14.	Under utilization of resources	**18**
15.	Shortage of Power Supply	**8**
16.	Delay in getting financial assistance	**7**
17.	Inadequate maintenance and replacement	**21**
18.	Delay in the implementation of the project	**17**

19.	Increase in cost due to delay in implementation of project	**17**
20.	Diversion of Funds	**19**
21.	Lack of management depth	**14**
22.	Bad industrial relations	**15**
23.	Inadequate working capital	**10**
24.	Changes in technology	**6**
25.	Changes in consumer behavior	**13**

From table 1 and chart, it can be seen that maximum numbers of respondents (70%) have tick marked the factor – 'Adverse Government Rules & Regulations'. So it seems to be the major factor responsible for industrial sickness. Other major factors are 'High cost of production' (66%), 'Tough competition' (54%), 'Poor quality control' (50%), 'Change in Technology' (44%), 'Change in consumer behaviour' (40%), 'Shortage of power supply' (36%) and 'mismanagement' (36%) over and above 'Delay in getting financial assistance' (32%).

From table 2, it can be seen that 'Adverse Government Rules & Regulations' is most important factor stands at number 1 position. So it is most critical factors which is responsible for industrial sickness as perceived by the respondents. Here other factors are 'Higher cost of production' stands at 2nd position, 'Tough competition' stands at 3rd position, 'Mismanagement' stands at 4th position and 'Poor quality control' at 5th position.

From the analysis of the table 1 and table 2, 'Higher cost of production' is at 2nd position. Here another point is to be noted that 'Poor quality control' has been given low importance and hence considered as low critical factor responsible for industrial sickness. That may be because of the Indian consumer behaviour which is not much susceptible to quality.

It can also be seen that there is high correlation between table 1 and table 2.

4.0CONCLUSION

From this study, it has been found that 'Adverse Government Rules & Regulations' is the most critical factor responsible for industrial sickness as perceived by the respondents. Other major factors are 'High cost of production' and 'Tough competition'. Government must need to simplify its and regulations with better transparency and should make business friendly policy to cure the problem of industrial sickness. There should also be some classified policies for SSI to offer subsidised prices of price controlled raw materials i.e. CI ingots, Copper, Aluminium and Brass to reduce the High cost of production. Government needs to support entrepreneurs with various promotion schemes to cope up with global competition subject to valid commitments from the entrepreneurs to improve. Even entrepreneurs need to come up with effective marketing strategies with innovative ideas in their product and marketing programme to cope up with Tough Competition, then only they can fight with industrial sickness. 'Prevention is better than Cure'.

REFERENCES

[1]Desai V., 'Dynamics of Entrepreneurial Development & Management', 4th Ed, 2000, Himalaya Publishing House, Pg. 707 - 721

[2] S. Anilkumar, S. C. Poornima, M.K. Abraham, K. Jayashree, 'Entrepreneurship Development', 2003, New Age International Publishers, Pg. 197 – 199

[3] Proceeding of Entrepreneurship Awareness Camp on – 'Rehabilitation of Sick Units', 2001, organized by ED Cell, SVRCET (SVNIT), Surat

[4] Philip Kotler, 'Marketing Management', 9th Edition, 1998, Prentice Hall of India, Pg. 110 – 142

[5] Boyed H. W., Westfall R. & Stach S. F, 'Marketing Research', Richard D . Irvin Inc, USA, 7th Ed, 1998

[6] www.nstedb.com

[7] http://www.ganashakti.com/old/1998/981207/featureeco.htm

[8] http://ideas.repec.org/a/icf/icfjme/v05y2007i2p63-88.html

[9] http://ideas.repec.org/a/icf/icfjme/v05y2007i2p63-88.html

[10] http://ideas.repec.org/p/iim/iimawp/752.html

[11] http://isidev.nic.in/pdf/wp4.pdf

[12] http://indiabudget.nic.in/es2001-02/chapt2002/chap79.pdf

[13] http://www.indiastat.com/india/ShowData.asp?secid=14957&ptid=254&level=3

[14]http://deposit.ddb.de/cgibin/dokserv?idn=976135582&dok_var=d1&dok_ext=pdf&filename=976135582.pdf

ENVIRONMENTAL ACCOUNTING AND REPORTING IN INDIAN COMPANIES-PERCEPTION OF THE PROFESSIONALS

DR. M. C. GARG

Reader, Dept. of Business Management

Guru Jambheshwar University of Science and Technology

HISSAR – 125 001

AMANDEEP SINGH

Sr. Lecturer, University School of Business Studies

Punjabi University Guru Kashi Campus

TALWANDI SABO – 151 302

ABSTRACT

Due to global warming in the world the focus of all the organizations is changing from pure profits to sustainable development. In this paper the perception of the professionals (that are directly linked with the formulation of functions of the business houses) regarding environmental accounting and reporting is analyzed. The objectives of this paper are to find out the reasons for not incorporating the issues of environmental accounting and reporting in the financial statements formally and the proper place of *environmental information disclosure in the annual reports, and (b) to know the important users of the environmental information and the reasons for the failure to prepare environmental accounts. A questionnaire was got filled from 100 professionals consisting of 17 questions out of which 11 questions are based upon five point Likert's scale. In rest of the 6 questions the respondents have to rank the statements according to their preferences. For analyses tools used are weighted average, One Way Analysis of Variance and F-Statistics.*

I. INTRODUCTION

Clean environment is one of the most important challenges faced by the world these days. With the rapid growth of the industrialization, the world is facing global warming, the poles are melting and the sea level is increasing at the constant pace. All these things made the corporate world and the society to think upon the clean environment. Presently the society, in spite of economic growth, wants something more from the industries. That something is the social responsibility to be done by the organizations. The people expect good profits from the organizations with sustainable development. As a result of this, the focus of the organizations is changing throughout the world as to earn profits with social responsibility. The economists, the accountants, the educationists and the managers are diverting their energy to develop an environmental accounting model. Although some of the companies have already started doing environmental accounting and including their environmental activities in their annual reports so as to tell the society that the company is aware of environmental challenges. Because of this environmental accounting and reporting is one of the most important techniques being developed by corporate world these days. As the demand of social and environmental reporting is increasing by the society overall, this has attracted the attention of academicians and researchers all over the world. Numerous studies on corporate social reporting and voluntary disclosure practices have been carried out in the past. Dierkes (1979), Singh and Ahuja (1983), and Guthrie and Parker (1990) studied environmental reporting as a part of their CSR research. Coopers and Deloitte (1990), Ingram and Frazier (1980) conducted surveys and focused that there were little environmental disclosures before 1990s. The 1990s saw a dramatic increase in the practice of environmental reporting, particularly in Europe and North America.

The present research paper is divided into four sections. The first section gives the brief account of environmental accounting and reporting, the next section highlights the research methodology, the third section presents the analysis of data and the final section presents the concluding remarks.

II. RESEARCH METHODOLOGY

The present study is based on the perceptions of the professionals regarding environmental accounting and reporting in India. The professionals included in the study are those people which are directly linked with the corporate world and contribute towards developing the new techniques in accounting and reporting practices. These professionals are chartered accountants, industrialists and the academicians. The objectives of the present research paper are (a) to find out the reasons for not incorporating the issues of environmental accounting and reporting in the financial statements formally and the proper place of environmental information disclosure in the annual reports, and (b) to know the important users of the environmental information and the reasons for the failure to prepare environmental accounts.

For the purpose of the study the opinion of the 100 professionals (chartered accountants, industrialists and academicians) is collected with the help of structured questionnaire. The sample of these professionals is selected on the basis of convenient sampling from the states of Punjab, Haryana, Himachal Pardesh, U.P.and Maharashtra.

In all, there are 17 questions in the questionnaire out of which 11 questions are based upon five point Likert's scale. In rest of the 6 questions the respondents have to rank the statements according to their preferences.

To analyze the perception of chartered accountants, academicians and industrialists, the statistical techniques such as percentages, weighted average and factor analysis are used. To calculate the weighted average, the weights of 2, 1, 0, -1, -2 are assigned to strongly agree, agree, can't say, disagree and strongly disagree respectively and the score has been divided by the number of observations.

To study the variability in the respondents view, One Way Analysis of Variance is used. To study the significance between different viewers, F-Statistics is calculated.

III. RESULTS AND DISCUSSION

Table 1 shows the division of the professionals, that is, the number of professionals of each category, their age, whether they are in service or practicing and their experience in the profession.

Table 1

Age (years)	Chartered Accountants(C.A.)	Academicians (Acds)	Industrialist (Inds.)
20-30	-	17	7
31-40	17	12	11
41-50	10	11	4
Above 50	-	9	2
Total(100)	27	49	24

Practicing	In Service	Practicing	In Service	Practicing	In Service
11	16	-	49	-	24

From the table 1 it is clear that there are 27 chartered accountants, 49 academicians and 24 industrialists who have filled the questionnaire. In the age group of 20 to 30 years there are 17 academicians and 7 industrialists. In the age group 31 to 40 years has 17 chartered accountants, 12 academicians and 11 industrialists. The group 41 to 50 years consists of 10 chartered accountants, 11 academicians and 4 industrialists. The age group above 50 years consists of 9 academicians and 2 industrialists. Out of 27 chartered accountants, 11 are practicing and 16 are in service. All the 49 academicians are in service and similarly all the 24 industrialists are in service in their particular companies.

ANALYSIS OF THE PERCEPTION OF PROFESSIONALS

The questionnaire is designed in such a way that all the aspects related to the environment are covered. In order to extract the best out of the brains of the professionals, all the questions are placed in a sequence with consistency. The results of the questionnaire are as follows:

Environment as an Important Challenge

The first question is if the environment is one of the most important challenges faced by the business these days. As this century begins, natural resources are under increasing pressure, threatening public health and development. Water shortages, soil exhaustion, loss of forests, air and water pollution and degradation of coastlines afflict many areas. As standards without destroying, the environment is a global challenge.

Most developed economies currently consume resources much faster than they can regenerate and with rapid population growth, face the urgent need to improve living standards. As the living beings exploit nature to meet their present needs, they are destroying resources needed for the future.

There are 53 per cent of the professionals strongly agree, 43 per cent only agree, 2 per cent disagree and 2 per cent strongly disagree to the above statement. So, 96 per cent of the professionals are in the favor of this statement. Table 2 explains in detail the perception of the professionals according to their age and profession.

Table 2

Environment as an Important Challenge

Opinion	**Profession**	**Age(Years)**				**Total**
		20-30	**31-40**	**41-50**	**Above 50**	
Strongly Agree	C.A.	0	8(47.05)	6(60)	0	14(51.85)
	Acd.	10 (58.82)	7(53.85)	5(50)	4(44.44)	26(53.06)
	Inds.	4(57.14)	6(54.54)	2(50)	1(50)	13(54.16)
	Total	14(58.33)	21(51.21)	13(54.17)	5(45.45)	53
Agree	C.A.	0	7(41.17)	4(40)	0	11(40.74)
	Acd.	7(41.12)	6(46.15)	4(40)	4(44.44)	21(42.86)
	Inds.	3(42.86)	5(45.45)	2(50)	1(50)	11(45.84)
	Total	10(41.67)	18(43.91)	10(41.67)	5(45.45)	43
Disagree	C.A.	0	1(5.89)	0	0	1(3.75)
	Acd.	0	0	1(10)	0	0
	Inds.	0	0	0	0	0
	Total	0	1(2.44)	1(4.16)	0	2

Strongly Disagree	C.A.	0	1(5.89)	0	0	1(3.75)
	Acd.	0	0	0	1(11.11)	2(4.08)
	Inds.	0	*0*	0	*0*	0
	Total	0	1(2.44)	0	1(9.1)	2
Weighted Average	C.A.	0	1.17	1.6	0	1.37
	Acd.	1.59	1.54	1.3	1.1	1.15
	Inds.	1.57	1.54	1.5	1.5	1.54
	Total	1.58	1.39	1.46	1.18	1.43

Note: Figures in parentheses shows the percentage of the specific category

Analyzing the table, it is clear that in the age group of 20 to 30 years, 58.82 per cent of the academicians and 57.14 per cent of the industrialists strongly agree that the environment is the most important challenge faced by the industries in these days. 41.12 per cent of the academicians and 42.86 of the industrialists only agree with the statement. In the age group of 31 to 40 years the total of the 51.21 per cent of the professionals strongly agree with the statement out of which 47.05 per cent are the chartered accountants, 53.85 per cent are the industrialists and 54.54 per cent are the industrialists. The total of the 43.91 per cent of the professionals which only agree to the statement out of which 41.17 per cent are the chartered accountants, 46.15 per cent are the academicians and 45.45 per cent are the industrialists. Only 5.89 per cent of the chartered accountants disagree in the age group of 31-40 years to the statement. In the age group 41 to 50 years, 60 per cent of the chartered accountant, 50 per cent of the academicians and the same per cent of the industrialists strongly agree to the statement. The total of the 41.67 per cent of the professionals only agree to the statement and only 1 per cent of the academicians disagree to the statement. In the age group of 50 years and above the total of 45.45 per cent of the professionals strongly agree to the statement and the same per cent is the persons who only agree to the statement and only 9.1 per cent of the persons strongly disagree to the statement. So maximum number of the respondents perceives that environment is the most important challenge faced these days especially the industrialists as shown by the weighted average (1.54) in the table.

Reporting to the Public about the Impact of Their Activities on Environment

The area of public relations or public environmental issues shows characteristics of its own, highly differentiated for its concerns in the different countries of the world. The environmental issues are seen as real "values", identified and accepted by the public opinion all over the world, even though to a different extent and with the different impact, because they represent the research of quality to every society in the world. Today, all the enterprises must consider the environmental issues in their communication processes owing to the impact that these issues have in each community, involving public opinion, prompting judgments and views.

It is found that 59 per cent of the professionals strongly agree to the statement while 39 per cent only agrees to the statement while 2 per cent strongly disagree to the statement.

Table 3 further explains in detail the perception of different professionals regarding the said statement. In the age group of 20 to 30 years, the total 66.67 per cent of the professionals strongly agree that the company should report to the public about the impact of their activities on the environment out of which 70.58 are the academicians and 57.14 are the industrialists. The percentages of persons who only agree the above said statement are 29.42 academicians and 42.86 are the industrialists. In the age group of 31 to 40 years 70.58 per cent of the chartered accountants, 50 per cent of the academicians and 63.63 per cent of the industrialists strongly agree to the statement. The persons who only agree to the statement are 23.53 per cent chartered accountants, 50 per cent academicians and 36.37 per cent industrialists. Only 5.89 per cent of chartered accountants strongly disagree to the statement in the age group of 31 to 40 years. In the age group of 41 to 50 years, 40 per cent of the chartered accountants, 45.45 per cent of the academicians and 50 per cent of the industrialists strongly agree to the statement. 60 per cent of the chartered accountants, 54.55 per cent of the academicians and 50 per cent of the industrialists only agree to the statement. In the age group above 50 years, 66.67 per cent of the academicians and 50 per cent of the industrialists strongly agree to the statement. 33.33 per cent of the academicians only agree to the statement and 50 per cent of the industrialists strongly disagree to the statement. The weighted average shows that maximum of the academicians (1.59) and the industrialists (1.61) agree to the said statement.

Table 3

Report to the Public about Impact of Their Activities on Environment

Opinion	**Profession**	**Age(Years)**				**Total**
		20-30	**31-40**	**41-50**	**Above 50**	
Strongly Agree	C.A.	0	12(70.58)	4(40)	0	*16(59.26)*
	Acd.	12(70.58)	6(50)	5(45.45)	6(66.67)	*29(59.18)*
	Inds.	4(57.14)	7(63.63)	2(50)	1(50)	*14(60.87)*
	Total	16(66.67)	25(62.5)	11(44)	7(63.63)	*59*
Agree	C.A.	0	4(23.53)	6(60)	0	*10(37.03)*
	Acd.	5(29.42)	6(50)	6(54.55)	3(33.33)	*20(40.82)*
	Inds.	3(42.86)	4(36.37)	2(50)	0	*9(39.13)*
	Total	08(33.33)	14(35)	14(56)	3(27.27)	*39*
Strongly Disagree	C.A.	0	1(5.89)	0	0	*1(3.71)*
	Acd.	0	0	0	0	*0*
	Inds.	0	*0*	0	*1(50)*	*0*
	Total	0	1(2.5)	0	1(9.1)	2
Weighted Average	C.A.	0	1.53	1.4	0	*1.48*
	Acd.	1.70	1.5	1.45	1.67	*1.59*

	Inds.	1.57	1.64	1.5	0	1.61
	Total	1.67	1.55	1.44	1.36	1.53

Note: *Figures in parentheses shows the percentage of the specific category*

Nature of Environmental Accounting and Reporting

The third question is whether the voluntary nature of environmental accounting and reporting in India is one of the main reasons for not incorporating these issues in the financial statements formally. There are 34 per cent of the persons who strongly agree to the statement, 43 per cent agree, 20 per cent disagree and only 3 per cent of the respondents who strongly disagree to the statement.

Table 4

Voluntary Nature is the Main Reason for Not Incorporating the Environmental Issues in the Financial Statements

Opinion	Profession	Age(Years)				Total
		20-30	31-40	41-50	Above 50	
Strongly Agree	C.A.	0	5(29.42)	5(50)	0	10(37.03)
	Acd.	5(29.41)	4(33.33)	3(27.27)	4(44.45)	16()32.65
	Inds.	3(42.86)	3(27.27)	1(25)	1(50)	8(33.33)
	Total	8(33.33)	12(30)	9(36)	5(45.45)	34
Agree	C.A.	0	7(41.17)	4(40)	0	11(40.74)
	Acd.	8(47.05)	6(50)	3(27.27)	3(33.33)	18(36.73)
	Inds.	4(57.14)	6(54.55)	1(25)	1(50)	12(50)
	Total	12(50)	19(47.5)	8(32)	4(36.36)	43
Disagree	C.A.	0	3(17.65)	1(10)	0	4(14.81)
	Acd.	3(17.64)	2(16.67)	5(45.45)	2(22.22)	14(28.57)

	Inds.	0	2(18.18)	2(50)	0	4(16.67)
	Total	3(12.5)	7(17.50)	8(32)	2(18.18)	20
Strongly Disagree	C.A.	0	2(11.76)	0	0	2(7.40)
	Acd.	1(5.9)	0	0	0	1(2.05)
	Inds.	0	0	0	0	0
	Total	1(4.17)	2(5)	0	0	03
Weighted Average	C.A.	0	0.59	1.3	0	0.85
	Acd.	0.76	1	0.36	1	0.61
	Inds.	1.43	0.91	0.25	1.5	1
	Total	1.09	0.8	0.72	1.09	0.85

Note: *Figures in parentheses shows the percentage of the specific category*

Table 4 further focuses light on the details of the opinion of the professionals regarding the voluntary nature is the main reason of the environmental accounting for not incorporating in the financial statements.

According to the table, in the age group 20 to 30 years, 29.41 per cent of the academicians and 42.86 per cent of the industrialists strongly agree to the above said statement. The percentages of persons who only agree to the statement are 47.05 academicians and 57.14 of the industrialists. The 17.64 and 5.9 of the academicians disagree and strongly disagree to the statement respectively. 29.42 per cent of the chartered accountants, 33.33 per cent of the academicians and 27.27 per cent of the industrialists strongly agree to the statement in the age group of 31 to 40 years. The persons who only agree to the statement are 41.17 per cent of the chartered accountants, 50 per cent of the academicians and 54.55 per cent of the industrialists. The total of 17.50 per cent of the persons disagrees to the statement and 5 per cent strongly disagree. In the age group of 41 to 50 years, 50 per cent of chartered accountants, 27.27 per cent of the academicians and 25 per cent of the industrialists strongly agree to the statement. The 32 per cent of the respondents only agree to the statement while same per cent disagree to the statement. In the age group of above 50 years, 45.45 per cent persons strongly agree to the statement, 36.36 per cent only agrees and the 18.18 per cent of the respondents disagree to the statement. The weighted average indicates that the maximum of chartered accountants (0.85) and the industrialists (1) agree to the said statement.

Environmental Disclosures to be Made Mandatory

In order to know what the Indian professionals think about to make environment disclosure mandatory, there are 52 per cent professionals who strongly agree to the statement, 41 per cent only agree, 7 per cent disagree.

Table 5

Environmental Disclosure be Made Mandatory

Opinion	Profession	Age(Years)				Total
		20-30	31-40	41-50	Above 50	
Strongly Agree	C.A.	0	9(52.94)	5(50)	0	14(51.85)
	Acd.	7(41.17)	6(50)	7(63.64)	4(44.45)	24(48.98)
	Inds.	5(71.43)	4(36.36)	3(75)	2(100)	14(58.33)
	Total	12(50)	19(47.5)	15(60)	6	52
Agree	C.A.	0	7(41.17)	3(30)	0	10(37.04)
	Acd.	10(58.83)	6(50)	0	5(55.55)	21(42.86)
	Inds.	2(28.57)	7(63.64)	1(25)	0	10(41.67)
	Total	12(50)	20(50)	4(16)	5	41
Disagree	C.A.	0	1(5.89)	2(20)	0	3(11.11)
	Acd.	0	0	4(36.36)	0	4(8.16)
	Inds.	0	0	0	0	0
	Total	0	1(2.5)	6(24)	0	7
Weighted Average	C.A.	0	1.41	1.1	0	1.29
	Acd.	1.41	1.5	0.91	1.44	1.32
	Inds.	1.71	1.36	1.75	2	1.58

	Total	1.5	1.42	1.12	1.54	1.38

Note: *Figures in parentheses shows the percentage of the specific category*

Table 5 reveals that in the age group of 20 to 30 years the total of 50 per cent of the professionals strongly agrees that the environmental information should be made mandatory in nature. The 58.83 per cent of the academicians and 28.57 per cent of the industrialists only agree to the statement. In the age group of 31 to 40 years, 52.94 per cent of the chartered accountants, 50 per cent of the academicians and 36.36 per cent of the industrialists strongly agree to the statement. The professionals who only agree to the statement are 50 per cent in total. In this age group, 5.89 per cent of the chartered accountants disagree to the statement. 50 per cent of the chartered accountants, 63.64 per cent of the academicians and 75 per cent of the industrialists strongly agree to the statement in the age group of 41 to 50 years. There are 30 per cent of the C.A. and 25 per cent of the industrialists who only agree to the statement and the total 24 per cent of the professionals who disagree to the statement. In the age group of above 50 years, 44.45 per cent of the academicians and 100 per cent of the industrialists strongly agree to the statement and 55.55 per cent of the academicians only agree to the statement. The weighted average indicates that the maximum of the industrialists (1.58) perceive that environmental disclosures must be made mandatory.

Environmental Information Jeopardizes the Confidentiality and Competitive Position

Access to information raises a whole suite of questions about democracy, public participation, confidentiality, competition and indeed, intellectual property rights. More fundamentally, however, access to information goes to the question of whether information should privately held and controllers or part of the public domain. Responses to this issue are not necessarily going to be the same in all contexts. Access to the information is a crucial means by which individuals can monitor the regulators and come to trust the regulatory system. Access to information has also developed as a principle of sustainable development law over the past fifty years through its inclusion and use in a variety of human rights, trade and environmental etc. As public doubt over the human and environmental safety of the products continues to linger, industry's desire for confidentiality runs head long into citizen actions to ensure that they and their environment are being protected.

The fifth question in the questionnaire is that if it is a common belief that companies generally do not disclose negative information on environment because it may jeopardize the confidentiality in the sensitive areas and may adversely affect the company's competitive position. The opinion of the professionals are that 37 per cent of the professionals strongly agree to the statement, 38 per cent only agree, 17 per cent disagree and 8 per cent strongly disagree to the statement.

Table 6 elaborates the opinion of the different professionals in the different age groups, according to which, in the age group of 20 to 30 years the total of 29.17 per cent of the professionals strongly agrees to the above said statement. There are 33.33 per cent of the professionals who agree to the statement and 25 per cent and 12.50 per cent of the professionals who disagree and strongly disagree to the statement respectively. 41.17 per cent of the chartered accountants 33.33 per cent of the academicians and 9.1 per cent of the industrialists strongly agree to the statement in the age group of 31 to 40 years. The total of 45 per cent of the respondents only agrees to the statement. The 22.5 per cent of the professionals disagree and 2.5 per cent strongly disagree to the statement. In the age group of 41 to 50 years, 48 per cent of the professionals strongly agree to the statement and equal per cent of the professionals only agree to the statement while 4 per cent of the professionals disagree to the statement. In the age group of above 50 years the percentages are 55.55 of the academicians and 50 of the industrialists who strongly agree to the statement. The 50 of the industrialists and 44.45 of the academicians disagree and strongly disagree to the statement respectively. As for as weighted average is concerned, the maximum of the chartered accountants (1.15) agree to the said statement while the weighted average of the industrialists is low (0.46).

Table 6

Environmental Information Jeopardizes the Confidentiality and Competitive Position of the Company

Opinion	Profession	Age(Years)				Total
		20-30	31-40	41-50	Above 50	
Strongly Agree	C.A.	0	7(41.17)	5(50)	0	12(44.44)
	Acd.	4(23.53)	4(33.33)	5(45.45)	5(55.55)	18(36.73)
	Inds.	3(42.87)	1(9.1)	2(50)	1(50)	7(29.17)
	Total	7(29.17)	12(30)	12(48)	6(54.55)	37
Agree	C.A.	0	7(41.17)	4(40)	0	11(40.74)
	Acd.	7(41.17)	6(50)	6(54.55)	0	19(38.77)
	Inds.	1(14.28)	5(45.44)	2(50)	0	8(33.33)
	Total	8(33.33)	18(45)	12(48)	0	38
Disagree	C.A.	0	3(17.66)	1(10)	0	4(14.82)
	Acd.	4(23.53)	2(16.67)	0	0	*6(12.25)*
	Inds.	2(28.57)	4(36.36)	0	1(50)	7(29.17)
	Total	6(25)	9(22.50)	1(4)	1(9.1)	*17*
Strongly Disagree	C.A.	0	0	0	0	0
	Acd.	2(11.77)	0	0	4(44.45)	*6(12.25)*
	Inds.	*1(14.28)*	*1(9.1)*	0	0	2(8.33)
	Total	3(12.50)	1(2.5)	0	4(36.36)	*8*
Weighted Average	C.A.	0	1.06	1.3	0	1.15
	Acd.	0.41	1	1.45	0.22	0.75
	Inds.	0.43	0.09	1.5	0.5	0.46
	Total	0.42	0.77	1.4	0.27	0.79

Note: *Figures in parentheses shows the percentage of the specific category*

Proper Place of Environmental Information Disclosure

There is no proper place till date is fixed to show environmental related information in the annual reports. The different organizations are using different places for these disclosures. The places used by the companies these days are director's report; management discussion and analysis; sustainable development report; annexure to Profit and Loss account; notes to account or chairman's speech etc. Due to the lack of the proper place in the annual reports it becomes difficult for the public to directly reach to the part of the annual report where the environmental information is written. In order to know and to fix the proper place, the professionals were to rank the place according to their own preferences. There are five statements in this question regarding the proper place of the environmental information disclosure. The rank 1 is to be given to the statement which they thought that the particular statement is most important in their opinion. Similarly, they are to give the ranks 2, 3, 4 and 5. Table 7 explores the variations in the views of respondents for the place of disclosure.

