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CONTENTS

Sr. No.	Title & Name of the Author (s)	Page No.
1.	**PERFORMANCE AND ALTERNATIVE OF EXPORT DEVELOPMENT STRATEGIES FOR INDONESIAN NATURAL RUBBER** *MUHAMMAD YUSUF*	6
2.	**INTERNATIONA FINANCIAL REPORTING STANDARD (IFRS) AND SMES IN NIGERIA: PERCEPTIONS OF ACADEMIC** *OJEKA, STEPHEN A. & DR. O. MUKORO DICKSON*	13
3.	**THE IMPACT OF RESEARCH ON ACCOUNTING PROFESSION** *DR. MUKORO DICK OLUKU*	20
4.	**EMOTIONAL INTELLIGENCE - A STUDY WITH SPECIAL REFERENCE TO THE EMPLOYEES OF SALALAH COLLEGE OF TECHNOLOGY** *DR.M.KRISHNA MURTHY & S. VARALAKSHMI*	27
5.	**ADOPTING INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) - A FOCUS ON NIGERIA** *IYOHA, F.O & FABOYEDE, S.O.*	35
6.	**ROLE OF DEMOGRAPHICS IN ORGANISATIONAL ROLE STRESS** *NIDHI TURAN & PROF. SULTAN SINGH*	41
7.	**ANALYSIS OF FDI INFLOWS IN INDIA** *MRS. JAYASHREE PATIL-DAKE*	46
8.	**THE RELATIONSHIP BETWEEN EFFECTIVE LEADERSHIP AND EMPLOYEE PERFORMANCE** *A. SENTHAMIL RAJA & DR. P. PALANICHAMY*	51
9.	**A FUZZY BASED SERVPERF MODEL TO ASCERTAIN RESTAURANT SERVICE** *S. RITA, RITESH CHAUHAN & B. SAROJINI*	60
10.	**A COGNIZANCE TO INFORMATION SECURITY** *SHAILESH MAHESHWARI*	68
11.	**AN APRRAISAL OF MODELING DIMESIONS FOR PERFORMANCE APPRAISAL OF GLOBAL MUTUAL FUNDS** *G. V. SATYA SEKHAR*	71
12.	**EMPIRICAL RELATIONSHIP BETWEEN SELF AWARENESS AND SERVANT LEADERSHIP** *VIVEKANANDA SURI & DR. V. M. PRASAD*	81
13.	**PERFORMANCE OF NEW GENERATION BANKS IN INDIA: A COMPARATIVE STUDY** *DILIP KUMAR JHA & DR.DURGA SANKAR SARANGI*	85
14.	**ROLE OF MICROFINANCE IN UPLIFTING WOMEN STATUS** *DR. SHABANA, MRS. MANMINDER KAUR & DR. R. K. MAHESHWARI*	90
15.	**FIVE ESSENTIAL INGREDIENTS FOR SERVICE EXCELLENCE: A LESSON TO LEARN TO INDIAN ORGANISATIONS** *SUMIT AGARWAL & PALLAVI BHARDWAJ*	94
16.	**FOREIGN DIRECT INVESTMENT IN INDIA: CHALLENGES AND OPPORTUNITIES IN MULTI-BRAND RETAIL SECTOR** *DR. SAMEENA KHAN & FAYAZ AHAMED*	97
17.	**IMPACT OF ADVERTISING ON CHILDREN WITH SPECIAL REFERENCE TO EATING HABITS** *PROF. PADMPRIYA ANAND IRABATTI*	103
18.	**THE IMPACT OF DIVIDEND POLICY ON SHAREHOLDERS' WEALTH (A STUDY WITH REFERENCE TO FERRO ALLOY AND ALLOY STEEL INDUSTRY IN INDIA)** *S. ARAVANAN & MANEESH. MANNARAKKAL*	110
19.	**DETERMINANTS OF CORPORATE PROFITABILITY OF LISTED COMPANIES IN INDIA** *SHAJI. K.P & DR. P. PALANICHAMY*	118
20	**CUSTOMER PERCEPTION ON ELECTRONIC CUSTOMER RELATIONSHIP MANAGEMENT IN BANKS - AN EMPIRICAL STUDY** *S. KAVITHA & DR. A. LAKSHMI*	122
	REQUEST FOR FEEDBACK	135

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PERFORMANCE AND ALTERNATIVE OF EXPORT DEVELOPMENT STRATEGIES FOR INDONESIAN NATURAL RUBBER

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ABSTRACT

This paper was focused on the export development of natural rubber with respect to its growth and values. The aim of this paper was to propose alternative development strategies for natural rubber in future. The Analysis approach with Hierarchy Process (AHP) framework of export business of natural rubber was arranged consecutively from focuses or goals, factors, actors, objectives of actors, and alternative strategies for actors. Each components of goals, factors, actors, objectives, and alternative strategies were assessed on the basis of their importance by using Saaty scales. Information from experts were analyzed by using AHP technique. The development of natural rubber export from 2000 to 2006 showed that the competitiveness position of Indonesia in the world market was fairly good. In order to increase the growth and values of natural rubber export, the experts concluded that smallholders through their organizations and small-scale business were the main actors. This had to be supported by the government through deregulation related to the natural rubber commodity. The objectives of actors could be achieved by combining strategies such as: a) the provision of capital in smallholder rubber development, b) the development of farmers' and other actors' institutions, as shell as extension education, education, training, and services institutions, c) reduced cost and time in processing land certification and land use right (Hak Guna Urus Usaha / HGU), d) the development of transportation facilities from farm roads to export harbor, e) the development of quality standard, and f) improved access for farmers to financial institution [bank). The roles of the government as facilitators and regulators axe fundamental in implementing such development strategies of natural rubber. Keywords Rubber, export, role of government and objectives and strategies

KEYWORDS
Natural rubber, export, role of government and objectives and strategies

INTRODUCTION
Commodity export business problems of rubber plantation is estimated operational costs associated with marketing and support facilities. Supporting infrastructure are particularly related to capital, insurance and freight (facilities and transportation networks). With the level of international competition and the higher globalization process that runs faster, then the medium supporting very strategic in determining the development of rubber exports.

According to Drajat (2005), on international markets shows that the competitiveness of Indonesian rubber plantation commodities including low quality compared to the same commodities produced by state competition. Problems of competitiveness should also be the focus of government attention in policy making and marketing of agricultural development programs (Directorate General of Processing and Marketing of Agricultural, 2004).

Business problems faced by exporters of rubber will certainly affect the value and revenue growth in exports of rubber and export business. Business analysis to the problems faced by the exporters of rubber is dedicated to improving the competitiveness of commodities, especially in international markets. Inability to manage the competitiveness of exporters in the rubber can be a serious obstacle in achieving growth targets and increase the value of rubber exports which in turn is detrimental to exporters and other principals in Indonesia. This paper aims to propose alternative measures export development of rubber. Meanwhile, this study specifically aims to (i) present and analyze the export performance of Indonesian rubber, (ii) identify and analyzing business problems faced by entrepreneurs in order to develop the export of rubber, and (iii) propose an alternative development strategy of export of rubber.

HIERARCHIE THE ANALYSIS PROCESS (AHP)
Analysis using a hierarchy process known as AHP is an alternative action that is determined by the perpetrators or actors to include consideration of personal values and logically. These two things are very much determined by the knowledge, experience, imagination, logic and intuition (Rizal, 2007 in Maarif and Tanjung, 2003). AHP framework can be applied to analysis of rubber export business. AHP developed in stages from the preparation of the focus problems, identifies factors that influence, identifies the actors (perpetrators and facilitators), setting goals to achieve, and identifies alternative actions that need to be done by the actor. Determination of ranking the elements in a variety of alternative actions with Expert Choice was performed as follows:

a) Optimizing resource done by giving the ranking in the land, labor, capital, and technology (cultivation, handling, and processing)

b) Development of infrastructure done by giving the ranking in transport facilities (ports, roads, weigh stations, warehouses and other), energy (electricity), and telecommunications and information.

c) Development of the financing is done by giving rank-scheme on the provision of credit schemes, requirements, and protection against risk.

d) Institutional carried out by the ranking on organizational development and application of regulatory rules.

e) Implementation of policies carried out by the ranking of trade policy through a variety of fiscal instruments (taxes / import and export tariffs, levies, fees, and sub sidi), commodity policy (type and quality), and non-tariff policy.

AHP method use to analyze the condition of this seat in the analysis hierarchy process. To know the current conditions associated with the export of rubber and government policies do updating of data and information from various relevant sources. Phase, according to Saaty (in Rizal, 2007), AHP includes:

a) Identification of Problems

Identification problem based on the document the Ministry of Industry and Commerce (2005) Development of Industrial Policy and Trade Issues National export development concluded rubber covering issues of operational costs, marketing management, and support facilities.
b) Preparation of Hierarchy
Rubber export development problems and then analyzed by hierarchical and ordered by the elements associated with the problem, that is the focus, factor, actors, goals, problems, and the alternative strategy of production surplus, FOB prices, government policy and the export market.
Actors in order to increase the value of primary commodity exports and growth is defined as the plantation business (SOE, Private and Cooperatives / SME), while the government and the regulator is defined as facilitator. Destination actors in order to increase the value of rubber exports and growth to increase competitiveness. Competitiveness component identified include operating costs such as disclosed by Amir (2000), marketing management (Keegan, 2003), and supporting infrastructure (Tambunan, 2002). Alternative strategy to enhance competitiveness hypothesis include optimization of resources, infrastructure development, financing, institutional and implementation comparison in pairs to form the matrix n x n. The value of a, is a value matrix that reflects the opinion of the comparative value of the interests of C (Table 1).

Table 1 Basic Scales of Saaty

Level of importance	Notes
1	Same important if compared with other
3	Moderate importance compared with other
5	Strong importance compared with other
7	Very strong importance compared with other
9	Extreme importance compared with other
2,4,6,8	Value between two adjacent values if the element i have one of the above figures
Reciprocal	compared with element j. So, the element has the opposite value when compared with the elements i

Table 2. Formulation of Individual Matrix

		C_1	C_2	...	C_n
	C_1	1	...	...	
$A=(a_{1j})=$	C_2	...	1	...	
	...	...	...	...	
	C_n	a_{1n}	a_{2n}	....	1

The duet comparative make a matrix n x n. The value of a in matrix is a value comparative that showed by C value priority to C (Table 2).

c) Matrix Composite Opinions
Matrix represents the combined opinion of the new matrix elements (g3) is derived and the geometrical average matrix element of value of individual opinion for consistency ratio (CR) are eligible. Goals and preparation of joint opinions matrix is to form a matrix that represents the matrix-matrix existing individual opinion. Matrix is then used to measure the level of consistency and priority vectors and the elements representing the hierarchy of all respondents. This joint opinion using matrix formulation as follows:
Gg (Matrix Composite)
Where: m = number of respondents
e) Horizontal Processing
Processing horizontal used to compile priority decision element in the decision hierarchy. Multiplication bans using the following formula:

$$V_{ei} = \sqrt[m]{\sum_{j=1}^{n} a_{ij},} \text{ dengan } i = 1, 2, \ \ldots (2)$$

$$= \sqrt[m]{\sum_{k=1}^{m} a_{ij}(k)} \quad (1)$$

Where: V is Eigen Vector, n is number of elements being compared other significant variables already defined above

RESULTS AND DISCUSSION

Indonesian export of natural rubber in a global market perspective, the world's natural rubber trade has involved more and 10 exporting countries. Indonesia, Thailand and Malaysia were the three largest exporting country in the world. Export trade of natural rubber mainly dominated by the kind of rubber smoked sheet (RSS) and Technically Specified rubber (TSR). By using the International Trade Centre (ITC), in 2006 Indonesia was the second largest exporting country after Thailand for this kind of quality of the rubber RSS.

In 2006, world exports worth U.S. RSS $ 2.9 billion with a total 1.4 million tones. RSS export values and quantities of the world in the period 2002-2006 grew respectively by 28% and 1% per annum, while that in the period 2005-2006 the export value of the RSS world grew by 47%. In the year 2006 the world rubber trade, the export RSS Indonesia worth U.S. $ 609 million with a volume of 325 thousand tons. Indonesia's export growth rate in the period 2002-2006 in value and volume reached 126% and 82%, higher than the growth of world exports. But in the 2005-2006 period, export growth to RSS Indonesia 42%, lower than the growth of world exports. RSS Indonesia rubber export shares in the two largest in the world rank, amounting to 21%, after Thailand.

For natural rubber type of TSR, Indonesia is the largest exporting country, followed by Malaysia and Vietnam (Table 4). In 2006, the carrying value of world exports of U.S. TSR 7.0 USD billion with total exports 3.7 million tones. Value and the amount of exports in the period 2002-2006 TSR each grew 35% and 7% per year, while growth in the period 2005-2006 world export value reached 63% TSR. TSR rubber on the world trade in 2006, TSR Indonesian exports worth U.S. $ 3.7 billion with a volume of 1.95 million tones. In the period 2002-2006, the rate of TSR Indonesian export growth in value and volume reaches 36% and 7%, relatively the same compared to the growth of world exports. But in the period 2005-2006, the growth of Indonesian export value TSR 72%, higher than the growth of world exports. TSR Indonesia's largest export shares in the world, amounting to 53%. Indonesia's export share in world trade TSR is followed by Malaysia from Vietnam (Table 3).

INDONESIAN RUBBER EXPORTS BY DESTINATION COUNTRY

In the case of RSS rubber exports, the country-country Japan, China and the United States is the main goal. Other countries that also become export destinations include Belgium, Canada, Singapore and the UK (Table 4). Another important thing to note in Table 5 is that Japan, China and the United States is a country of destination main RSS Indonesian rubber exports by the export share of 24%, 16% and 9%, but with the growth of exports value high enough that is equal to 2 12% , 101% and 60% of European countries became the main destination of exports of rubber Indonesia is RSS Belgium amounting to 7% share. It is interesting and RSS export by country of destination is Indonesia's export growth value is also followed by volume growth. In this implicitly showed an increase in demand for rubber type of RSS in their respective country's export destinations.

United States, China, and Japan is the main export of natural rubber TSR and Indonesia with their respective share of exports amounted to 29%, 15% and 14%. Other countries that also export destinations were South Korea and Germany (Table 4). The important thing to note in Table 6 is that in the period 2002 to 2006, China became the country with the growth in value and volume.

Table 3. Export position of Indonesian TSR 2006

Exporter	Export		Export growth 2002-2006 (% year)		Export growth in value 2005-2006 (%)	World Export share	
	value (US$ 000)	Volume (ton)	i Value	volume		Value	Volume
World	7.007.316	3.684.020	35	7	63	100	100
Indonesia	3.698.831	1.952.268	36	7	722	53	53
Malaysia	2.090.625	1.062.047	37	9	48	30	29
Vietnam	283	139	17	(6)	87	0	0
Thailand	50	27	45	19	30	0	0
	1.217.527	669.439	Na[1)]	Na[1)]	Na[1)]	17	18

Na[1)] = data not available

Table 4 Export of Indonesian RSS by destination countries, 2006

Exporter	Export		Export growth 2002-2006 (% year)		Export growth in value 2005-2006 (%)	World Export share	
	value (US$ 000)	Volume (ton)	Value	volume		Value	Volume
World	609.001	325.393	126	82	42	100	100
Indonesia	142.869	78.595	212	155	27	23	24
Malaysia	97.855	51.297	101	57	100	16	16
Vietnam	56.885	30.318	60	30	26	9	9
Thailand	42.645	23.598	209	148	52	7	7
Others	268.747	141.585	Na[1)]	Na[1)]	Na[1)]	44	44

Na[1)] = data not available

Table 5. TSR of Indonesian Export, 2006

Exporter	Export		Export growth 2002-2006 (% year)		Export growth in value 2005-2006 (%)	World Export share	
	value (US$ 000)	Volume (ton)	Value	volume		Value	Volume
World	3.698.831	1.952.268	36	7	72	100	100
Indonesia	1.041.351	558.051	27	0	29	28	29
Malaysia	549.175	283.430	117	66	101	15	15
Vietnam	524.572	278.905	32	4	143	14	14
Thailand	154.828	82.141	30	2	103	4	4
others	138.489	72.185	30	2	82	4	4
	1.290.416	677.556	Na[1)]	Na[1)]	Na[1)]	35	35

Na[1)] = data not available

TSR and Indonesian imports are high enough that followed 117% 'and 66%. For other countries, growth in import value of high TSR and Indonesia are not followed by a volume growth of imports. This indicates no increase in rubber exports in TSR type of export destination countries are.

RUBBER PRICE TREND

Price of TSR 20 rubber type in New York and Singapore during the year 2006 in July 2008 to rise and fluctuate in the short run monthly. But starting in August 2008 decreased in line with the global financial crisis (Figure 1).