From the table it is found that no significant difference is observed between the different options described in the questionnaire by the respondents. F-value turns out to be 0.213 that is non significant. So it indicates that there is no proper place which is marked the highest rank by all the professionals.

Table 7

Proper Place of Environmental Information Disclosure

Source of Variation	Sum of square	D.F.	M.S.E.	F-Value	F-Table Value	G.M.	C.V.
Between Sample	52.76	99	0.5330				
Error	1000	400	2.50	0.213	1.48	3.00	52.70
Total	1052.76	499					

D.F.=Degrees of Freedom **M.S.E.**=Mean Standard Error

G.M.=Geometric Mean **C.V.**=Coefficient Of Variation

Benefits of Disclosing Environmental Information

In order to know the best benefit of disclosing environmental information out of the alternatives like helpful for accounting purpose; makes disclosure consistent over time; facilitates inter period comparison; more useful for external users; increases profitability; improves pricing of the product or any other; the respondents are to give the ranks to these alternatives. Table 8 explains the variations in the views of respondents regarding the above statement.

From the table it is known that no significant difference is observed between the different options described in the questionnaire by the respondents.

Table 8

Benefits of Disclosing Environmental Information

Source of Variation	Sum of square	D.F.	M.S.E.	F-Value	F-Table Value	G.M.	C.V.
Between Sample	12.288	6	2.048				
Error	3541.86	42	84.33	0.02	2.34	14.49	63.38
Total	3554.148	48					

D.F.=Degrees of Freedom **M.S.E.**=Mean Standard Error

G.M.=Geometric Mean **C.V.**=Coefficient Of Variation

The F-value turns out to be 0.02 which non significant. So, neither of the statements is given any weightage by the respondents.

Reasons for not disclosing Environmental Information

It is well known that none of the organizations seems to be serious for providing environmental information. In order to know one major reason amongst the various reasons like no affect on conventional accounting format; no recommendations as to disclosure by professional bodies; does not affect usefulness of information for decision makers; will make financial statements bulky; may create confusion or will lead to window dressing etc. the professionals are to rank these reasons.

Table 9 explains the variations in the opinions of the professionals.

Table 9

Reasons for not Disclosing Environmental Information

<table>
<tr><th>Source of Variation</th><th>Sum of square</th><th>D.F.</th><th>M.S.E.</th><th>F-Value</th><th>F-Table Value</th><th>G.M.</th><th>C.V.</th></tr>
<tr><td>Between Sample</td><td>4.8909</td><td>7</td><td>0.6987</td><td rowspan="3">0.0120</td><td rowspan="3">2.18</td><td rowspan="3">12.50</td><td rowspan="3">60.89</td></tr>
<tr><td>Error</td><td>3243.52</td><td>56</td><td rowspan="2">57.92</td></tr>
<tr><td>Total</td><td>3248.41</td><td>63</td></tr>
</table>

D.F.=Degrees of Freedom **M.S.E.**=Mean Standard Error

G.M.=Geometric Mean **C.V.**=Coefficient Of Variation

In the table again it is found that no significant difference is observed between the different options described in the questionnaire by the respondents. The F-value turns out to be 0.0120 which is non significant. It can be concluded that all the reasons were given equal preference by the professionals.

Important Users of the Environmental Information

After analyzing the reasons for not disclosing environmental information in the annual reports and the benefits of the environmental information, now it becomes necessary to know the important users of environmental information; whether these are owners; management; employees; competitors; lenders; insurers; financial advisors; journalists; Government or society at large etc. The respondents are to rank thirteen important users according their preferences. Table 10 throws light on the variations in the views of respondents.

Table 10

Important Users of the Environmental Information

Source of Variation	Sum of square	D.F.	M.S.E.	F-Value	F-Table Value	G.M.	C.V.
Between Sample	7.1004	12	.59179	0.02	1.85	7.751	74.60
Error	5215.08	156	33.43				
Total	5222.180	168					

D.F.=Degrees of Freedom **M.S.E.**=Mean Standard Error

G.M.=Geometric Mean **C.V.**=Coefficient Of Variation

The table shows that again in this question also no significant difference is found between the different options described in questionnaire by the respondents. The F-value is 0.02 which is non-significant. Again, the professionals did not give preference to any one important user.

Environmental Information Disclosure: Qualitative, Quantitative or in Both Forms

The transformation of information will be effective only if there is proper communication. The environmental information in the annual reports will be useful to the users if it is put in the right form. The information can be presented in two forms. These are qualitative and quantitative. Both the forms have its own merits and demerits. Many things are not possible to present in the quantitative form. Therefore, instead of leaving that information it will be beneficiary if these are to be presented in the qualitative forms. However, the analysis of the information is not possible in the qualitative form as it is possible only if the information is in the quantitative form. Therefore, the best outcome can only be possible if the organizations use both the forms. Broadly 12 per cent of the professionals believe that the companies should disclose qualitatively, only 1 per cent believe quantitatively while 87 per cent believe in both.

Table 11

Disclosure of Environmental Information: Qualitative, Quantitative or Both

Opinion	**Profession**	**Age(Years)**				**Total**
		20-30	**31-40**	**41-50**	**Above 50**	
Qualitative	C.A.	0	4(23.52)	0	0	4(14.81)
	Acd.	6(35.29)	1(8.33)	0	0	7(14.28)
	Inds.	1(14.28)	0	0	0	1(4.17)
	Total	7(29.17)	5(12.5)	0	0	12
Quantitative	C.A.	0	0	0	0	0
	Acd.	1(5.88)	0	0	0	1(2.05)
	Inds.	0	0	0	0	0
	Total	1(4.17)	0	0	0	1
Both	C.A.	0	13(76.48)	10(100)	0	23(85.19)

	Acd.	10(58.82)	11(91.67)	11(100)	9(100)	41(83.67)
	Inds.	6(85.71)	11(100)	4(100)	2(100)	23(95.83)
	Total	16(66.66)	35(87.5)	25(100)	11(100)	87

Note: *Figures in parentheses shows the percentage of the specific category*

Table 11 shows that in the age group of 20 to 30 years, 35.29 per cent of the academicians and 14.28 per cent of the industrialists believe that the companies should disclose the environmental information qualitatively and 5.88 per cent of the academicians believe that the information should be disclosed quantitatively while 58.82 per cent of the academicians and 85.71 per cent ticked the both option. In the age group of 31 to 40 years the percentages are 23.52 of the chartered accountants, 8.33 of the academicians believe that the information should be qualitative while 76.48 of the chartered accountants, 91.67 of the academicians and 100 of the industrialists believe in both the forms. 100 per cent of the chartered accountants, academicians and industrialists believe in both the forms of disclosure in the age group of 41 to 50 years. In the age group of above 50 years, again 100 per cent of the academicians and industrialists believe in both the forms of disclosure. The table revealed that the professionals are more interested in qualitative as well as quantitative disclosures of the environmental information.

The Qualitative Characteristics of Environmental Information

There are many qualitative characteristics of environmental information like useful in decision making; relevance; reliability; objectivity; timeliness; understandability; verifiability; comparability; consistency and completeness etc. In order to know the best qualitative characteristic, the respondents again are to rank the statements according to their preferences from 1 to 10. Table 12 spots the variations in the views of respondents for the above said statement.

The table highlights that no significant difference is observed between the different options described in the questionnaire by the professionals. The F-value comes out to be 0.26 which is non significant. Therefore, all the statements are given equal weightage by the respondents.

Table 12

The Qualitative Characteristics of Environmental Information

Source of Variation	Sum of square	D.F.	M.S.E.	F-Value	F-Table Value	G.M.	C.V.
Between Sample	81.00	9	9.000	0.26	1.98	9.70	61.28
Error	3171.6	90	35.24				
Total	3252.6	99					

D.F.=Degrees of Freedom **M.S.E.**=Mean Standard Error

G.M.=Geometric Mean **C.V.**=Coefficient Of Variation

The Benefits of Environmental Information is Greater Than its Costs

Many of the organizations in India are of the view that to provide environmental information is a costlier process. According to them, the benefits derived out of the environmental information are lesser than that of the cost associated with it. In the countries like Australia, the organizations have now understood that providing environmental information to the public benefit a lot to them. They are of the view that by providing such information, the faith of the public is made and the people like to purchase the products of those organizations, which are environmental friendly. Although during the start of environmental accounting, their costs increased but after a short span, the results received were positive and the benefits overcame the costs. As environmental accounting and reporting is new idea for the Indian companies, so they are afraid of its increasing costs. About this statement 28 per cent of the professionals strongly agree, 39 per cent only agree, 30 per cent disagree and 3 per cent strongly disagree.

Table 13

The Benefits of Environmental Information are Greater Than Costs

Opinion	Profession	Age(Years)				Total
		20-30	31-40	41-50	Above 50	
Strongly Agree	C.A.	0	5(29.41)	0	0	5(18.52)
	Acd.	5(29.41)	3(25)	4(36.36)	2(22.22	14(28.57)
	Inds.	2(28.57)	4(36.36)	1(25)	2(100)	9(37.5)
	Total	7(29.17)	12(30)	5(20)	4(36.36)	28
Agree	C.A.	0	2(11.77)	3(30)	0	5(18.52)
	Acd.	8(58.82)	9(75)	2(18.18)	7(77.78)	26(53.07)
	Inds.	4(57.14)	2(18.18)	2(50)	0	8(33.33)
	Total	12(50)	13(32.5)	7(28)	7(63.64)	39
Disagree	C.A.	0	10(58.82)	7(70)	0	17(62.96)
	Acd.	1(7.35)	0	5(45.45)	0	6(12.24)
	Inds.	1(14.28)	5(45.45)	1(25)	0	7(29.17)
	Total	2(8.33)	15(37.5)	13(52)	0	30
Strongly Disagree	C.A.	0	0	0	0	0
	Acd.	3(22.06)	0	0	0	3(6.12)
	Inds.	*0*	0	0	0	0

	Total	3(12.50)	0	0	0	3
Weighted Average	C.A.	0	0.117	-0.4	0	-0.07
	Acd.	0.64	1.25	0.45	1.22	0.86
	Inds.	1	0.45	0.75	2	0.79
	Total	0.75	0.55	0.16	1.36	0.59

Note: *Figures in parentheses shows the percentage of the specific category*

Table 13 further indicates that in the age group of 20 to 30 years 29.41 per cent of academicians and 28.57 per cent of the industrialists strongly agree to the statement. The 58.82 per cent of the academicians and 57.14 per cent of the industrialists only agree to the statement while the total of 8.33 per cent and 12.5 per cent disagree and strongly disagree to the statement respectively. In the age group of 31 to 40 years the total of 30 per cent of the professionals strongly agree to the statement and 32.5 per cent only agree to the statement while 58.82 per cent of the chartered accountants and 45.45 per cent of the industrialists disagree to the statement in the age group of 31 to 40 years. The percentages in the age group of 41 to 50 years are 36.36 of the academicians and 25 of the industrialists strongly agree to the statement. The 30 of the chartered accountants, 18.18 of the academicians and 50 of the industrialists only agree to the statement while 70 of the chartered accountants, 45.45 of the academicians and 25 of the industrialists disagree to the statement. 22.22 per cent of academicians and 100 per cent of the industrialists strongly agree to the statement while 77.7 per cent of the academicians only agree to the statement in the age group above 50 years. The maximum percentage of the respondents agrees to the said statement, but on watching the weighted average, the maximum of the chartered accountants (-0.07) disagree to the statement. In the age group of 41 to 50 years, the chartered accountants with the weighted average (-0.4) perceives that the environmental costs greater than its benefits.

Reasons for the Failure to Prepare Environmental Accounts

Environmental accounting is difficult without environmental accounts. There may be many reasons like; lack of accounting standard; ignorance of benefits environmental accounting; voluntary disclosure of environmental accounting; lack of clear cut policy of Government; difficulty in measuring environmental costs and benefits objectively; financial constraints; lack of interest of general public in environmental details; no fear of action from Government and lack of willingness on the part of top management etc. In order to find out the exact reason, the professionals are to rank these reasons according to their perception. Table 14 explains the variations in the views of respondents for the above statement.

Table 14

Reasons for Failure to Prepare Environmental Accounts

<table>
<tr><th>Source of Variation</th><th>Sum of square</th><th>D.F.</th><th>M.S.E.</th><th>F-Value</th><th>F-Table Value</th><th>G.M.</th><th>C.V.</th></tr>
<tr><td>Between Sample</td><td>4.8824</td><td>8</td><td>0.6103</td><td rowspan="3">0.0124</td><td rowspan="3">2.04</td><td rowspan="3">9.09</td><td rowspan="3">77.04</td></tr>
<tr><td>Error</td><td>4413.6</td><td>90</td><td rowspan="2">49.04</td></tr>
<tr><td>Total</td><td>4418.48</td><td>98</td></tr>
</table>

D.F.=Degrees of Freedom **M.S.E.**=Mean Standard Error

G.M.=Geometric Mean **C.V.**=Coefficient Of Variation

From the table it is found that no significant difference is observed between the different options described in the questionnaire by the professionals. The F-value comes out to be 0.0124 which is non significant. It can be concluded from the table that all the reasons are equally responsible for the said statement.

Environmental Policies to be reported to the Public

Now that many companies have adopted corporate responsibility policies and management systems, questions are being asked about the extent to which these policies lead to tangible changes in social and environmental performance at site level. The best companies provide detailed information in their corporate responsibility reports on many aspects of environmental performance. However, because of inconsistencies in reported information and the general lack of site-level reporting, it remains difficult for investors and other stakeholders to assess whether policy is indeed being translated into good practice. Few companies include in their Annual Reports a general commitment to improve environment performance, backed up by examples of a few initiatives. Some try to give a figure for expenditure on capital investment related to environmental improvement, and give an estimate of environmental liabilities, such as contaminated land. However, many are concerned about publishing such figures. The trend towards publishing detailed separate reports of environmental performance is likely to continue, because the amount of environmental information currently of interest to different audiences is more extensive than can be accommodated within a traditional Annual Report. Now the question lies whether the companies should report to the public about the environmental policies. Well, 50 per cent of the professionals strongly agree to the statement, 34 per cent only agree to the statement while 12 per cent and 04 per cent disagree and strongly disagree to the statement.

From table 15 it is clear that in the age group of 20 to 30 years, 47.05 per cent of the academicians and 42.86 per cent of the industrialists strongly agree to the above statement. 47.05 per cent of the academicians and 14.28 per cent of industrialists only agree to the statement while 5.9 per cent of the academicians and 42.86 per cent of the industrialists disagree to the statement. 52.94 per cent of the chartered accountants, 33.33 per cent of the academicians and 36.36 per cent of the industrialists strongly agree to the statement in the age group of 31 to 40 years. The 29.41 per cent of the chartered accountants, 50 per cent of the academicians and 45.46 of the industrialists only agree to the statement. The total of 7.5 per cent and 10 per cent of the professionals disagree and strongly disagree to the statement respectively. In the age group of 41 to 50 years, 80 per cent of the chartered accountants, 54.54 of the academicians and 50 of the industrialists strongly agree to the statement.

Table 15

Organization Should Report Environmental Policies to Public

Opinion	Profession	Age(Years)				Total
		20-30	31-40	41-50	Above 50	
Strongly Agree	C.A.	0	9(52.94)	8(80)	0	17(62.96)
	Acd.	8(47.05)	4(33.33)	6(54.54)	4(44.44)	22(44.9)
	Inds.	3(42.86)	4(36.36)	2(50)	2(100)	11(45.83)
	Total	11(45.83)	17(42.5)	16(64)	6(54.54)	50
Agree	C.A.	0	5(29.41)	1(10)	0	6(22.22)
	Acd.	8(47.05)	6(50)	4(36.36)	4(44.44)	22(44.9)
	Inds.	1(14.28)	5(45.46)	0	0	6(25)
	Total	9(37.5)	16(40)	5(20)	4(36.36)	34
Disagree	C.A.	0	3(17.65)	1(10)	0	4(14.82)
	Acd.	1(5.9)	0	1(9.1)	1(11.12)	3(6.12)
	Inds.	3(42.86)	0	2(50)	0	5(20.84)
	Total	4(16.67)	3(7.5)	4(16)	1(9.1)	12
Strongly Disagree	C.A.	0	0	0	0	0
	Acd.	0	2(16.67)	0	0	2(4.08)
	Inds.	0	2(18.18)	0	0	2(8.33)

	Total	0	4(10)	0	0	4
Weighted Average	C.A.	0	1.17	1.6	0	1.33
	Acd.	1.35	0.83	1.36	1.22	1.20
	Inds.	0.57	0.82	0.5	2	0.79
	Total	1.125	0.975	1.32	1.36	1.14

Note: *Figures in parentheses shows the percentage of the specific category*

The total 20 of the respondents only agrees to the statement while 10 per cent of the chartered accountants, 9.1 per cent of the academicians and 50 per cent of the industrialists disagree to the statement. The total of 54.54 per cent of the professionals strongly agrees to the statement and the total of 36.36 per cent only agree to the statement while the total of 11.12 per cent of the professionals disagree to the statement in the age group of above 50 years. By analyzing the weighted averages, the maximum of the chartered accountants (1.33) agrees to the said statement.

Environmental Audit in the Corporate Entities

The Industrial Revolution that started since the end of the 18th century has brought unparalleled and radical changes in man's life style as compared to any other period in history. Interestingly, it also has been a saga of ruthless exploitation of the Earth and its available natural resources. This has resulted in a host of unwanted and very often-unforeseen circumstances such as, global warming, the depletion of the ozone layer, acid rain, photochemical smog; just to maintain a few. Today legislation has become much more exciting, financial institutions are much more concerned as where their money is going, and citizen's pressure groups have been established. Not only customers are looking for more environmentally friendly products, even staff and prospective staff is waiting to be associated with environment carrying and conscious companies. Because of the growth of environmental business issues, the environmental audit function has grown dramatically since its inception in the 1980's.

International Chamber of Commerce defines environmental audit as "The systematic examination of the interactions between any business operation and its surroundings. This includes all emissions to air, land and water; legal constraints; the effects on the neighboring community, landscape and ecology; and the public's perception of the operating company in the local area... Environmental audit does not stop at compliance with legislation. Nor it is a 'green-washing' public relations exercise...Rather it is a total strategic approach to the organization's activities." The important features are that environmental auditing is a management tool for evaluating environmental performance against specified objectives. Environmental Auditing is normally regarded as part of an overall environmental management system and it is therefore not considered in isolation but as one of a series of regular audits to assess improvements in performance. Environmental auditing has evolved over from being primarily a scientific understanding to one, which now includes evaluation of compliance with pre-determined standards and emphasizes a management control system. The perception of the professionals on whether the environmental auditing should carry out in organizations is 40 per cent strongly agrees, 51 per cent only agrees, 9 per cent disagree.

Table 16

Environmental Audit in the Corporate Entities

Opinion	Profession	Age(Years)				Total
		20-30	31-40	41-50	Above 50	
Strongly Agree	C.A.	0	5(29.41)	3(30)	0	8(29.63)
	Acd.	6(35.30)	8(66.67)	2(18.18)	4(44.45)	20(40.81)
	Inds.	3(42.86)	5(45.45)	4(100)	0	12(50)
	Total	9(37.5)	18(45)	9(36)	4(36.36)	40
Agree	C.A.	0	7(41.18)	7(70)	0	14(51.85)
	Acd.	7(41.17)	4(33.33)	9(81.82)	5(55.55)	25(51.02)

	Inds.	4(57.14)	6(54.55)	0	2(100)	12(50)
	Total	11(45.83)	17(42.50)	16(64)	7(63.64)	51
Disagree	C.A.	0	5(29.41)	0	0	5(18.52)
	Acd.	4(23.53)	0	0	0	4(8.17)
	Inds.	0	0	0	0	0
	Total	4(16.67)	5(12.50)	0	0	9
Weighted Average	C.A.	0	0.07	1.3	0	0.92
	Acd.	0.88	1.67	1.18	1.44	1.24
	Inds.	1.43	1.45	2	1	1.5
	Total	1.04	1.2	1.36	1.36	1.22

Note: *Figures in parentheses shows the percentage of the specific category*

Table 16 explains that in the age group of 20 to 30 years 35.30 per cent of the academicians and 42.86 per cent of the industrialists strongly agrees to the statement. The 41.17 per cent of the academicians and 57.14 per cent of the industrialists only agree to the statement while 23.53 per cent of the academicians disagree to the statement. The total of 45 per cent of the professionals strongly agree to the statement and the total of 42.50 per cent of the professionals only agree to the statement while 12.50 per cent disagree to the statement in the age group of 31 to 40 years. The percentages in the age group of 41 to 50 years are 30 of the chartered accountants, 18.18 of the academicians and 100 of the industrialists strongly agree to the statement. 70 per cent of the chartered accountants and 81.82 per cent of the academicians only agree to the statement. In the age group of above 50 years, 44.45 per cent of the academicians strongly agree to the statement while 55.55 per cent of the academicians and 100 per cent of the industrialists only agree to the statement. The weighted average indicates that the academicians (1.24) believe that environmental audit must be there in the corporate entities.

Environmental Audit Should be Made Public

Corporate studies on environmental and safety issues, whether conducted internally (by employees) or externally (by outside consultants/experts under contract), must be disclosed to appropriate government agencies and the public. For instance, companies are required to submit permit applications, emission reports, and other information to Government agencies under the Clean Air Act, the Clean Water Act, and other environmental laws. The Federal Community Right to Know Act is another law that places specific obligations on companies. Under this law, firms are obliged to disclose the size, nature, and identity of storage and releases of toxic substances.

The opinion of the professionals on whether the environmental audit should be made public is 35 per cent strongly agree, 44 per cent only agree while 14 per cent and 7 per cent disagree and strongly disagree.

Table 17 indicates that 35.29 per cent of the academicians and 57.14 per cent of the industrialists strongly agree to the statement while 47.06 per cent of the academicians only agree to the statement. The 17.65 per cent of the academicians and 42.86 per cent of the industrialists disagree to the statement in the age group of 20 to 30 years. In the age group of the 31 to 40 years the total of 35 per cent of the professionals strongly agree to the statement and 42.50 per cent only agree to the statement while 15 per cent and 7.5 per cent disagree and strongly disagree to the statement respectively.

Table 17

Environmental Audit should be Made Public

Opinion	Profession	Age(Years)				Total
		20-30	31-40	41-50	Above 50	

Strongly Agree	C.A.	0	5(29.41)	4(40)	0	9(33.33)
	Acd.	6(35.29)	5(41.67)	7(63.64)	0	18(36.73)
	Inds.	4(57.14)	4(36.36)	0	0	8(33.33)
	Total	10(41.67)	14(35)	11(44)	0	35
Agree	C.A.	0	9(52.94)	4(40)	0	13(48.15)
	Acd.	8(47.06)	2(16.66)	4(36.36)	5(55.55)	19(38.77)
	Inds.	0	6(54.54)	4(100)	2(100)	12(50)
	Total	8(33.33)	17(42.50)	12(48)	7(63.63)	44
Disagree	C.A.	0	0	2(20)	0	2(7.40)
	Acd.	3(17.65)	5(41.67)	0	0	8(16.33)
	Inds.	3(42.86)	1(9.1)	0	0	4(16.67)
	Total	6(25)	6(15)	2(8)	0	14
Strongly Disagree	C.A.	0	3(17.65)	0	0	3(11.11)
	Acd.	0	0	0	4(44.45)	4(8.16)
	Inds.	0	0	0	0	0
	Total	0	3(7.50)	0	4(36.36)	7
Weighted Average	C.A.	0	0.76	1	0	0.85
	Acd.	1	0.58	1.63	-0.33	0.79
	Inds.	0.71	1.18	1	1	1
	Total	0.92	0.82	1.28	-0.09	0.86

Note: *Figures in parentheses shows the percentage of the specific category*

The percentages in the age group 41 to 50 years are 40 of the chartered accountants and 63.64 of the academicians strongly agree to the statement. The 40 of the chartered accountants, 36.36 of the academicians and 100 of the industrialists only agree to the statement while 20 of the chartered accountants disagree to the statement. In the age group of above 50 years, 55.55 per cent of the academician's and 100 per cent of the industrialists only agree to the statement while 44.45 per cent of the academicians disagree to the statement. As for as weighted average is concerned, the academicians (-0.33) in the age group of more than 51 years disagree to the said statement while the maximum of the industrialists (1) agrees to the said statement.

The Separate Environmental Management Department

The last question of this questionnaire is based on whether the companies should have the separate environmental management department. The opinion of the professionals about the above statement is that 61 per cent of the professionals strongly agree, 26 per cent only agree while 4 per cent and 9 per cent disagree and strongly disagree.

Table 18

The Separate Environmental Management Department

Opinion	Profession	Age(Years)				Total
		20-30	31-40	41-50	Above 50	
Strongly Agree	C.A.	0	4(23.53)	6(60)	0	10(37.05)
	Acd.	15(88.23)	6(50)	8(72.73)	9(100)	38(77.55)
	Inds.	5(71.43)	2(18.18)	4(100)	2(100)	13(54.17)
	Total	20(83.33)	12(30)	18(72)	11(100)	61
Agree	C.A.	0	4(23.53)	0	0	4(14.81)
	Acd.	2(11.77)	6(50)	3(27.27)	0	11(22.45)
	Inds.	2(28.57)	9(81.82)	0	0	11(45.83)
	Total	4(16.67)	19(47.5)	3(12)	0	26
Disagree	C.A.	0	0	4(40)	0	4(14.81)

	Acd.	0	0	0	0	0
	Inds.	0	0	0	0	0
	Total	0	0	4(16)	0	4
Strongly Disagree	C.A.	0	9(52.94)	0	0	9(33.33)
	Acd.	0	0	0	0	0
	Inds.	0	0	0	0	0
	Total	0	9(22.50)	0	0	9
Weighted Average	C.A.	0	-0.35	0.8	0	0.07
	Acd.	1.88	1.5	1.72	2	1.77
	Inds.	1.71	1.18	2	2	1.54
	Total	1.83	0.62	1.4	2	1.26

Note: *Figures in parentheses shows the percentage of the specific category*

From table 18 it is clear that 88.23 per cent of the academicians and 71.43 per cent of the industrialists strongly agree to the statement. The 11.77 per cent of the academicians and 28.57 per cent of the industrialists only agree to the statement in the age group of 20 to 30 years. In the age group of 31 to 40 years 23.53 per cent of the chartered accountants, 50 per cent of the academicians and 18.18 per cent of the industrialists strongly agree to the statement. The total of 30 per cent and 47.50 per cent of the professionals strongly agree and only agree to the statement respectively while the 22.50 per cent of the professionals strongly disagree. The percentages in the age group of 41 to 50 years are the 72 of the professionals strongly agree to the statement and 12 only agree to the statement while 16 disagree to the statement. In the age group of above 50 years, 100 per cent of the academicians and 100 per cent of the industrialists strongly agree to the statement. The weighted average shows that the maximum of the academicians (1.77) perceives that there must be separate environmental management department in each organization.