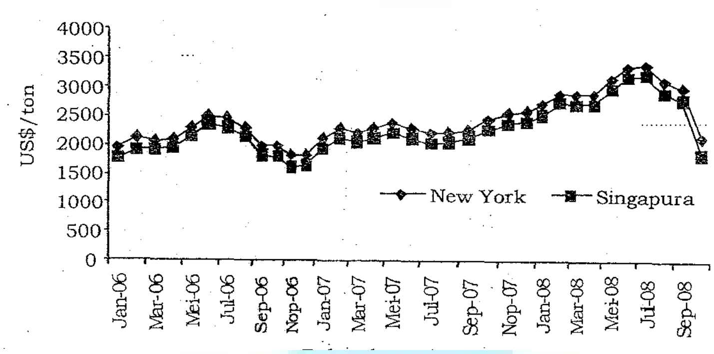

Figure 1. Price of natural rubber in Singapore and New York, January 2006 October2008 (Source. International Rubber Study Group, 2008)

The global financial crisis that occurred pressing. demand while supply is relatively fixed so that the price falls. Automotive industry in the United States and Western Europe experiencing financial pressures as a result of the crisis so that the demand for tires and the subsequent demand for rubber was also lower.

The price of rubber was still possible management for rubber industry survive, unless the lower rubber prices from U.S. $ 1.35 per kg. This price represents the price level of TSR 20 Rubber goods produced by Indonesia. Rubber Association of Indonesia (Gapkindo) to determine the price level such as the price limit for export or restrain exports of rubber from Indonesia. If the price of rubber type lower TSR 20 and U.S. $ 1.35 per kg, then the rubber being held as stock, hoping to reduce supply so that rubber prices will rise to levels above U.S. $ 1.35 per kg.

Rubber Export Growth Determinants

In realizing the development of rubber exports, the factors mentioned above is determinant role by players (actors) of export, namely state-owned, private, farmer organizations (cooperatives and SMEs), and the Government as a facilitator. According to experts, those actors have a relatively different role in determining the factors (Table 8). In the view of experts, Cooperative / SMEs have an important contribution (and most dominant) in increasing the export volume (production), rubber, and government policy, while the SOEs dominate role in determining the price of exports and affect the international market.

Table 6. Determining factors of Indonesian natural rubber export development

Alternative factors	Priority vector	Number of priority
Production	0.113	4
Export price	0.182	3
International market	0.418	1
Government Policy	0.286	2

Table 7. Roles of Actors based on factors affecting Indonesian natural rubber export development

Alternatives actor	Priority vector	Number of priority
Production (CR=0,0172)		
BUMN/ Government-owned Estate/Enterprises	0.152	3
Private	0.08 1	4
UKM'Cooperatives/Small - Medium Enterprises	0.554	1
Government	0.213	2
Export price (CR=0,0116)		
• BUMN / Government –owned estate/Enterprises	0,442	1
• Private	0,190	3
• UKM Cooperatives/Small - Medium Enterprises	0,085	4
• Government	0,281	2
international market (CR =0,0175)		
• BUMN / Government-owned Estate/Enterprises	0,359	1

• Private • UKM Cooperatives/Small - Medium Enterprises • Government	0,286 0,13 1 0,222	2 4 3
Government Policies (CR= 0,031 • BUMN / Government-owned Estate/Enterprises • Private • UKM Cooperatives/Small - Medium Enterprises • Government	 0,169 0,165 0,543 0,123	 2 3 1 4

Based on the data processing is apparent and the results of analysis that are not in line with expectations. A result of analysis that does not comply with these expectations is that Cooperatives / SME has the most important contribution in increasing production and government policy. But the factual, the production of rubber which is then processed and exported by the private sector are very dominant Indonesian rubber exports contributed. From this fact, proven to rubber planters and private sector are more in control as an actor in increasing the value of Indonesian rubber exports and growth.

The other thing is still the question is the most dominant state role in determining the export price and the influence of international markets. In fact it is not so because the biggest exports still come from private and government does not have an important role in the international market. In this case the order is consistent with the fact the actors have no role in determining the export price. To some extent, private is more important, whereas in terms of policy, the government within certain limits is more important compared to any other actor.

Table 8. Actor objectives in the development of Indonesia natural rubber export

Alternatives objective	Priority Vector	Number of Priority
BUMN/ Government owned Estate / Enterprises (CR = 0,0113) Operational cost Marketing efficiency Supporting facilities Deregulation	 0,162 0,204 0,226 0,408	 4 3 2 1
Private (CR = 0,0204) Operational cost Marketing efficiency Supporting facilities Deregulation	 0,126 0,209 0,150 0,515	 4 2 3 1
UKM Cooperatives/Small-Medium Enterprises (CR = 0,0045) Operational cost Marketing efficiency Supporting facilities Deregulation	 0,160 0,257 0,168 0,414	 4 2 3 1
Government (CR = 0,0045) Operational cost Marketing efficiency Supporting facilities Deregulation	 0,407 0,265 0,152 0,175	 1 2 4 3

In relation to improving competitiveness, Private and Cooperatives has the same purpose (Table 8). According to experts, state-owned, private, and cooperatives jointly expects that to increase the competitiveness of rubber, the roles of de / regulation of the government is the main priority objectives, while the operational cost efficiency is less prioritized objectives by these three actors. Deregulation is considered important in relation to the deregulation of the regulatory effectiveness of operational costs, marketing efficiency and supporting infrastructure development increase employee wages and fuel oil was a component that increases the operational costs from time to time. Limitations of transportation infrastructure facilities (roads and ports) is something that became the subject of deregulation. Destination actors above can still be further detailed according to an alternative priority strategies as a whole, such as listed on Table 9. according to experts, every destination has to offer operational steps, whether it is through the optimization of resources, financing, development institutions, and policy implementation (Table 9).

Until now, rubber export markets is believed by experts tend to still be "buyers market", where a lot of rubber export market is determined by the strength of rubber in the overseas buyer or otherwise producers / exporters of Indonesian rubber (all the more alone) are less able to determine the performance market . As it is known that most of ± approximately 75% of the volume of world natural rubber is used as raw material for the tire industry and tire industry itself is controlled by big companies such as Bridgestone international scale, Michellin, Good Year, and the Continental, which can make direct purchases (direct trade) to exporters of rubber / crumb rubber factory in Indonesia. With the above reasons, the efforts of rubber exports in the context of each power increase, it seems more likely to be done with the form of creating steps "efficiency and facilitation", which facilitate the performance of production, distribution, and marketing in the country (of course by creating an internal environment conducive) first by not leaving the external aspects. De government policy / regulation, for example, should be done to fake a mechanism so that buyers can be more "tasteful" to buy rubber from Indonesia, while reducing / eliminating barriers faced in buying rubber.

Table 9. Operational activity alternatives for Indonesian natural rubber export development

Operational activity	weighted	Number of Priority
Operational cost effectiveness (CR = 0,0037)		
Optimization of Resources	0,169	4
Infrastructure development	0,080	5
Funding development	0,173	3
Institutional development	0,260	2
Policy implementation	0,318	1
Marketing efficiency (CR = 0,0239)		
Optimization of Resources	0,237	3
Infrastructure development	0,099	5
Funding development	0,160	4
Institutional development	0,241	2
Policy implementation	0,263	1
Supporting facilities improvement (CR = 0,0016)		
Optimization of Resources	0,166	4
Infrastructure development	0,167	3
Funding development	0,160	5
Institutional development	0,263	1
Policy implementation	0,245	2
Deregulations (CR = 0,0183)		
Optimization of Resources	0,312	1
Infrastructure development	0,237	2
Funding development	0,229	3
Institutional development	0,129	4
Policy implementation	0,093	5

Table 10. Alternative strategies for Indonesian natural rubber export development

Alternative strategy	Priority Vector	Number of Priority
Optimization of Resources	0,429	1
Infrastructure development	0,055	5
Funding development	0,121	4
Institutional development	0,280	2
Policy implementation	0,115	3

Results from expert opinion based on the results of combined treatment with significant visible Expert Choice with inconsistency ratio of 0.06. according to experts, the alternative strategies that are considered most appropriate, reliable, and be a top priority in efforts Rubber Commodities Export Development strategy is the Resource Optimization (weight = 0.429), followed by institutional development, development finance, policy implementation, and infrastructure development (Table 10).

Experts black as that resource optimization strategy can be done with emphasis on: a) providing easy access to the capital of financial institutions (banks) nationwide; b) the settlement of land problems, especially in the rubber plantation revitalization program, such as certification issues in terms of financing and completion time and c) The application of technology, aquaculture and processing. Overall operational strategy was highly relevant to current conditions and rubber plantations with respect to the implementation of rubber plantation revitalization program. Institutional development strategies carried out through: a) development of institutions (establishment, education, counseling, training and coaching), b) development of quality standards, c) trade arrangements, in this sellers settings, and d) development strategic alliances. In developing this institution includes: e) the development of Export Marketing Information System plantation products, thus the market opportunity is known by all businesses and market distortions that occur in international markets is inevitable f) improving the quality of human resources to be able to adopt and adapt with technology, the ability to receive and process information so that market becomes a competitive advantage to all stakeholders plantations, g) promote ways and international marketing regulations, and h) develop market intelligence so that it can perform an evaluation and analysis of changes in competition, market trends, consumer guidance and changes regulatory / international regulations, and can increase the ability to compete in the global, regional, and specific.
In terms of strategic alliances, the government should: a) facilitating the development cooperation program between the government agencies or non-government by forming a "Commodity Board" for the field of product development (processing), improved product quality, marketing, licensing and others.
The Commodity Board shall be the media bring together all stakeholders to work together, b) institutional strengthening agribusiness / agro-industry was included to improve performance on each sub-system of Hulu, Plantation Primary, Lower Agribusiness and Services Institute. On principle, such cooperation based on Win-win solution that is empowering and strengthening the upstream and downstream-oriented "industry

clusters", c) the strengthening of cooperation with "Network Marketing" both in the commodity trading centers and in the country of destination marketing through the strengthening of human resources , and d) improving international market access for products of plantation development of Network Marketing.

Furthermore, the experts agreed on the development of commodity exports of rubber, development financing can be done by: a) provide a skim-credit scheme (an investment and export credits) with a competitive interest rate, easily met the requirements of the situation of commodity business and b) guarantee in the use of credit, as required in a rubber plantation revitalization program. The experts seem to agree not very disputed local taxes / levies and insurance.

Experts agree that the implementation of policies to support export development is a major trade policy, followed by production and fiscal policy and monetary policy. In regard to the implementation of this trade policy, the experts agreed the need for governments to:

a) Creating or revitalizing various government regulations that support exports, mainly related to the marketing policies such as licensing procedures or procedures for export / import, fiscal, taxation and levies, and other marketing support policy,

b) Establish a Master Plan Rubber Products Export Development in order to realize

c) Common development focus of the agreed export of products nationally and must be supported by the "Political Will" strong. Master Plan for the development of exports consists of segmenting (selected market segments), targeting (target market for each product), and positioning (positioning of particular products, such as SIR for instance, whether as a market leader or market follower), taking into account comparative advantage and gains competitive that will be obtained,

d) Improved access to export markets in the global and regional markets, including promotion and advocacy skills to the product being marketed. Expansion of marketing can also be done from a traditional market to market non-traditional or "new market penetration." Government needs to increase the lobby in global trade forums, regional, bilateral, and other international forums, in order to improve their bargaining position and won a foreign power. In relation to infrastructure development, the experts agreed to prioritize transportation facility compared with the energy and telecommunications facilities. This opinion is in accordance with field conditions in which farm roads (gardens) and which connects the garden with the nearest road (village, district and county) are generally in bad condition, especially in the plantation. In more concrete, alternative development strategies Indonesian rubber exports in Figure 1.

CONCLUSIONS AND RECOMMENDATIONS

Development-related commodities export competitiveness. Indonesia's position in international trade of commodities strong enough rubber. The important thing to understand is the potential for export development are still owned by Indonesia. Government as regulator and facilitator through its policies also have demonstrated a commitment to increase exports of agricultural commodities. By using the Analysis Hierarchy Process (AHP) shows that the government acts as regulator and facilitator. Rubber plantation farmers especially those who were gathered in the farmers' organizations (cooperatives) and the SMEs that are followed up with a private sector role, becoming the main actor for the export of rubber, certainly with the support of de / regulation related to these commodities. To achieve the desired objectives, the actors in rubber export development priority to optimizing resource development strategies, followed by institutional development, financing, policy implementation, and infrastructure development.

Rubber export development strategy should be seen as the part of the development of export commodities. Looking ahead to be prepared a Grand Strategy that contains a complete package of optimization of resources, institutional development, financing scheme, policy implementation, and infrastructure development. Grand Strategy is then broken down further in the operational strategy for development of respective exports of agricultural commodities, including rubber. Operational Strategies rubber export development according to priorities as follows:

a) Provision of capital for the development of rubber plantations

b) Institutional development of farmers and other entrepreneurs as well as the development of education, counseling, training, and built it.

c) Financing of land affairs and HGU trusted certification and commuted

d) The development of road transport facilities to the farm export harbor

e) Development of quality standards

f) Provision of credit schemes.

Above operational strategy is basically a mix strategy to achieve the desired objectives of the actors, namely government policies of deregulation, Effectiveness of operational costs, development of supporting infrastructure, and cost efficiency. Therefore the government needs to play as a facilitator and regulator function associated with the implementation of export development strategy over the rubber.

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INTERNATIONA FINANCIAL REPORTING STANDARD (IFRS) AND SMES IN NIGERIA: PERCEPTIONS OF ACADEMIC

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ABSTRACT

Small and Medium Enterprises are seen today as the backbone of every economy throughout the world. It has contributed significantly to the economic growth of nations. Consequently, financial information put forward by the SMEs should be able to meet the needs of the users. Hence, after five years of consultations, in July 2009, International Accounting Standard Board (IASB) published its accounting for SMEs. It was aimed at addressing the needs and capabilities of Small and Medium scale enterprises. Those matters like measurements of liabilities, assets, revenue and expenses have been expunged because the users of the financial statement of SMEs do not need elaborate and complex information provided in the general purpose financial statements. However, there have been no meaningful significant contributions from the academic who are saddled with the responsibility to teach the subject matter at their various institutions. This paper therefore looked at the perceptions of academic as regard whether the proposed IFRS for SMEs (Statement of GAAP for SMEs) will ease/soften the burden of financial reporting by SMEs.

KEYWORDS

Academic, GAAP, IFRS for SMEs, Small and Medium Sized Companies

INTRODUCTION

If we look around us today the interrelationship in the world economy and how no country can claim sole independence of its activities without depending on another country, it will then be clear to us what Thomas L. Friedman in his book titles "*The World is Flat*" said that 'right around the year 2000 we entered a new stage of globalization (a whole new era that he refers to as Globalization 3.0) which, according to him, is shrinking (figuratively, of course) the size of the world from small to tiny'. And you will agree with me that, this magical phenomenon of globalization has led to the emergence of a global village that we all reside in.

With this move about globalization, businesses around and all over the world cannot lay claim that they are immune to the waving rage of it. And with the advent of internet where at a click you can assess or download any information across the globe with little or no cost is a pointer that the business world must seek to have a common language in their accounting reporting so that customers within and in diaspora can understand what the financial report of such organization is talking about. If we agree with the old adage, "accounting is the language of business," then business enterprises around the world cannot afford to be speaking in different languages to each other while exchanging and sharing financial results of their international business activities and also reporting the results of business and trade to their international stakeholders (Grosu & Bostal 2010).

As we all know, there is no barrier to trade any longer and with the knocking down of trade barriers across national boundaries through global initiatives such as the setting up of the World Trade Organization (WTO), international trade between businesses across the globe has become quite simple and attractive.

However, with the current economic context dominated by the phenomenon of market globalization, IASB is showing his intention to expand IFRS for SMEs (Catalin & Nadia, 2010). It was also revealed that in Europe, International Financial Reporting Standards are required for over 7000 listed companies, while more than 7 millions of small and medium-sized entities are unlisted; most national standard cannot provide a satisfactory level of compatibility (Grosu & Bostal, 2010). Due to lack of compatibility in case of SMEs, the IASB elaborated a new IFRS for these entities, which was issued in July 2009. Small and medium-sized entities dominate the business world, almost in every developed and developing countries from the economic point of view, over 99% of the companies are smes with fewer than 50 employees. We have over 21 millions of SMEs in European Union and over 20 millions in United States of America (Paul, 2010).