It is found from the above analysis that the professionals from the age group of 20 to 30 years and above 50 years and the maximum of the industrialists of all the age groups are more concerned and serious towards the environmental issues. The chartered accountants of all the age groups are not seen so serious as compared to the industrialists and academicians.

iv. FINDINGS AND CONCLUSION:

The maximum number of the professionals thinks that the voluntary nature of environmental accounting and reporting in India is one of the main reasons for not incorporating these issues in the financial statements formally. These disclosures must be made mandatory. As for as the proper place of disclosure is concerned, all the professionals give the equal weight age to all the places of disclosure i.e. P&L account, balance sheet, notes to accounts, director's report, chairman's speech or social accounts etc. According to professionals all the stake holders are the important users of the environmental information and there are many reasons for the failure to environmental accounts, lack of accounting standard and difficulty in measuring environmental costs and benefits objectively are main reasons.

So, it can be concluded that if the society wants that the corporate should do environmental accounting and reporting in their annual reports, the Government should make it mandatory in nature and the proper accounting standard must be formulated by the ASB. As environment is the most important challenges faced by the business and the society these days and all the stake holders are the important users of these information, so a proper place of disclosure must be fixed by the regulatory bodies in the annual reports of the companies.

REFERENCES:

Coopers & Lybrand Deloitte (1990), "Environment and Finance Function: Survey of Finance Directors' " Coopers & Lybrand Deloitte, London

Dierkes, M. (1979), "Corporate Social Reporting in Germany: Conceptual Developments Practical Experiences", *Accounting Organizations and Society*, Vol. 4, No.1/2, pp.87-07.

Guthrie, J. and Parker, L.D., (1990), "*Corporate Social Disclosure Practice: A comparative international Analysis*", Advances in Public Interest Accounting, Vol.3.

Ingram, R. W.; and Frazier K.B. (1980), "Environmental Performance and Corporate Disclosure" *Journal of Accounting Research,* Vol. 18 No. 2, pp. 614-22.

Singh, D. R.; and Ahuja, J. M. (1983), "Corporate Social Reporting in India", International Journal of Accounting Education and Research, Vol. 18, No.2, pp.151-169.

COMPARATIVE STUDY ON INNOVATIVE PRACTICES OF SOME SELECTED BANKS

DR. RAJU RATHOD

Assistant Professor

Post Graduate Department of Business Studies

Sardar Patel University

VALLABH VIDYANAGAR – 388 120

YAGNA VYAS

Faculty

Tarkesh & Niranjana Sureshbahi Patel Commerce Collage

Sardar Patel University

BORIAVI – 387 310

ABSTRACT

Due to the fast developing knowledge economy related to technology, services and globalization, innovation is at present given high priority both in politics, businesses and research institutions.

Innovativeness is basic requirement to be generating innovation in business organization. Indian banking sector is also undergoing a sea changes witnessing redesigning and makeover. The definition of banking service is drastically changed. Under such situation the survival, sustainability and success of any bank is largely depends on its capability to innovate and attract more number of customers.

The present paper discusses the innovative practices adopted by Private, Public and Cooperatives banks. The findings are based on the primary data collected through interview of Branch Managers of some selected banks. The study attempts to explore the various innovative practices of banks and tried to defined operational construct of innovativeness of banks. It attempt to measure and compare the innovativeness of different banks. Private sectors banks are highly innovative compared to public sectors and cooperative banks. But some of the public sector banks such as Bank of Baroda and Union Banks are not much behind the private sectors banks. So far as innovative practices are concerned co-operative banks are found to be very poor as compared to other banks. However looking to the performance of the bank, cooperative banks are remarkably good compared to private and public sector banks. It indicates that cooperative banks understand its customers well and accordingly adopt the required innovation. Public sector banks are running behind in many parameters of innovation and on performance ground.

KEY WORDS

Innovation, Innovative Practices, Innovative Services, Public Sector Banks, Private Sector Banks, Cooperative Banks.

INTRODUCTION

'India Innovation Survey 'jointly conducted by CII (Confederation of Indian Industry) and Boston Consulting Group found that: (A) Innovation is a top strategic focus for most Indian companies, An overwhelming 89% said the importance of innovation has increased significantly over the last 10 years, And 39% felt that innovation today has become critical to their organization. (B) An overwhelming 91% said innovation was amongst the top three strategic priorities.

Due to the fast developing knowledge economy related to technology, services and globalization, innovation is at present given high priority both in politics, businesses and research institutions. Innovativeness is basic requirement to be generating innovation in business organization. So far as business innovation is concerned it can be in terms of new technology, new techniques of production, new sources and types of raw material, novel machinery, new labour saving devices, new packaging techniques and packaging materials, new way of advertising, product development, new application of the existing product and even developing a new market.

Today marketing is business and looking to changing time demands the maximum innovation for marketing activities. It covers Innovative design and presentation techniques, new forms of differentiation, positioning, and advertising, Innovative distribution and customer service methods. It is to help a company develop new value added services, enter new markets, and create new market segments/categories, new distribution methods, and new forms of customer service and customer partnership. Marketing Communication can also be more effective with Innovation Strategies.

India being a world's second largest country so far as population is concerned having a huge potential for financial services, but at the same time India is also consider as a country of diversity and differences. It is very difficult to woo the Indian customer because standardized marketing strategies cannot work like in case of other country. However the Good thing for banking sector is that the Indian customers are changing in terms many dimension. Even the macro environment of our country is also changing very fast in this globalize world. The success of private as well as public banks depends on how effectively they create a long value chain through innovative practices and initiatives. But it is always difficult to measure the innovativeness of particular organization and its impact on its performance. The present study attempts to measure the innovativeness of banks and its impact of performance. It studies aspects pertaining to innovative services provided by banks, innovative initiatives and changes made by banks, innovative practices made by banks and the overall performance of banks according to managers' & customers' point of view.

INFLIBNET's National Online Union Catalogue which is Information and Library Network Centre (An IUC of UGC) providing database of doctorate research studies carried out at the various universities of India. Very few studies found that focused on Innovation in service sectors and its performance, not a single study has been found. It can be observed from the above table that most of the studies carried out at the various universities of our country are more of general in nature in the area of innovation, there is no study found that focusing on innovation in Banks and its impact on its performances.

CONCEPTUAL FRAMEWORK OF INNOVATIVE

Innovation is a term that is often used by writers but seldom defined. According to the *Oxford English Dictionary*, 'innovation' derives from 'novare' meaning to make new or alter. 'Innovation', then, is defined as, 'to bring in novelties, make changes in'. The definition in the *Macquarie Dictionary* also stresses 'bringing in something new', but ads 'for the first time'. This latter addition, arguably, places a heavier emphasis on initiating something that has never been developed before, a slightly different emphasis from altering something that already is in existence, which the Oxford definition suggests. In this stronger emphasis on 'newness', 'innovation' seems to have much affinity with a similar word, 'invention'.

OPERATIVE DEFINITION OF INNOVATION

The study attempt to study the innovative offering and practices in banks, impact of innovative practices on the performance (Customer satisfaction and financial performance) of banks.

Banc assurance: Banc assurance is the selling of insurance products by a bank. The usage of the word picked up as banks and insurance companies merged and banks sought to provide insurance.

Health assurance: Health assurance is the selling of health insurance product by banks. The usage of the word picked up as banks and health insurance companies merged and banks sought to provide health insurance.

Wealth assurance: Wealth assurance is the selling of wealth insurance product by banks. The usage of the word picked up as banks and wealth insurance companies merged and banks sought to provide wealth insurance.

Jewelry assurance: Jewelry assurance is the selling of wealth insurance product by banks. The usage of the word picked up as banks and jewelry insurance companies merged and banks sought to provide jewelry insurance.

Credit cards: A credit card is part of a system of payments named after the small plastic card issued to users of the system.

International debit card: A debit card (also known as a bank card or check card) is a plastic card which provides an alternative payment method to cash when making purchases. Functionally, it can be called an electronic check, as the funds are withdrawn directly from either the bank account (often referred to as a *check card*), or from the remaining balance on the card.

Smart card: A smart card, chip card, or integrated circuit card (ICC), is in any pocket-sized card with embedded integrated circuits which can process data.

Gold/ platinum card: A gold/ platinum credit card is part of a system of payments named after the small plastic card issued to users of the system. It is a card entitling its holder to buy goods and services based on the holder's promise to pay for these goods and services.

SME gold credit card: It is a one type of credit card which is specially made for the small & medium enterprises and with having some extra characteristics.

SMS banking: SMS Banking is a technology-enabled service offering from banks to its customers, permitting them to operate selected banking services over their mobile phones using SMS messaging.

Mobile Banking: Mobile banking (also known as M-Banking, mbanking, SMS Banking etc.) is a term used for performing balance checks, account transactions; payments etc. via a mobile device such as a mobile phone.

Tele banking: Tele banking is a term used for performing balance checks, account transactions; payments etc. via a tele-phone.

Internet banking: Online banking (or Internet banking) allows customers to conduct financial transactions on a secure website operated by their retail or virtual bank, credit union or building society.

Branch banking: A branch, banking center or financial center is a retail location where a bank, credit union or other financial institution (and by extension, brokerage firms) offers a wide array of face to face and automated services to its customers.

Corporate banking: Corporate Banking services are an integral part of the Corporate, Investment Banking and Markets (CIBM) structure, which focuses on offering a full range of services to multinationals, large domestic corporate and institutional clients.

Trade finance: Trade finance is related to international trade. While a seller (the exporter) can require the purchaser (an importer) to prepay for goods shipped, the purchaser (importer) may wish to reduce risk by requiring the seller to document that the goods have been shipped. Banks may assist by providing various forms of support.

Merchant banking: In banking, a merchant bank is a financial institution primarily engaged in offering financial services and advice to corporations and wealthy individuals on how to use their money. The term can also be used to describe the private equity activities of banking.

Correspondent banking: Correspondent banking is also known as a relationship entered into between a small bank and a big bank in which the big bank provides a number of deposit, lending, and other services.

Cash mgt services: Banks are providing services of cash management it is just like portfolio management. Some managers is fixed in banks who provide this services to their customer.

Sell gold coins: Most probably all banks now a days stat practicing in providing the gold coins they provide some guarantee regarding the purity of gold.

Mutual funds: A mutual fund is a professionally managed type of collective investment scheme that pools money from many investors and invests it in stocks, bonds, short-term money market instruments, and/or other securities

Pension plan, child plan: This service is just like the insurance plan like children plan, pension plan which is for senior citizen and for their better future. These services are given by banks but they are collaborating with some other company and start selling the products of the other companies.

Portfolio investment services: The term portfolio management is often used to refer to the investment management of collective investment, (not necessarily) whilst the more generic fund management may refer to all forms of institutional investment as well as investment management for private investors.

Locker facility: This is a traditional system which is maintained by every banks, bank provide it for safety keeping of jewelry, documents etc. bank keep your locker safe and they provide 2 keys one of which is there with the bank and the other with the customer.

E- Transfer: Electronic transfer is a facility where we can transfer the amount from our account to any other account with the help of internet, mobile etc.

E- rail: Electronic rail is a facility given by banks through which we should booked railway ticket.

E-tax pay: Electronic tax payments are made by the facility provided by bank as with its internet banking system.

E-bill pay: Bill payments are also made by the services provided by the banks as electronic bill pay the customer just have to give their account number in internet and the amount of bill is paid instantly.

E-petro: Electronic payment of petrol is also done through this system. This facility is only provided by ICICI bank.

Online trading: Banks are providing the trading services which are done online. With the help of which we can transfer the shares, stocks etc and can also buy the same. In simple way we can trade through online trading facility.

Demat facility: Demat mean dematerialized account which is needed when we want to trade our shares and securities through online trading. Now a day it is made compulsory to trade through this online trading.

NRE term deposit: The deposit is maintained in Indian Rupees. Therefore the money you deposit in foreign currency is converted into Indian Rupees, as per the prevailing foreign exchange rate.

NRO term deposit: Higher returns, Attractive fixed interest rates; An NRO Term Deposit gives you higher post tax returns in India than a NRO or NRE savings / current account. Interest earned on your NRO term deposit can be cumulated and received at the time of maturity or can be received in your NRO account every quarter.

FCNR deposit: A Foreign Currency Non Resident Deposit (FCNR) offers you the option of making a deposit in four foreign currencies: US Dollar (USD), EURO (EUR), Pounds (GBP) & Yen (JPY). NRIs with convertible currencies other than the four mentioned here may still open accounts by converting the currency into US GBP.

Electronic fund transfer: Electronic funds transfer or EFT refers to the computer-based systems used to perform financial transactions electronically.

Saving cum recurring account: Most suitable for the customers who desire to invest their monthly surplus funds of a fixed amount for a fixed period and reinvest the accrued / earned interest thereon at an attractive rates of interest. The depositors can set the target for maturity amount, period & enjoy the benefit of quarterly compounding of interest.

Multi city cheque: "Multi City Cheque" is a facility wherein the customer can issue cheques drawn at the base branch and payable at any remote centre. These cheques will thus, be treated as local cheques at the remote centre, even if they are presented through any Bank other than Andhra Bank. There will be no collection charges and the credit will be given on the same day, as applicable to local cheques.

Auto sweep facility: Enables funds to be transferred automatically from one account to another account & consolidates balances from multiple accounts into a single primary account

At-par cheque: At par cheque is a cheque on which no charge is deducted by the bank for crediting to your account, even if your account is in a branch that is in a different city from where the cheque is issued. For example, if your account is in Mumbai, and a company with its account in Delhi gives you a cheque, the Bank will charge certain amount from the cheque, as the cheque will have to be sent to Delhi to get cleared. However, with the networking of branches of most banks, it is possible to get the cheque cleared without sending it to the issuing branch. So, many private and some public sector banks are issuing at par cheque books to their account holders. This means that you can pay a bill in Delhi by cheque even if your account is in some different city. The receiver of the cheque will not have to pay any charge on the credit of the cheque, meaning that he will be more willing to accept your cheque.

INNOVATIVE CHANGES IMPLEMENTED IN BANKS

Innovative changes include all types of changes which are regarding the product, technology, process etc of bank.

Enhancement of infrastructure: Enhancement of infrastructure includes the seating arrangement, available area space, counter tables with smooth layout, air conditioning, proper and innovative facility and of full comfort. This all things are taken as innovative initiatives which a bank must maintain.

Technological up gradation: Technology is one of the most important thing which is to maintained and update by every organization, so here in banks technology like electronic fund transfer, sign boards, digital system to manage queue etc must be updated by banks.

Flexibility in system: Flexibility gives more freedom and a personal way of doing work therefore their must be flexibility in doing work so every employee do there work in proper manner and which is the important point to increase the performance.

Simplifying process: Customers' always wants simple process to do any work, especially of banks. This is the duty of the bank employee or manager to simplify the process.

More time to access the bank: More time to access the bank means the timings which is comfortable to the customers, as every banks provides general timings but Bank of Baroda provides 12 hrs banking which a added to the innovative initiatives provided by banks.

Launching customer friendly services: Customer friendly services mean the services which is useful to customer in future or which gives higher return to the customer. E.g.: Savings cum recurring Account

Customer centric approach: Customer centric approach means where the more importance is given to the customer benefits, higher returns of the customer etc.

Employee empowerment efforts: Employees empowerment is as important as customer satisfaction, employee must have been given some training, some motivational support from the higher authorities etc. the organization must have go through continuous employees performance appraisal system etc.

Starting practices for good corporate governance: It's being compulsory to maintain corporate governance in every organization to maintain transparency, accountability & social responsibility

INNOVATIVE EFFORTS MADE BY BANKS TO BE MORE COMPETITIVE

- Counter tables with comfortable layout

- Seating arrangement for customers
- Add more area (space) for easy movement
- Enough Air-conditioning in bank
- Informative boards and displays to help customers
- Speed of intranet linkages (highest bandwidth)
- Sufficient number of computers at bank
- Maximum number of ATMs
- Digital system to manage queue
- Enhancing knowledge base and its application in organization
- Building excellent work culture at organization
- Encourage employee for innovation and creativity
- Changing employee reward systems by adding new benefits
- Updating employee performance appraisal system
- Empowering employees by giving more freedom and power
- Venturing into rural markets with suitable services
- 12 hours banking operation
- Offer value added and innovative customer services
- Working on Sundays and holidays
- LCD Television for customers & employees.
- Music system to create pleasant atmosphere
- Offer beneficial and attractive promotional schemes to customers
- Challenging existing banking methods of creating customer value
- Investing in Service Research and Development
- Discovering new methods for smooth bank operations
- Using new management techniques

- Development of new business models to be more competitive
- Giving finance by innovative method of financing
- Ready to adopt and adapt all types of new changes
- Innovative corporate growth strategies
- Improved competitive strategies
- Transparency in banking operation with all stake holders
- Accountability towards all stake holders
- Fulfilling social responsibility

RESEARCH METHODOLOGY

This research study attempt to measure the various innovative offering of selected banks and to explore and assess the innovative practices and changes made by selected banks. Study also correlates innovativeness of banks with the performance of selected banks, it also evaluate the innovativeness of banks from customer point of view to know the level of customer satisfaction of different selected banks

The study has been carried out in Anand and Vallabh Vidhyanagar. The data have been collected from 12 branches of banks including six public, four private and two cooperative banks of Anand and Vidhyanagar region. The study also collected data from customers of each branches of bank to measure the innovativeness and its impact from customer point of view. On basis of pilot interview of every bank's manager and formulated the structured questionnaire

DISCUSSION OF FINDINGS: INNOVATIVE OFFERING BY BANKS

It can be studied from the previous chapter that the best innovative products are offered by ICICI bank and the Mercantile Co-operative bank is very poor in case of offering innovative products and services. As every bank now a days offered innovative products and services but this pattern is less seen in co-operative banks. As public sector banks also stand together with Private banks. As we analyzed the data and found that Bank of Baroda (BOB) also score more in public sector banks as competitive to Private.

Private Banks particularly ICICI provides maximum range of services in following categories.

- Different types of cards
- Savings & current a/c innovation
- Innovative Bank Services
- Technological Innovation
- NRI Service

In case International Services still all types of banks are running behind. Cooperatives banks are behind in many services like different types of cards, technological innovations, NRI services, international services.

INNOVATIVE INITIATIVES AND CHANGING MADE BY BANKS

Innovative initiatives are measured with 10 point scale, and it is measured with help of mean of every initiatives and total mean of initiatives. On the basis of total mean Union bank stand first and Mercantile Bank stand last. As public sector bank stand 1st in innovative initiatives and co-operative stand last. But

Axis bank stands together with more innovative initiatives and changes made with public sector banks. As we found that private banks made more innovative initiatives and change. So far as infrastructure is concerned SBI and ICICI are maintaining the best infrastructure while Kotak, Corporation and Vallabh Vidyanagar Commercial Cooperative Bank (VVCC) banks are having very poor ratings. Kotak, Mercantile and SBI are very poor in adopting technological innovations.

Innovative Practices implemented by banks

Innovative practices are based on the innovative initiatives, as practices are distributed according to the initiatives. As from analysis, it is found that mainly three banks are given same practices as they are same in total -Union Bank, Axis Bank, ICICI bank and the less innovative practices are made by VVCC Bank.

Overall performance of banks

Performance of banks includes financial performances as well as customer satisfaction. As it is measured financial performance on the basis of questionnaire. Overall best performance is found in case Axis Bank. In public sector Banks Corporation and Union Bank shows similar results. And the lowest performance we can see there in Oriental Bank of Commerce. As in performance data says that the public sector banks give better performance then private & co-operative banks.

Innovative Initiatives as customer point of view

With the help of questionnaire and help of banks customer randomly, data have been collected and ten point scales is used and ANOVA is done. It finds that highest innovative initiatives are given by ICICI bank and the lowest by Corporation bank. In Public sector bank Union Bank is more innovative.

Innovative changes made at the bank- Customers' response

Change is necessary in every field; innovative changes are made by every bank, result of managers' responses are given in the first part, in this second part findings are presented on basis of customer point of view. As per analysis it can bee seen that every bank provides all practices but Private Banks gives more innovative practices.

Rating of Banks' performance by Customers and their level of satisfaction

Performance is the important point as it is included managers' point of view and also customers' point of view. As per customer point of view we take 5 point scale to measure and take total mean of the banks and also mean for each factor. As Mercantile Co-operative Bank shows highest performance and corporation bank shows lowest performance. Private Banks gives better performance then public sector banks.

RESULT OF HYPOTHESES TESTING

In case of findings on the basis of managers' point of view, private sector banks are not significantly different in implementing innovative practices, but by analyzing customers' responses it is found that private sector banks are significantly different than public sector and cooperative banks. Private sectors banks are proved to be more innovative compared to other types of banks.

- So far as correlation between overall innovation and performance of bank is concerned it is found that there is no strong relation between these two it indicate that it is not only innovative which result into strong performance in all parameters but it need genuine customer centric approach also. Only innovation may not help but bank need holistic approach.

RECOMMENDATION

On the basis of data analysis, data interpretation and major findings given above following suggestions are given to public sector, private sector and cooperative banks.

PUBLIC SECTOR BANKS

- Only Bank of Barod is competing aggressively with private banks such as ICICI and Axis bank, all other public sector banks are offering innovative services but not at the scale of private banks and BOB. So public sector banks like State Bank of India, Corporation Bank and Oriental Bank of Commerce should offer more innovative services with full range.
- Public sectors bank particularly SBI, Corporation and OBC banks are rated less in case of many innovative practices such as system flexibility, time access, employee empowerment, corporate culture. So, these public sector banks should improve on these aspects.
- Overall Performance of public sector banks is found to be very poor compared to private and cooperative banks. Public sector bank also registered with moderate innovation. They also do not have customer oriented operations. Hence, public sector banks have to re-design and re-structured themselves.

In fact Bank of Baroda has started making over itself, similarly other public sector banks, especially SBI and Corporation bank should really change their approach to satisfy their customers.

PRIVATE SECTOR BANKS

- ICICI is ahead in offering all types of innovative services and infrastructures to customers. But other private banks are not giving all the innovative service. After ICICI the second best bank from innovative services point of view is Axis bank. Thus, all other private as well as public sector banks should benchmark the services of ICICI and Axis bank to compete aggressively.
- Many private banks should offer more access time to customers.
- Many innovative initiatives are lacking behind in kotak bank as it shows the overall poor result in Private Banks. So Kotak bank should change its strategy and make some innovation in bank.
- Private sector banks exceed other public sector and cooperative banks looking to the innovation rate but private sector banks do not able to perform well on many out put parameters. Sometimes it is observed that many innovative initiatives are cosmetic in nature, it may be just show off and not genuinely help the practical problems of employees. So, private sector banks should really revisits its fundamental strategy, they should sincerely attempt to understand the real need of their customers and than initiate some innovation which help the customers in real sense.

COOPERATIVE BANKS

- Cooperatives banks should offer different types of cards, adopt technological innovations, attract NRI with innovative services, provide international services and ad more innovative products in their portfolio.

- In taking innovative initiatives and changes cooperative banks are very passive so that they should improve its infrastructure and adopt new technologies to satisfy their customers more.
- Cooperative banks are behind the private and public sector banks looking to the innovative services and practices. However cooperative banks are having very good performance compared to private and public sector banks, it shows that cooperative banks still holds its competitiveness with the help of competitive interest rate and some of the customer friendly services. Cooperative banks may not be that much innovative which are costly but always try to provide services which customer demand that is the secrete of the success of cooperative banks. Public and private bank should learn these things from cooperative banks.

CONCLUSION

It can be concluded from the above analysis that private sectors banks are highly innovative compared to public sectors and cooperative banks. But some of the public sector banks such as Bank of Baroda and Union Banks are not much behind the private sectors banks. So far as innovative practices are concerned co-operative banks are found to be very poor as compared to other banks. However looking to the performance of the bank, cooperative banks are remarkably good compared to private and public sector banks. It indicates that cooperative banks understand its customers well and accordingly adopt the required innovation. Public sector banks are running behind in many parameters of innovation and on performance ground.

REFERENCES

Adegoke Oke (2007), Innovation types and innovation management practices in service companies, *International journal of operations and production management*, 27, 6, p.p. 564-587.

Axel Johne (1999), *Successful market innovation, European Journal of Innovation Management*, 2, 1, p.p. 6-11.

Brain S. Cumming (1998), Innovation overview and future challenges, *European journal of innovation management*, 1, 1, p.p.21-29S

David Smith; Learning (2003),"Teaching and Innovation A Review of Literature on Facilitating Innovation in Students", Schools and Teacher Education with particular emphasis on Mathematics, Science and Technology, www.dest.gov.au/sector/school

Sujata Dutta Sachdeva (2007), "Made in Innovative India", *Time of India,* 2nd December

www.andhrabank.in/scripts/MultiCityChequeFacility.aspx, viewed on 1st June 2009.

www.bankislam.com.my/Auto_Sweep_Facility.aspx, viewed on 1st June 2009.

www.bankofrajasthan.com/bor/wcms/en/home/personal-banking/deposits/term-deposit/Recurring-Savings-Deposits-RS, viewed on 1st June 2009

www.dcbl.com/nri/deposits/fcnr.html, viewed on 1st June, 2009.

Table-1: Innovative Offering of Bank

Innovative offering	S.B.I	Uni.	OBC	BOB	Corp	Axis	HDFC	ICICI	Kotak	IDBI	Merc-antile	VVCC
Services (25)	10	15	5	15	10	25	5	25	5	15	10	15
Different types of cards (40)	40	35	10	40	20	30	20	40	15	15	0	0
Innovative Bank Services	35	30	30	35	25	30	35	35	30	30	10	5

(35)												
International Services (30)	25	25	25	25	25	25	25	20	15	25	0	0
Extra Services (30)	25	25	15	30	20	25	25	25	25	20	15	10
Technological Innovation (40)	40	35	30	35	35	30	30	40	25	30	0	20
NRI Services (20)	15	15	20	20	15	15	15	20	15	15	5	0
Loan services (15)	15	15	5	15	10	10	15	15	10	5	5	10
Savings & current a/c innovation (45)	40	40	45	45	40	40	40	45	40	40	5	20
Total	245	235	185	260	200	230	210	265	180	195	50	80

(Five points have been allocated to bank and 0 for not providing that service. Total has been calculated for each bank that shows the innovativeness of a particular bank.)

Source: Primary data collected through questionnaire for the study

Table- 2 ANOVA – Innovative Initiatives of Public, Private and Cooperative Banks – Managers point of views

Innovative Initiatives	Different banks group	Sum of Squares	Df	Mean Square	F	Sig.
Enhancement of infrastructure	Between Groups	273.083	11	24.826	10.751	.000
	Within Groups	526.500	228	2.309		
	Total	799.583	239			
Technological up gradation	Between Groups	99.883	11	9.080	4.449	.000
	Within Groups	465.300	228	2.041		

	Total	565.183	239			
Flexibility of system	Between Groups	297.013	11	27.001	10.190	.000
	Within Groups	604.150	228	2.650		
	Total	901.163	239			
Simplifying Process	Between Groups	163.312	11	14.847	8.120	.000
	Within Groups	416.850	228	1.828		
	Total	580.163	239			
Speedy operations of bank	Between Groups	165.513	11	15.047	7.467	.000
	Within Groups	459.450	228	2.015		
	Total	624.963	239			
More time to access the bank	Between Groups	139.946	11	12.722	3.769	.000
	Within Groups	769.550	228	3.375		
	Total	909.496	239			
Giving maximum information to customer	Between Groups	145.946	11	13.268	5.242	.000
	Within Groups	577.050	228	2.531		
	Total	722.996	239			
Launching customer friendly services	Between Groups	139.546	11	12.686	5.392	.000
	Within Groups	536.450	228	2.353		
	Total	675.996	239			
Quick response to customer	Between Groups	180.100	11	16.373	6.648	.000
	Within Groups	561.500	228	2.463		
	Total	741.600	239			
Customer friendly attitude of employees	Between Groups	254.446	11	23.131	9.387	.000
	Within Groups	561.850	228	2.464		
	Total	816.296	239			

Excellent corporate culture	Between Groups	467.046	11	42.459	13.344	.000
	Within Groups	725.450	228	3.182		
	Total	1192.496	239			
Starting practices for corporate governance	Between Groups	70.346	11	6.395	3.546	.000
	Within Groups	411.150	228	1.803		
	Total	481.496	239			

Table-3 ANOVA—showing overall performances of bank (customer point of view- Public, Private and Cooperative Banks)

Performance criteria	Statistics	Sum of Squares	Df	Mean Square	F	Sig.
Interest rate competitiveness	Between Groups	20.433	11	1.858	6.007	.000
	Within Groups	70.500	228	.309		
	Total	90.933	239			
Overall service quality	Between Groups	21.183	11	1.926	5.777	.000
	Within Groups	76.000	228	.333		
	Total	97.183	239			
Employee behavior	Between Groups	53.846	11	4.895	11.817	.000
	Within Groups	94.450	228	.414		
	Total	148.296	239			
Work culture	Between Groups	21.946	11	1.995	5.647	.000
	Within Groups	80.550	228	.353		
	Total	102.496	239			
Efficiency in	Between Groups	13.150	11	1.195	3.708	.000

 ISSN 0976-2183

service execution	Within Groups	73.500	228	.322		
	Total	86.650	239			
Your overall satisfaction of this bank	Between Groups	29.213	11	2.656	6.010	.000
	Within Groups	100.750	228	.442		
	Total	129.963	239			
Overall growth of banks of last five years	Between Groups	28.383	11	2.580	6.566	.000
	Within Groups	89.600	228	.393		
	Total	117.983	239			
Goodwill of bank	Between Groups	26.012	11	2.365	6.685	.000
	Within Groups	80.650	228	.354		
	Total	106.662	239			

Source: Primary data collected through questionnaire for the study

Fig.-1

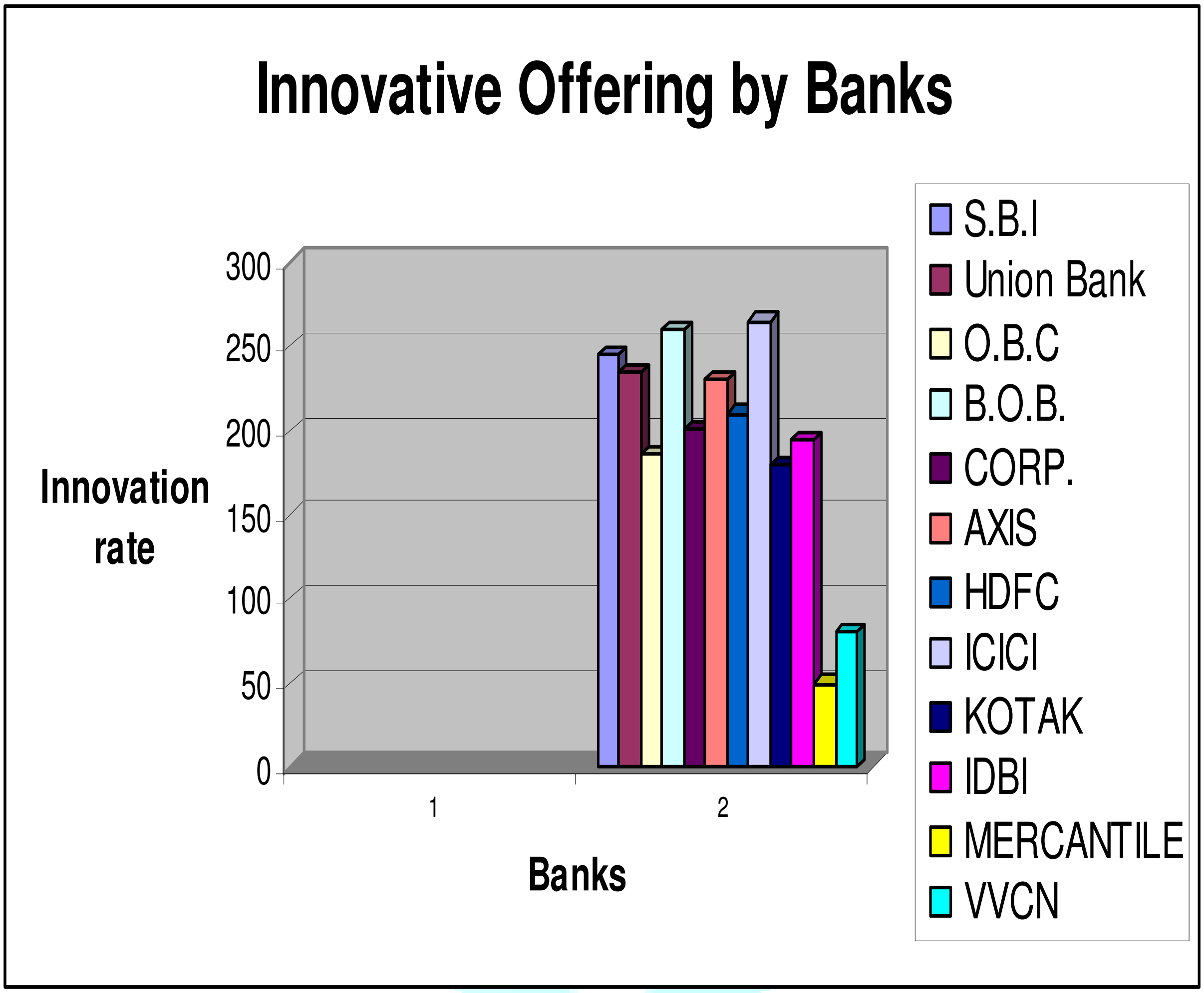
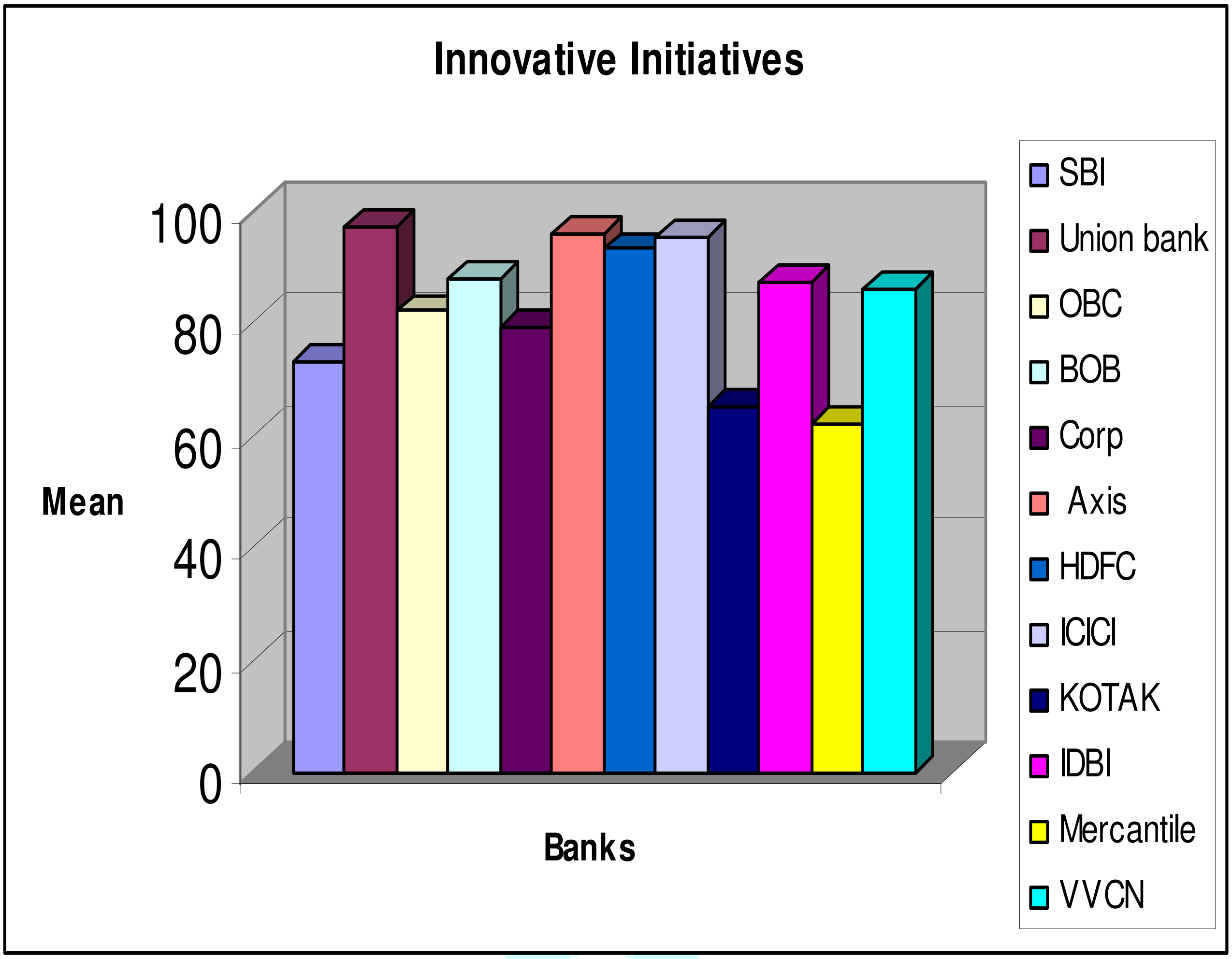

Innovative Offering by Banks
300
250
200
150
100
50
0
Innovation rate
1
2
Banks
S.B.I
Union Bank
O.B.C
B.O.B.
CORP.
AXIS
HDFC
ICICI
KOTAK
IDBI
MERCANTILE
VVCN

Fig.-2


Innovative Initiatives
100
80
60
40
20
0
Mean
Banks
SBI
Union bank
OBC
BOB
Corp
Axis
HDFC
ICICI
KOTAK
IDBI
Mercantile
VVCN

GLOBAL RECESSION: IMPACT AND RECOVERY

DR. RAJ KUMAR

Senior Professor & Director

Maharaja Agrasen Institute of Management & Technology

JAGADHRI – 135 003

MS. SARIKA

Assistant Professor, Department of Management

Maharaja Agrasen Institute of Management & Technology

JAGADHRI – 135 003

ABSTRACT

The Global recession in the international financial markets of advanced economies that started around mid-2007, has exacerbated substantially since August 2008. This recession began in the financial sector of USA extended to other countries of the world and has assumed as the most serious crisis for the world. This is the worst recession we had in the last 60 years and globally the worst financial crisis we had since the Great Depression. It has choked normal credit channels, triggered a worldwide collapse in stock markets around the world. Indian economy too felt the pinch of this crisis with respect to reduction in *exports performance, GDP, employment rate. However, over the last few months it has been observed that the global recovery is emerging. The strength of the upturn in 2010 is still uncertain and regionally uneven because the western economies are still undergoing the process of adjustment. In this paper, the factors responsible for global recession and its impact on World economy has been set out. It also outlines factors responsible for the global recovery and suggestions for the sustainability of the recovery.*

KEY WORDS

Global Recession, Recovery Sustainability

INTRODUCTION

Global Recession, especially that began in the financial sector of USA extended to other countries of the world and has assumed as the most serious crisis for the world. The financial crisis, which a year ago seemed to be localized in one part of the financial system in the US, has exploded into a systematic crisis, spreading through the highly interconnected financial markets of industrial countries and has had its effects on other markets as well. It has choked normal credit channels, triggered a worldwide collapse in stock markets around the world. The real economy is clearly affected. Industrialised countries are expected to slow down in future.

In this paper, an attempt has been made to the impact of global recession on World Economy, challenges for Indian Economy, factors responsible for the global recovery and the likely way out for the sustainability of the recovery.

Survival from recession by the companies is a great challenge. For some it may be an opportunity and for majority is a sad experience as they fail to regain their pre recession growth rates for sales and profits. Recessionary trends seem to be U-shaped (figure 1). **Nouriel Roubini** of **US** in his presentation in a CII conference on March 22, 2009 at Delhi stressed that the recession in not V-shaped rather U-shaped.

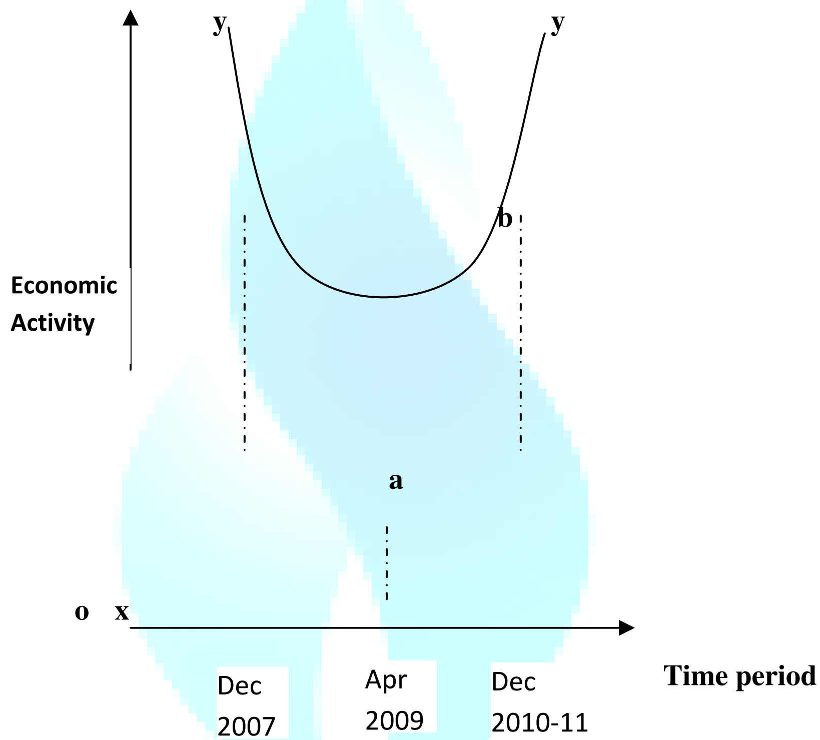


Figure 1: U-shaped crisis

The world today is in the middle of U. it is almost two years into recession. It could last upto the end of 2010 despite the visible signs of recovery in most countries. The economists, management experts and business and financial analysts had been struggling hard to find the best strategy that can help the economies and the companies at micro level to come out of recession. The CEOs continue to face the challenges thrown up by the great recession of 2007, they are unsure about what strategic approaches to deploy. On carefully investigating the behaviour of companies during and after the past three global recessions, it was found that the companies that were growth leaders coming into recession often can not retain their momentum; about 85% are toppled during bad times. The post-recession winners infact, are those corporations that are able to maintain the delicate balance-between cutting costs to survive today and, investing more to grow tomorrow. The strategy deploying the optimal combination of defense and offense moves are mostly adopted by the progressive companies and may be regarded as the best strategy for coming out of recession.

It is evident from the research conducted in USA by the management experts Wohlgezogen, Nitin Nohria and Ranjay Gulati at Harvard Business School that the the progressive companies recorded 13% rise in sales and 12.2% in profits which is higher than the record of prevention focus, promotion focus and pragmatic companies. In terms of average performance, these companies recorded double performance. Overall chances of growth after a recession are much higher (37%) in case of progressive companies in comparison to other categories of companies.

Why the progressive companies do well after a recession?

- The progressive companies attend to improving operations efficiency while adopting cost cutting devices.
- Invest in both existing and new business to enlarge their asset bases.
- They take advantage of depressed prices to buy properties plants and equipments.
- These companies also judiciously increase spending on R&D, and marketing which may produce only modest benefits during recession but adds substantially to sales and profits afterwards.
- In turbulent times, the progressive companies stay closely connected to customer needs.
- The progressive companies adopted diversification strategy in tough times as the CEOs exercise cost discipline, financial prudence and detect opportunities that offer returns in reasonable payback periods.

IMPACT OF THE GLOBAL CRISIS ON THE WORLD ECONOMY

Emerging market countries were not the cause of this crisis, but they are amongst its worst affected victims. Recession will hit the export performance of developing countries and the choking of credit, combined with elevated risk perception, will lead to lower capital flows and reduced levels of foreign direct investment. The combined effect will be to slowdown economic growth in developing countries. The global impact of the current crisis may be outlined as under:

- Open economies like USA, UK turning protectionist leading to tight visa and outsourcing norms.
- Massive job cuts in USA, UK, Japan by major companies.
- Adverse impact on exports and deferred capital expenditure.
- Slowing down of industrial output and corporate profits, finally resulting into lower GDP rate.
- Rise in Non-Performing Loans (NPL's) that would make the banks cautious in funding.
- China's economy is being battered by falling demand for its goods. It registered virtually no growth over the third quarter and things are going to get a lot worse before they get better. GDP rate in China fell from 10.73 in Jan 2006 to 8.2 in Jan 2009, in Japan it fell from 2.03 to 0.50 in 2009 and this downfall continued in USA also and it fell from 2.78 to 1.28 in 2009.
- Interest rates are also showing downfall in all the three countries i.e in China it fell from 5.58 in Jan 2006 to 5.31 in Jan 2009, in Japan it is 0.10 in Jan 2009, in USA it fell from 4.25 in 2006 to 0.25 in 2009.
- Stock Markets of China, Japan and USA had slumped due to the recession. In China it fell from 4383 in 2008 to 1863 in 2009, 15341 in 2006 to 7682 in 2009 in Japan and from 10667 to 7949 in USA.
- Global Financial Crisis leads to massive job losses as the slowdown has cut the demand for consumer products that result in the closing of factories also in some of the countries.

Unemployment rate in Japan rose from 3.80 in 2008 to 4.10 in 2009, in USA it rose from 4.90 in 2008 to 7.60 in 2009. The unemployment rate in China remains comparatively stable inspite of the global recession.

- Exports of goods and services constitute 39.7% of its GDP. A large number of sectors like textiles, leather, chemicals, auto-components, tyres, electronics and electrical items are likely to see a fall in their exports in January-March 2009 and April-June 2009, says a survey by FICCI. Exporters are thus in a bind over how to compete in potential markets. The fall in exports sector is faced by different countries. China's major exports are: office machines & data processing equipment, telecommunications equipment, electrical machinery and apparel & clothing. China's largest exports markets are European Union, United States, Hong Kong, Japan and South Korea. China's exports fell from $109600 million in 2008 to $90500 million in 2009. United States is also one of the most significant nation in the world when it comes to international trade. Main exports are: machinery and equipment, industrial supplies, non-auto consumer goods, motor vehicles and parts, aircraft and parts, food, feed and beverages. Main export partners are: Canada, European Union, Mexico, China and Japan. Recession had shown very severe impact on the export sector in US. It had fell from $98753 million in Jan 2008 to $77869 million in Jan 2009. In Japan also due to recession exports sector has shown a downfall from $5643 million in 2007 to $6113 million in 2008.

IMPACT ON INDIAN ECONOMY

Ever since the current crisis began in the West, official-type Indians expressing the view that India was special and would not be affected because of superior Indian Financial regulation. **The US bankers once predicted that Indian banks would collapse because of their conservatism but the same thing now turned into a blessing. Dr. B. Brahmaiah**, Vice President, Sujana Group of Companies, while speaking in a seminar organized by Vignana Jyothi Institute of Management (VJIM) Hyderabad in Dec 2008, argued that there is no proper planning by blue chip companies while recruiting people which results in uncertainty. This is not the case in India. This view however is not fully tenable as in one way or the other, Indian Economy too has felt the pinch of global economic turmoil. This is evident from the following statistical records.

1) **Impact on GDP growth rate**

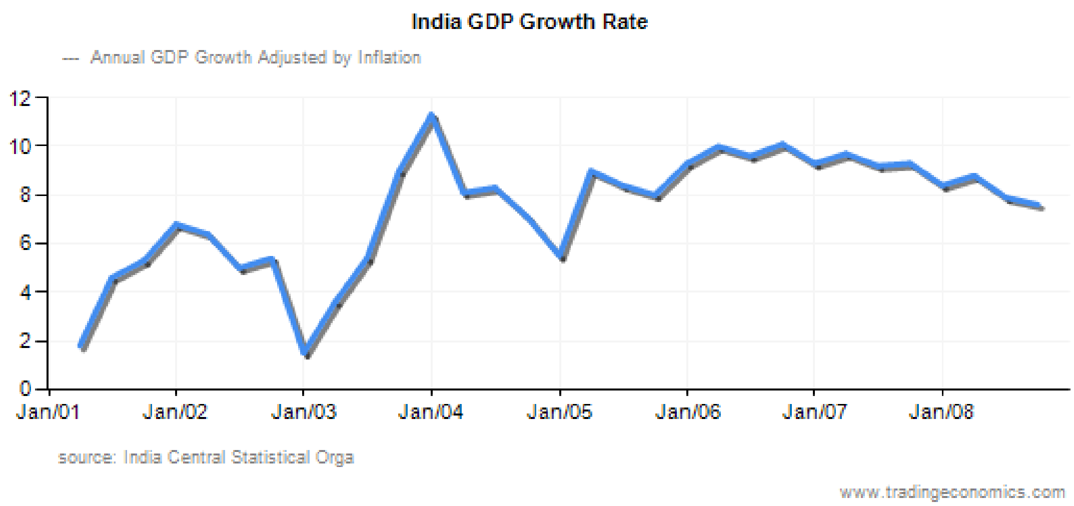
India's economy is expected to grow about 5.1% in 2009 and 6.5% in 2010 according to the IMF. India's economy grew at an annual rate of 7% to 8% or more in the past three years, second only to China among the major economies, and the projections for FY2008 indicate that India's economic growth has been affected by the economic crisis which is shown in **the table 1.** As per the latest estimates made by **Suresh Tendulkar**, Economic Advisor to PM, the expected growth rate of GDP would be 6.5% to 7%. The reasons are the adverse impact of World recession on exports and export oriented industries. Another factor has been the outflow of foreign capital from the country.

Table 1: India GDP growth rate

Year	**GDP rate**
2001	4.63
2002	4.58
2003	7.33
2004	7.25
2005	8.68
2006	9.75
2007	9.15
2008	8.10

Source: www.tradingeconomics.com

Graph 1



2) **Impact of the Crisis on IT sector**

The financial crisis in the advanced economics and the likely slowdown in these economies could have some impact on the IT sector. The current crisis parallels the 2001-2002 bust especially for India's IT sector approximately 61% of the Indian IT sector's revenues are from US clients. Between 1999 and 2008, the share of US financial services revenue as a 5 of total revenues for the Top 3 Indian players thus went up from 25% to 38%.

3) **Impact of Financial Crisis on Indian Financial Markets**

The Indian financial markets are in the grip of the bearish trend posing a threat to the investors. The key to successfully trading bear markets is to understand their primary driver and sentiment. The mission of a bear is to gradually hammer on investors until their perceptions of stocks radically change. Over the course of a bear, valuations are slowly eroded lower until stock prices are cheap relative to their earnings near the end of a bear. So bears rebalance both sentiment and valuations.

The global meltdown has impacted the interest rates (i.e., repo rates ,reverse repo rate, CSR). The Indian Government has reduced the repo rate(rate at which it lends to banks) by 1% from 7.5% to 6.5% and the reverse repo rate (rate at which banks lend to RBI) by 1% from 6% to 5%. SLR rate has also been cut down from 25% to 24% and Cash Reserve ratio from 9% to 5.5%.

4) Economic Downturn

After a long spell of growth, the Indian economy is experiencing a downturn.

1. Industrial growth is faltering.
2. Inflation remains at double – digit levels.
3. The Current account deficit is widening.
4. Foreign exchange reserves are deleting.
5. The rupee is depreciating.

The most immediate effect of that crisis on India has been an outflow of foreign institutional investment from the equity market.

1. Foreign Institutional Investors, who need to retrench assets in order to cover losses in their home countries have become major sellers in Indian markets.
2. In 2007 – 2008, net FII inflows into India amounted to 4 20.3 billion. As compared they pulled out 411.1 billion of which $ 8.3 billion occurred over April 1 to Oct 16, 2008.

This had 2 effects:-

1. in the stock market.
2. in the currency market.

As a result, the Sensex fell from is closing peek of 20,873 on Jan8, 2008 to less than 10,000 by Oct 17, 2008.

5) Falling Rupee

In addition, this withdrawal by the FIIs led to a sharp depreciation of the rupee. Between January 1 and October 16, 2008, the RBI reference rate for the rupee fell by nearly 25 percent , even relative to a weak currency like the dollar from Rs.39.20 to the dollar to Rs. 48.86. this was despite the sale of dollars by the RBI, which was reflected in a decline of 425.8 billion in its foreign currency assets between the end of march 2008 and October 3, 2008. A second route through which the global financial crisis could effect India is through the exposure of Indian banks or banks operating in India to the impaired assets resulting from the sub- prime crisis.

6) **Exposure of Banks**

According to reports, the RBI had estimated that as a result of exposure to collateralized debt obligations and credit default swaps, the combined mark- to market losses of Indian banks at the end of July was around $ 450 million. Given the aggressive strategies adopted by the private sector banks, the MTM losses incurred by public sector banks were estimated at $ 90 million, while that for private banks was around $360 million.

7) **Credit Cutback**

A fourth effect is that, in this uncertain environment, banks and financial institutions concerned about their balance sheets, have been cutting back on credit, especially the huge volume of housing , automobile and retail credit provided to individuals. According to RBI figures, the rate of growth of auto loans fell from close to 30 percent over the year ending June 30, 2008, to as low as 1.2 percent. Loans to finance consumer durables purchases fell from around Rs6,000 crore in the year to June 207, to a little over Rs. 4,000 crore up to June this year. Direct housing loans, which had increased by 25 percent during 2006-2007, decelerated to 11 percent growth in 2007-08 and 12 percent over the year ending June 2008.

8) **Impact on Exports in India**

India's export growth has become negative for the first time in five years. Exports have fallen to $12.8 bn in October 2008 from $14.8 bn in October 2007. There is a 12% decline in exports during October 2008.