We can now define IFRS for smes according to IASB (2009) as a set of standards elaborated to answer the needs and capabilities of small and medium-sized entities. Estimated entities own more than 95% of all companies worldwide. On 9 July 2009, IASB issued an International Financial Reporting Standards for small and medium enterprises (Advisory Newsflash, 2009). It is also looked at entities that do not have public accountability and publish general purpose financial statements for external users (IASB, 2007).

To summarise this section as postulated by Stainbank & Wells (2007) cited in Rossouw & Van Wyk (2009) that the burden placed on small and medium-sized entities to comply with the principles of statements of Generally Accepted Accounting Practice (GAAP), which basically constitute the International Financial Reporting Standards (IFRSs), has raised concerns among accounting practitioners across the globe. Among the various practitioners are the academic who possess the theoretical background or knowledge of accounting as a discipline all over the world. Their opinions are not far -fetched from the opinions of other stakeholders. But what makes this paper unique is that their (academic) opinions have not been well articulated in this part of the world i.e. the developing countries, in recent researches unlike their counterparts in the industry about their perception of IFRS for Smes. Hence the reason why this paper is looking at whether the academic believe if the proposed IFRS for Smes will ease the burden of financial reporting by SMEs or not.

RESEARCH OBJECTIVE

As stated above in the introductory part, the purpose of this research is among others to

1. Identify whether the academic believe that the proposed IFRS for SMEs (Statement of GAAP for SMEs) will ease or alleviate the burden of financial reporting and preparation by SMEs in Nigeria
2. To find out if Nigeria government should support the adoption/adaption of IFRS for SMEs.
3. To find out how outspoken the academic have been towards the adoption/adaption of IFRS for SMEs in Nigeria

A previous study related to this research topic by Carsberg (1985) cited in Stainbank & Wells (2007), submitted that disclosure itself adds little to the burden of financial reporting by SMEs. This paper however takes a cue from what Rossouw & Van Wyk (2009) considered in focusing on accounting principles of recognition and measurement. The next section which is the literature review would however covers why IFRS for SMEs, the objectives of fashion out IFRS for SMEs, the benefits and advantages to SMEs and the need for differential reporting. However the following hypotheses were formulated to address the objectives as proposed above.

HYPOTHESES

H_0: There is no significance difference in the opinion of the academic on whether the proposed IFRS for SMEs will ease or alleviate the burden of financial reporting and preparation by SMEs in Nigeria.

H_0: There is no significance difference in the opinion of the academic with professional qualification on whether the proposed IFRS for SMEs will ease or alleviate the burden of financial reporting and preparation by SMEs in Nigeria

LITERATURE REVIEW

According to Alistair (2010) who defined International Financial Reporting Standards (IFRSs) as a series of accounting pronouncements published by the International Accounting Standards Board (IASB) to help preparers of financial statements, throughout the world, produce and present high quality, transparent and comparable financial information. The term "International Financial Reporting Standards (IFRSs) and interpretations approved by IASB and International Accounting Standards (IASs) and interpretations issued by IASB's predecessor, the Board of International Accounting Standards Committee (IASC). Delloite (2010) however refers to IFRS for SMEs as incorporated accounting principles that are based on full IFRSs, but which have been simplified to suit the entities within its scope. By removing some accounting treatments permitted under full IFRSs, eliminating topics and disclosure requirements that are not generally relevant to SMEs, and simplifying requirements for recognition and measurement, the IFRS for SMEs reduces the volume of accounting requirements applicable to SMEs by more than 90 per cent when compared with the full set of IFRSs.

This paper therefore looks at why IFRS for SMEs and what is the reason behind the issuing of the standard. According to Cañibano & Mora (2000) cited in Anacoreta & Pedro (2005) maintained that the focus of the vast literature has always been larger firms, sometimes even only listed firm because their securities are traded on global markets. But researches have unraveled the contributions of SMEs to the economic development of nations. This was what prompted the initiative of having IFRS for small and medium sized companies. And it can also be seen from the perspectives of their wide-spread across globe which calls for the need for harmonization of financial reporting by the various SMEs irrespective of the country the investor belongs.

In February 2007, the main issued agreed upon by series of general meetings held in 2006 was summarized as the reason for IFRS for SMEs. These are:

a) the necessity for the existence of some financial reporting standards for SMEs;
b) the users of the SMEs' financial statements,
c) IASB legitimacy of developing international standards for SMEs;
d) the needs of the different users and considerations on the cost-benefit ratio;
e) the relative level of adequacy of the financial reporting concepts to all entities;
f) why doesn't the IFRS project for SMEs have as goal the providing of information for sole-proprietors;
g) the adequate character of the IFRS Project for SMEs for the very small entities – the so called "micro" entities. (IASB, 2007 cited in Ramona, Ema & Irina, 2009).

The concept of IFRS for SMEs has raised various debates, opinions and about the future developments. This debate is still ongoing among which this research work is set to make contribution to. However, different objectives have been highlighted from different literatures on IFRS for SMEs.

According to the literatures, the major objectives of introducing IFRS for SMEs includes among others: high degree of comparability of financial statements, increasing the confidence of users of SMEs in financial reporting and will cause a significant reduction in costs for national reporting standards. IFRSs for SMEs will also provide a platform for emerging companies, which intend to list the regulated capital markets, where the application of the complete version IFRS is mandatory (Privind, 2009 cited in Grosu & Bostal, 2010). The author thinks that, the underlying factor here is the uniformity in the financial reporting for easy comparability. From the previous sections, it was stated how the full IFRS was meant for the blue chips companies. That is, those companies listed in the stock exchange.

However, according to the regulation and the preface to international financial reporting standards, the main objective as categorically stated there is to "develop, in the public interest, a single set of global accounting standards, high quality, understandable and may be imposed, but at the same time providing comparable information, transparent and high quality in the financial statements or through other reports to help those involved in various capital markets in the world or other users of economic-financial information economic decisions" (IASB, 2009). This was also corroborated by Grosu & Bostal (2010) when they look at the objective of developing accounting standards for SMEs as providing a framework, to generate relevant information, reliable and useful, characteristic of a set of high-quality, easily understood to be applied at SMEs level. Small companies pursuing different strategies and their objectives are more likely to survive and to provide stability, rather than economic growth or profit maximization.

Even though the full IFRS that applies to the big firms has been reduced and simplified to accommodate the SMEs, there is still a need for a good quality financial report with a degree of high quality information for the users of such. The IFRS for SMEs accommodate many accounting principles and standard for the practitioners but by and large it represents a self governing standard (IFRS, 2009) and independent (Insight, 2009).

To this end, the benefits of IFRS for SME according to Paul (2008) an IASB Director of Standards for Small and Medium-sized Entities in a World Bank Conference on Promoting Business Development in Honduras on 12th February 2008 submitted that, the SMEs tend to enjoy the benefit of global standards i.e. high quality global financial reporting standards that is applied consistently will be a benefit to both investors, lenders, and other capital providers. He also maintained this will enhance comparability of financial information, improve the efficiency of allocation and the pricing of capital. Moreso, the companies that look for capital will have the advantage of having their compliance costs reduced and having ease of use because while the full IFRS run to over 2,600 pages, IFRS for SMES is just under 240 pages and the uncertainties that affect their cost of capital will also be removed (Moore, 2009). It will also improve consistency in audit quality and facilitate education, training and software development (IASC, 2008; Grant, 2010; & Brian, 2010).

Since we all operate in a global village, SMEs will have the advantage of comparing their financial statements together without incurring additional costs to assess such information for their investment decision. This was what the big firms enjoy now been extending to the small and medium scale entities. As the Journal for Accountancy (2009) put it 'improving the comparability of information presented in financial statements, increasing confidence in global annual invoices SMEs, reduce costs associated with maintaining accounting standards, whether national (Mariam, 2009), presence of a complete set of accounting principles, simplified for each type of entity; increased satisfaction of the needs of users of financial statements'. Also, Moore (2009) posited that making financial statements less complex and more user friendly, reducing the burden of changes and amendments as the IASB will only review the standard on a rolling two/three year basis, simplifying global trading and improving access to international funding are some additional benefits SMEs tend to gain from the IFRS.

To summaries this part, the adoption of IFRSs would provide the following benefits to SMEs:

(Prıcewaterhousecoopers, 2006; IASB, 2007)

1. Adoption of IFRS for SMEs will improve the comparability of financial information of SMEs at either national or international levels.
2. Adoption of IFRS for SMEs will make easier to implement planned cross-border acquisitions and to initiate proposed partnerships or cooperation agreements with foreign entities.
3. Adopting IFRS for SMEs can help SMEs to reach international markets.
4. Adoption of IFRS for SMEs will have a positive effect on the credit rating scores of enterprises, this will strength SMEs' relationships with credit institutions.
5. Vendors want to evaluate the financial health of buyers before they sell goods or services on credit. The adoption of IFRSs will enhance the financial health of the SMEs.

DIFFERENTIAL REPORTING AND SMEs

The IFRS for SMEs incorporate accounting principles that are based on full IFRSs, but which have been simplified to suit the entities within its scope. By removing some accounting treatments permitted under full IFRSs, eliminating topics and disclosure requirements that are not generally relevant to SMEs, and simplifying requirements for recognition and measurement, the IFRS for SMEs reduces the volume of accounting requirements applicable to SMEs by more than 90 per cent when compared with the full set of IFRSs.

The issue of SMEs has been at the foot level from years because of their scattering all over the country even when they command the highest employers of labor and some other notable contributions, the system has failed to accord them due recognitions. Their inputs to the development of accounting standards have been a challenge. This was what made IASB (2007) submitted that for too long, SMEs were ignored in the development of accounting standards. General purpose accounting standards, which were developed in the past, focus specifically on larger entities with public accountability, and in particular, IFRSs are developed to help participants in the various capital markets of the world and other users of the information to make economic decisions. And if we consider this, we will discover that the SMEs stakeholders i.e. the users of the financial statements do not qualify for this. This is why Coetzee (2007) submitted that SMEs are too significant in the global economy to have been ignored for so long by the international accounting standard setters.

Since only one set of general purpose IFRSs was developed, SMEs have suffered the cost burden of preparing financial statements based on full IFRSs (Cleminson & Rabin 2002) and this has resulted in consistent negotiations for a set of accounting standards that a SME-friendly and tailored after the real existence of SMEs. (De Beer & Prinsloo, 2002; Sehoole, 2001). Therefore, the justification for differential reporting lies in the consideration of firstly users� needs, and secondly, the cost/benefit constraint (Stainbank, 2008).

The needs of the users of SMEs financial report is quite different from the general purpose financial statement meant for the larger entities which is primarily for the range of users making economic decision (IASCF, 1989). Therefore, there is a need for separate accounting standard that will be design for SMEs to address some peculiar interest of the users who are mainly creditors, credit institutions and owners of the business. Since the users of financial statements of SMEs are not regarded as "professional users" (experts), such statements are often prepared for the wrong audience because these users normally do not understand the technical information required by the IFRSs. The cost benefit analysis of accounting standard is very critical to the success of SMEs. Because the author believes that, the salient issue here is for the survival and expansion of SMEs and that it serves the purpose it was meant for and that is why the IASB believes that the cost-benefit trade off should be assessed in relation to the nature, number and information needs of the users of an entity's financial statements (IASB, 2004) so that SMEs are not necessarily bother about the cost involved in preparing financial statement that will not be needed by the stakeholders and if the users do not regard the financial statements as useful and reliable, reporting has no value (Stegman,1994 cited in Van Wyk & Rossouw, 2009).

Considering the bulkiness, the complexity and the difficulty involved in the full IFRS (Lavigne, 1999, Paterson 200; Stainbank & Wells 2007) one will see the extra effort needed to understand the principles and compliance with all is another challenge and some authors have also considered this to be too theoretical and difficult to implement (Topazio, 2007).

For example, studies in South Africa Hattingh (1999); Cleminson & Rabin (2002); Wells, (2005); Van Wyk (2005); SAICA, (2006) cited in Stainbank (2008) confirm that the cost of compliance with general purpose accounting standards such as South Africa GAAP or IFRS exceed the benefits for SMEs, while internationally, this has also been recognized in the United States of America Mosso (1983) and in the United Kingdom

(Carsberg, Page, Sindall & Waring, 1985 cited in Stainbank, 2008). Also AICPA (2005) cited in Stainbank (2008) came up with recent studies in the international arena who have also discovered the difficulty and complexity of and the enormous time it takes to comply as challenges for SMEs rather than the costs of compliance (Maingot & Zeghal, 2006). Owing to the constant development of accounting standards, the financial reports, as the final product of the accounting process, tend to be too technical and complex for serving their purpose (Kruger, 2004 cited in Van Wyk & Rossouw, 2009). For this reason, McAleese (2001) made a submission that the information needs of the users should be prioritized in designing a new format for financial statements, involving extensive consultation with both the users of the financial statements of small entities and the small and medium-sized accountancy practices, which deal with these entities on a day-to-day basis. Without this, the problem will continue lingering until attention is given to what the information needs of the users of financial statement of SMEs and to what degree are these need differ from that of the larger entities (Hepp & McRae, 1982).

In conclusion, perusing at the literature study above, it is obvious why countries came together to look at the peculiarities of SMEs and see how they can fashion out accounting standards that will address the needs of the stakeholders and this is what has brought about the subject of differential reporting standards he IFRS for SMEs.

METHODOLOGY

We employed empirical research to achieve the research objective formulated. The academic in Nigeria private universities were selected as the population the reason is that they are assumed to be knowledgeable in the issues of IFRS for SMEs and information needs with regard to financial reporting (Stainbank & Wells, 2007). In order to obtain unbiased responses from the respondents, we refused to express our own views on the subject. The fact remains that, the respondents (academic) were believed to have sufficient and relevant knowledge of this standard to be able to complete the questionnaire; this therefore helps the researcher and provides it with reliable and relevant data for the analysis. Unlike in the previous related research where questionnaires were posted but limited feedback were received Stainbank and Wells (2007). This method of direct visit to the respondents and necessary follow up by explaining and discussing the contents of the questionnaire with the respondent to ensure clear understanding of the contents, was adopted in order to obtain a larger number of completed questionnaires.

The empirical research in this study was however qualitative and quantitative because the academic especially those in the accounting and finance fields who are involved in researches and the teachings of this subject in their respective institutions academic were asked to give their views and perceptions of the IFRS for SMEs. According to Maykut & Morehouse (1994) in Van Wyk & Rossouw (2009), described qualitative research as gaining a “deep understanding of some phenomenon experienced”. Donalek & Soldwisch (2004) also described qualitative research further as “the organized, systematic exploration of some portion of human experience. It is not concerned with the interpretation of data but rather with the discovery of common emergent themes”. Through an organised, systematic investigation, the research will thus attempt to gain a deep understanding of the views and perceptions of the academic (Van Wyk & Rossouw, 2009). The quantitative aspect would be analysed using ANOVA which is computed using the SPSS statistical package. The sampling for this work is however purposeful since the researcher only wants to obtain the perception of the respondents about the subject.

Since the practitioners were selected to obtain their views and perceptions, the sampling was purposeful. The authors considered the academic as a suitable source because of their involvement in researches and attending of various conferences where this subject is being discussed and we therefore believe they could provide information-rich data (Maykut & Morehouse, 1994).

EMPIRICAL RESULTS

Table I: DESCRIPTIVE STATISTICS

VARIABLES	No	Percentage %
Academic & Academic Qualification	55	98.7
Department (Accounting)	46	86.8
(others)	7	13.2

Source: the researcher’s survey

From the survey in table one, 56 people were surveyed out of which 39 were B.Sc holders which is 69.6% of the total sample surveyed, while 11 had M.Sc (20% of the sample) and only 5 had PhD which represent about 9.1% of the sample. 14 of the samples were situated in the academic, hence they held different academic positions as Graduate Assistants, Assistant Lecturers, Lecturer II and etc. 46 were from the department of accounting, which represent 86.8% of the total sample, while 7 were from other departments. This makes the result of this work most apt and relevant, as the majority of the samples are from the department of accounting, hence they will be very knowledgeable about the state of affairs as regards the IFRS.