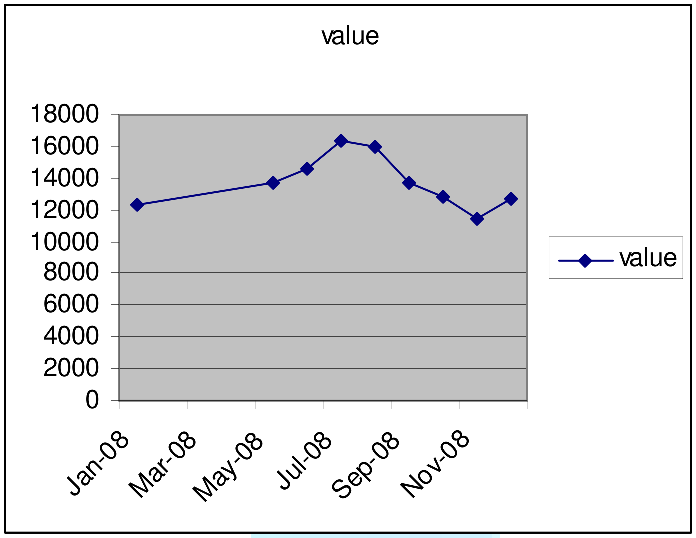
Foreign trade has become deficit of $60 bn in 2008-09 due to falling export. There is a 60% trade deficit in 2008 compared to 2007 due to the reduction in export. There is a fall in exports due to low demand from key markets like the US, European Union and Japan. This falling trend in Exports is shown in Table 2.

Table 2: Impact on Exports sector in India

Date	Value
May-08	13782
Jun-08	14664
Jul-08	16345
Aug-08	16005
Sep-08	13748
Oct-08	12822
Nov-08	11505
Dec-08	12690
Jan-08	12381

Source: India Today, Meltdown hits Home, 23 March, 2009

Graph 2 Trends in Exports Value



MEASURES TO TACKLE GLOBAL CRISIS

DEPRIVE a person of oxygen and he will turn blue, collapse and eventually die. Deprive economies of credit and a similar process kicks in. As the financial crisis has broadened and intensified, the global economy has begun to suffocate. That is why the world's central banks have been administering emergency measures, including a round of co-ordinated interest- rate cuts. Government and other policy makers are revising policies to stem the rot from the urgency of the situation. This time the economic turmoil has taken several general people in its spiral, creating fear and panic amongst all.

The major steps in terms of stimulus package prescribed by the government of India are:

1. **Stimulus package for Export sector**

    - The Government of India provides Rs. 1450 cr to export sector.
    - There is a 4% reduction in excise duty

- Export duty on iron ore fines has been withdrawn.
- The levy on export of iron lumps has been reduced to 5% from 15%.
- The RBI has extended the period of pre-shipment and post-shipment credit for export.

2. **Stimulus package for Industrial Growth**

- The RBI is providing Rs.7000 cr to Small Industries Development Bank of India (SIDBI) for direct lending to employment-intensive Micro and Small Enterprises (MSE).
- There is 4% reduction in excise duty on cars, steel, cement and a host of other products.
- The ad valorem tax on cement has been reduced from 12% to 8%.

3. **Stimulus package for Real Estate Sector**

   a. Housing loan granted by Housing Finance Companies (HFC's) from Rs.5 lakh to Rs.20 lakh and is given at concessional rate.

4. **Stimulus Package for Infrastructure Growth**

- The Government of India has decided to participate in infrastructure development by investing Rs.10000 cr.

India's stimulus package of Rs.30,700 cr which constitutes 0.6% of GDP is too small to save the economy from financial meltdown so, the central government has recently announced the second package of measures. While the main component of the first package announced in early December was increased government expenditure to boost aggregate demand, the second set of measures focuses on improving or facilitating the supply of credit.

Steps taken under second package :

- Public Sector India Infrastructure Finance Company (IIFC) are allowed to borrow Rs.30000 cr from the market by issuing tax-free bonds.
- State Governments have also been allowed to borrow an additional 0.5% of their state gross domestic product from the market.

The government is hoping that these measures will result in additional credit supply of Rs.56000 crore.

FACTORS RESPONSIBLE FOR THE RECOVERY FROM RECESSION

Following the eruption of the financial crisis in the United States, the decline in the world trade was led by declines in developing countries, but recent improvements have come mainly from emerging economies. The world economy is beginning to grow but the strength of the upturn in 2010 is uncertain and regionally uneven. Different economists are giving different factors responsible for the early recovery from this recession which are being discussed here

Philip Suttle, Director of Global Macroeconomic Analysis at the IIF, highlighted following factors responsible for the world growth:

- Rebuilding of inventories
- Ease of Global Financial conditions
- The return of capital spending
- The bottoming of housing markets and the speed at which households and firms restructure their balance sheets.

Carnegie's **Uri Dadush** similarly urged leaders to maintain current policies until the economic recovery is clearly established. He has highlighted several factors behind this stronger than expected recovery:

- Increase in the domestic demand of the developing countries
- Stimulus packages and the financial rescue efforts of the government of different countries

- The growing role of emerging economies which remain fundamentally strong during the period of financial crisis is supporting the global recovery.
- The corporate sector, particularly non-financial firms in the United States, reacted aggressively to the crisis which as a result shows a significant turnaround in their labor inventory and investment demand.

The optimistic outlooks given by few economists' shows that emerging economies are now contributing significantly to growth and investment than advanced countries which is supporting the global recovery.

The Indian economy is showing signs that it will bounce back from the global downturn quicker and stronger than almost any other country. The facts relating to this context is shown below:

1. Growth forecasts in terms of GDP are quite encouraging

As per the table 3 the growth record of India's real GDP from 2003-04 to 2007-08 was quite impressive with the average Growth rate of 8.8%. In 2008-09, GDP rate decreased to 8.10 and then to 7.2 per annum in 2009-10 and according to IMF forecasts, it is 8% during 2010-11.

Table 3: Records of Growth rates

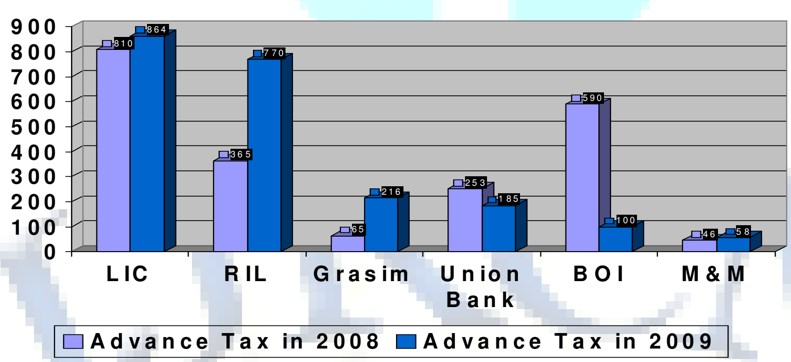
Period	Growth rate (in %)
2006-07	9.7
2008-09	8.10

2009-10	7.2
2010-11	8 (IMF)

2. Advance tax payments in 4th quarter of 2008-09 by most companies are higher in comparison to the year 2007-08. This is evident from table 4 and graph 3.

Table 4: Advance Tax Payments in 4th quarter of 2009-10

Companies	Advance tax paid (Rs. Crores) in 2009-10	Advance tax paid (Rs. Crores) in 2008-09
LIC	864	810
RIL	770	365
Grasim	216	65
UBI	185	253
BOI	100	590
M&M	58	46

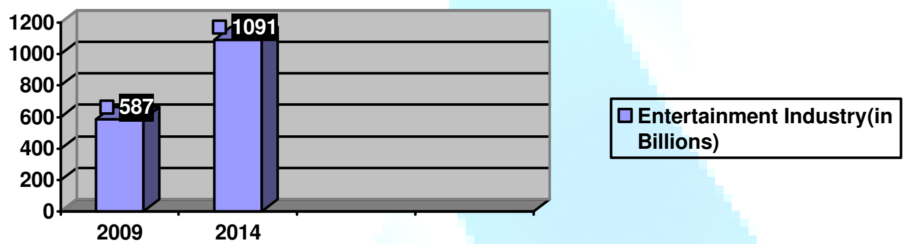


Graph 3: The Advance Tax payments trends by the Indian Companies.

Since the advance tax payments in 4th quarter of 2009-10 are significantly higher over the previous year, it is clear indication of Indian business companies being out of recession.

3. Growth in Media & Entertainment industry.

During 2009-10 the growth of media and entertainment was 1.4% over the previous year and over next five years; the industry is projected to grow at a compound annual growth rate of 13%. This is shown in graph 4. The rising trend is also an indicator that Indian business companies are coming out of recession as these are offering greater businesses to media and entertainment industry.



Graph 4: The growth trends in terms of Billion Rs. of Media & Entertainment industry

4. Trends in Industrial Production

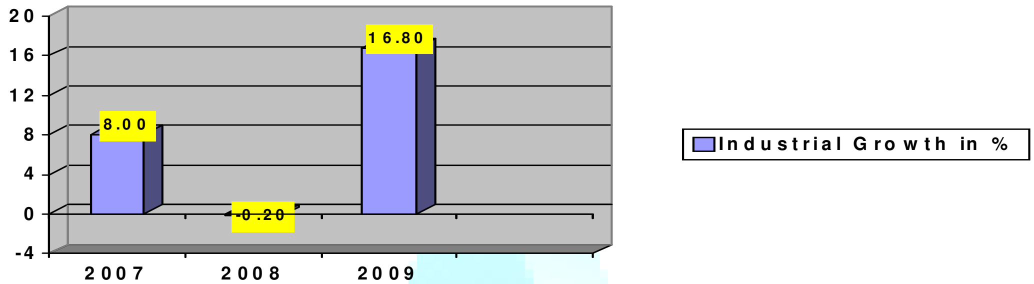
Trends in industrial production are evident from table 5 and graph 5 which shows that its growth rate which was negative in 2008, increased to 16.8. Table 6 and graphs 6 & 7 reveal the rising net sales and net profit for prominent Indian industries.

Table 5: Trends in industrial production

Year	Growth %
2007	8

2008	-0.20
2009	16.80

Source: Ministry of Planning & Reporting



Graph 5: Trends in the industrial production for Indian industries.

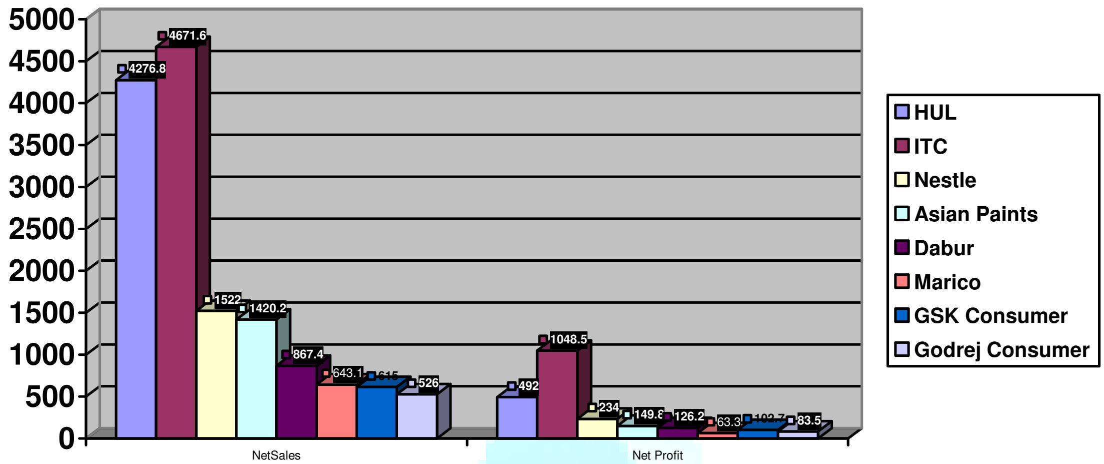
Table 6: FMCG companies' sales and profit trends for the quarter ended March 2010 against the corresponding quarter in the previous year.

Companies	**Net Sales**	**Change (%)**	**Net Profit**	**Change (%)**
HUL	4276.8	7.2	492.0	24.6
ITC	4671.6	20.0	1048.5	29.6
Nestle	1522.0	20.2	234.0	18.6
Asian Paints ^	1420.2	-0.3	149.8	38.1
Dabur ^	867.4	18.5	126.2	19.9
Marico ^	643.1	14.6	63.3	42.8
GSK Consumer Healthcare	615.0	14.0	102.7	22.4
Godrej Consumer ^	526.4	53.6	83.5	40.6
Total	**14542.5**	**14.1**	**2299.9**	**27.6**

^ Based on consolidated quarterely results.

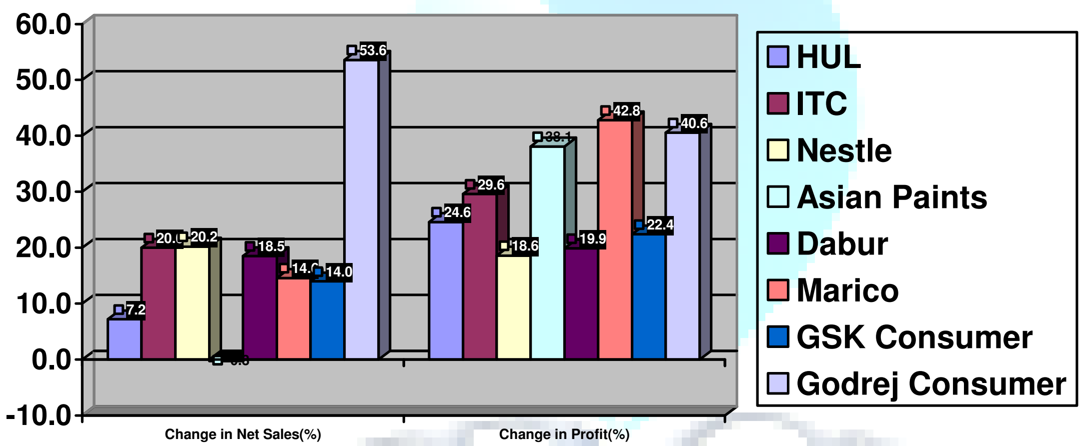
Source: Angel Broking, Sharekhan, ICICI Securities and ETIG

 ISSN 0976-2183



Graph 6: The net sales & net profit for the FMCG sector for the quarter ended March 2010

Source: Economic Times, April 16, 2010



Source: Economic Times, April 16, 2010

Graph 7: The percentage change in sales & profit for FMCG sector for the quarter ended March 2010

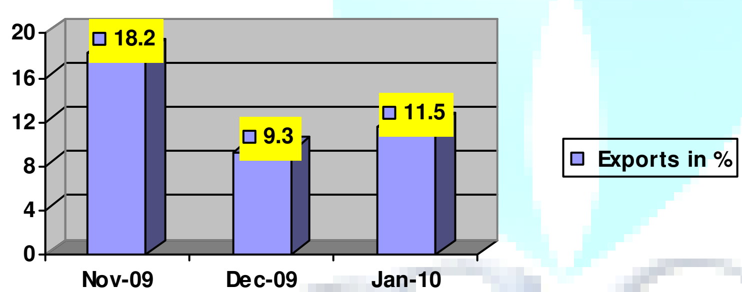
Table 6 and graphs 6 & 7 pertaining to FMCG companies in respect of trends in net sales and net profit also indicate fast recovery from recession as the average net sales and net profits increased 14% and 28% respectively against the corresponding quarter in the previous year- the year of recession.

5. Trends in growth of exports.

Table 7: Trends in growth rate of exports

Year	Growth %
Nov 2009	18.2
Dec 2009	9.3
Jan 2010	11.5

Source: Directorate General of Commerce



Graph 8: Rising trends in export sector

Table 7 and graph 8 shows the rising trends in export sector. It is evident that export sector was affected very hard on account of recession but in India in January 2010, the recovery of growth rate of exports increases from 9.3% in December 09 to 11.5%.

6. Trends in IT Industry

The Indian IT industry has survived the global financial slowdown despite initial negative impact in terms of steep fall in overseas order for Indian IT products. Recently for TCS, Infosys, Wipro, HCL, operating margins increased by 5 to 7% in 2009-10 over the previous year in terms of growth rate in revenue after fall from 25-30% during 2005-07 to 10-15% during 2007-09, it is expected to rise by 15-18% during 2010-11. This is shown in table 8.

Table 8: Growth rate in Revenue

Year	Growth rate in revenue
2005-07	25-30 %
2007-09	10-15%
2010-11	15-18%

Source: Days of heady growth over for Indian IT Cos. March 25, 2010, Economic Times (ET).

The facts stated above clearly prove that Indian economy is coming out of recession very fast in comparison to western countries. Although the areas of concern in Indian economy are, rising inflation, high fiscal deficit, sudden stoppage of foreign capital inflows, and infrastructure bottlenecks; India is shown to have the highest probability to be the superpower in the world.

SUGGESTIONS

Economists outlined the challenges that policy makers face in the coming year, and offered suggestions for solutions:

1. Fiscal policy should remain stimulative in the near term, for this leaders need to begin engineering a shift in demand from public to private sources.
2. Monetary policy should remain supportive
3. Efforts should be made by the government of the countries to promote credit
4. Policy should accommodate the permanent shift in the structure of the World economy so that these shifts if managed, with long term considerations like climate change in mind have the potential to create new sectors that will help drive future growth.

CONCLUSION

The global financial crisis, caused by an excess of liquidity and inadequate regulation of a highly integrated International financial system, has pushed the world's economy to the verge of recession. But now, the world economy is beginning to grow as per the market projections. The recent favourable growth trends are because of the growing role of emerging economies which remain fundamentally strong rather than advanced countries. According to Nitin Jain, Principal Fund Manager- Long Only Strategy, Kotak Mahindra (UK) ltd., the Indian economy is showing quicker and stronger signs of recovery than almost any other country in Asia because of its high savings rate, attractive demographics and rising urbanization. India is capable of delivering superior growth in future also as a huge market in India remains untapped and our Government is focusing on strengthening the rural economy which will help to boost the consumer spending.

Economist Intelligence Unit (EIU), the research arm of London based Economist magazine predicted that *"India will overtake China to become world's fastest growing economy by 2018"*. The primary drivers behind India's Growth are:

- **Favourable demography-** higher percentage of working population.
- **Strong domestic consumption-** rising income and growing middle class.
- **High savings and investments-** rising inflow of investment through FIIs ($75 billions in 2014 from $36 billions in 2010).

Since the biggest hurdle to achieve higher growth is the high inflation and infrastructural bottleneck, India will have to continue with economic reforms. Thus, we can say that the global recovery is real, but it continues to rely on critical government support and if leaders prematurely abandon measures the recovery could be thwarted.

REFERENCES

Mohan, Rakesh (2006), "Coping With Liquidity Management in India: A Practitioner's View", Reserve Bank of India Bulletin, April.

Prasad, Eswar S., Raghuram G. Rajan and Arvind Subramanian (2007), "Foreign Capital and Economic Growth", Brookings Papers on Economic Activity, 1.

Nivedita Mukherjee, Meltdown hits Home, India Today, March 23, 2009.

Nouriel Roubini, Recession could last till the end of 2010, India Today, March 23, 2009.

Ashok V.Desai, Untouchable India, Business World, 9 March, 2009.

Suresh Tendulkar, Economic Adviser to PM, Dainik Bhaskar, April 6,2009.

Brahmaiah B, Vice President, Sujana Group of Companies in Seminar on Global Financial Meltdown : The Tip of the Iceberg, Dec 2008, organized by VJIM, Hyderabad.

Mckinsey & Co., A Consulting Co. of USA, "Crisis or Opportunity? Implications of the Global Crisis for India".

Speculation", Journal of Economic Literature, Vol. XLV, December.

Reserve Bank of India (2008), Annual Policy Statement for the Year 2008-09,April,

World Bank (2008), "Global Development Finance 2008", June.

Hindu Business Line, "India and the global financial crisis", October 21,2008 ,p.no. 9

Hindu Business Line, "Global Financial Crisis : Reflections on its impact on India", October 18,2008

Economic Times, "India and the global financial crisis", October 20, 2008.

"Global Financial Crisis for us", The Chartered Accountant, October 2008.

World Economic Outlook, IMF, Oct 2008, www.tradingeconomics.com

World Economic Outlook, IMF, Jan 2010

WEB BASED CORPORATE ENVIRONMENTAL REPORTING: A NASCENT COMMUNICATION PARADIGM

KANIKA GOYAL

Lecturer in Commerce & Management, Hindu Girls College

JAGADHRI – 135 003

DR. ASHOK KHURANA

Associate Professor

P.G.Department of Commerce, G.N.K.College

YAMUNANAGAR – 135 001

BHAVET

Lecturer

M. M. Institute of Management

Maharishi Markandeshwar University

MULLANA – 133 203, Ambala

ABSTRACT

BACKGROUND

Last few decades have witnessed reckless use of natural and environmental resources mainly by the industrial organizations. At present reporting on environmental matters all over the world is not a statutory obligation on the part of business organization. Corporate environmental reporting (CER) is a tool to integrate environmental management system, corporate responsibility and the implementation of voluntary initiatives and code of conduct.

AIMS

The present study evaluates the status of web based corporate environmental information disclosed by the selected Indian companies in their annual reports.

METHODS

The study used content analysis approach to explore the web based corporate environmental information disclosure of the 36 companies selected from S&P CNX Nifty Index.

RESULTS

The study found that a large section of companies reveal regulatory, accounting and environmental information in descriptive term, with director's report as the most favored place for reporting the disclosure of voluntary environmental information.

CONCLUSIONS

The status of voluntary environmental disclosure was relatively better in low polluting industries when compared to high polluting industries. The study observed that CER is a mean to environmental improvement, and not an end itself.

KEY WORDS

Corporate responsibility, Content Analysis, Voluntary Environmental Disclosure.

INTRODUCTION

Organizations take on environmental reporting as a mean to publicly reveal their commitment to environmental responsibility. Companies that measure, manage and communicate their environmental performance are inherently well placed. Corporate Environmental Reports (CERs) can be defined as an umbrella term that describes the various means by which companies disclose information on their environmental activities. This should not be confused with corporate environmental reports (CERs), which represent only one form of environmental reporting. CERs are publicly available, stand-alone reports issued, usually voluntarily, by companies on their environmental activities. The corporate environmental reporting is voluntary in nature, and it expects the business community to communicate their environmental performance, and pursue codes of conduct promoting best environmental practice. Pressure is mounting for companies to widen their scope for corporate public accountability and many are responding by measuring and disclosing their social impacts. [3]Information about the environmental performance is valuable to stakeholders in accessing their affiliation with reporting organization.

Environmental reporting has witnessed an explosive growth over the past years, as various stakeholders have begun to take a greater interest in the environmental performance of the companies.

CER-GLOBAL SCENERIO

Protection of environmental and conservation of natural resources has become a watchword at the global level. With mounting concern for the environmental issues, regulatory bodies across the world have framed and issued several new legislations and regulations. Many world organizations such as- Federation des Expert compatibles Europeans (FEE), Financial Accounting Standard Board (FASB), Inter-Government working group on International Standard on Accounting and Reporting (ISAR),and Accounting Advisory Forum (AAF) have issued various guidelines regarding reporting on environmental issues. Recent research published by the Green Alliance and the environmental consultancy Entec revealed that 58% of company respondents to the second "UK Business and The Environment Trends Survey" were in favor of compulsory environmental reporting. A parallel interview survey undertaken with 50 "opinion formers" showed 72% level of support for mandatory environmental reporting. [4] An organization use guidelines given in ISO 14001 to improve their Environmental Management System (EMS). Japan has maximum number of companies certified for ISO 14001 compared to any other country in the world. [5]Attracting some of the closest attention is environmental and sustainability reporting, in which organizations reveal the environmental impacts from their commercial activities and highlight their contribution to sustainable economic, environmental and social interactions. In fact, some 45 per cent of the Global Fortune Top 250 Companies now publish such reports.[6] Environmental reports are now most widely used instrument to communicate the environment information by large companies over the world.

NEED OF THE STUDY

Corporate Environmental Reporting (CER) is a channel for the companies to communicate their environmental performance to the stakeholders. It has emerged as a model to exhibit Company's environmental management system, corporate responsibility and the implementation of industry voluntary code of conduct. It involves the publication of environmental information in performance areas such as greenhouse gas, emission of water and waste in quantified data and improvement target in company's annual report or self-standing report. It is a presentation of report to stakeholder's to measure the company's adherence to its defined environment policies, goals and objectives to participate in corporate goal setting. However, no accounting standard has been issued for the accounting treatment of expenses incurred for the protection and development of natural and environmental resources. Certain guidelines regarding environmental reporting has been issued by many world organizations. In recent time, environmental issues have appeared as major information of the discussion of the problems of economic escalation and development. It is a new era without any hard and fast standards and benchmark. In the background of these developments, it has been decided to conduct a research on web based environmental reporting practices of the corporate sector in India.

OBJECTIVES OF THE STUDY

The primary objective of the present study is to analyze the status of web based disclosure of environmental information. It examines the quantitative and qualitative disclosure on the environmental variables. It also explores the industry wise disclosure, extent and length of environmental disclosure, and place of corporate environmental disclosure.

NATURE& SCOPE OF THE STUDY

The present study is descriptive and analytical in nature. It has evaluated the corporate environmental reporting information reported on web sites by the selected companies. The proposed study is based on CER practices of 36 companies. These companies have been selected from S&P CNX Nifty Index of diverse industries.

METHODOLOGY

Content analysis technique is used to access the extent of environmental disclosure. For this study, web-sites and annual report of the 36 companies belonging to the various industries from the NIFTY-50 companies for the year ended 31st March 2008 have browsed. Thus, information from web-sites and annual reports of different companies has been examined to collect relevant data by using contents analysis. Content analysis is a method of codifying the text or the content of a piece of writing into various groups and categories based on some selected criteria. It involves the selection of analytical categories within the context of the content material. In this study, an indexing procedure based on content analysis has been constructed to assess the extent of environmental disclosure. The purpose of this procedure is to objectively measure the information contained in the disclosure. Disclosure of the following environmental disclosure variables has examined. The environmental disclosure variables have been classified into three categories i.e. Regulatory Environmental Disclosure Variables. A rating sheet is developed to measure the extent of voluntary environmental disclosure of the selected variables. Scores has been assigned on the basis of presence and absence of an item of environmental information. While assigning the scores, the quality of disclosure has been also be kept in mind. A score of three is assigned to an item present in the annual report in monetary terms. A score of two is assigned, if the item was present in quantitative terms. A score of one is assigned to the item present in descriptive terms. A score of Zero is assigned to the item not present in the annual report. The score of individual variables in each category has been added to get the total score. The collected information has been thoroughly analyzed to make relevant conclusion. The percentage method is being used to analyze and interpret the information on various aspects of web base environmental disclosure/communication.

FINDINGS & DISCUSSION

The findings emerged on the basis of analysis are as follows:

1. **REGULATORY ENVIRONMENTAL DISCLOSURE:** The research examined the disclosure level of companies relating to the regulatory factors i.e. environmental audit, Compliance with laws, Environmental awards, Environmental Management System, Penalties under environmental laws, ISO 14001 and Proceeding under environmental laws. These variables regulate the activities of the organization either by awarding the best environmental performer or by penalizing those who damage the environment.

i. Environmental audit: It helps the organization to identify the deficiencies, takes relevant steps to correct identified deficiencies. It is observed that only 12 (33.3%) companies made disclosure regarding the environmental audit in their annual reports. Some companies reported that they got environmental audit of their accounts conducted from some reputed international audit concerns.

ii. Compliance with law: To ensure the safety of public, employees, plants and equipment, the government of India has promulgated various legislations for the protection of environmental resources. It is found that only 21 (58.3%) companies reported about compliance with environmental laws. Out of which only 1 (2.8%) company disclosed it in monetary term and remaining 20 (50.5%) companies' reported the same in descriptive term. The total score of this item was found to be 23.