Table II: ADVANCE DESCRIPTIVE STATISTICS

VARIABLES	AGREE%	UNDECIDED%	DISAGREE%
Proposed IFRS to ease burden	74.5	16.1	1.8
More capital for growth and expansion	69.6	19.6	5.4
Differential reporting to reduce burden	57.2	25	10.7
Govt. should support adoption of IFRS	85.7	nil	12.7
Narrow down IFRS to capture smaller entities	67.9	16.1	5.4
Attracting foreign investors to Nigeria	85.7	8.9	1.8
More enlightenment needed for operators/managers	92.9	3.6	nil
Academic not outspoken	75	19.6	3.6
Reduce cost of preparing financial report	64.3	14.3	19.6

Source: the researcher’s survey

From table II above, the empirical result shows that 1.8% of the sample size strongly disagrees with the proposition that the IFRS will ease the burden of SMEs in Nigeria, while 3.6% agree. 16.1% of the sample was undecided and a major proportion of 50% agree to the fact, while 24.5% strongly agree to the proposition. This result corroborate the previous empirical results in Ireland, by McAleese (2001, in Stainbank & Wells 2007 & Van Wyk & Rossouw (2009) where they submitted that the Financial Reporting Standards for Small Enterprises had not relieved the financial reporting burden faced by small entities. The respondents' relative doubt could be that SMEs in Nigeria still have a lot of factors within the country that sap their resources to contend with.

However, since one of the goals of the IASB in issuing the IFRS for SMEs was to reduce the burden of preparing SMEs' financial statements (Pacter 2007; Stainbank & Wells 2007). In view of this, the respondents were not convinced that this objective on the part of IASB would be actualized.

With regards to the IFRS helping SMEs gain access to more capital for growth, 69.6% totally agree to this fact, while 5.4% disagree to this. Only 19.6% were undecided. Further inquiries was made with regards to the differential reporting helping to reduce the burden of financial reporting and 57.2% agree to this. 10.7% disagree to this, while 25% were undecided about this. 85.7% of the sample agrees that the Nigerian government should support the adoption/adaptation of the IFRS for SMEs, while a lesser percentage of 12.7% disagree to this fact. How about the complexities involved with regards to this, 67.9% agree that the IFRS for SMEs need to be narrowed down so as to capture other smaller entities than it is now which are 50 employees, while 5.4% disagree to this notion. 16.1% were undecided about this. Majority of the respondents agree that the adoption of the IFRS will attract foreign investors into the nation, while 10.7% disagree to this. As regard the fact that more enlightenment are needed through organizing seminars and conferences for SMEs operators/management, 62.9% subscribed to the idea while 3.6% was against it. This means more exposures are really needed for the stakeholders before the eventual takeoff.

We also digged into the fact that academic have not been outspoken about the adoption of IFRS for SMEs in Nigeria, 75% agree that academics have not been outspoken while 3.6% disagree and 19.6 was undecided on the issue. Lastly, this paper also probed to find out if the adoption of IFRS for SMEs will reduce the cost of preparing financial report, 64.3% agree 14.3% undecided while 19.6% disagrees.

Table III: TEST FOR SIGNIFICANCE DIFFERENCE AMONGST THE KEY VARIABLES ACADEMIC QUALIFICATION
Testing the significance difference across Academic Qualification

Variables	Sum of Square	F	Sig
Ease burden	34.981	5.438	0.007*
more capital	40.519	3.503	.038**
reduce burden	51.769	0.017	0.983
govt should support	30.593	0.671	0.516
narrow down IFRS	40.980	2.469	.096***
attract foreign investors	27.019	0.079	0.925
more enligtnment	16.679	1.594	0.213
academic outspoken	34.981	.652	.525
reduce cost	79.204	1.245	0.296

Note: *, ** and *** signifies that the variables are significant at 1%, 5% and 10%.
Source: the researcher's survey

One way ANOVA was used to test if any significant difference exists across the academic qualifications of the respondents based on the variables identified for the perception of academics with regards to IFRS for SMES. The table above implies that there is a significant difference across the academic qualifications of the respondents with regards to whether the proposed IFRS will ease the burden of SMEs in Nigeria, if IFRS for SMEs will help to gain more capital for growth and expansion and if IFRS for SMEs in Nigeria still need to be narrowed down to capture smaller entities.

IMPLICATIONS

The apriori expectation of the researcher was that, there would be no significance difference in the opinions of the academic giving to their series of researches and exposures. The reason adduce at this point is that, first, this subject matter was relatively new in the Nigeria context and the IFRS whether in full or partial is yet to be adopted officially in Nigeria even though some banks like GTB Bank, Access Bank, Zenith and First Bank are among the few to embrace it, that of IFRS for SMEs have been given till 2014 for full implementation (Naomi, 2010). Secondly, the researcher sought for the opinions of other academic in related disciplines in order to have a wider coverage and each responded from the point of their various disciplines, hence likely reason for the significance difference on the three variables mentioned above. However, about 50% of the respondents believed the proposed IFRS will ease the burden of SMEs in Nigeria. This is a little improvement on the similar empirical result as carried out by Van Wyk & Rossouw (2009), where only 48% of their respondents believe same. The division in the opinion of respondents is a pointer to the fact that more enlightenment is still needed and the conviction that the objective will be achieved is only time will tell. The empirical finding also shows that IFRS for SMEs will help to gain more capital for growth and expansion. Those who do not believe so could be as a result of the peculiar challenges faced by SMEs in Nigeria like infrastructural facilities which are lacking in the country and which can deter foreign investors from investing in SMEs in Nigeria. Also, the result showed divergent views about the need to narrow down IFRS for SMEs in Nigeria to capture smaller entities.

However, there is no significant difference amongst the respondents' opinion with regards to if differential reporting will help to reduce the burden of IFRS, if Nigeria government should support the adoption of IFRS for SMEs, if IFRS for SMEs still need to be narrowed down to capture smaller entities, if more enlightenments are needed, if the cost of preparing financial report will be reduce and if the academic have been outspoken enough. The empirical result showed no significant different in the opinion of all the respondents.

Table IV: Testing the significance difference across Professional Qualification

Variables	Sum of Squares	F. Statistics	Sig.
Easeburd	17.429	.124	.731
Morecap	13.231	.138	.717
Burdfinrep	19.077	.464	.510
Supportgovt	12.400	.014	.907
Narw	14.929	.023	.882
Foreigninvest	12.933	.306	.590
Moreenlight	2.400	1.300	.275
Outspoken	8.400	.021	.887
Costreduction	27.733	.046	.834

Note: *, ** and *** signifies that the variables are significant at 1%, 5% and 10%.

Source: Researchers' Survey

One way ANOVA was used to test if any significant difference exists across the professional qualifications of the respondents based on the variables identified for the perception of academics with regards to IFRS for SMES. The table above implies that there is no significant difference across the professional qualifications of the respondents with regards to whether the proposed IFRS will ease the burden of SMEs in Nigeria, if IFRS for SMEs will help to gain more capital for growth and expansion and if IFRS for SMEs in Nigeria still need to be narrowed down to capture smaller entities and the rest of the variables tested as shown in the table above**.**

IMPLICATIONS

The empirical result showed that, there is no significant different in the opinion based on their professional background couple with their academic experience. This group relates often with their counterpart in the industry, hence the perceived reason on why there are no divergent views in their responses. The responses are well captured in the analysis as stated in the descriptive statistics in table II above. It is therefore with utmost important that academic strive to belong to at least one professional body to support the theoretical background they possess in the academia.

SUMMARY, CONCLUSION AND RECOMMENDATIONS

For some time now, SMEs in Nigeria compliance with GAAP in the preparation of their financial report has been a challenge. This is not peculiar to Nigeria. South-Africa as well is facing the challenge Van Wyk & Rossouw (2009). During 2007, the IFRS for SMEs was issued, and it omitted certain topics not applicable to SMEs, reduced the disclosure for SMEs and simplified some of the principles of recognition and measurement. The intention of this standard was to reduce the burden of preparing financial statement by SMEs. And now that the country is moving to adoption of IFRS for SMEs in 2014, the first objective of this research work was to find out whether the academic believe that the proposed IFRS for SMEs (Statement of GAAP for SMEs) would reduce the burden of financial reporting of SMEs in Nigeria. But the empirical result revealed doubt among the academic about whether this would be so. This was inspite of the good and sincere intentions in establishing IFRS for SMEs.

The second objective is whether the Nigeria government should support the adoption/adaption of IFRS for SMEs. After reviewing the literatures and the empirical result, it was believed that Nigeria government should put all the necessary machinery in place to fast track the adoption of IFRs for SMEs in Nigeria.

The last objective is to find out how outspoken the academic have been towards the adoption/adaption of IFRS for SMEs in Nigeria. The empirical result also showed that academics have been relatively quiet in time past in Nigeria since the IFRS for SMEs was proposed. This is against public opinion because the academics are meant to champion this topic in various seminars and conferences for other practitioner to follow. However, this could be as a result of dearth of conferences and seminars in the academia relating to the topic. A limitation of the research was that because the views other practitioners outside the academia were not considered and that of the users of financial statements were not also evaluated, therefore, their perceptions were unable to be documented.

RECOMMENDATIONS

1. We therefore recommend that the decision of the government to start implementing IFRS for SMEs in 2014 should be reviewed and the date brought forward.
2. It is also recommended that more opportunities and platforms on this topic should be encouraged for academics for discussion of pertinent issues relating to IFRS for SMEs.
3. We also recommend that enlightenment campaigns should be embark upon by the parties involved to sensitize the general public about the impact and the benefits of adopting IFRS in our local context. They should also demonstrate how the stakeholders will derive optimum gains from the standard.

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THE IMPACT OF RESEARCH ON ACCOUNTING PROFESSION

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ABSTRACT
Accounting research does nothing but research which is the livelihood of University accounting departments because their reputation is largely dependent upon the quantity and the quality of members' research and publications. The objective of this paper is to explain our interpretation of accounting research, to connect the accounting research of the past 600 years, and the impact of research on Accounting. The year 1930 suggested the hypothesis that the profit and loss statement be replaced by the balance sheet as the focus of reporting practice. A few hypotheses may be formulated as the result of hunches. However, the paper concluded by setting out to test the hypothesis that the impact of accounting does not matter because it has had no effect on accounting practice. The research has had some impact on practice because it has helped Accountants to understand more fully the procedures. To adopt which in turn led to the reduction in the inconsistent practice. However the paper recommends that research should have had some impact on accounting practice.

KEYWORDS
Accounting, research, quality, quantity, practice.

INTRODUCTION
It is frequently asserted that, others being equal, individuals are happier if they believe that their work 'matters'. There is no reason to doubt that this assertion is appropriate for accounting researchers who do not engage in research for its own sake but because they believe that it matters. Of course, 'mattering' may be interpreted in a number of ways. At the personal level there is little doubt that accounting research matters it matters to graduate students in accounting, because their research may enable them to complete the requirements for a higher degree. It matters to teachers of accounting for two reasons. First, publication of the results of their research improves their promotion prospect and second, the results of research may be used to improve the content of their lectures. Accounting research does nothing but research because it is their livelihood. It matters to University accounting departments because their reputation is largely dependent upon the quantity and quality of members' research and publications.
Another interpretation of mattering, however, is that accounting research matters only if it has an effect on accounting practice. A number of writers have suggested that in this context accounting research has not mattered. For example, commenting on US experience, Stephen Zeff suggests 'that the academic literature has had remarkably little impact.... upon the policies of the American Institute or the SEC' [I]. This implies, perhaps, that accounting practice would not be very different from its present form if there had been no academic accounting research. 7^-
This paper considers the hypothesis that accoj^tnjjesearchJia5 .had no effect on practice.
The paper is divided into three sections. The first explains our interpretation of accounting research. The second surveys the accounting research^ of the past 500 years and the third considers the impact of this research on accounting.

THE NATURE OF ACCOUNTING RESEARCH
Accounting research may be defined as the testing of accounting related hypotheses. The first, and probably the most important, step in the research process is the choice of a hypothesis for testing. The ideas for hypotheses may be generated in a number of ways. Some may be the result of casual observation. For example, observation of accounting practice may suggest to a researcher that accountants only change the method of accounting for depredation in order to 'smooth' reported profit. Others may be the result of reviewing the accounting literature. For example, reading the accounting literature of the 1920s and the 1930s may suggest the hypothesis that the profit and loss statement replaced the balance sheet as the focus of reporting practice.
A few hypotheses may be formulated as the result of hunches. For example, it may occur to a researcher that cash flow statements would provide information more relevant to users than conventional financial statements.
The choice of a hypothesis is critical. In many respects this aspect of research requires the most imagination and skill. By comparison, the subsequent testing of the hypothesis is often a fairly mechanical process. The essential characteristics of a 'good' hypothesis are that it should be both plausible and testable. An implausible hypothesis is hardly worth testing and the time devoted to the research is likely to be wasted. For example, a hypothesis that double-entry bookkeeping originated in Australia is so implausible that it is not worth testing. Similarly, a hypothesis, which cannot be tested, is hardly worth formulating. For example, a hypothesis that current cost accounting is in widespread use on Mars may be plausible but it cannot be tested.
Hypotheses are of different types. Some merely describe accounting practice. For example, a descriptive hypothesis would be that accountants use the straight-line method of depreciation more frequently than the reducing-balance method. To test this hypothesis a researcher will observe what accountants do. To this end he may ask company accountants which method of depreciation they use and/or he may conduct a survey of published company reports. Tests involving the observation of accounting phenomena are usually labelled 'empirical' and for this

reason descriptive hypotheses are sometimes referred to as empirical hypotheses. If empirical research supports a hypothesis, it is said to be confirmed and labelled a theory.

Other hypotheses are formal. They are concerned with consistency between the statements comprising the hypothesis. A formal accounting hypothesis would be that given double-entry bookkeeping rules, assets equal liabilities plus proprietorship. Formal hypotheses are tested using mathematics, logic or some other set rules. The test is concerned only with the internal consistency of the hypothesis. In the above example, bookkeeping rules together with logic will show that assets equal liabilities plus proprietorship. Where testing supports a formal hypothesis it is said to be validated and also labelled a theory.

In many instances, accounting researchers do not test single hypotheses. They test sets of hypotheses. In some cases they test an explanatory set of hypotheses. For example, an explanatory-set of hypotheses would be that accountants measure the historical cost of assets rather than objective than the latter. This explanatory set consists of two descriptive hypotheses, which could be tested by empiricism. These descriptive^ hypotheses are: (1) that accountants measure the historical cost of assets rather than their current cost, and (2) that the former is more objective than the latter. The link between these descriptive hypotheses is indicated by the word 'because'. This link is a formal hypothesis, which can be validated. Explanatory sets of hypotheses explain behaviour or phenomena and to test them involves both empiricism and logic, mathematics, or

Other sets of hypotheses are prescriptive or normative, suggesting courses of action. A normative set of hypotheses would be that accountants should measure current cost rather than the latter. This normative set consists of a descriptive hypothesis and a formal hypothesis. The descriptive hypothesis is that current cost is more useful than historical cost and can be tested empirically.

Table 1

The Nature of the Hypothesis(es)	The Nature of the Research
Descriptive	Empirical
Formal	Mathematics, logic or some other set of rules
Explanatory	Empirical and mathematics, logic or some other set of rules logic or some other set
Normative	Empirical and mathematics, logic or some other set of rules

The formal hypothesis is that given current cost is more useful than historical cost, and that usefulness is an agreed objective of accounting, accountants should measure the former rather than the latter. This formal hypothesis cannot be tested empirically, but it can be validated by logic. Testing and validating a normative set of hypotheses also involves both empiricism, and logic, mathematics or some other set of rules. In some cases explanatory and normative sets of hypotheses are so large and complex that if confirmed or validated they would explain or prescribe the whole area of accounting.

In summary, then research is hypothesis testing and the appropriate research procedure depends upon the nature of the hypotheses being tested. This relationship is summarized in Table 1.

ACCOUNTING RESEARCH

Prior to the year 1800 the double-entry bookkeeping system that had been developed in Italy during the 14th and 15th Centuries was being disseminated throughout Europe. By 1800 the Italian system of double-entry bookkeeping was firmly established in Europe. During the period between the publication of Pacioli's book in 1494 (reputedly the first published on double-entry bookkeeping) and 1800, books on bookkeeping concentrated on its mechanics. They listed the rules and procedures that had to be followed to prepare the accounts of a business, but no effort was made to explain or justify those rules and procedures. Peragallo has written that 'no theory of accounting was devised from the time of Pacioli down to the opening of the 19th century' [2]. It can be argued, therefore, that there was no accounting research prior to 1800, because a theory only results when a hypothesis is confirmed or validated by research.

Table 2

STAGES OF EVOLUTION OF ACCOUNTING THEORY SINCE 1800

Period	Nature of the Majority of Hypothesis being tested	Nature of Research
1801-1995	Explanatory	Primarily empirical but some Mathematics of logic
1956-1970	Normative	Primarily logic or mathematics but some empirical
1970-present	Descriptive	Empirical

The accounting research that has taken place since 1800 can be divided into three time periods. In each of these periods the majority of the research effort as devoted to testing similar of hypotheses. From 1801 to 1955, researchers concentrated upon testing explanatory sets of hypotheses. Researchers were primarily interested in explaining and rationalizing accounting practice. From 1956 to 1970, researchers concentrated upon testing normative sets of hypotheses. Researchers were primarily interested in prescribing what accountants ought to do. Since 1970, accounting research has generally been characterised by the testing of descriptive hypotheses. These stages in the evolution of accounting research are summarised in Table 2.