Table 1: Regulatory Environmental Information disclosure status

Disclosure variables	Numbers of companies (Percentage)			Total	Total score
	Monetary	Quantitative	Descriptive		
Environmental audit	0	01(2.8%)	11(30.5%)	12(33.3%)	13
Compliance with law	01(2.8%)	0	20(55.5%)	21(58.3%)	23
Environmental awards	01(2.8%)	0	15(41.5%)	16(44.4%)	18
Environmental management system	0	01(2.8%)	11(30.5%)	12(33.3%)	13
Penalties under environmental laws	01(2.8%)	0	04(11.1%)	05(13.9%)	07
ISO 14001	0	0	18(50%)	18(50%)	18
Proceeding under environmental laws	0	0	07(19.4%)	07(19.4%)	07

iii. Environmental performance awards: Environmental Excellence Gold Awards Conferred by Greentech foundation, some state safety awards and national safety awards regarding the health and environment Management are presented by the National Safety council of India. The study revealed that only 16 (44.4%) companies disclosed in their annual report that they have obtained some kind of environmental awards. The total score regarding the performance award was found to be 18.

iv. Environmental Management System: Environmental Management System (EMS) refers to system for managing an organization's environmental programmes in a comprehensive systematic, planned and documented manner. For the protection of natural and environmental resources, industrial organizations have devised their own environment management systems. In our study, it was found that only 12(33.3%) companies reported that they were using environmental management system. Out of which only 1 (2.8%) company reported in quantitative term. Information provided about the type / structure of the environment management system being used lacked detail. The total score of this item was found to be 13.

v. Penalties under environmental laws: Penalties were imposed in the form of fines to the companies for the poor implementation of pollution control laws and non-compliance with the provisions may lead to civil and criminal liability. It is observed that only 5 (14%) companies reported about the penalties levied under the environment protection act and only 1 (2.8%) company attempts in monetary term. The main reason for the low level of disclosure about this factor may be the adverse impact on the reputation of the company. The other reason can be that a very few companies were imposed fines and penalties because of the poor implementation of pollution control laws.

vi. ISO 14001: It is the standard imparted by the International Standards Organization to the environmental conscious and caring companies. It is an assurance that organization has an environment management system that manages its environmental issues. In our survey it was found that only 18 (50%) companies reported about this item. Companies have been certified for the compliance with ISO 14001. Some renewed their environment management system certifications to the revised ISO 14001 standard.

vii. Proceeding under environmental laws: It is found that only 7 (19.4%) companies provided the information about the proceeding going on against them under these environmental laws. It was further found that the detailed information regarding the kind of proceedings and their stage in the court of laws was not available in the annual reports.

2. **INDUSTRY WISE ENVIRONMENTAL DISCLOSURE:** The industries have been broadly classified into two categories i.e. Polluting industries, and Non polluting industries. Polluting industries include- Hindalco industries ltd., Bajaj Auto ltd., Mahindra & Mahindra Ltd., Maruti udyog Ltd., Tata motors Ltd., IPCL, ABB, BHEL, Simens Ltd., Larson & Toubro Ltd., Sozlon Energy Ltd. Etc. Non polluting industries include- HCL Technologies Ltd., Tata Consultancy Ltd., Infosys Technologies Ltd., Dadur India Ltd., Bharti Airtel Ltd., VSNL, Tata Power Ltd., Hindustan Lever Ltd., Reliance Industries Ltd. Etc.

It is evident as revealed in table 2 and table 3 that there were 27 companies in the high polluting category and 9 companies in the low polluting category. Both score wise as well as lengthwise, the high polluting industries performed better to disclose the environmental information. Whereas the average total environmental disclosure scores in case of high polluting industries were found to be 9.6, it was only 7.6 in the low polluting industries. Also the proportion of disclosure companies was high in low polluting category as compared to high polluting category. So, it can be conclude that there was a high degree of relationship between the level of disclosure of voluntary environmental information and degree of environmental pollution caused by the activities of the organization. For heavy polluting companies, the best way to deal with environmental problems is to upgrade their technology to an environmental friendly one, which will influence future competitiveness. Before that, they should at least meet with government-required standards and report all required details to the government. There is also now an opportunity to begin to prepare for voluntary, market-oriented environmental reporting and disclosure. For low polluting companies, corporate environmental reporting and disclosure could enhance their competitiveness in the marketplace. It is not difficult for them to use leading international reporting guidelines or standards.

Table 2: Polluting -Industry Wise Environmental Disclosure

Industries	Companies	DISCL	Scores			Total score	Avg. score
Polluting			Regulatory	Accounting	General		
1.Aluminum	2	2	08	00	09	17	8.5
2.Automobiles	5	4	10	14	19	43	8.6
3.Petrochemical	1	0	00	00	00	00	0.0
4.Electrical	4	4	12	21	17	50	12.5
5.CEMENT	2	2	03	08	12	23	11.5
6.Iron & steel	2	2	02	01	03	06	3.0
7.Pharmaceutical	5	5	17	14	32	63	12.6
8.Refineries	3	3	11	11	16	38	12.7
9.Engineering	1	1	02	00	01	03	3.0
10.Other(Polliting)	2	2	08	03	06	17	8.5
Total score	27	25	73	72	115	260	(9.6)

Table 3: Non-Polluting Industry Wise Environmental Disclosure

Industries	Companies	DISCL	Scores			Total score	Avg. score
Non polluting			Regulatory	Accounting	General		
1.Computer	4	4	11	05	15	31	7.75
2.Personal care	1	1	04	04	05	13	13.0
3.Telecommunication	2	2	04	05	07	16	8.0
4.Power	1	1	03	00	02	05	5.0
5.Other (Non-polluting)	1	1	03	00	00	03	3.0
Total scores	9	9	25	14	29	68	(7.6)

So, it can be conclude that there was a high degree of relationship between the level of disclosure of voluntary environmental information and degree of environmental pollution caused by the activities of the organization. For heavy polluting companies, the best way to deal with environmental problems is to upgrade their technology to an environmental friendly one, which will influence future competitiveness. Before that, they should at least meet with government-required standards and report all required details to the government. There is also now an opportunity to begin to prepare for voluntary, market-oriented environmental reporting and disclosure. For low polluting companies, corporate environmental reporting and disclosure could enhance their competitiveness in the marketplace. It is not difficult for them to use leading international reporting guidelines or standards.

3. **LENGTH OF DISCLSOURE OF ENVIRONMENTAL INFORMATION:** This study was not restricted only to contents of disclosure of environmental information in annual reports. The length i.e. quantity of disclosure of environmental information was also studied. Table 4 present the company wise length of environmental disclosure.

Table 4: Length of Disclosure of Environmental Information

Number of lines	Number of companies(percentage)
1-10	09(25%)
11-20	08(22.2%)
21-30	06(16.67%)
Above 30	11(30.5%)

It is evident that 09 (25%) companies expressed environmental information in only one to ten lines, 8 (22.2%) companies devoted eleven to twenty lines, 6 (16.67%) companies' devoted twenty-one to thirty lines and 11 (30.5%) companies devoted above 30 lines for the disclosure of environmental information.

4. **PLACE OF DISCLOSURE OF ENVIRONMENTAL INFORMATION**: The place at which an item of information is disclosed in the annual reports indicates the degree of importance that items

carries. In our survey of annual report of the Indian companies, the most favored place for the disclosure of voluntary environmental information was found to be the Director's Report. Amongst the 34 disclosing companies 24 i.e. almost (71%) of the disclosure companies provided this information in the Director's Report. The place used by the companies for the disclosure of the environmental information is presented in Table 5:

Table 5: Place of Disclosure of Environmental Information

Place of disclosure		Number of companies
i.	Separate section	5(14%)
ii.	Chairman's speech	4(11%)
iii.	Director's report	24(67%)
iv.	Managing director's speech	3(8%)
v.	Management discussion and analysis	13(36%)
vi.	Corporate governance	19(53%)
vii.	Notes of accounts	11(30.5%)
viii.	Schedules of accounts	14(39%)
ix.	Environmental report	8(22%)

It can be seen that only 5 (14%) companies provided environmental information in separate section on environment, 4 (11%) companies provided information in Chairman's Speech, 24 (67%)

companies provided this information in Director's Report, only 3 (8%) companies provided this information in the Managing Director's Speech, 13 (36%) companies provided this information in the section on management discussion and analysis, 19 (53%) companies used the section of corporate governance to disclose this information, 11 (30.5%) companies used the section of notes to account to disclose this information, 14 (39%) companies provided this information in the Schedules of Accounts and 8 (22%) companies provided the information related to environment in the separate section of Environmental Report. On the whole there was no uniformity among the disclosure companies as for as the place for the disclosure of environmental information was concerned. The main reason for such a result may be the non availability of the disclosure guidelines.

SUGGESTIONS

The protection and development of environmental and natural resources has become an important task for the development of each business unit. Hence, it is recommended that corporate sector should improve the environment, and help to safeguard the forests and wildlife of the country according to the government policies. It is also suggested that every company should disclose, through its Board of Director's report, the measures taken for the protection of environment, and a number of other regulatory and non-regulatory initiatives taken in the direction of environmental protection. In all the manufacturing and non-manufacturing companies' effective and accurate information about environment plays a remarkable role in the success of the entire business. It is also suggested that all the companies should disclose maximum information either in monetary or non-monetary term about the environment in their annual report so that third parties may easily analyze the environmental performance of the business unit.

REFERENCES

1. Gupta N.D. (1997), Environmental Accounting, Wheeler Publishing, New Delhi.
2. http://www.defra.gov.uk/environment/business/reporting
3. http://www.newsletter.iqnet-certification.com/ed10/art8.htm
4. Internet search: www.valuenotes.com//asps/co.asp, Annual Report of Companies.
5. iso14001.homestead.com/ISO14000World.html
6. Mukherjee B.(2000), Environmental Management, Vikas Publishing house, New Delhi, 2000.
7. Nandi J.K.(2007), Environmental Accounting, The Accounting World, 2007.
8. Shiv Ravi Inder (2005), "Corporate Environmental Reporting Practices in India, "The Indian Journal of Commerce, Jan–Mar., 2005, Volume 58, No.-1, PP. 129 – 142.
9. Siddhartha (2007), The Journal of Accounting and Finance, Oct. 2006-Mar 2007, Volume 21, No. 1, p 40-65.
10. Tareq Emtairah (2002), Corporate Environmental Reporting-Review of Policy Action in Europe, http://www.enviroreporting.com/others/cer_europe.pdf
11. Uberoi N.K.(2003), Environmental Management, Excel Books, New Delhi.
12. www.accaglobal.com/pdfs/environment/ACCA-RJ1-002.pdf
13. www.ertc.deqp.go.th/ertc/images/stories/.../eea_corp_env_reptg.pdf

STRATEGIC COMMITMENT TO INNOVATION AND CHANGE THROUGH HRD – AN EXPLORATORY STUDY

MRS. SHAVETA T GROVER

Faculty

Geeta Institute of Management & Technology

Karhans, **SAMALKHA** – 132 103

MS. VIDUSHI CHOPRA

Faculty, Department of Management

Geeta Institute of Management & Technology

Karhans, **SAMALKHA** – 132 103

ABSTRACT

In recent years there has been a growing interest of HRD toward strategic commitment to attain success through fostering Innovation & Change in the organization. The radically changing business environment followed by unprecedented challenges and uncertainties require HR professionals to think in strategic manner that necessitates innovative skills and abilities. The central focus of any organization is on the core concerns & responsibilities of senior management strategy and leadership. Their role can provide

solutions to wide range of contemporary business challenges such as managing uncertainty, creating new markets through innovation, energizing people & introducing radical changes. No doubt, HR professionals bring the change in an organization but our study revolves around the role of HRD and its mechanisms which fosters innovation and change through OD practitioners and change agents etc. The role of HRD is to support the structural and strategic changes made by the organization to orchestrate its growth and expansion and the top management has to bring specialized teams to train its employees to facilitate and enable change and innovation.

KEY WORDS

HRD, OD, Organizational Change, Top Level Involvement

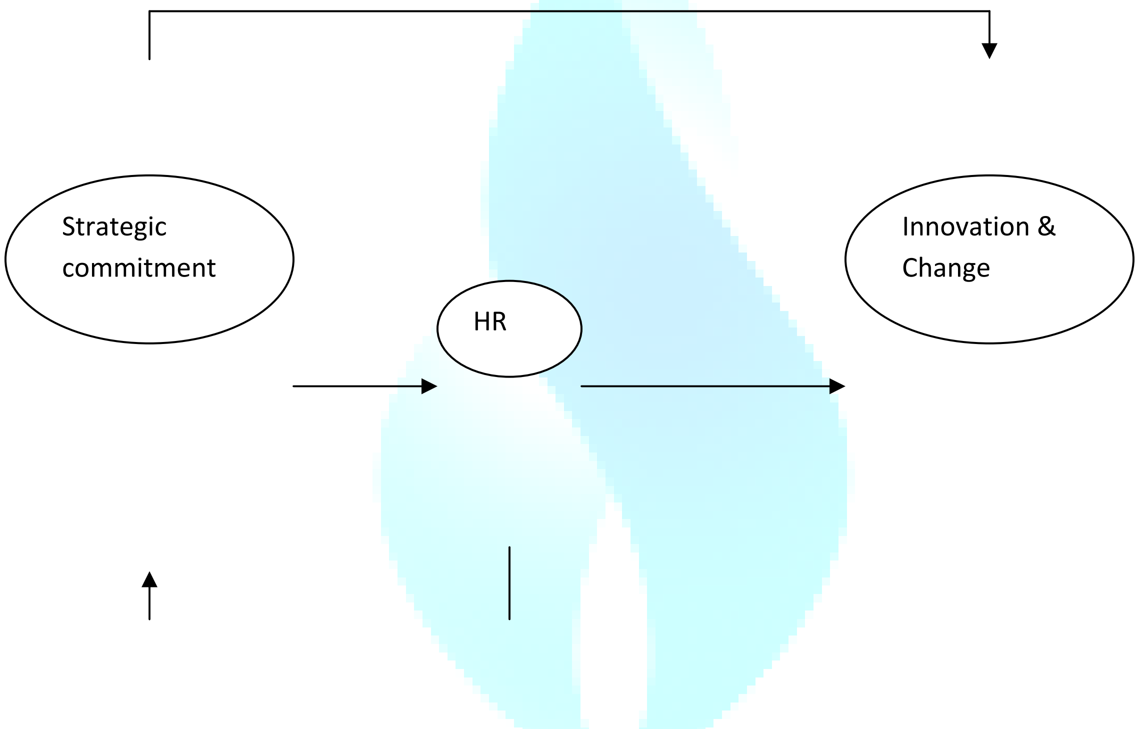
INTRODUCTION

In recent years there has been a growing interest of HRD toward strategic commitment to attain success through fostering Innovation & Change in the organization. Strategic commitment involves a passionate, disciplined loyalty to clear defined business strategy which focuses on future & keeps putting effort in improving its strategy which leads to Innovation & Change in the organization. Change is the result of alteration or modification. The modification results when something creative or innovative happens in the organization. Innovation may refer to incremental & emergent or radical & revolutionary changes in thinking, products, processes or organizations.

Innovation = New Ideas + HR Action which results in change & profit

The radically changing business environment followed by unprecedented challenges and uncertainties require HR professionals to think in strategic manner that necessitates innovative skills and abilities.

Innovation & Organizational Change play an important role in the business landscape. Whether it is the formulation of a new product, introduction of new service, a technological invention that changes business processes or a new administrative practice, innovation & organizational change helps to shape a companies strategy & structure.



Training on Job, Job rotation, Career planning, Controlling processes, communication & so on should be deeply linked to innovation & change. For innovation of new ideas some exercises like Brainstorming, What if, Six thinking hats should be a part of curriculum of training programs on innovation for HR professionals. The central focus of any organization is on the core concerns & responsibilities of senior management strategy and leadership. Their role can provide solutions to wide range of contemporary business challenges such as managing uncertainty, creating new markets through innovation, energizing people & introducing radical changes. For organizational change that entails new actions, objectives &

processes, the use workshops should be involved to achieve understanding, involvement, measurable aims, actions & commitment. For this, top management has to play a very important role in bringing specialized teams to train its employees to facilitate & enable change. The study is conducted with special reference to strategic commitment towards HRD of the company so that innovation & change can up bring. Undoubtedly innovation and change are predominantly concerned with HR of the company but possible only through the involvement of senior management continuously for positive results. The term strategic commitment is related with the Top level. Whenever any change is introduced usually the problem occur is resistance to change. For removing the problem, Top level should welcome the middle & lower level involvement into making of such type of strategy which enable the change accepted by all. No doubt, the HR professionals bring the change in an organization but our study revolves around the role of HRD and its mechanisms which fosters innovation and change through OD practitioners and change agents etc. HRD needs to support the structural and strategic changes made by the organization to orchestrate its growth and expansion and recognition by top management of the importance of HRD and its responsibility to promote it for the good of the organization. The top management has to bring specialized teams to train its employees to facilitate and enable change and innovation. The most common strategy used by top management is to set up a new HRD department or recruiting an HRD manager and using task forces consisting of line managers for its implementation. Using internal task forces has been found to be a useful strategy for bringing about organizational change using HRD mechanisms like performance appraisals etc. External consultants seem to play an important role in identifying the nature of change required and for providing directions. The experience of some organizations indicate evidence of learning, making innovations and evolving own systems to suit one’s culture and changes in it. Many of the HRD mechanisms like self appraisal, performance planning through task identification and target setting, performance review discussion or counseling and identification of training needs have been used by top management to carry out innovation and change successfully.

LITERATURE REVIEW

Guest, 1987 observed and commented on the key role of HR within this scenario maintaining that "an importance feature of successful HRM is capacity to implement strategic plans" which in turn requires "a capacity to manage planned organizational change and to be adaptive and responsive".

Cooper & Kleinschmidt, 1987; Gupta & Wilemon, 1990; Zirger & Maidique, 1990 observed that senior management has an important role in stimulating innovation in companies. Senior management support is notoriously mentioned as being positively correlated with product development success, as it provides the projects with both financial and political resources.

Coulson-Thomas, 1991 recognized that an organization currently face a turbulent, quickly changing world full of external and internal pressures that require innovation and flexibility for survival and success, the ability of organization to respond swiftly to changes rests with resources it has available, most significantly the HR.

Pettigrew and Whipp, 1991 found in their study of strategic organizational change found the differences between higher and lesser performing organization was the willingness to invest in raising the consciousness of HRM, supported by cumulative support strategies at all levels in organization. HRD aims at bringing the change in the organizational culture to facilitate the development and utilization of people. Such a change is a continuous process and they may take place incrementally. HRD system and HRD culture are new to many organizations. Even if some organizations have already been having informal HRD mechanisms, strengthening the HRD processes requires an understanding and acceptance of HRD philosophy by line managers. One of the ways of developing such an understanding is by letting it percolate from top management down. But the quicker way is to orient/induct the line managers are very much in tune with HRD philosophy. This leads to acceptance of change by the employees of the organization easily and quickly.

Brown & Eisenhardt, 1995 found that an individual level is of crucial importance for achieving innovation as it is the individuals in the organization that actually do the development work. At the individual level the benefits of having a variety of specialists is said to be a broader knowledge base and increased opportunities for cross-fertilization of ideas (Damanpour, 1991). Amabile (1988) holds a similar view as she argues that innovation is the result of creativity and creativity in turn is defined as the production of novel and useful ideas by and individuals or a small group of individuals working together. These individuals would, however, have limited opportunities to interact if the project leader does not work hard on achieving integration and coordination between the individuals, such as gatekeepers (Allen, 1977) and idea generators, within the organization (Tushman & Nadler, 1986).

Ireland & Hitt, 1999 analyze that strategic leadership and innovation strategy are crucial for achieving and maintaining strategic competitiveness. Strategic commitment is life energy. Strategy development and implementation of management practices are helpful in achieving it.

Van de Ven et al., 1999 recognized that support of top managers has been stressed in the OD literature and this involvement can make or break the innovation journey.

Bonner, 2002 observed that the role of senior management in stimulating innovation is far from straight forward. If senior management goes beyond a directive role, into a more detailed governance of a project it creates lower team performance.

Davila, *et al,* 2006 found hat To foster innovation in any company, it is important to attract and recruit people who will be innovative. Companies need to develop techniques and instruments to identify innovative people and employ them. Although some people may be more innovative than others, it is the relationship between people and their environment that ultimately determine their level of innovativeness.

Tjosvold & Yu, 2007 argue that companies are increasingly investing in innovation because of its overall impact on performance and daily processes to employees' functions. Innovation typically requires persistent teamwork focused on gradual improvement in delivering value to the company and in some cases final consumers

PURPOSE OF THE STUDY

The study is conducted with an eye towards the understanding of how HRD managers build on their experiences and move closer to the change and innovation goals. The main focus of the study is to know how top management should provide resources to support HRD managers to innovate and consistently emphasize the importance of innovation within the business.

OBJECTIVES OF THE STUDY

- To study the perception of top management in the involvement of HRD in carrying out desirable innovation and change.
- To identify the ways by which top management can generate innovation and change through HRD
- To study the traits of HRD managers required to foster innovation and change.
- To identify the variables that help in creating a soothing working environment in organization.

RESEARCH METHODOLGY

Nature of Study: The study is exploratory in nature. It is carried out in TCS and Thomson Digital, Noida. It is based on the primary data collected through field survey that is supported by well structured Questionnaire and Interview. A Pilot survey was conducted to identify the possible areas where top level commitment towards HRD is required for innovation and change. The respondents are HR department of TCS and Thomson Digital, Noida.

Data Collection: The collected data is both primary as well as secondary. The survey was conducted through making a pre-tested questionnaire. The sample constituted 200 respondents. The sample size is of 200 employees from HR department, which are selected on the basis of stratified random and convenience sampling method.

Secondary Data is collected from various sources such as books, journals, newspapers and Internet.

Tools for Data Analysis*:* the collected data is analysed using **factor analysis, ANOVA and graphical tools.**

ANALYSIS AND FINDINGS

Analysis of Perception Of Top Management In The Involvement Of HRD In Carrying Out Desirable Innovation And Change

The data is collected to study the perception of top management in involving HRD for carrying out desirable innovation & change using rank order scaling technique.

Hypothesis

H0 - According to top management, involvement of HRD in carrying out desirable change & innovation is not essential

H1 – According to top management, involvement of HRD in carrying out desirable change & innovation is essential.

Table 1

PARTICULARS	**YES**	**NO**
Top management believes that HRD is an extremely important source for Innovation and change	75	25
Strategic policies in organization facilitate employee development	72	28
Top management is willing to invest a considerable part of their time and other resources to ensure the development of employees	68	32
Organization and employee takes proper care of each other's interest	49	51
Top management of the organization makes efforts to identify and utilize the potential of the employees	66	34
Top management encourage their employees to experiment with new methods and try out creative idea	70	30
	400	200

Source: Primary Data

HYPOTHESIS TESTING

One-way ANOVA technique is used to determine the significance and acceptance or rejection of the hypothesis. The analysis is explained in the following sections;

Table 2

	SS	Df	Ms	F Ratio	5 % F Limit from the table
Between sample	3468	(2-1)=1	3468	40.8	4.96
Within sample	848	(12-2)=10	84.8		

An analysis of Table 1 shows that the calculated value of *f* is 40.8 which is greater than the table value 4.96 at 5% significance level *df* being V1=1 & V2=10, therefore this difference is significant & thus the alternative hypothesis is accepted.

Analysis of How Strategic Commitment generate Innovation & Change

The study is done to get the idea about how involvement of top management fosters Innovation & Change through various factors like HRD, T&D, OD, Participative Management and Change Management.

Table 3: Priority of Respondents

Rank	Through HRD	Through T&D	Through Consultant/OD	Through Participative Mgt.	Through Change Mgt.
1	47	37	36	34	46
2	43	33	45	32	47
3	39	32	48	40	41
4	36	45	41	43	35
5	35	53	30	51	31

Source: Primary Data

The data pertaining to rank 1 in table 3 shows that HRD is the most preferred element followed by OD, Change Management, T&D and Participative Management. To take into effect of ranks 1 to 5, the cumulative no. of respondents corresponding to all ranks under each element can be obtained as shown in table 4.

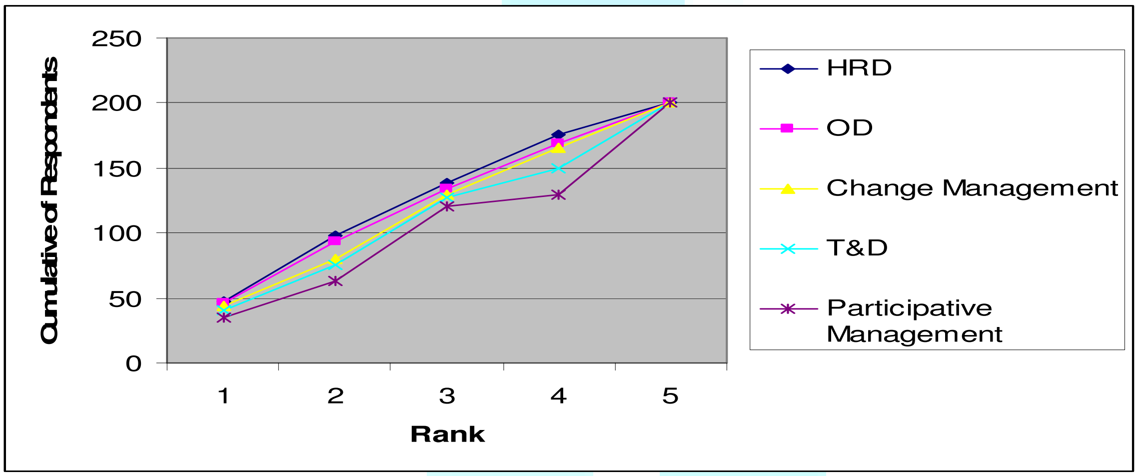
Table 4: Cumulative value of Priority of Respondents

Rank	HRD	OD	Change Management	T&D	Participative Management
1	47	46	44	40	35
2	98	93	80	75	63
3	139	134	130	127	120

4	176	169	166	150	130
5	200	200	200	200	200

The cumulative no of respondents is plotted against corresponding ranks for each of the element in figure 1.

Figure 1: Priorities of all respondents



The observation of these plots indicated that the cumulative curve for HRD envelops all other elements which lead to innovation and change. The interpretation of this figure provides the same order of the as obtained in table 4.

Analysis of traits of HRD managers required to foster innovation and change

The main motive to study the traits of HRD manager is to prove the significance of HRD manager as a primary player in the innovation process because human capability and expertise are needed in order to successfully navigate the journey.

Table 5: Testing Significance Of Association Schemes Between Hrd Manager Qualities And Innovation

Options	Proactivity	Tenacity	Objectivity in Approach	Adaptability & Initiativeness
HRD Manager Quality & Innovation chi-sq(p-value)	31.200(.000)	35.733(.000)	25.622(.001)	24.638(.000)

*Chi-square values **Figures in parenthesis are p-values, p<0.01 means highly significant association.