We will briefly survey the research of each period in order to assess its impact upon account-practices.

1988-1955

Beginning in about 1800 writers on accounting attempted to explain the reasons underlying the detailed bookkeeping rules and procedures, although this period began about 1800, it was BOI until the beginning of the 20th century that this phase in the development of accounting research began to flourish. The incentive to explain and justify accounting practice was provided by a desire to improve the quality of instruction in accounting. At the turn of the century, instruction in accounting was a matter of rote learning. Books on the subject listed detailed rules and procedures and provide numerous worked practical examples which were learnt by bean. A number of writers regarded this approach as unsatisfactory. They believed that if a few simple principles could be devised, students of accounting would be able to understand why the procedures listed these hooks were recommended.

One of the earliest hypotheses which were tested by observing accounting practice was the proprietorship or ownership hypothesis. This hypothesis proposed that the proprietor or owner of a business was focus of accounting procedures. Assets were owned by the owner, liabilities were owed by the owner, revenues were received for the owner and expenses were paid for the owner. Transactions were interpreted from the owner's viewpoint. The proprietorship or capital account was a control account for all the other accounts in the ledger. The proprietorship hypothesis can be illustrated by the equation:

[3] Assets ----------- Liabilities = Proprietorship.

Any transaction which increased assets or decrease liabilities, increased proprietorship by an equal amount. Conversely, any transaction which decreased assets or increased liabilities, decreased proprietorship by an equal amount. The effects of all transactions were summarised by changes in the proprietorship account. The proprietorship hypothesis proved very useful as an explanation of why accounting rules as 'for a cash sale, debit cash and credit sale' were appropriate. Making the proprietor's interest the focus of bookkeeping procedures revealed the logic and the reasonableness of the rules. By the end of the 19th century the hypothesis had acquired the status of a theory and widespread support.

Another explanatory hypothesis of accounting was tested by observing accounting practice during the second halt of the 19th century. This was the entity hypothesis. The rise of the company as an important form of organization meant that the assumption about the close relationship between the owner and the business implicit in the proprietorship theory was less appropriate. The entity hypothesis made the business the focus of accounting. All transactions were interpreted from the business. Assets belonged to the business rather than to the owner, while liabilities were owed by the business rather than the owner. Revenues were earned for the business and not for the owner, while expense were incurred for the business and not for the owner. From the business's viewpoint the owner was a provider of resources in much the same way as a creditor. The entity hypothesis can be illustrated by the equation:

[4] Assets = Liabilities + Capital

The entity hypothesis also acquired the status of a theory. The proprietorship and entity theories were attempts to explain accounting practices within the framework of a fairly simple model. However, while these hypotheses explained many accounting procedures, they were too simple to explain adequately all the practices of accountants. Accounting researchers who sought to explain accounting were focus to consider accounting practices in greater detail.

Careful observation of accounting practice revealed patterns of consistent behaviour. For example, it was observed that accountants tended to be pessimistic in measuring both revenues and expenses. Where judgment was necessary it was observed that accountants usually underestimated revenue and overestimated expenses. The result was a 'conservative' measure of profit. Similarly, it was observed that accountants behaved as if the value of unit of account (money) remained constant. These observations of accounting practice led to the formulation of a number of hypotheses such as: 'that where judgment is needed, the conservative procedure is adopted' and 'that it is assumed that the value of money remains constant'. Hypotheses such as these were confirmed by many observations of accounting practice. As a result of their observations. Many accounting researchers produced lists of confirmed hypotheses or theories about accounting practices which purported to explain what accountants did. In chronological order some of the more important explanatory theories were presented by Paton (1922) [5]; Sander, Hatfield and Moore (1938) [6]; Oilman (1939) [7]; and Paton and Littleton (1940) [8]. By 1940, the effort to produce an explanatory theory of accounting was virtually exhausted.

Not all of the research effort during the period 1800-1955 was directed towards testing explanatory hypotheses. Two important works which criticised contemporary accounting and proposed new accounting systems were published. MacNeal attacked valuation and realisation procedures and Sweeney proposed adjusting conventional financial statements for changes in the general level of prices [9]. These books were the forerunners of the normative hypothesis period which began about 1955.

With some notable exceptions, therefore, the researchers of this period devoted their efforts to testing hypotheses which described, explained and justified the existing system. During this period cost accounting system was established. Although the explanatory theories resulting from this research increased the level of understanding of accounting practices, it also revealed procedures which many observers believed were unsatisfactory. The use of historical cost as an apparent measure of value, the conservative measurement of profit, the emphasis on objectivity, and the recording of money amounts as if the value of accounting practices widely criticised during the early fifties.

1955-1970

In 1955, R.J. Chambers published the first of a series of articles which were to exert a consideration influence on accounting research [10]. Chambers argued that accounting research should be much less concerned with justifying and explaining contemporary practice and much more concerned with the development of a better accounting system. Chambers' view received a good deal of support and for the next fifteen years academic research was largely directed towards the testing of normative hypotheses of accounting. Normative hypotheses are concerned with what 'ought to be' and prescribed the procedures that will achieve a given objective.

The period 1956-1970 saw a considerable amount of effort and achievement in accounting research. The search for a better accounting system resulted in four broad proposals for change.

The first, largely developed by Edwards and Bell, suggested that accounting should be based upon the current replacement cost assets [11]. Edwards and Bell pointed out those contemporary accounting practices were deficient because they confused gains and losses from holding assets with gains and losses from selling or using assets. To overcome this deficiency, Edwards and Bell advocated matching current replacement cost instead of historical costs against revenue in order to distinguish between current operating profit and holding gains and losses.

The second, based upon the work of Sweeney, suggested that the historical cost financial statements should be supplemented with statements adjusted by an index of changes in the general level of prices [12]. In this proposal for change it was pointed out that contemporary accounting unreasonably assumed that the value of money remained constant. This meant that 'conventional accounting records at the present time suffer from this lack of comparability of the dollar at different points, of time' [13]. In addition, there was no indication of the gain or loss in purchasing power from holding monetary items.

Third, based upon the work of Chambers, argued that financial statements should be: upon the use of the current cash equivalent assets [14].chambers argued that the objective of accounting should be to provide up to date information about an entity's ability to adapt to changes in its environment. If the environment in which the entity exists is changed in way, the entity must adapt itself to the environment or fail to survive. For a business to, adaptation means the disposal of assets no longer appropriate and the acquisition of new assets more suited to the new environment. The ability of a firm to adapt is primarily dependent upon the cash which can be obtained by selling its assets. Chambers concludes that the balance sheet should show the current cash equivalents of the separate assets and that profit should be measured as the change in the firm's adaptive capital over the period.

The fourth, developed from the work of Bonbright [15], proposed that "value to the owner' or ' deprival value' should be the basis of accounting procedures. The value to the owner of an asset is the amount which the owner should receive to compensate him for the loss of the asset. The legal approach to 'value' has been advocated by a number of writers including Baxter. Solomons and Parker and Harcourt [16]. In some cases the value to the owner of an asset will be the current replacement cost, in other cases it will be the net selling price and in a few cases it will be the present value of expected future cash flows.

Although the research effort aimed at finding a better system of accounting during this period was impressive, towards the end of the 1960s there was a marked change in the direction of accounting research. This change in emphasis resulted from dissatisfactions with the attempts to develop general normative theories of accounting [17] and a belief that accounting research methods should be more 'scientific' [18].

1970- The present.

Beginning in about 1970 there was a return to the use of empiricism. Researchers once again turned their attention to the study of 'what is' rather than 'what ought to be' and the normative hypothesis period proved to be only a short interruption to the empiricism of accounting research. This 'neo-empiricism'; however, is different from the empiricism of earlier period. The empiricism of the earlier period was concerned with testing explanatory hypotheses, whilst neo-empiricism is concerned with testing descriptive hypotheses and generally uses sophisticated statistical techniques. The hypotheses are primarily concerned with describing accounting and its environment and (the researchers rarely offer explanations for the relationships that are hypothesised. Examples of empirical hypotheses that have been tested are: that changes in accounting methods are used to 'smooth' reports; that accounting data can be used to predict corporate failure; that profit based upon matching current revenue with current expenses is a better predictor of profits than conventional accounting profit and so on.

Ball has suggested that the first examples of neo-empiricism appeared in the late 1950s [19], and index of published empirical research in accounting which he complied shows that six empirical studies were published in 1956 and that sixteen empirical studies were published in 1970. A comparison of the contents of a 1976 issue of The Accounting Review with those of a 1966 issue will indicate the magnitude of the swing back to empiricism. In 1966 only a small proportion of the articles could be described but by 1976 virtually all articles were based upon empirical research. We have chosen 1970 as the beginning of the neo-empirical period because the testing of normative hypotheses had virtually ceased by that date, giving way to empiricism as the predominant research activity.

There are several possible reasons for this return to empiricism:

(a). There was a desire to make accounting research more rigorous in order to improve the reliability of the results and to improve the level of understanding of accounting;

(b). There may have been a desire to enhance the status of academic accountants in the scholarly community by assuming the mantle of a scientist. The use of 'scientific' methods suggests that the researchers are 'scientist';

(c). An increasing number of a accountants are able to use the sophisticated statistical methods necessary for empirical research. In addition, easily accessible data sources are becoming more readily available. Without a group of competent researchers and suitable data, neo-empiricism would have been impossible.

To summarise, we have suggested that accounting research has progressed through three stages. In the first stage, 1800-1955, researchers were primarily concerned with testing hypotheses which explained accounting. Towards the end of the period, the insights into accounting which this research had provided led to a widespread dissatisfaction with accounting procedures. The dissatisfaction resulted in researchers testing hypotheses about improvements in accounting. The testing of normative hypotheses occupied researchers for about fifteen years between 1956 and 1970. Towards the end of this period there was increasing dissatisfaction with both the objectives and methodology of the researchers testing normative hypotheses. Accounting researchers largely turned to 'scientific' research and began to test descriptive hypotheses. This research is usually described as "empirical". Of the 178 years during which accounting research has been undertaken, 15 years were primarily devoted to testing normative hypotheses and the remaining 163 years were primarily devoted to testing hypotheses which described or explained accounting practice.

The effect of research on accounting practice

Testing of Explanatory and Descriptive Hypotheses

In the previous section we suggested that the overwhelming majority of accounting research has been concerned with testing hypotheses which explain or describe accounting practice. The very nature of this research suggests that it is unlikely to have a dramatic impact on accounting practice. It is designed to improve our understanding of accounting rather than to change accounting. This does not mean, however, that this type of research has had no effect on accounting practice.

The testing of hypotheses which describe and explain accounting practice leads to a clearer understanding of what accountants do. This should result in a better text book exposition of accounting procedures and improve the teaching of accounting. The result should be better trained professional accountant who not only knows what to do but why he does it. He should know when conventional practice is inappropriate and this could lead to better procedures. For example, in the USA the FASB required that as from 1 January 1976, firms must use the appropriate historical rates to translate amounts carried at past prices and the current rate for amounts carried at current or future prices, in order to prevent Firms with foreign branches or subsidiaries employing inappropriate measurement practices when translating foreign accounts into US dollars [20]. Similarly, the increased understanding of accounting which results from testing explanatory and descriptive hypotheses may reveal inconsistencies and undesirable procedures which could then be eliminated from practice. For example, in Australia, the Institute of Chartered Accountants required firms to depreciate their buildings as from 1 July 1971, in order to ensure that they comply more closely with the principle of matching [21].

Over time the cumulative effect of these improvements may be quite considerable. A comparison of an accounting text of 1900 with one of 1977 or published accounts of 1900 and those of 1977 will indicate that accounting has changed substantially. While not all of these changes can be attributed to the effect of research, there is no doubt that some of it is due to an increased understanding of the basic premises of accounting. However, it is frequently difficult to establish cause and effect. It may be argued that improved practice attracts the interest of researchers who then formulate and test hypotheses related to the improved practice. This is undoubtedly true in some cases. For example, the research into reporting to employees was stimulated by the fact (that a number of firms prepared special financial reports for employees. A similar sequence is evident with other accounting practices such as purchase versus pooling and accounting for social responsibility. Even in situation where changes in practices stimulate research it is probably unfair to suggest that the research has no practice. First, research publicises the changes in practice and quickly brings them to the attention of practitioners. Second,, research may suggest improvements or refinements in the procedures. Thus research facilitates the diffusion of the new techniques, possible in an improved.

It is concluded that whilst the testing of explanatory and descriptive hypotheses has not led to any drastic impact on accounting practice the research has not been without effect. It has improved the understanding of accounting and this has resulted in better trained, more discriminating accountants. It may also have facilitated the diffusion of techniques and in some cases may have resulted in improvements in the new procedure.

THE TESTING OF NORMATIVE HYPOTHESES

Many normative hypotheses were tested during the period 1956-1970. Each of the resultant theories proposed substantial revisions to the existing accounting system. These alternative accounting systems have been widely considered and while each theory has its band of dedicated rents, no particular proposed for change has yet won general approval. However, there have been indications, recently, that some of the alternatives are viewed favourably by the professional accounting associations in the USA, UK and Australia.

In the USA, a Statement was published in 1969 by the Accounting Principles Board (APB) recommending that financial statements restated for changes in the general level of prices should be presented in addition to conventional statements [22]. Companies were not required to publish these supplementary statements and it is evident that, by and large, companies have not followed APB's recommendation. A survey of 600 companies in 1972 showed that none of survey companies presented financial statements adjusted for changes in the general level of prices [23].

In December 1974, the Financial Accounting Standard Board (FASB) issued an Exposure Draft in which it proposed that financial statement restated for changes in the general level of prices should be included in the annual report to shareholders in addition to the conventional statements [24]. It was proposed that the Standard should be implemented as from 1 January 1976. In November 1975, the FASB decided to defer further consideration of its proposal because the results of a field study showed that general purchasing power information was not sufficiently well understood by the preparers and users of financial statements to warrant the cost of implementing the Standard [25].

Despite this postponement, it is likely that the effect of price changes on firms will be recognised to a limited extent in the USA. A recent Accounting Series Release by the Securities and Exchange Commission (SEC) requires selected companies registered with it 'to disclose the estimated current replacement cost of inventories and productive capacity at the end of each fiscal year for which a balance sheet is required and the appropriate amount of cost of sales and depreciation based on replacement cost for the two most recent full fiscal years' [26]. It is interesting to note that whereas the FASB favours general price level adjustments, the SEC favours the recognition of specific price changes.

In the post World War II period it has been practice of an increasing number of companies in Australia and the United Kingdom to revalue their fixed assets periodically to reflect increase in price. There are now moves to require firms in those countries to incorporate the effects of changes in price in their financial statements. In Australia there is a recommendation that as from 1 July 1978 current cost accounting as outlined in the Statement of Provisional Accounting Standards DPS 1.1 should be used for the preparation of financial statements [27]. Essentially, the Australian proposal calls for the current cost (in general this will be the asset's replacement cost) of inventory and depreciable assets to be reflected in the financial statements. Paragraph 1.03 of DPS 1.1, summarises the operational features of current cost accounting as follows.

(a). The result of any one period of accounting is determined by matching the revenue for the period with the current cost of producing that revenue. To this end, the cost of goods sold is calculated (or adjusted) to reflect the current cost of the service potential or depreciable assets consumed or expired in the period. No adjustment is normally required in respect of any other costs brought to account as expenses for the period because such cost are already expressed in terms of the current prices of the goods or services to which they relate.

(b). In the balance sheet, the resources of the entity are stated, where applicable, on the basis of their current costs at balance date.

On the 30th November 1976, the Accounting Standards Committee in the United Kingdom released Exposure Draft 18 on 'Current Cost Accounting' [28]. Essentially, the British proposal is that the profit and loss statement will show a cgarge against revenue for the replacement cost of inventory consumed and fixed assets used while the balance sheet will show the appropriate current values for most assets. The exposure draft also proposes the separate disclosure of the gains or losses from holding monetary items. Apart from this requirement with respect to monetary items, the current cost accounting systems proposed in the two countries are virtually the same.

It is apparent that while the research which produced the general normative theories of accounting has not caused a significant change in accounting practice, it appears to have influenced the attitude of accounting policy makers. They are now willing to consider major changes to accounting procedures. Sterling has suggested that, in science, the chain of events giving rise to a change in practice is typically that research results lead to a change in practice through the education process [29]. Sterling argues that because accounting educators are largely preoccupied with teaching current accounting practice this chain is broken and research results as a consequence have little chance of influencing practice. In our opinion, Sterling overstates his case. The alternative, accounting systems have been a part of accounting curricula, particularly in the UK and Australia, for many years. For at least the past decade entrants to the accounting profession have had a working knowledge of these alternative accounting systems. As the economist J. M. Keynes in a famous passage has written: 'Practical men, who believe themselves to be quite exempt from any intellectual influences, are usually the slaves of some defunct economists. Madmen in authority, who hear voices in the air, are distilling their frenzy from some academic scribbler of a few back' [30]. What is true for economists is equally true for accountants. The results of research on normative hypotheses are stored in the minds of accounting policy makers and it is possible as a consequence that the final link in Sterling's chain will be forged in the not too distant future.

It is concluded that normative theories yet, had any marked impact on accounting practice. However, there is some evidence that accounting policy makers are aware of the results of the research and there may yet be significant consequent changes in accounting practice.

Why has not the research which produced the normative theories of accounting had a greater impact on accounting practice? There are number possible reasons. First it is possible that researchers proposing changes to accounting have failed to communicate clearly the ideas contained in their proposals for change. Mautz has suggested that 'if you want to reach me or people like me, use a language we can understand' [31]. If the ideas cannot be easily understood by accounting policy makers then it is not surprising that the ideas are not adopted in practice.

Second, because the process of setting accounting standards probably depends to a greater extent upon political rather than upon technical considerations, it is unreasonable to expect that 'good' theory and research will always become 'good' practice [32]. For example, Moonitz cites the influence of the US Congress in the determination of accounting principles: 'Back in the 1930s, Congress had to amend the tax law for LIFO to become acceptable. Much more recently, Congress intervened directly in the tax allocation problem by outlawing 'flow-through' accounting for public utilities. It also intervened directly in the investment credit situation by legislating choice on a taxpayer's part as to the accounting he wishes to follow' [33].

Third, there is as yet, no agreement about the purposes of financial statements. For example, in the normative theory period there were four board proposals for change, each of which is consistent with a different implied capital maintenance objective [34]. The acceptance of one of the capital a maintenance objective is simply a matter of opinion. Thus, if the accounting community could agree on the importance of maintaining intact a firm's adaptive capital then an accounting policy which involved measuring the current cash equivalents firms' assets and liabilities would probably be implemented. It is not possible to agree on the form and content of financial statements without first having an agreed objective. The prospects for the agreement on the form and content of financial statements depend upon achieving a consensus on the objective statements [35].

CONCLUSION

The paper set out to test the hypothesis that the impact of accounting research does not matter because it has had no effect on accounting practice. It is apparent that the majority of the accounting research since 1800 has been concerned with testing hypotheses that explain or describe accounting. The results of testing such hypotheses would not be expected to have a dramatic effect on accounting, practice because the hypotheses are concerned with the existing situation. However, the paper recommends that research should have had some impact on practice. It has helped accountants to understand more fully the procedures they adopt which, in turn, have led to a reduction in inconsistent practice. In addition, in some instances this research that has to improvements in procedures. In contrast, the accounting research that has resulted in normative theories of accounting has had virtually no impact on accounting practice, although there is every indication that it may yet have an impact on accounting practice in the future.

Therefore, in answer to the question: Does accounting research matter? The papers response is: Yes—but not very much.

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EMOTIONAL INTELLIGENCE - A STUDY WITH SPECIAL REFERENCE TO THE EMPLOYEES OF SALALAH COLLEGE OF TECHNOLOGY

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ABSTRACT
Emotional intelligence is important to professional success as technical ability. Emotional intelligence is the ability of a person to solve personal, business and social problems. Emotional intelligence is the innate potential to feel, use, communicate, recognize, remember, learn, and understand emotions. The person with high emotional intelligence are honest, knows their strengths and weaknesses. They do not allow themselves to become too angry or jealous, and they do not make impulsive, careless decisions. This study helps to know the emotional intelligence of employees working in educational institution. . It is important for the employees working in service industries to have high level or morale with emotional intelligence. The study is based on the emotional intelligence and the study has adopted with analytical methodology by measuring the satisfaction level with respect to various factors. The questionnaire has been designed in five segments consist of personal information, adaptability, assertiveness, emotional management, self esteem and relationship of respondents. The number of respondents decided for the study is 200, covering teaching and non teaching staff on the basis of gender, age, occupation, educational background, marital status, designation, specialized department and number of years of experience. The study concluded that the improvement in emotional intelligence would increase the motivation and effectiveness of the employees.

KEYWORDS
Emotional intelligence, emotional morale, effectiveness, teaching staff.

INTRODUCTION
Emotional intelligence is the ability of a person to solve personal, business and social problems. Emotional intelligence is the innate potential to feel, use, communicate, recognize, remember, learn, and understand emotions. Many industries are struggling to adapt to the uncertainty engulfing society at the dawn of the 21st Century. In simple, if anyone wants to improve himself or if anyone wants to teach someone to improve, the best way is to know the emotional intelligence. Many people believe that the self-awareness is the most important part of emotional intelligence. The person with high emotional intelligence are honest, knows their strengths and weaknesses. They do not allow themselves to become too angry or jealous, and they do not make impulsive, careless decisions. This study helps to know the emotional intelligence of employees working in educational institution.

STATE OF THE PROBLEM
It is wrong to say that the people who are successful are born with talents. Most people successful are not genius; they do not have special talents and do not even have high intelligence. It is the ability to understand their own emotions and influence and inspire to understand the other emotions. Emotional intelligence helps to become self aware and become conscious of actions and in control of them. The people who have high degree of emotional intelligence know themselves very well and they are also able to sense the emotional needs of others. They usually understand their emotions and they do not let their feelings rule them. They are confident as they trust their intuition and do not let their emotions get out of control. It is important for the employees working in service industries to have high level or morale with emotional intelligence.

NEED AND IMPORTANCE OF THE STUDY
Emotional intelligence is important to professional success as technical ability. Organizations are increasingly using Emotional Intelligence when they hire and promote different personnel for different designations. Emotional intelligence is the ability to recognize emotions, understand what the others feel, and to realise how emotions affect people. Emotional Intelligence allows managing relationships more effectively and involves perception of others. People with high emotional intelligence are usually successful in most things they do. People with a high degree of emotional intelligence are usually motivated. They are highly productive, love a challenge, and are very effective in whatever they do. Emotional Intelligence is the ability to identify with and understand the wants, needs, and viewpoints of those around.

RESEARCH METHODOLOGY
The study is based on the emotional intelligence and the study has adopted with analytical methodology by measuring the satisfaction level with respect to various factors. The questionnaire has been designed in five segments consist of personal information, adaptability,

assertiveness, emotional management, self esteem and relationship of respondents. Each segment covers the different aspect of emotional intelligence with five options viz., strongly agree, agree, neutral, strongly disagree and disagree. The number of respondents decided for the study is 200, covering teaching and non teaching staff on the basis of gender, age, occupation, educational background, marital status, designation, specialized department and number of years of experience.

RESEARCH TOOLS

The study has adopted the well known branch of multivariate analysis of factor using SPSS 11.5 version, in order to get the interpretable solutions clearly. The study has been carried out by using frequency distribution for meaning personal data of the respondents, one sample t-test to identify the nature of responses of the respondents relating to various factors of emotional intelligence.

SALALAH COLLEGE OF TECHNOLOGY

Salalah College of technology is one of the seven Colleges of technology established in the Sultanate of Oman. The College is working under the Directorate General of Technological Education, Ministry of Manpower. It is located in Al-Saadah, facing the Salalah, Thumrait Road, about six kilometers from Salalah Center. The Salalah Technical College aims high to train Omani youth through quality education and qualify them to take up employment in the public and private sectors of the economy and in pursuit of the national policy of Omanization. The College offers Higher Diploma course in various fields of specialization such as Business Engineering, Construction and Information Technology, additionally is the English Foundation courses from intermediate up to advance English learning. The vision of the College of Technology is to become the "College of Choice" for students, parents and employers throughout Oman. The mission of the College of Technology is to achieve and sustain a strong reputation for excellence in teaching and learning. The College is dedicated to the delivery of high quality technical education and aims to produce graduates who have the professional and personal skills to enter employment with confidence, contributing effectively to the Sultanate's ongoing economic development

EMOTIONAL INTELLIGENCE OF SALALAH COLLEGE OF TECHNOLOGY – FREQUENCY DISTRIBUTION

CLASSIFICATION OF RESPONDENTS BASED ON GENDER

Table No.1.1

Gender	Frequency	Valid Percent	Cumulative Percent
Male	149	74.5	74.5
female	51	25.5	100.0
Total	200	100.0	

Source: Questionnaire

The distribution of sample respondents according to sex perceived on the Salalah College of Technology is shown in table No.1.1. It reveals out of the total 200 respondents 51 are Female occupying 22.5% and 149 in Male category occupying 74.5%. It is clear that the majority of the respondents are male.

Classification of respondents based on Age

Table No.1.2

Age	Frequency	Valid Percent	Cumulative Percent
below 30 years	14	7.0	7.0
31 - 40 years	128	64.0	71
41-50 years	40	20.0	90.5
above 50 years	18	9.0	99.5
Total	200	100.0	

Source: Questionnaire

From the table 1.2, it is found the distribution of respondents based on age. Respondents belonging to the age group of below 30 years are found 14 forms 7% followed by 128 respondents occupying 64% in the age group of 31-40. 40 respondents 20% from the age group between 41-50 and 18 respondents constituting 9% in the age above 50 years

Classification of respondents based on Educational background

Table No.1.3

Education	Frequency	Valid Percent	Cumulative Percent
diploma	21	10.5	10.5
bachelor	34	17.0	27.5
post graduation	113	56.5	84.0
doctorate	32	16.0	100.0

Total	200	100.0	

Source: Questionnaire

The table No.1.3 exposes the number of respondents on the basis of educational background. The study has considered 21 respondents consisting 10.5% with qualification up to diploma, 34 respondents occupying 17% with Bachelor degree as educational background followed by 113 respondents with 56.5% with Graduation, 32 respondents with 16% With Doctorate degree.

Classification of respondents based on Marital Status

Table No.1.4

Marital Status	Freque ncy	Valid Percent	Cumulative Percent
married	188	94.0	94.0
unmarried	12	6.0	100.0
Total	200	100.0	

Source: Questionnaire

From the table No.1.4, it reveals that 188 respondents occupying 94% belongs to the married category and 12 respondents possessing 6% belongs to single category are considered for the study

Classification of respondents based on Monthly Income

Table No.1.5

Income	Frequency	Valid Percent	Cumulative Percent
below RO 750	47	23.5	23.5
RO 751-1250	153	76.5	100.0
Total	200	100.0	

Source: Questionnaire

The table No.1.5 divulged the number of respondents on the basis of their respective income levels, 47 respondents occupying 23.5% belongs to the category of income below R.O 750 out of the total 200 respondents considered for the study. This is followed by 153 respondents (76.5%) belonging to the income group of R O 751-1250.

Classification of respondents based on Designation

Table No.1.6

Designation	Frequency	Valid Percent	Cumulative Percent
Teaching Staff	166	83.0	83.0
Non teaching staff	34	17.0	100.0
Total	200	100.0	

Source: Questionnaire

From the table 1.6, it is found the distribution of respondents based on designation. 166 respondents (83%) belong to teaching staff and 34 respondents (17%) belong to Non teaching staff.

Classification of respondents based on Department

Table No.1.7

Department	Frequency	Valid Percent	Cumulative Percent
English Lang Centre	59	29.5	29.5
Educational Tech Centre	21	10.5	40.0
Buss Dept	32	16.0	56.0
I T Dept	39	19.5	75.5
Engng Dept	49	24.5	100.0
Total	200	100.0	

Source: Questionnaire

From the table 1.7, it is observed that out of total 200 respondents 59 respondents (29.5%) are from English Language Centre, 21 respondents (10.5) % belongs to Educational Technology centre, 32 of them (16%) based on the Business Department, 39 respondents (19.5%) are from Department of Information Technology and 49 respondents (24.5%) are from Engineering Department

Classification of respondents based on Occupation

Table No.1.8

Duration	Frequency	Valid Percent	Cumulative Percent
Below 2 years	41	20.5	20.5
2-5 years	100	50.0	70.5
5-10 years	48	24.0	94.5
above 10 years	11	5.5	100.0
Total	200	100.0	

Source: Questionnaire

From the table No.1.8, it is clear that 41 respondents occupying 20.5% has been working below 2 years, 100 respondents constituting 50% of the respondents has been working between 2-5 years, 48 respondents forming 24% has been working between 5-10 years and 11 respondents occupying 5.5% has been working above 10 years in Salalah College of Technology.

EMOTIONAL INTELLIGENCE OF SALALAH COLLEGE OF TECHNOLOGY – T-TEST

Adaptability

Table No.2.1

Variables	Mean	Std. Deviation	Std. Error Mean	t	Sig. (2-tailed)
adapt to new environments	1.40	.490	.035	-46.315	.000
you are a good negotiator	1.80	.810	.057	-21.036	.000
Gloomy on most things	3.31	1.044	.074	4.200	.000
Able to deal with stress	1.97	.679	.048	-21.444	.000

Source: Questionnaire

From the table 2.1, it is found that the mean values of 4 statements are 1.40, 1.80, 3.31 and 1.97 significantly. The standard deviation also ranges from .490 to 1.044 for all the 4 statements respectively. From the one sample test table it is found that the t-values are -46.315, -21.036, 4.200 and -21.444 statistically significant at 5% level with respect to the test value 3.

Assertiveness

Table No.2.2

Variables	Mean	Std. Deviation	Std. Error Mean	t	Sig. (2-tailed)
Difficult to stand for rights	2.44	.965	.068	-8.284	.000
Able to influence others feelings	1.95	.218	.015	-67.962	.000
Able to influence others emotions	1.58	.496	.035	-40.664	.000
Others admires your relaxation	1.80	.401	.028	-42.320	.000
You are highly motivated person	1.71	.509	.036	-35.967	.000

Source: Questionnaire

From the table No.2.2 it is found that the mean values are 2.44, 1.95, 1.58, 1.80 and 1.71 respectively. The standard deviation also ranges from .218 to .965 for all the statements respectively. From the one sample test table it is found that the t-values are -8.284, -67.962, -40.664, -42.320 and -35.967 respectively are statistically significant at 5% level with respect to the test value 3

Emotional Management

Table No.2.3

Variables	Mean	Std. Deviation	Std. Error Mean	t	Sig. (2-tailed)
Feel no problem on emotional expression	2.32	.554	.039	-17.475	.000

You change your mind frequently	2.76	.948	.067	-3.653	.000
You cannot figure your emotions	3.10	.477	.034	2.819	.005
You find difficult to adjust your life	2.35	.615	.043	-15.069	.000
You are able to control your emotions	1.87	.357	.025	-44.968	.000
You feel difficult to regulate emotions	2.15	.837	.059	-14.357	.000

Source: Questionnaire

From the table 2.3, it is found that the mean values of 6 statements are 2.32, 2.76, 3.10, 2.35, 1.87 and 2.15 respectively. The standard deviation also ranges from .357 to .948 for all the 6 statements respectively. From the one sample test table it is found that the t-values are -17.475, -3.653, 2.819, -15.069, -44.968 and -14.357 statistically significant at 5% level with respect to the test value 3.

Self Esteem

Table No.2.4

Variables	Mean	Std. Deviation	Std. Error Mean	t	Sig. (2-tailed)
You don't find life enjoyable	3.50	1.107	.078	6.322	.000
You believe on your personal strengths	2.11	.314	.022	-40.126	.000
You are pleased with your life	2.27	.442	.031	-23.493	.000

Source: Questionnaire

From the table No.2.4 it is found that the mean values of 5 statements are 3.50, 2.11 and 2.27 respectively. The standard deviation also ranges from .314 to .1.107 for all the 3 statements respectively. From the one sample test table it is found that t-values are 6.322, -40.126 and -23.493 are statistically significant at 5% level with respect to the test value 3.

Relationship

Table No.2.5

Variables	Mean	Std. Deviation	Std. Error Mean	t	Sig. (2-tailed)
You deal effectively with people	2.22	.522	.037	-21.113	.000
Others complaint on treating them	2.75	1.133	.080	-3.120	.002
You feel difficult to show your affections	4.24	.425	.030	41.089	.000

Source: Questionnaire

From the table No.2.5 it is found that the mean values of 3 statements are 2.22, 2.75 and 4.24 respectively. The standard deviation also ranges from .425 to .1.133 for all the 3 statements respectively. From the one sample test table it is found that t-values are -21.113, -3.120 and 41.089 are statistically significant at 5% level with respect to the test value 3.