Testing significance of association between HRD Manager Qualities and Innovation i.e proactivity, tenacity, objectivity in approach, adaptability and initiativeness are shown in the table 5. The interpretation of the table 5 reveals that in all case p-value < 0.01 thus there is highly significance association between HRD Manager Qualities and Innovation.

Analysis of Variables That Help In Creating a Soothing Working Environment In Organization

The 10 related variables are analyzed for the help in creating such a working climate inn organization which can carryout change easily. The analysis reveals that the respondents consider all variables as important in making a soothing and innovative HRD climate. Here no. of variable grouped together into specific segment to enable the designing of appropriate strategy which is done by applying factor analysis using Principal Component Analysis.

Kaiser-Meyer-Olkin and Bartlett's Test of Sphericity measure of sampling adequacy are used to examine the appropriateness of factor analysis. The approximate Chi – Square statistic is 265.937 with 45 degrees of freedom which is significant at 0 .05 level. The KMO static (.641) is also large (>.5). Hence factor analysis is considered as an appropriate technique for further analysis of data.

Table 6: KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.641
Bartlett's Test of Sphericity	Approx. Chi-Square	265.937
	Df	45
	Sig.	.000

Source: Primary Data

Result of Principle Component Analysis for HRD working climate is tabulated in the table.

Table 7: Total Variance Explained

Component	**Initial Eigenvalues**		
	Total	% of Variance	Cumulative %
1	2.423	24.231	24.231
2	1.347	13.468	37.699
3	1.020	10.204	47.903

Table 8: Extracted and Rotated Sums of Squared Loadings

Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
Total	**% of Variance**	**Cumulative %**	**Total**	**% of Variance**	**Cumulative %**
2.423	24.231	24.231	2.318	23.185	23.185
1.347	13.468	37.699	1.467	14.668	37.853
1.020	10.204	47.903	1.365	13.648	51.501

Table 9: Rotated Component Matrix

Serial No	Variables	1	2	3
1	Authenticity	-.001	**.747**	-.204
2	Job Rotation	-.192	-.374	**.522**
3	Proactively	.230	.287	-.166
4	Openness	-.089	**.714**	-.294
5	Autonomy	-.187	**.724**	-.194
6	Career Opportunities	-.343	-.324	**.548**
7	Collaboration	**.770**	.343	.153
8	Facilitation & Support	**.843**	.007	.053

9	Team Spirit	**.782**	-.137	-.107
10	Reinforcement	.128	.179	**.904**

Retaining only the variables with eigen values greater than one (Kaiser's Criterion), one can infer that 24.231% of variance is explained by factor 1; 13.468 % of variance is explained by factor 2; 10.204 % of variance is explained by factor 3 and together all three factors contributed to 47.903% of variance.

On the basis of Varimax with Kaiser Normalisation, 3 factors have emerged. Each factor is constituted of all those variables that have factor loadings greater than or equal to 0.5. Thus variable 7th, 8th and 9th constituted the first factor conceptualized as "Employee Participation"; variable 1st, 4th and 5th constituted the second factor and this is conceptualized as "Element for HRD Climate"; 2nd, 6th and 10th constituted the third factor and this is conceptualized as "Development Opportunities".

Thus, after rotation, factor 1 (Employee Participation) accounts for 23.185 % of the variance; factor 2 (Element for HRD Climate) account for 14.668 % of the variance; factor 3 (Development Opportunities) account for 13.648 % of the variance and all 3 factors together explain for 51.501 % of variance. The identified factors with the associated variable and factor loadings are given in Table 10.

Table 10: Identification of Variables That Help In Creating A Soothing Working Environment In Organization

Factor Name	Variables	Factor loadings
Employee Participation	Team Spirit Collaboration	.782 .770

	Facilitation & Support	.843
Elements for HRD Climate	Authenticity Openness Autonomy	.747 .714 .724
Development Opportunities	Job Rotation Career Opportunities Reinforcement	.522 .548 .904

DARKER SIDE OF THE STUDY

It becomes difficult in culture of especially Indian companies, if top management is involved in implementing a system and is transferable or having a time bound appointments. So, in this type of situation, some HRD practices/ mechanisms may be discontinued.

When there is change in top management, the normal tendency of chief executives on transferable jobs is to do with, what their predecessor has done by dismantling the previous systems and adding their own. In this process sometimes opportunistic line managers may transmit their prejudices to the new chief executive.

RECOMMENDATIONS

- It is suggested that the involvement of HRD managers should be enhanced in bringing change and innovation.
- Further, the training and development of top management in new systems & culture is also suggested to make them understand the importance of HRD.
- Using internal task forces has been found to be a useful strategy for bringing about organizational change using HRD mechanisms.
- The involvement of external consultants is recommended in identifying the nature of change required and for providing directions.
- It is found in the study that association between innovation and HRD manager's qualities are of highly significance so it is suggested that the top management should work upon enhancing the attributes of HRD managers so as to successfully navigate the innovation and change in the working climate.
- It is found that variables identified are many of OCTAPAC nature, so it is suggested to give the environment a more broader view so that employees can find themselves comfortable to ignite innovation and change.

LIMITATIONS OF THE STUDY

As no person is perfect in this world, in the same way no study can be considered as fully reliable at one glance. There are number of uncontrollable factors acting as limitations in conducting the study.

Some of such limitations encountered by me in this study are as follows: -

- **The most important factor, which limits the research, is the time factor. This study has not been conducted over an extended period of time. Further the study has not captured abstract situations.**
- Sample size is limited to 200 respondents of HR dept. of TCS and Thomson Digital. The sample size may not adequately represent the scenario.
- Due to changing environment, what is relevant today may not be relevant tomorrow.

REFERENCES

- Angle, H. L. (1989). Psychology and organizational innovation. In A. H. Van de Ven, H. L. Burns, T., & Stalker, G. M. (1961). *The management of innovation.* London: Tavistock.
- Egan, T. M. (2005b). Creativity in the context of team diversity: Team leader perspectives.
- French, W H. and Bell C.H. (2009): Organizational Development, Prentice Hall of India, New Delhi.
- Pareek,U. (2008). Managing Transitions : The HRD Response. Tata McGraw Hill, New Delhi
- Rao, T V. (2009). Alternative Approaches & Strategies of Human Resource Development, Rawat, Jaipur.
- Sinha, Dharani. (2009). Consultants and Consulting Styles, Vision, New Delhi.
- Van de Ven, A. H., Angle, H. L., & Poole, M. S. (1989). *Research on the management of innovation: The Minnesota studies.* New York: Harper & Row.
- Waight, C. L., & Egan, T. M. (2005). Underpinnings of creativity in human resource development. *Advances in Developing Human Resources, 7*(2).
- http://swoba.hhs.se/hastba/papers/hastba2006_001.pdf
- http://www.bsos.umd.edu/socy/centerforinnovation/PDF/Hage1999.pdf
- http://www.cpaglobal.com/download_centre/white_papers/innovation_gap
- http://www.cpaglobal.com/download_centre/white_papers/innovation_gap
- http://www.macrothink.org/journal/index.php/jmr/article/viewFile/120/62

- http://www.managerwise.com/article.phtml?id=184
- http://www.midwestacademy.org/Proceedings/2006/papers/paper28.pdf
- http://www.midwestacademy.org/Proceedings/2006/papers/paper28.pdf

MOBILE NUMBER PORTABILITY- ISSUES IN IMPLEMENTATION AND EVALUATION

PRIYANKA GAUTAM

Lecturer

Maharishi Markandeshwar University

MULLANA – 133 207

ABSTRACT

The Indian telecom industry is one of the fastest growing in the world and is projected that India will have 'billion plus' mobile users by 2015. Projection by several leading global consultancies is that India's telecom network will overtake China's in the next 10 years. Amid this the introduction of Mobile Number Portability (MNP) would benefit subscribers as they will be getting improved services that too at a lesser cost. MNP allows subscribers to retain their existing mobile telephone numbers when switching from one access service provider (telecom operator) to another, irrespective of mobile technology or from one technology to another, of the same or any other access service provider. In other words, it enables the subscriber to retain his/her phone number, when switching subscription from one mobile service provider to another.

This study focuses on the implementation and evaluation of MNP in Indian market, various aspects covering portability rate, charges, benefits of MNP to customers and telecom service providers, prospective effects of MNP on telecom subscribers, suggestions for telecom service providers etc. Mobile Number Portability (MNP) has been introduced in many developed countries and is now being contemplated in many developing countries. The competition will intensify because of implementation of MNP and telecom service providers will be compelled to innovate their services to retain existing market share.

KEYWORDS

Mobile number portability, Implementation, behavior of subscribers and telecom service providers.

INTRODUCTION

"Mobile Number Portability" means the facility which allows a subscriber to retain his mobile telephone number when he moves from one Access Provider to another irrespective of the mobile technology or from one cellular mobile technology to another of the same Access Provider; (TRAI)"

Though it was introduced as a tool to promote competition in the heavily monopolized wireline telecommunications industry, number portability became popular with the advent of mobile telephones, since in most countries different mobile operators are provided with different area codes and, without portability, changing one's operator would require changing one's number. Some operators, especially incumbent operators with large existing subscriber bases, have argued against portability on the grounds that providing this service incurs considerable overhead, while others argue that it prevents vendor lock-in and allows them to compete fairly on price and service. Due to this conflict of interest, number portability is usually mandated for all operators by telecommunications regulatory authorities. The Indian telecom industry was about to launch Mobile Number Portability (MNP) in a phased manner, on September 2009 and to be completed by March 2010. But it delayed due to some reasons till 30th June.

Competition is one of the major driving factors of the Indian telecom industry. Launch of CDMA services and entry of new players are the major events, which made the industry highly competitive over a period of time. Consistent rounds of tariff cuts and improvement in the quality of services only resulted from high competition. Players upgraded themselves by making huge investments to improve the infrastructure and thereby the quality of services offerings, in view of the size of the market and the opportunities it offered.

Indian telecom industry is one of the most competitive telecom industries in the world with 12 players offering services to over 390mn subscribers. However, the top 5 players have captured significant market share of 85%, while the other 7 players account for just 15%. Considering the size of the market, the TRAI has allowed entry of new players, which would fuel competition further.

Mobile operators offering telecom services in India include state-owned BSNL and MTNL, besides private operators like Airtel, Reliance Communications, Vodafone, Idea Cellular, Loop Mobile, Aircel, MTS and Tata Indicom/DoCoMo. Once mobile number portability is across in India, every operator will have to facilitate customers' exit from and entry to their networks with the same number.

HISTORY OF MNP IMPLEMENTATION

COUNTRY	YEAR OF IMPLEMENTATION
Canada	March 14, 2007
United States	November 24, 2003
Mexico	July 5 of 2008
Dominican Republic	September 30, 2009
Brazil	March, 2009
Hong Kong	March 1, 1999
Israel	Dec 2, 2007.
Japan	October 24, 2006
Saudi Arabia	8 July 2006,
Pakistan	March 23, 2007
Singapore	13 June 2008
South Korea	January 1, 2004
Germany	March 1, 2004
Australia	1999.

New Zealand	1 April 2007

Source: wikipedia

WAYS OF PORTABILITY

There are four main methods to implement MNP by routing a number to new service provider:-

All Call Query (ACQ)

The operator that originates the call always checks a centralized database and obtains the route to the call.

Query on Release (QoR)

The operator that originates the call first checks with the operator to which the number initially belonged, the donor operator. The donor operator verifies the call and informs that it no longer possesses the number. The operator that originates the call then checks the centralized database, as is done with ACQ.

Call Dropback

Also known as Return to Pivot (RoP). The operator that originates the call first checks with the donor operator. The donor operator checks its own database and provides a new route. The operator that originates the call then uses this route to forward the call. No central database is consulted.

Onward Routing (OR)

The operator that originates the call checks with the donor operator. The donor operator checks its own database and obtains a new route. The operator to which the number was designated routes itself the call to the new operator. This model is called indirect routing.

PROCESS OF MNP: HOW TO CHANGE MOBILE OPERATOR?

Earlier the subscribers were hesitant to change their operators due to fear of loosing their existing mobile number, but now with MNP subscribers can easily switch to new operator while retaining same mobile number. There’s a catch though. You cannot switch operator and retain number if you have been with that operator for less than three months. Prepaid users must remember that their balance talk time will disappear if they switch to a different operator. The maximum downtime between deactivating the existing connection and starting the new connection will be a maximum of two hours. TRAI has forwarded the responsibility to the Department of Telecommunications (DoT) to select an operator who will be licensed to manage an end-to-end MNP solution.

- Subscribers must pay up all pending bills before making an application for MNP.
- The porting fee is to be paid to the new operator.
- No payment is required to be given to the operator you are leaving.
- TRAI said that porting between mobile operators should be accomplished within four days.

The porting rate in any country depends on a number of factors like:

- Mobile subscriber base
- Churn rate
- Number of operators in the market

Per Port Transaction Charge

The per port transaction charge has been computed by dividing the total cost to the MNP Service Provider (MNPSP) by the estimated number of porting subscribers, over a period of 5 years. Accordingly, the Per Port Transaction charge works out as follows:-

Particulars	Unit	Amount
Total cost	Rs in Mn	2320.47
Average porting	In Mn	123.26
Per Port Transaction Charge	in Rs	18.83
License fee @1%	in Rs	0.19
Total Per Port Transaction Charge	in Rs	19.02
rounded off	in Rs	19.00

Source: TRAI

TRAI said that subscribers in India will be able to change their service providers while keeping the same mobile number, at a fee of no more than Rs 19. It doesn't matter whether you want switch from GSM to CDMA or vice-versa, or within GSM and CDMA operators; you can still retain the same number. However, initially, you will be able to switch operators and retain the number only within the same telecom circle. You cannot retain the same number and change operators if you want to, say, move from Delhi to Mumbai. TRAI also said that service providers will be able to charge any amount less than or equal to Rs 19. MNP will be introduced in India, in two phases. It will first be introduced in Indian metros and Category A telecom.

EVALUATION OF MNP

Mobile Number Portability More Attractive To India's Postpaid Users and High Spenders:

According to the Nielsen Mobile Consumer Insights study, postpaid subscribers have almost double the minutes of usage compared to pre-paid subscribers and the incidence of data application usage is also higher among postpaid and high spenders. Vodafone has the highest postpaid subscriber base in India. They found on the basis of the survey that postpaid subscribers will show higher switching rate then the prepaid subscribers.

"Consumers and the market will decide who the predominant player will be, with the significant developments in the industry of Mobile Number Portability. As the market grows and hyper-competition takes effect, retention of the right type of customers will become critical," said Panchapakesan.

ADVANTAGES TO SUBSCRIBERS:-

- Free mobility from one service provider to another, without changing the mobile number.
- Price competition if the market is competitive.
- Competition among service providers will lead to improvement in quality of service and product innovation, in order to retain and expand the customer base.

- Many value-added services may be offered by service providers to attract customers, either free or at low costs.

DISADVANTAGES TO PHONE SUBSCRIBERS:-

- Telecom operator charges porting fees in many countries. These charges comprise of administrative fees and recurring monthly fees for number porting services.
- Waiting period for mobile subscribers to get their number successfully ported. This waiting period ranges from 1-2 working days in Hong Kong, to 4-7 working days in Taiwan and Singapore, 4 days in India as directed by TRAI resulting in too much inconvenience for subscribers.

ADVANTAGES TO TELECOM OPERATORS:-

- It increases competition by allowing consumers to switch service providers, yet retaining their old mobile phone number, which help telecom operator to improve its product line and services.
- It provides a fair chance to all the service providers. Player with better quality of service and innovative products can sustain in the long term.
- It can be one of the major reasons for the industry to consolidate.

DISADVANTAGES TO TELECOM OPERATORS:-

- Increase in churn rate directly affects the revenues of the service provider.
- Increases price competition.
- It may put pressure on margins, as product innovation costs and marketing costs may increase.
- Increased investments in back-end services.

SUGGESTIONS FOR COMPANIES

The arrival of the new system in India will definitely make mobile network operators stay on guard as the subscriber has the flexibility to move out of their network at any time. Mobile network operators will have to face this huge hurdle and will have to improve upon their customer service and products to be the best if they wish to retain their esteemed customers. There are many exit barriers or strategies that the operators can adopt to prevent their base from churning. A few examples of such strategies are:

- Offer advance rental plans with bundled free airtime before introduction of MNP to lock-in the subscribers.
- Enhance network coverage by providing in-building solution.
- Offer personalized customer care.
- Focus on services like mobile money, navigation, email that would make subscriber think twice before leaving the network.

CONCLUSION

The move is sure to unsettle the market. It will generate fierce competition between service providers and force big ones to improve their services. At the same time, it will benefit new players immensely. Introduction of mobile number portability will facilitate the easy exit of disgruntled users. This also means telcos will have to put more effort to retain those customers, who earlier stayed loyal to the operator out of the necessity of retaining their number.

There are some additional factors which affect porting. These are procedure for porting, porting time, porting costs/fee, lock-in period, customer awareness, exit barriers, launch of services by new operators, attractive/aggressive tariff plans, innovative services, VAS offerings, quality of service, time to resolve disputes & porting process complexity etc.

As seen internationally, the porting rate is high in the initial period of introduction of MNP and then reaches a plateau. Unlike other countries where at the time of introduction of MNP, the telecom sector had matured, in India, several new operators are entering the market and the monthly addition of new subscriber is still very high. As the churn rate is quite high, it is expected that once MNP is available, subscribers may use this facility as an alternative to switch over to other operators. Price competition may intensify post MNP implementation. We believe that services and the quality of services in the telecom industry are quiet homogenous, making pricing the key differentiator, and major tool to attract and retain subscribers. In a worst-case scenario, new players or small existing players may adopt cheap pricing strategies to attract and retain subscribers.

REFERENCES

Annual report on Telecommunications, Department of Telecommunications, Government of India, www.dotindia.com.

Kotler Philip Marketing Management-Millennium edition, Prentice Hall of India Private Ltd.-2000

Local Number Portability, www.wikipedia.com

Mobile Consumer Insights study by The Nielsen Company

New Telecom Policy", www.trai.gov.in

CURRENCY FUTURES: AN INNOVATION IN CAPITAL MARKET

DHARAMVEER

Chairperson

Department of Business Administration

Haryana Engineering College

JAGADHRI – 135 003

DR. SAMBHAV GARG

Asst. Professor

M. M. Institute of Management

Maharishi Markandeshwar University

MULLANA – 133 203, Ambala

HARVINDER SINGH

Sr. Lecturer, Department of Management

Haryana Engineering College

JAGADHRI – 135 003

ABSTRACT

Over time, the foreign exchange market in India achieved some sophistication and vibrancy. However, the volatility in exchange rates remained an issue. With global trade and business increasing exponentially, Indian companies had to find ways of hedging currency risk. The only instruments available were forward, swap and option contracts but all were customized and OTC. However, when the sub-prime crisis hit the US, Europe and other major economies of the world, the exchange rates went away. Indian companies were unable to realize the full value of their business dealing abroad. Worse still, the forward contracts they had entered into for hedging their currency risks themselves turned into risks. To cover the risk involved in currency exchange, the RBI and SEBI jointly formed a committee which recommended starting currency future trading in India, consequently NSE started in dealing currency futures from August, 2008.

KEY WORDS

Over the Counter, Chicago Board of Trade, U.S Dollar, Indian Rupee, Future Currency, Security and Exchange Board of India, Reserve Bank of India

INTRODUCTION

Each country has its own currency through which both national and international transactions are performed. All the international business transactions involve exchange of one currency for another. The currency units of one country are exchanged with the currency of another country. The price of one currency in terms of another currency is known as Exchange-rate. The foreign exchange market of a country provides the mechanism of exchanging different currencies with one another and thus, facilitating transfer of purchasing power from one currency to another. With the multiple growth of international trade and finance all over the world, trading in foreign currency has grown tremendously over the past several decades. Since the exchange rates are continuously changing, so the firms are exposed to the risk of exchange rate movements.

A Currency Future Contract provides a simultaneous right and obligation to buy and sell a particular currency at a specified future date, at a specified price and a standard quantity. The foreign currency futures were started for the first time in the year **1972** at the **International Money Market – a division of Chicago Mercantile Exchange of Chicago.** The major currencies which at this exchange launched were British Pound, Canadian Dollar, Deutsche Marks, French Franc, Japanese Yen, Swiss Franc and Australian Dollars. Currency Future contract are similar to other future contracts like that of commodities, interest rates and metals etc. In the other words, in currency future market, the different currencies are sold and purchased at the specified future date, at predetermined price and at a specified quantity on a particular recognized exchange.

REVIEW OF LITERATURE

So far researchers have carried out a little work on the prospectus and problems of currency future in India, but the suggestions based on the material published so far are mentioned hereunder:

V D M V Lakshmi (2008) have quoted the decision taken by RBI to allow exchange traded currency future in India as a gift to traders and investors as well since it is a standardize and transparent instrument to hedge their exposure to the currency risk. He also described how the currency future can be used by market participant to cover the risk due to fluctuation in exchange rates in currency market besides the legal framework and sanction approval procedure from authorized agencies.

Nirvikar Singh (2008) stated that off-shore non-deliverable forward markets have existed in India and Reserve Bank of India also oversees domestic currency forward trading but exchange traded currency future were simply banned. However, in June 2007, trading of rupee future started on Dubai Gold and Commodities Exchange prompting the RBI to set up a Committee to look into this possibility for India. The paper described that during 2007 rupee future trading on DGEX and despite the fact that it was not controlled by the RBI, so there were no restriction on trading and participation beyond those that would be normal for an exchange and it clearly seemed that the new market was being used for short-term hedging, probably by parties engaged in international trade. He concluded with stated the RBI role should be of macroeconomic management not microeconomic details if India is serious about financial sector development.

S. B. Kamashetty (2008) threw a light on trading mechanism of currency future with the average daily traded volume in the global forex market and in India as well. He also mentioned the guidelines for the currency future trading with its flip slide and shortcomings. The author also suggested to grant the permission in dealing with three-four major currencies besides USD, in which India has strong underlying traded.

Krishnan Sitaraman and Satish Prabhu (2010) descried the currency future with mitigating exchange Rate risk with illustrative support. They have also showed the progress, operational aspect and new developments of currency future in India. The paper also suggested introducing the currency option in the market.

Padmalatha Suresh (2010) has admitted that currency future helped the undernourished Indian financial markets in a big way and described how exchange traded futures are the answer to preventing systematic risks in the future. He also thanked to the RBI decision to extend the currency futures market to include three more currency pairs as earlier stated financial advisors were saying and appears that currency options, as natural extension at the currency future market, are also on the anvil. He also reviewed the performance of currency futures in December, 2009 since the inception of trading, and presents some interesting insights i.e. both OTC markets (INR and other currencies) and currency futures (only INR/USD) traded on NSE and MCX showed a remarkable increase in the turnover of derivatives as a percentage of OTC forward turnover. The paper also quoted some reasons for inefficient and illiquid market in India such as inadequacy of financial firms, Regulators and structured barriers, Frictions caused by taxes and suggested that currency futures are not an end in themselves but more positive actions from the regulators and government are expected to nourish the market without being overprotective.

OBJECTIVES OF THE STUDY

No study can be undertaken without specified objectives. Same is true with this paper which is focused on the following objectives:

- To examine the need of Currency Future Derivative in India
- To analyze the importance of Currency Derivatives market in India
- To present the problems of Currency Future pattern in India
- To study the impediment for the development of Currency Future Trading in India

- To suggest the measure for the development of Currency Future Trading in India

NEED OF CURRENCY FUTURE

Foreign currency is needed to import the goods & services as well as for investment in foreign countries. Conversely, we receive foreign currency from export of goods and services and through foreign investment. After collapsing the Bretton Wood Agreement during 1971, the prices of a currency at foreign exchange rate is determined by demand-supply phenomenon. An investor or trader needed foreign currency to explore their business but depreciation or appreciation in rupee against foreign currency may arise risk. Moreover, interest risk and credit risk also raise the problems in foreign trade. Earlier, businessman usually tried to cover this risk by entering a forward contract to sell/buy a foreign currency (dollor) at a future date on predetermined rate of exchange. But these contracts were customized in nature and assumed to be risky due to non- transparency and non availability of clearing houses. So, there was a great need to remove all these problems, consequently RBI and SEBI had taken an initiative to start foreign currency future in India during 2008 to make these contracts standardize.

CURRENCY FUTURE: A HEDGING TOOL

During last two year Indian rupees has depreciated many times leads to high volatility, made the foreign business more risky. To cover this risk, a businessman may undertake a future contract from specified exchanges. Under this contract an investor or businessmen have to buy required currency futures contracts and "locks in" a price for the purchase of foreign currency i.e. Dollar, Pound, Yen or Euro and there by hedge (cover) the risk that may arise due to fluctuations in exchange rates. As there are clearing houses, which guarantee the performance of the contracts, there is no question of counter party risk. More over, both buyer and seller have to deposit margin money with the concerned exchange that makes transparency in dealing as well. Therefore, a trader can avoid exchange fluctuations risk by using currency futures.

CURRENCY FUTURE IN INDIA

In India the Forex future currency trade can be carried out through recognized stock markets – **Bombay Stock Exchange, National Stock Exchange** and **Multi Commodity Exchange. National Stock Exchange** has started Forex future currency trading from August 29, 2008. NSE is the first exchange in India to have obtained an in principle approval from Security and Exchange Board of India to set up currency derivatives segment. BSE is the third exchange in India to have obtained an in principle approval from Security and Exchange Board of India after NSE and MCX. In brief the history of

Trading in Currency Future contracts in India can be traced back to the year 2008 when various stock exchanges started trading in currency futures on the following dates:

- **National Stock Exchange** starts its trading in August 29, 2008
- **Bombay Stock Exchange** starts its trading in October 1, 2008
- **Multi Commodity Exchange** starts its trading in October 7, 2008

(MCX got the approval from SEBI before BSE but it could start trading in Currency future after BSE) This shows that trading in currency futures in India is not very old rather it is at the stage of infancy.

PATTERN OF CURRENCY FUTURE TRADING IN INDIA

NSE is the first exchange in India which get the first permission in trading of currency future after BSE and MCX get the permission.

NSE: All the trades done at NSE are cleared settled and risk managed by National Security Clearing Corporation. NSCCL is set up as a separate and independent entity. Below is currency future at NSE:

Date	Instruments	Underlying	Expiry Date	MTM settlement price
20-02-09	FUTCUR	USDINR	25-02-09	497875000
20-02-09	FUTCUR	USDINR	27-03-09	498825000
20-02-09	FUTCUR	USDINR	28-04-09	499700000
20-02-09	FUTCUR	USDINR	27-05-09	500725000
20-02-09	FUTCUR	USDINR	26-06-09	500400000
20-02-09	FUTCUR	USDINR	29-07-09	503000000
20-02-09	FUTCUR	USDINR	27-08-09	504000000
20-02-09	FUTCUR	USDINR	28-09-09	502525000
20-02-09	FUTCUR	USDINR	28-10-09	503300000
20-02-09	FUTCUR	USDINR	26-11-09	503950000
20-02-09	FUTCUR	USDINR	29-12-09	504700000
20-02-09	FUTCUR	USDINR	27-01-2010	505350000

BSE: BSE is the third exchange in India to have received the regulatory permission to launch exchange traded currency future. **BSE CDX (C**urrency Derivatives exchange) would soon commence trading in INR currency future. The timing of BSE **CDX** is Monday to Friday between 9.00 A.M to 5.00 P.M.