FINDINGS

FREQUENCY DISTRIBUTION

It is found that the majority of the respondents occupying 74.5% are male employees working is Salalah College of Technology.

It is clear from the data that most of the respondents are from the age group of 31-40 who works in the Salalah College of Technology in different departments as both teaching and non teaching employees

It is observed from the educational background of the employees in each department of the college under the research study the majority of the employees are with the qualification of Pos Graduation level.

On referring the different marital status of the study it is clear that the majority of the male employees settled overseas working in Technology Colleges.

On analysing the different income groups of the employees with respect to the Salalah College of Technology, most of them fall into the income category of 751-1250.

It is found from the assessment that the majority of the employees working as teaching staff in the Salalah College of Technology.
The majority of the respondents considered for the research study are from the English language centre followed by the Engineering and department of information technology.
It is clear that half of the employees working between 2 to 5 years in the different department of the Salalah college of Technology.

T-VALUES

It is inferred from the employees of Salalah College of Technology moderately agree that they are gloomy perspective on most things on their adaptability and disagree that they were able to deal with distress, that they were good negotiators and they were able to adapt to new environments.
The employees of the Salalah College of Technology disagree that they found difficult to stand up for their rights, they were to influence the way other people feel and others used to admire on their relaxation. They also strongly disagree that they were able to influence others emotions and they were highly motivated person.
It is derived from the employees of Salalah College of Technology that they moderately agree that they cannot figure out what emotions they are feeling. They disagree that they feel no problem when expressing their emotions, they find difficult to adjust their life according to the circumstances they face and they feel difficult to regulate their emotions. They strongly disagree that the employees are able to control their emotions.
It is determined that the employees moderately agree that they don't find life enjoyable. They disagree that they believe on their personal strengths and they are pleased with their life.
It is indulged from the employees of the Salalah college of Technology they strongly agree that they feel difficult to show their affections to their colleagues working in the departments along with them. They also disagree that the colleagues always complaint on the way in which they treat the other employees and they deal effectively with other people.

SUGGESTIVE MEASURES FOR PROBLEMS IDENTIFIED

Every organization should provide emotional intelligence techniques to improve the performance level of the employees which would reflect on organizational effectiveness.
Social and emotional learning through relationships takes many forms in the workplace. Thus, a challenge for everyone is to clarity how individuals have positive cycle of learning through relationship and ultimately gain different knowledge through integrity.
It is not only intelligence quotient that makes the world go round. Attaining the right emotional intelligence will help to remain standing strong even when the world keeps going around.
Emotional Intelligence is the ability to better attune with the feelings. Many people do not have emotional intelligence when they have a difficult in expressing which they feel.
It is significant that everyone should avoid people who are negative in discussions. This would not help anyone to solve the problems and develop emotional intelligence. This may hamper little more in which decisions cannot be taken. The people who are positive can give room to develop emotional intelligence.
It is crucial to attend emotional intelligence test to evaluate several self aspects to improve. The answers should be honest and true to the knowledge and belief of everyone. Each individual is the judge to determine the emotional intelligence.
Emotional intelligence creates self awareness which includes cognitive, affective and behavioural. It helps to represent the aspects of intrapersonal intelligence which would create ability to recognize the feelings of other people.

CONCLUSION

The first step in attaining emotional intelligence is in becoming emotionally literate. One great characteristic of people who have attained emotional intelligence is that they are responsible for what they feel and they use their feelings to help them make wise decisions. Knowing and understanding own feelings is different from understanding the feelings of others, but both have to work together. In order to attain emotional intelligence, it is important to understand what other people are feeling and respect. It also important that everyone should empathize with other people and accept feelings of others. This study has shown that emotional intelligence does predict job satisfaction and job performance. The result indicates that respondents who are of high emotional intelligence perform better and are more satisfied with their job than respondents who are of low emotional intelligence. In policing which involves team work and getting along with others which is critical to success. Improvement in Emotional Intelligence would increase the motivation and effectiveness of the teaching and non teaching employees working in the Educational Institutions.

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QUESTIONNAIRE

1. QUESTIONS RELATING TO PERSONAL INFORMATION OF THE RESPONDENTS

1.1 Name (Optional) :

1.2. Locality (Optional)	:		
1.3. Gender	:	Male _____ Female	___
1.4. Age	:	Below 30 years	___
		31 - 40 years	___
		41 - 50 years	___
		above 55 years	___
1.5. Educational Qualification	:	Diploma	___
		Bachelor	___
		Post Graduation	___
		Doctorate	___
1.6. Marital Status	:	Married	____
		Unmarried	____
1.7. Monthly Income	:	below RO 750	____
		RO 751 – 1250	____
		Above RO 1250	____
1.8 Designation	:	Teaching staff	____
		Non teaching staff	____
1.9 Department	:	English Language Centre	____
		Educational Tech Centre	____
		Business Department	____
		I T Department	____
		Engineering Department	____
1.10 No of years of Experience	:	below 2 years	____
		2 – 5 years	____
		5 – 10 years	____
		Above 10 years	____

2. QUESTIONS RELATING TO THE ADAPTABILITY OF THE RESPONDENTS

Please mark the suitable scale against each statement.

SA-Strongly agree. A-Agree. N-Neither agree nor disagree. DA-Disagree

SDA-Strongly disagree.

S.no	Description	SA	A	N	DA	SDA
2.1	You are able to adapt to new environments					
2.2	You describe yourself as good negotiator					
2.3	You have gloomy perspective on most things					
2.4	On the whole you are able to deal with stress					

3. QUESTIONS RELATED TO THE ASSERTIVENESS OF THE RESPONDENTS

S.no	Description	SA	A	N	DA	SDA
3.1	You find difficult to stand up for your rights					
3.2	You are able to influence the way other people feel					
3.3	You are able to get into someone's shoes to experience their emotions					
3.4	Others admire you for being relaxed					
3.5	On the whole you are highly motivated person					

4. QUESTIONS RELATED TO THE EMOTIONAL MANAGEMENT OF THE RESPONDENTS

S.no	Description	SA	A	N	DA	SDA

4.1	You feel no problem when expressing your emotions					
4.2	You tend to change your mind frequently					
4.3	You cannot figure out what emotions you are feeling					
4.4	You find difficult to adjust your life according to the circumstances					
4.5	You are able to control your emotions when you want to do so					
4.6	You feel difficult to regulate your emotions					

5. QUESTIONS RELATING TO SELF ESTEEM OF THE RESPONDENTS

S.no	Description	SA	A	N	DA	SDA
5.1	You don't find life enjoyable					
5.2	You believe you are full of personal strengths					
5.3	On the whole you are pleased with your life					

6. QUESTIONS RELATING TO THE RELATIONSHIP OF THE RESPONDENTS

S.no	Description	SA	A	N	DA	SDA
6.1	You can deal effectively with people					
6.2	Others complain that you do not treat them right					
6.3	You feel difficult to show your affections to those who are close to you					

ADOPTING INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) - A FOCUS ON NIGERIA

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ABSTRACT

Nigeria has indicated her intention to adopt International Financial Reporting Standards (IFRS) as from 2012. This is taking place against the backdrop of the argument suggesting that IFRS are irrelevant to developing countries. And that those developing countries adopting it are doing so because IFRS is a product with "network effects." This contradiction and the question of the relevance of IFRS to Nigeria are evaluated and explored in this study, using the perception of users and preparers of accounting information and drawing from the economic theory of network. The results of the descriptive study showed that IFRS adoption in Nigeria will have the potential to be beneficial to a wide range of stakeholders albeit the challenges posed by the ethical environment prevailing in the country. The study recommends, amongst others that Nigeria's adoption of IFRS should be supported as a matter of national urgency to enable full attainment of the country's economic potential, the Nigerian Accounting Standards Board (NASB) should expedite approvals and processes required for formal adoption of IFRS as national accounting standard in Nigeria, the education, sensitization, and communication to stakeholders of issues associated with IFRS should commence in earnest, a rigorous IFRS capacity building program should be embarked upon by all regulatory bodies, firms and training institutions in order to provide the needed manpower for IFRS implementation and finally that this article be updated by further studies to take account of the areas of differences in perception between preparers and users so as to provide further useful information on the subject.

KEYWORDS

Benefits, challenges, International Financial Reporting Standard, network effects, stakeholders.

INTRODUCTION

The quality of financial reporting is essential to the needs of users who require useful accounting information for investment and other decision making purposes. Information emanating from financial reporting is regarded as useful when it faithfully represents the "economic substance" of an organization in terms of relevance, reliability and comparability (Spiceland, Sepe and Tomassini (2001:36). As observed by Chambers and Penman (1984:32) and Ahmed (2003:18), useful accounting information which derives from qualitative financial reports help in efficient allocation of resources by "reducing dissemination of asymmetric information and improving pricing of securities." In an environment of quality financial reporting therefore, there are no deferral of loss recognition, extra reserves are not created and volatility in income is not smoothed away to create an artificial and misleading picture of steady and consistent growth. Therefore, high-quality financial reports should produce financial information that report events timely and faithfully in the period in which they occur. This becomes imperative as every individual as well as every organization is concerned about the future of their investments and of the organizations in which such investments decisions have been made (Okwoli, 2001).

It is in recognition of the need to have quality financial reports that the adoption of International Financial Reporting Standards (IFRS) is becoming the vogue among countries. The process of adoption received a significant boost when in 2002 the European Union (EU) adopted a regulation requiring public companies to convert to IFRSs beginning in 2005. The major objective of the requirement to adopt IFRSs' is the harmonization of accounting standards for listed companies in Europe. Since there are approximately twenty five (25) countries that make up the EU, most of the publicly traded companies reported their financial statements based on standards set in their individual countries which made interpretation of the financial statements difficult beyond their boundaries.

Though a number of banks in Nigeria have started to adopt IFRS, the country has officially expressed her intention to adopt IFRS as from 2012. Though this might be regarded as a welcome development, the questions that beg for answers as to whether the adoption will enhance transparency of financial reporting in Nigeria are a legion. IFRS is more principled-based and does not provide issuers with the same degree of detailed guidance for the preparation of financial statements, as it is for instance, under Nigerian GAAP.

The objective of this article is therefore to address, from the perspective of users and preparers of financial reports, the questions: What are the benefits and costs of the adoption of IFRS and to what degree will the adoption benefit the wide range of interest in financial reporting in Nigeria? Does Nigeria have the required accounting infrastructure to make the transition to a more conceptual approach to financial reporting effective and rewarding?

To answer the above question, section 2 of this article examines recent literature on the requirements, benefits and cost of IFRS adoption. Section 3 explains the research methods used in this study to establish the degree of benefits and cost expected from IFRS adoption to the various interest groups. Section 4 reports the results of the study, while section 5 is conclusions and recommendations.

REVIEW OF RELATED LITERATURE

Although many countries have faced challenges in their decisions to adopt IFRS, its wide spread adoption has been promoted by the argument that the benefits outweigh the costs. It however remains an empirical question whether this is the case. For example, proponents argue that substantial benefits can be reaped from greater cross-country comparability of firms' financial reports. On the other hand, opponents argue that one single set of accounting standards cannot reflect the differences in national business practices arising from differences in institutions and cultures (Armstrong, Barth, Jagolinzer, and Riedl, 2007; Access Bank Plc, 2010).

None-the-less, the decision to adopt IFRS by countries can be conceptualized and analyzed with the aid of the Economic Theory of Networks. Network effects refers to a situation in which the utility that a user derives from the consumption of a product or service increases with the number of other agents consuming the same product or service. In other words, a network effect exists where users find a product or service more valuable as additional users use the same product or service. The decision to adopt IFRS can be seen as a decision to adopt a product with network effects because a standard like IFRS is likely to be more appealing to a country if other countries chose to adopt it also.

Following Katz and Shapiro (1985); Lemley and McGowan, 1998), network markets are viewed in this study as falling on a continuum that can be divided into – *actual network*, *virtual network and simple positive-feedback phenomena.* Actual networks are essentially limited to communication markets—the main characteristics separating it from other networks being the absence of inherent value and the necessity for common standards among users in the network. IFRS is becoming a fundamental and global medium of communication of financial accounting information and thus could be said to have both negligible inherent value to the organization generating financial information/reports and increasing value over the range of additional users of the information. Therefore, IFRS as a specialized language conveying common meaning to the proficient could be seen to share some characteristics with actual networks because at least, it ensures common definitions (protocols) to facilitate communication among a set of users. Given the above analysis, a country will adopt IFRS if autarky and synchronization values of IFRS are greater than local GAAP.

The autarky value of IFRS will derive from economic and political factors. The economic factors are intended to capture direct pecuniary benefits as they are usually conceived in economic models of networks, while the political factors are included to assess whether adopters consider the benefits arising from the potentially political nature of international accounting standard setting. Based on the above analysis, arguments and inferences can be drawn on the benefits and costs of IFRS adoption by countries.

There are proponents as well as opponent who have arguments for and against the global adoption of IFRS. For instance, Barth, (2007; 2008,), argues that by adopting a common body of international standards, countries can expect to lower the cost of information processing and auditing to capital market participants as users, and auditors of financial reports can be expected to become familiar with one common set of international accounting standards than with various local accounting standards.

If adopting IFRS is expected to lower such costs, then Nigeria which depend to some degree on foreign capital would be interested. The argument here is that countries choose to adopt IFRS when they expect to increase the share of foreign capital and trade in their economy. In this sense, even countries with low *levels* of foreign capital and trade can choose to adopt IFRS if they are expecting *growth* in those factors.

In countries where the quality of governance institutions is relatively high, IFRS adoption is likely to be less attractive as high quality institutions represent high opportunity and switching costs to adopting international accounting standards. The opportunity costs arise because in adopting IFRS, countries forgo the benefits of any past and potential future innovations in local reporting standards specific to their economies. However, in many developing countries, the quality of local governance institutions are low and thus are important determinants of the decision to adopt IFRS (Ball *et al.*, 2000; Leuz *et al.*, 2003; and Ball, 2006). Such countries are likely to suffer from corrupt, slow-moving, or ineffectual governments that are resistant to or incapable of change (La Porta *et al.*, 1999). In these countries, the opportunity and switching costs are lower and thus, the chance to adopt an externally developed body of accounting standards presents an advantage. Thus, among countries with less developed institutions like Nigeria, the decision to adopt IFRS is likely to be driven by lower opportunity and switching costs.

RESEARCH METHODS

This is a descriptive study in which questionnaire was used to collect data in order to determine the perception of two main groups, one representing the preparers of annual reports (represented by finance managers of quoted firms in Nigeria) and the other representing users of annual reports (that is investors represented by financial analysts).

Finance managers were selected as respondents because they are deemed to be knowledgeable about IFRS and could provide a preparer's perspective on its adoption. Similarly, the Investment analysts were chosen over other users for three reasons, thus: First, Investment analysts are identified in the literature as the principal users of financial reports (Schipper, 1991; Bercel, 1994; Capstaff, Paudyal and Rees, 2000; Healy and Palepu, 2001; Clement and Tse, 2003; Mangena, 2004). Secondly, the work of investment analysts requires that they have the accounting knowledge to enable them to analyze the reports and make decisions (Baker, 1998). Thirdly, provision of information that meets the needs of the analysts is considered as also meeting most of the needs of other users (Gebhardt, Reighardt, and Wittenbrinck, 2004). Based on the above, it could be implied that the intensity of using a company's financial report is higher for analysts than for other users.

The questionnaire was administered to a total of 183 preparers who met the conditions specified below- The firm in which they are employed is listed and active on the Nigerian Stock Exchange in the last ten years i.e (between 1990 and December, 2009) and the industry that the firms belong has at-least three firms. Also, the questionnaire was administered to each of the two hundred and twenty five (225) investment analyst firms identified from the list of Capital Market Operators compiled by the Nigerian Stock Exchange. They were all included in the sample because, as observed by Mangena (2004:34), the response rate among investment analysts is usually low.

The questions required the respondents to answer on a five-point Likert scale anchored by (5) indicating very strong and (1) very weak. On this scale, a score of 5 or 4 indicates that the item is perceived to be essential while a score of 3 or 2 indicates that the item is perceived to be fairly important, but not essential, while a score of 1 indicates that the item could be disregarded for being unimportant. Similar scales have been used by Firer and Meth (1986), Courtis (1992) and Myburgh (2001) and were found suitable. The questionnaire attempted to probe the preparers' and users' perceptions on the usefulness of the adoption of IFRS in different areas of operations of organizations. To obtain a score for these questions, the mean score was calculated. A total number of 75 questionnaires were returned by the preparers out of which 69, representing 38% were useable. For the users, 60 questionnaires were returned out of which 43, representing 19% were found useable. While a 38% response rate is generally considered satisfactory in studies of this nature (Stainbank and Peebles, 2006), a response rate of 19% for the user group means that not much significant statistical inference can be made with regard to the user group.