MCX: MCX said in an invitation that it will launch exchange-traded rupee futures on Oct. 6. The currency futures trading will be through MCX Stock Exchange, the new company that MCX has recently floated. Presently all future contracts on MCX-SX are cash settled. There will be no physical contracts. All trade on MCX-SX takes place on its nationwide electronic trading platform that can be accessed from dedicated terminals at locations of the members of the exchange. All participants on the MCX-SX trading platform have to participate only through trading members of the Exchange. Participants have to open a trading account and deposit stipulated cash/collaterals with the trading member. MCX-SX stands in as the counterparty for each transaction; so participants need not worry about default. In the event of a default, MCX-SX will step in and fulfills the obligations of the defaulting party, and then proceed to recover dues and penalties from them. Those who entered either by buying (long) or selling (short) a futures contract can close their contract obligations through squaring-off their positions at any time during the life of that contract by taking opposite position in the same contract. A long (buy) position holder has to short (sell) the contract to square off his/her position or vice versa. The participants will be relieved of their contract obligations to the extent they square off their positions. All contracts that remain open at expiry are settled in Indian rupees in cash at the reference rate specified by RBI.

PROBLEMS OF CURRENCY FUTURE IN INDIA

The main problems of Currency Future in India are as below:

1. **No permission to FIIs and NRIs in Currency Future Trading:** At present the foreign institutional investors and non-resident Indians are not allowed to take part in this trading. As result of non-presence of these entities, the volume in Currency Future market is very thin.
2. **Compulsory to follow the guidelines those are provide by RBI and SEBI such as:**
   - The maximum size of the contract is $ 1,000 and tick size is 0.25 paise
   - The contract shall be quoted and settled in Indian rupee and no underlying assets is required to trade in this instrument
   - The trading period will range from one month to 12 months
3. **Security Transaction Tax will be levied:** The problem of currency future trading in India is that the exchanges are not levying any exchange transaction fees. Therefore the brokers are required to pay only brokerage charges which is 0.05 percent on carry forward traders and 0.025 percent on inter-day traders.
4. **Eligibility for Banks to becomes a Clearing and/or a trading member:** If banks can fulfill the following eligibility conditions only than they can become the trading member otherwise not:
   - The bank should have minimum net worth of 500 crores
   - Capital Adequacy ratio of 10 percent
   - NPA should be less than 3 percent
   - They must have a profit record of 3 years
5. **Standardization:** It is not possible to obtain perfect hedge in terms of amount and timing as comparison of over the counter market.
6. **Others:**
   - The exchanges are required to establish a separate segment within exchange for trading in currency future and should have at least 50 members
   - Membership of the currency future should be separated from the membership of other segment of the exchange.

FUTURE OF CURRENCY FUTURE

Currency Future in most of the country is way below the over the counter market of the currency which is supposed to be the biggest market in the world. It has been anticipated that the future market in currency will be helpful for the retail, small & medium enterprise, who has generally less exposure compared to the industry, which generally hedge there position by taking position forward at the OTC market. Although according to some of the experts the most important policy issue in the present situation is to start an INR cash settlement future and option market, where citizens and firms can do their own currency trading and thus obtain private solution to their own risk management problem. Other broker view as a speculation medium because the liquidity in this market seems to be very less compared to the OTC market. Investors could bet on the future of dollar and take his position according to their expectations following the near months. A large number of exchanges, banks, dealers, exchange broker and speculators are all getting ready to join it. But also get ready for some fun and games. In fact India is getting into the game at right time. World over exchanges traded currency derivatives are slowly eating into the traditional foreign exchange trading platform, especially the spot and OTC market.

RECENT DEVELOPMENT

In June, 2007, Dubai Gold and commodities Exchange (DGCX) introduced the first exchange traded Indian rupee currency futures contract which awakened the RBI to consider the possibilities at the same in India. Consequently, on Feb 28 2008 a standing technical committee have been formed by RBI and SEBI to lay down the framework for the launch of exchange traded currency futures ultimately on Aug 29 2008 the NSE have been granted permission to introduce currency future till Jan, 2010 the contracts based on USD/INR were permitted only but on Jan, 19 2010 the RBI and SEBI allowed the Euro, Pound and Yen with rupee for trading contract. From an average daily turnover of Rs 200 Crore during its initial months of trade, the currency derivatives segment of both the NSE and MCX are now generating an average daily turnover of Rs 14000 Crores and Rs 14700 Crore respectively. Moreover, the RBI –SEBI standing Technical Committee an exchange traded currency future in India is deliberating on the various parameters for introducing currency option trading in currency future is expected to come within next two months.

SUGGESTIONS

The following prerequisites are certain to give a big boost to currency future trading in India such as:

- The market should be efficient with widespread awareness amongst various market players.
- It is most important that the contract size should be kept at such a level that it facilitates price discovery as well as trading, particularly for retail segment of market.
- While attracting liquidity through product innovation is a feature of the competitive market in the initial phase, a standardized product across various exchanges would invite greater participation and add to the liquidity of currency future markets.
- If FIIs have to be allowed in currency future trading, there should than be a cap on their open interest position in currency future. The positive aspects of the entry of these securities will be that they will bring in huge volumes and liquidity into the market.
- The contract should be settled on the last working day of the following month and settlement price should be the RBI reference rate on the last trading day. The exchange rate should be determined by the market forces, there should be a substantial intervention by the RBI.

- There can be two types of members in this trading such as- Hedger and Speculators. The responsibility of fixing of margin for these categories may be left to the exchange.
- Having a dedicated exchange for currency future may be preferred approach since it would ensure a clean regulatory and supervisory structure.

CONCLUSION

The origin of currency futures can be traced back to 1851 when the CBOT introduced standardized forward contracts. The main advantages of currency future over its closest substitute product viz. forward which is traded OTC lie in price transparency, elimination of counter party credit risk and wider reach through easy accessibility. The futures are also disadvantageous when these are compared with OTC market such as, inability to obtain a perfect hedge, margin requirement that derive up the cost. The high volatility in the value of Indian rupee could have forced the government to introduce the currency future. The introduction of this new instrument is a first step towards creating a full fledged foreign exchange derivatives market in India and would take the country closer to full capital account convertibility. As of now currency futures are permitted in Euro, Yen and Pound in addition to USD, the Indian currency future market will shape a new paradigm. Moreover, option trading in currency future is expected in near months. The participants should remember that it is not an investment avenue like stocks. So that investors should invest for hedging against their foreign investment.

REFERENCES

- John C. Hull (2006) “Options, Futures, and Other Derivatives” (6th edition ed.). Upper Saddle River, NJ: Prentice-Hall.

- V D M V Luxmi "Currency future: Another Gift by Regulators to Market participants' icfai, Oct. 2008.
- Nirvikar Singh " Currency future Trading in India" Roubini Global Economics, Aug. 2008
- S. B. Kamashetty "Exchange-traded currency Futures" ICFAI, Dec. 2008.
- Sitaram Krishnan and Prabhu Satish "Currency Futures: Mitigating Exchange Rate Risk" Chartered Financial Analyst, March, 2010.
- Padmalatha Suresh " Currency Futures: Heralding a New Dawn" The Analyst, March, 2010
- http://www.rediff.com
- http://ideas.repec.org
- http://www.economywatch.com
- http://www.merinews.com
- http://www.indianground.com

A STUDY OF CONSUMERS PERCEPTION AND ATTIUDE IN FOOTWEAR INDUSTRY

DR. M. K. GUPTA

Associate Pofessor, Department of Commerce

Pt. J. L. N. Govt. P. G. College, **FARIDABAD** - 121006

SREELATA NEELESH

Research Scholar

FARIDABAD – 121006

BHAVET

Lecturer

M. M. Institute of Management

Maharishi Markandeshwar University

MULLANA – 133 203, Ambala

ABSTRACT

The Indian footwear market offers many opportunities in the form of a huge market which is growing at a fast pace. The present article tries to capture the prevailing market conditions in the Indian footwear industry. It explains the bases of market segmentation in the footwear industry. It explains the reasons for why India is such a big player in the footwear industry. It captures the growth of the industry over past few years. It takes into account both the foreign players and the largest domestic player

INTRODUCTION

India has a huge population that is second only to China. This huge population has also got a huge demand for shoes. The total demand for shoes was estimated at 800 million pairs in the past. This means the per capita demand for shoes was less than one pair. The per capita demand is expected to touch 2.5 pairs of shoes in the current year i.e. 2010.

The footwear industry is a significant segment of the leather industry in India. Here also India ranks second only to China in the footwear producing countries. While the major production in world is of ladies footwear, India produces more of gents' footwear. The industry is labour intensive in nature. It is concentrated in the small and cottage industries sector. While leather and uppers are concentrated in large scale units, the sandals and chappals are produced in the household and cottage sector. The major production centers are Chennai, Ranipet and Ambur in Tamil Nadu; Mumbai in Maharashtra; Kanpur in UP, Jalandhar in Punjab; Agra; and Delhi.

Nearly 16% of global footwear production is done in India Footwear is expected to comprise about 60% of total leather exports by 2011.

WHY INDIA HAS AN EDGE IN FOOTWEAR INDUSTRY?

India manufactured 2.06 billion pairs in 2007-08 which represents 16% of the global production. 1.1 billion pairs were exported during this time period. India has an edge over other countries and therefore the export share in foreign market is increasing on year to year basis. The major reasons for this advantage that India has are:

- Raw material adequacy
- Best tanning expertise
- Availability of skilled workforce
- Cheaper wage rate as compared to other countries
- Increased capacity of production units
- World class institutional support for designing and testing

The Indian footwear industry is provided with institutional infrastructural support. The premier institutions involved are Central Leather Research Institute, Chennai; Footwear Design and Development Institute, Noida; National Instiute of Fashion Technology, Delhi etc. These institutes provide support in the areas of technological development, design development, product development and human resource development.

NEED OF THE STUDY

Until recently a major part of demand in footwear was met by unorganized sector. Branded shoes accounted for a very small share of market and less than 1% of footwear was sold at a price exceeding Rs 500 per pair. India produces more of gents' footwear whereas the world's major production is in ladies' footwear. As footwear retailing in India remains focused on men's shoes there is a plethora of opportunities in the exclusive ladies' and kids' footwear segment. With the advent of modern organized retail this sector is going to witness major changes. The current research paper attempts to analyze some aspects in the consumer decision process for footwear which may be helpful for designing suitable strategies by players in this segment.

OBJECTIVES

1. To study about the important players in the Indian footwear industry.
2. To analyze the aspects of consumers decision process for footwear
3. To suggest suitable measures for players in Indian footwear industry.

LIMITATIONS

The limitation of the research is that results may be biased due to consumers boosting their social status or income.

RESEARCH METHODOLOGY

1) Sources of Data: -

a) Primary Data:-

In this research the primary data has been collected from consumers in Delhi, Faridabad & Gurgaon. 250 questionnaires were mailed to consumers out of which response came from 186 consumers. 6 questionnaires were found to be partially filled so only 180 questionnaires were considered for final analysis. The final 180 sample size had 92 consumers from Delhi, 52 from Faridabad and 36 from Gurgaon. Convenient sampling was used.

b) Secondary Data:-

Secondary data has also been used wherever necessary. It has been collected from newspapers, journals, reference books & internet.

2) Sampling Design

The research was conducted in Delhi, Faridabad and Gurgaon areas. 250 questionnaires were mailed to individuals in these areas. The final sample size was 180.Convenience sampling was used.

3) Research Analysis:

Descriptive technique like table has been used to show the research analysis. The analysis has been done in a very simple to understand manner. The use of jargons in the analysis has been kept to a very minimum level. A five-point Likert-type scale rating from 5=strongly agree to 1= strongly disagree was used for measuring the items of this study.

CURRENT SCENARIO OF FOOTWEAR MARKET IN INDIA

Under this section we shall detail upon the demand for shoes in the footwear market in India which shows the growing footwear market in India, market share in terms of organized and unorganized sectors, footwear segmentation in terms of product share by consumer variation, by usage pattern and by price range.

The Growing Footwear Market in India

Table 1

Demand of shoes

Year	Million Pairs
1992-93	400
1996-97	550
2006-07	1570
2009-10 (projected)	2500

Source: Indian Footwear Industry Annual Report 2008

It can be clearly seen that the Indian footwear market has been growing rapidly over the past few years. Footwear is expected to comprise about 60% of the total leather exports by 2011 from over 38% in 2006-07. Demand for shoes has been steadily rising. With the new economic policy of 1991, many industries have seen foreign participation on an increased scale. This includes the footwear industry too. This is advent by the presence and launch of latest designs from time to time. According to the 'Indian Footwear Analysis Report' the growth in footwear sector is going to be phenomenal.

Table 2

Market Share in terms of Organized and Informal Sectors in Shoe Manufacturing in India

Segment	Share (in %)
Organized sector	20
Informal sector	80

Source: Indian Footwear Industry Annual Report 2008

Shoe manufacturing is dominated in India by the informal sector. The organized sector accounts for only 20% of the shoe manufacturing segment while the informal sector manufacturers the remaining 80%. The industry is widely segmented in the form of:

a. Large Indian Producers

b. Multinational companies producing in India or exporting from abroad

c. Small scale semi-organized sector

d. Cottage industry

Out of these only the first two segments i.e. the large Indian producers and the MNCs are involved in the production of branded footwear. Until recently a major part of the demand was met by the unorganized, informal small scale sector. Branded footwear accounted for only 20% of the entire market.

Footwear Segmentations

Footwear has diverse segmentation. Three such segments prevalent in India are presented below:

Table 3

Product Share by Consumer Variation

Type	Share (in %)
Men Shoes	52
Women Shoes	8
Boys Shoes	15
Girls Shoes	12
Kids Shoes	13

Source: Indian Footwear Industry Annual Report 2008

As already mentioned, the Indian footwear market is dominated by the gents' segment whereby 52% of the market share is occupied by this segment but globally it is the ladies' segment which has the dominant share. India is fast experiencing a change in this product mix. In the coming years this ratio is set to change. There are going to be many opportunities in the kids market and the ladies segment of the footwear.

Table 4

Product Share by Usage Pattern

Type	Share (in %)
Casual	46
Sports	42
Leather	12

Source: Indian Footwear Industry Annual Report 2008

The rising awareness about health and fitness is going to play a major role in increase of the sports shoes segment in the near future. Many foreign players have already shown increased interest in this segment. They have also come up with innovative marketing strategies to promote heavily their products.

Table 5

Product Share by Price Range

Price per pair (in Rs)	Share (in %)
Below 500	69
500-1000	28
Above 1000	3

Source: Indian Footwear Industry Annual Report 2008

It can be clearly seen that less than 31% of the footwear was sold at a price exceeding Rs 500/- per pair. But all this is going to change very fast. The Indian footwear market is set to experience a phenomenal growth in the coming years. India is witnessing a fast changing retail landscape. So there is still a plethora of opportunities in the footwear industry.

PLAYERS IN FOOTWEAR INDUSTRY

The major multinational players in the Indian shoe industry are Bata, Reebok, Adidas, Puma and Nike. In the formal footwear market Florsheim, Clarks and Lotus are the big names. Lumberjack, Lee Cooper and Sketchers are the major players in the casual footwear market.

Adidas has a manufacturing contract with Lakhani. Nike gave its license in India to Sierra Industrial Enterprises, which had given the brand's manufacturing contract to Moja shoes. Nike is also selling through select Bata showrooms and a few departmental stores. Adidas has entered into a retail tie up with Phoenix.

The share of foreign brands in India with prices over Rs 1000 per pair is less than 5% of the branded footwear market or less than 1% of the total footwear market.

The global player, Reebok India was incorporated in 1985. Reebok has sales of $3.5 billion and operations in over 40 countries worldwide. Reebok is introducing performance shoes. These performance shoes are customized for different sports like cricket, basketball, football, walking, jogging and other sports. The international shoe majors created a new interest for sport shoes in India. However their prices are far beyond the pocket of most Indian consumers. The domestic brands like Liberty, Phoenix and Action had priced sports shoes lower which starts from Rs 450. Thus the domestic players reaped the benefit of lower prices and sold large volumes of sports shoes.

Bata India Ltd is India's largest manufacturer and marketer of footwear products. Bata India sells over 60 million pairs per year throughout India and in the overseas market. Bata India is a part of the Global Bata Shoe Organization which is based in Toronto, Canada. In India it was incorporated as Bata Shoe Company in 1931. The company went public in 1973 and changed its name to Bata India Ltd.

Till eighties Bata was the most prominent footwear brand in India. But this changed with the entry of Private Indian and international brands. Bata was almost kicked out of the market by these players. The newcomers invested in retail outlets with great displays and interiors. They sold products which were perceived as hip.

Bata India is making a comeback with a vengeance. It is in the process of restructuring its retail business and refurbishing its 1,600 stores across the country. Bata is reinventing itself as an international retailer. It is offering customers the best in footwear in terms of fashion, quality and price. It has introduced the concept of flagship stores to provide complete and unique shopping experience. These stores are at par with their stores abroad. International trends, relaxed ambience, great products, and courteous staff at these stores are all part of Bata's new marketing strategy.

It also made investments in technology at its plants. Large investments have also been made in the area of IT to integrate approximately 10 stores on a real time basis.

The ongoing restructuring involves ways and means to increase their topline and bottoline growth. Bata India has been a high cost company. The company had posted a financial loss of Rs 26 crore for the year ended 2004 on a turnover of Rs 716 crore. The company hopes to wipe out the accumulated losses by 2010.

The company is emphasizing on presenting a contemporary and trendy brand image, which translates to both its products and corporate culture. The company is repositioning itself as a market driven, fashion conscious lifestyle brand with an emphasis on service and production. The company has recently introduced international styles and trends for women, men and kids which has gone a long way in providing trendy and contemporary image to the company.

Bata is also trying to improve its logistics and distribution system. Bata made investments to the tune of Rs 20 million in the year 2004 to improve it. All these are part of the restructuring at Bata India Ltd with many more strategies still in the pipeline.

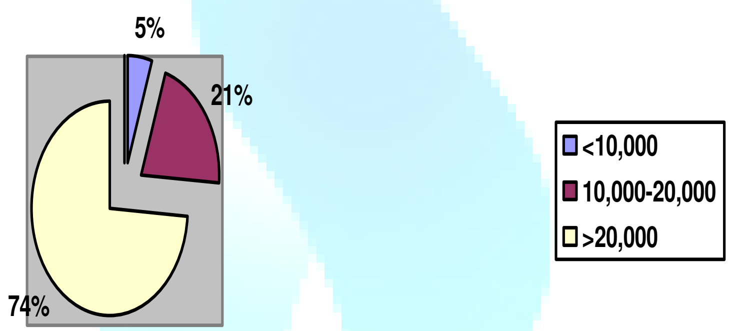
Bata has now managed to capture a 24% share of the organized footwear market. The company markets international brands like Weinbrenner, hush Puppies, Dr Scholls, Reebok, Adidas and Azaleia.

RESEARCH FINDINGS & ANALYSIS

In this section the research findings shall be presented and explained. The use of diagrams and tables has been made to make results easier to understand. This has been followed by analysis. Attempt has been made to present the analysis in a very simple language. The explanation regarding use of scale has been made at the relevant analysis part.

Diagram 1

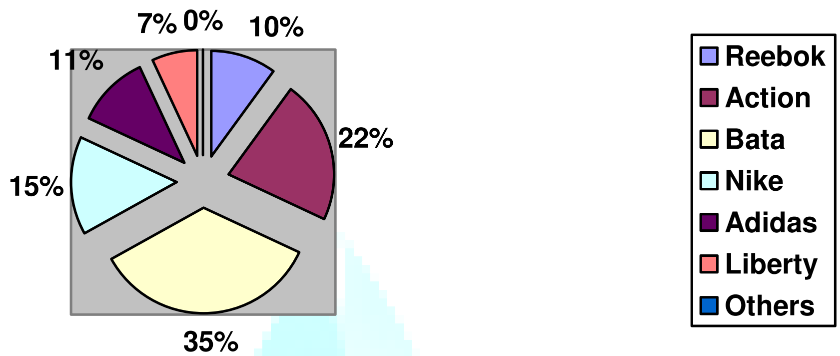
Monthly Income of Consumers (in Rs.)



Analysis: 133 consumers i.e. 74% had a monthly income exceeding Rs 20,000, 38 had an income between Rs. 10,0000 & 20,0000. Rest of the 9 consumers had a monthly income less than Rs 10,000. Majority of the consumers had a monthly income exceeding Rs 20,000 p.m.

Diagram 2

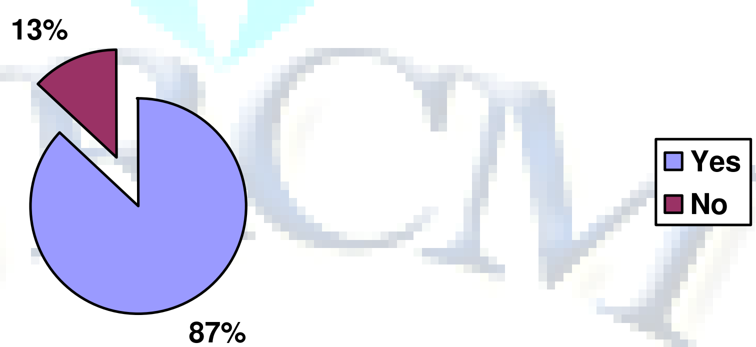
Brand of Footwear Worn by Consumers (in %)



Analysis: Bata is the leading brand followed by Action, Nike, Adidas, Reebok and Action among the consumers surveyed. 63 consumers had Bata footwear, 40 had Action, 27 had Nike, 20 had Adidas, 18 had Reebok, 12 had Liberty.

Diagram 3

Consumer perception of significant differences among different footwear brands



Analysis: Consumers feel there are significant differences in brand categorizing as 157 consumers out of 180 said that they perceived significant differences among different footwears of brands. Only 23 consumers said that they did not perceive significant differences among different footwear brands. This shows that footwear is in the area of complex decision making for majority of consumers. It is a high involvement product.

Table 6

Basis of Selection of Footwear among Consumers

Criterion	No. of response	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree	Weighted Average
Weights assigned	**-**	**5**	**4**	**3**	**2**	**1**	
Cost is important for selection of footwear	180	63	86	1	22	8	**3.97**
Features of the shoe are important for selection of footwear	180	59	80	14	21	6	**3.92**
Brand loyalty is important factor for selection of footwear	180	14	29	3	93	41	**2.34**
Advertisement is an important element for selection of footwear	180	34	73	10	46	17	**3.38**
Other factors like innovation in design, ease of cleaning the footwear and variety of colours and designs available within a brand are important factors in purchase of footwear	180	0	41	5	73	61	**2.14**

Analysis: A five-point Likert-type scale rating from 5=strongly agree to 1= strongly disagree was used for measuring the items of this study. The responses were then tabulated. As can be seen from the table 6 the factors have been enlisted under the heading criterion. They have been assigned weights 1, 2, 3, 4 & 5 respectively for responses Strongly Disagree, Disagree, Neutral, Agree & Strongly Agree. Then weighted average has been calculated by dividing the product of weights and number of responses by total number of responses.

Factors having a weighted average of more than 3 have been then taken as important. It means these factors are considered important by respondents for selection of footwear. Out of the five factors considered three factors fall in this category.

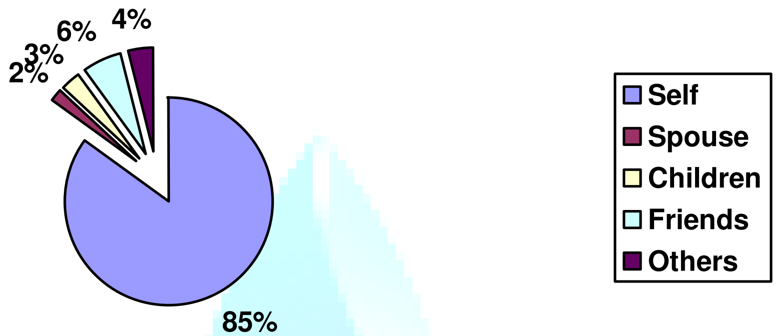
The consumers attach highest importance to cost and features of the footwear. Advertisement was a lesser important factor for selecting footwear.

Cost and features were the most important aspects for selection of footwear for consumers. Out of the 180 consumers, 149 (63+86) consumers either strongly agree or agree that cost is an important aspect. This was followed by features, to which 139 (59+80) consumers either strongly or agreed is an important factor. 107 (34+73) consumers chose to agree that advertisement is an important factor for selection of footwear.

Brand loyalty scored low on this aspect which was selected by only 43 (14+29) consumers as important factor. Some of the other aspects like innovation in design, ease of cleaning the footwear and variety of colours and designs available within a brand were also found as scoring low.

Diagram 4

Influencer in Purchase of Footwear



Analysis: The consumer himself was found to be the final decision maker in purchase of footwear most of the times with 85% consumers i.e. 153 out of 180 saying that they made the final decision. Spouse, children, friends and others played were rarely the final decision makers. 11 said friends, 5 said children, 4 said spouse and 7 said that others made the final purchase decisions.

CONCLUSIONS AND SUGGESTIONS

The study led to knowledge about the important players in the Indian footwear industry. The major aspects analyzed aspects in consumer decision process for footwear. Major conclusions and suggestions of the research are:

1. The footwear industry in India is mainly in the unorganized sector. It is labour intensive and is concentrated in the small industries sector.
2. Branded shoes account for only 20% of the footwear market and less than 1% of the shoes sell at a price exceeding Rs. 500 per pair.

3. The Indian footwear industry is provided with infrastructure support through premier institutions like Central Leather Research Institute, Chennai, Footwear Design and Development Institute, Noida, National Institute of Fashion Technology, New Delhi etc. in the areas of technological development, design and product development and human resources development.
4. The research reveals that majority of consumers feel there are significant differences in brand categorizing. Footwear is in the area of complex decision making and is a high involvement product. Therefore branding is a major decision for footwear manufacturers. Brand building should be given high importance by manufacturers.
5. The consumers attach highest importance to cost and features of the footwear. Therefore affordable footwear with good features has a high potential in the footwear market. Manufacturers should keep this in mind.
6. According to the research the consumer himself was found to be the final decision maker in purchase of footwear most of the times. Therefore efforts should be made to target the final consumer like advertisement directed towards them.

The Indian footwear industry is yet to witness changes in product mix, market structure and strategies of key players. The market has huge untapped potential. Like in all the other industries, technology will play a major role in reshaping of footwear industry in India.

BIBLIOGRAPHY

Aswathappa K and Reddy G.S., Businees Environment for Strategic Management,2009 Himalaya Publishing House

Gupta C.B. and Nair Rajan, Marketing Research, 2002, Sultan Chand and Company

Indian Footwear Industry Annual Report 2008

Kevin Keller, Strategic Brand Management, 2007, Pearson International Edition

INTERNET WEBSITES

www.bataindia.com

www.businessballs.com

www.100ventures.com