SURVEY RESULTS

The first question probed the advantages which preparers and users consider companies will derive from the adoption of IFRS. The results for this question are shown in Table 1.

Table 1 BENEFITS OF ADOPTION OF IFRS TO COMPANIES

		Preparers n= 69		Users n=43	
		Mean	Rank	Mean	Rank
1	Improved management information for decision making.	3.69	3	3.60	4
2	Better access to capital, including from foreign sources	3.20	5	3.58	5
3	Reduced cost of capital	3.47	4	3.86	2
4	Facilitated mergers and acquisitions	3.87	2	3.76	3
5	Enhanced competitiveness	3.10	7	2.68	8
6	Ease of using one consistent reporting standard in subsidiaries from different countries	4.35	1	4.45	1
7	Greater effectiveness of the internal audit	2.86	8	2.56	9
8	Lower cost of audit fees	3.15	6	3.45	6
9	Better risk management	2.40	9	3.26	7

Field survey, (2010)

The preparers and the users both agree that ease of using one consistent reporting in subsidiaries from different countries is the most useful benefit of IFRS. They also agree on the benefits of better access to capital and lower cost of audit fees which ranked fifth and sixth among the nine variables respectively. They however differ in their ranking of the other factors. The preparers and users consider better risk management and effectiveness of internal audit as the least benefit to be derived from adoption of IFRS.

The second question probed the benefits to investors of the adoption of IFRS in Nigeria from the perception of both preparers and users of financial reports. These results are shown in Table 2 below.

Table 2 BENEFITS FOR INVESTORS

		Preparers n= 69		Users n=43	
		Mean	Rank	Mean	Rank
1	Better information for decision making	3.53	5	3.65	4
2	More confidence in the information presented	4.36	1	4.55	2
3	Better understanding of risk and return	3.69	3	3.86	5
4	Companies can be compared to a peer group of companies	4.08	2	4.59	1
5	More timely financial reports	3.45	6	3.50	6
6	Easier access to financial reporting	3.54	4	4.10	3

Field survey, (2010)

From Table 2, it is observed that preparers chose confidence in the information presented in the financial reports as the most important benefit, followed by comparability of companies by peer group of companies, which users also ranked as the most beneficial. This is followed by confidence in the information presented. The preparers and users ranked timely financial reports as the least benefit to be derived from the adoption of IFRS. The overall results show that the preparers and users are quite positive that IFRS adoption will be beneficial to the investors.

The third question sought to ascertain the benefits of IFRS adoption to policy makers from the stand point of the preparers and users of financial reports. The results are shown in Table 3.

Table 3. BENEFITS FOR POLICY MAKERS (MANAGEMENT)

		Preparers n= 69		Users n=43	
		Mean	Rank	Mean	Rank
1	Strengthened and more effective Nigerian capital market.	3.21	3	3.50	3
2	Better access to the global capital markets	4.56	1	4.32	2
3	Promotion of cross-border investment	3.58	2	4.38	1
4	Better information for control and decision making purposes	2.60	4	3.34	4
5	More realistic planning experiences	2.57	5	2.80	5

Field survey, (2010)

The preparers ranked better access to global capital market as the greatest benefits policy makers will derive from the adoption of IFRS while for the users it is ranked second. Similarly, the preparers ranked promotion of cross-border investment as the second most important benefit while the users ranked the same factor as the most important. For the other benefits, both the preparers and users are unanimous in their rankings. However, the users are slightly more positive in their perception of IFRS being beneficial in terms of better decision making purposes and realistic planning experiences.

The fourth question probed the perception of preparers and users concerning the benefits of IFRS adoption to national regulatory bodies. The results are shown below.

Table 4 BENEFITS FOR NATIONAL REGULATORY BODIES

		Preparers n= 69		Users n=43	
		Mean	Rank	Mean	Rank
1	Improved regulatory oversight and enforcement	2.53	3	3.05	4
2	A higher standard of financial disclosure	3.67	1	3.50	3
3	Better information for market participants	3.43	4	4.56	1
4	Better ability to attract and monitor listings by foreign companies	3.58	2	3.66	2

Field survey, (2010)

Though the preparers and users are unanimous in their ranking that the adoption of IFRS will lead to better ability of regulatory bodies to attract and monitor listings of foreign companies, they however differ in respect of other benefits. Whereas the preparers ranked higher standard of disclosure as the greatest benefit, for the users, better information for market participants ranked first. These rankings are not unexpected because accounting regulation in Nigeria has traditionally been very prescriptive and thus invites a *form* over *substance* approach. With IFRS, this trend has the potential to reverse.

The curious and interesting issue about the results presented in the above table is that while the preparers ranked better information for market participants as the least beneficial, the users ranked it the most beneficial. Also, the mean scores of the preparers for three of the factors are lower than those of the users. These issues create the impression that the preparers are more knowledgeable about what goes in to financial statements than the users. This could be perceived as 'insider' knowledge which only the preparers are exposed to.

The fifth question probed the perception of the preparers and users with regard to the importance of the adoption of IFRS to other stakeholders. The results are presented below.

Table 5 BENEFITS FOR OTHER STAKEHOLDERS

		Preparers n= 69		Users n=43	
		Mean	Rank	Mean	Rank
1	Greater credibility and improved economic prospects for the accounting profession.	4.35	2	4.00	2
2	Better reporting and information on new and different aspects of the business	3.59	1	4.34	1
3	Enhanced transparency of companies through better reporting	3.34	3	3.58	3

Field survey, (2010)

Though the mean scores for each of the benefits are different for both the preparers and users, they are however unanimous in their rankings. In two out of the three benefits, the users are slightly more positive. That both preparers and users are unanimous in their rankings could be merely coincidental.

The sixth question sought to ascertain the perception of the preparers and users with respect to the factors that could make the adoption of IFRS successful. Eight factors which could potentially lead to successful adoption of IFRS were considered and the results are shown below.

Table 6. KEY SUCCESS FACTORS FOR IFRS ADOPTION

		Preparers n= 69		Users n=43	
		Mean	Rank	Mean	Rank
1	Having technology in place to support the conversion	4.66	2	4.51	5
2	Having trained people in place	4.50	5	4.55	3
3	Sufficient funding	3.80	8	4.05	7
4	Executive and board support	4.56	4	4.32	6
5	Professional support with IFRS experience	4.78	1	4.64	2
6	Sound system of corporate governance	4.58	3	4.53	4
7	Self enforcement by companies	4.00	6	4.78	1
8	Accurate analysis provided by the public and the press	3.84	7	3.76	8

Field survey, (2010)

From the results presented in the Table, it is evident that preparers and users are not unanimous in their rankings. The preparers ranked professional support with IFRS experience as the most important factor while the users ranked it as the second. This is closely followed by the need to have technology in place to support the conversion process as the second for the preparers, whereas the users consider self enforcement by companies of the provisions of IFRS as the most important. The preparers ranked sufficient funding as the least important factor while the users ranked the ability of the public and the press to provide accurate analysis as the least factor. Overall, the mean scores for each of the factors and for both the preparers and users are quite above the average, suggesting that they are positive that the factors listed have potential to lead to successful adoption of IFRS.

The seventh question probed the perception of preparers and users in terms of the challenges of the adoption of IFRS. The results are as presented in table 7.

Table 7. CHALLENGES OF IFRS ADOPTION

		Preparers n= 69	Users n=43

		Mean	Rank	Mean	Rank
1	Training	3.59	6	3.45	6
2	Funding	4.00	5	3.65	5
3	Compliance and enforcement	4.56	3	4.34	2
4	Complexity of conversion	4.12	4	3.89	4
5	Retention of key employees	4.65	2	4.23	3
6	Ethical environment	4.76	1	4.65	1

Field survey, (2010)

The results presented in Table 7 show that the preparers and users only differ in their ranking of the challenges of the adoption of IFRS in two out of six issues raised. They are unanimous that the ethical environment is the most important challenge for the successful adoption of IFRS. This should not be surprising because corporate transparency is a particularly important component of good governance as it ensures the protection of parties (both individual and institutional) who have operational interest in financial reporting in terms of accurate and reliable information which are needed in order to take well-considered economic decisions.

Interestingly, preparers and users are both unanimous that training will be the least challenge. This is curious especially that the country (Nigeria) does not have enough trained and professional accountants. One would have expected training to create the greatest obstacle especially in the issue of first time adoption of IFRS. The result also show that retention of qualified employees will be a challenge as it is ranked second and third respectively by the preparers and users. In this early stage of IFRS, poaching of staff, especially accounting personnel might be pronounced due to the dearth of such personnel.

CONCLUSION

By presenting the results of a questionnaire survey addressed to preparers and users of financial reports (represented by Financial officers and Financial analysts respectively), this study has provided evidence of the potential benefits and challenges of the adoption of IFRS in Nigeria which has officially been scheduled to commence in 2012. The results show that the introduction of IFRS in Nigeria will result in a number of important benefits for a wide range of stakeholders. The benefits of ease of using one consistent reporting standard in subsidiaries from different countries will accrue to companies while investors will benefit, amongst others, more confidence in the information presented in financial statements which they can understand and use. For policy makers (management), the adoption of IFRS will create better access to the global capital markets and a higher standard of financial disclosure for national regulatory bodies. Similarly, other stakeholders would benefit from overall better reporting and information on new and different aspects of the business.

The benefits will be largely driven by a number of potential success factors which include among others professional support with IFRS experience and self enforcement by companies. The benefits and potential success factors notwithstanding, there are a number of challenges to be faced in the process of adoption of the new standard. These among others include ethical environment and the ability to protect qualified and competent employees from being poached by other companies.

Against the backdrop of the objectives of this paper, the following recommendations are hereby suggested: (a) As the time table for the adoption of IFRS in Nigeria has been determined, updating this research to take account of the areas of differences in perception between preparers and users may provide further useful information (b) Nigeria's adoption of IFRS should be supported as a matter of national urgency to enable full attainment of the country's economic potential (c) The Nigerian Accounting Standards Board (NASB) should expedite approvals and processes required for formal adoption of IFRS as national accounting standard in Nigeria (d) The education, sensitization, and communication to stakeholders of issues associated with IFRS should commence in earnest. (e) A rigorous IFRS capacity building program should be embarked upon by all regulatory bodies, firms and training institutions in order to provide the needed manpower for IFRS implementation.

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ROLE OF DEMOGRAPHICS IN ORGANISATIONAL ROLE STRESS

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ABSTRACT

This paper has attempted to measure different types of organisational stresses and the overall role stress with particular reference to the demographic variables of the banking and insurance employees. The ten sub-stresses comprising the ORS have been compared across age groups, genders, qualifications and length of experiences. The impact of demographic variables on stress has been seen by applying f, t and Levene's tests. The study revealed that at the overall level, highest mean value is of inter role distance and the lowest mean value is of personal inadequacy. Organisational stress has positive association with the length of experience, except beyond 20 years of experience. Among the four demographic variables under reference, the length of experience is revealed to have laid highest main effect on the sub-stress variables and the overall stress.

KEYWORDS

role stresses, personal inadequacy, inter role distance, self role distance, role erosion, role expectation conflict, role overload.

INTRODUCTION

The increasing competition in modern organizations has brought a lot of pressure of work on the people working with them. The employees get pay for performance which is based on their capacity and abilities to achieve the targets laid down for them by their bosses from time to time. The variables like people, organisational culture, task structures, systems and technology forming an organisation are required to work in tandem with each other so as to achieve the common goals. But this is not true all the times because a slight change in one variable has its percolating effects, resulting into across the board ramifications for the people working in different functional areas. To withstand such a change in organisational environment, one needs additional skills, knowledge and competency. But the people often develop a feeling of inadequacy about all these things required to perform on a particular job. Some people start feeling that their roles are being played by others while these should have been in their own domain. When people have to assume newer roles, they start feeling insecure because it will require some additional efforts to justify their place in the new position. When people do not get work according to their tastes and aptitude, they are likely to feel distanced from their jobs. The people have to perform multiple roles in homes and in organizations which often conflict with each other. This has become all the more challenging for the working couples.

The deadlines to achieve the targets in given time sometimes make people feel isolated because they get lesser than desired time to interact with their peers and subordinates. Some people are expected by role senders to perform several things simultaneously to come up to their expectations. The executives under such situations start feeling overloaded by their work. The new business strategies, which firms resort to for meeting the challenges of competition, make it imperative to redefine the role of people working with them. But it is not all the time possible to clearly redefine the roles as a result of which the expectations of role senders are not clearly known to the role occupants. People in organizations do not all the times necessarily get all the resources required to perform their duties. Under such circumstances they are constrained to work towards achievement of their targets in the new roles. The situations we have narrated above are of conflicting nature. These and other such conflicting situations in organisations and pressure of domestic responsibilities are sources of stress. All these variables are inter-related and exist as sub-systems within the organization. Change in any one brings some change or adjustments in the other elements.

LITERATURE REVIEW

According to **Rees (1995),** stress is a significant problem across occupational groups and the stress management solution need to be tailored to the needs of each occupational group. **Thapar (1996)** noted that there are various causes of stress like personal, relational, occupational and external. **Moncrief et. al. (1997)** found that productivity pressures on salespeople, job uncertainties due to corporate restructuring, outsourcing of sales operations, growing international competition and changes in sales strategies have generated extraordinary levels of job stress in sales organizations. **Nhundu (1999)** revealed several demographic characteristics and school variables such as location, status, level of the school, sex and work experience of head teachers that influenced respondents' perceptions of situations which cause stress. **Bhaskar and Vinayak (2000)** concluded that stress is high at the middle level management, executives of finance department, in the age-group of 40 -50 years, executives with diploma qualifications and those belonging to rural background. **Patterson (2002)** found that police officers with more military experience are not significantly different from officers with lesser military experience in terms of exposure to stress reactions. But greater perception of stress was reported by officers with higher education and higher ranks. **Manshor et. al. (2003)** in a study of Malaysian managers in MNCs found

that demographic variable do influence the level of stress among managers. **Fernandes et. al. (2008)** revealed negative relationship between length of service and role stress among employees of banks in Goa.
Induced by the foregoing revelations by the researchers, this paper is designed to measure different types of organisational stresses and the overall role stress with particular reference to the demographic variables of the banking and insurance employees.

RESEARCH OBJECTIVE
The objective of this paper is to examine the relationship of independent demographic variables (age, gender, qualification and length of experience) with level of sub-stressors and the overall role stress.

RESEARCH HYPOTHESIS
The levels of sub-stressors and overall stress are not significantly affected by gender, age, qualification and experience of the respondents.

RESEARCH METHODOLOGY
The present study is based entirely on the use of primary data. The data were collected from sampled supervisory and executive levels of people working in the banking and insurance organizations of the service sector. The data collection tool was ORS scale developed by **Pareek (2004),** which had 50 statements which were to be assessed by the respondents on a five point Likert scale. These statements led to bringing forth 10 different types of sub-stressors and the total role stress (TRS).
The sample of 422 respondents, which was drawn from the employees of banking and insurance institutions falling in the NCR of India, comprised of 72 percent males and 28 percent females. The highest percentage (44.08) of them falls in the age group of 20-30 years, followed by those falling in the range of 30-40 years (30.81 per cent). The respondents in the age groups of 40-50 and above 50 years are almost equal, i.e. 12.32 and 12.80 per cent respectively. Education-wise, the highest percentage (48.58) of the respondents is post graduates, followed by graduates (36.73 per cent) and others (14.69 per cent). The others include mostly the ones having some diploma or certificate after their graduation or post graduation. The largest percentage (45.2 per cent) of the respondents had up to 5 years of work experience. This is closely followed by those who had 5-10 years of experience (41.47 per cent). Those who had experience of 10-20 years were only 11.85 per cent, while the respondents with more than 20 years of experience were very scanty in number (6) and percentage (1.42).
The 50 statements in the scale were classified into 10 groups each comprising of 5 statements. The sum total of the scores of each set of 5 statements gave the level of a sub- stressor and the sum total of the scores of all ten groups gave the total role stress (TRS) as per the methodology given by Pareek. The ten sub-stresses include inter-role distance (IRD), role stagnation (RS), role expectation conflict (REC), role erosion (RE), role overload (RO), role isolation (RI), personal inadequacy (PI), self role distance (SRD), role ambiguity (RA) and role inadequacy (RI). The statistical techniques used for analysis include means, SDs, ANOVA, F test, Leven's test for equality of variances and t-test.

RESULTS AND DISCUSSIONS
The means and standard deviations of scale index scores of stress variables are presented in Table 1 to 4 according to age, qualification, gender and length of experience. The descriptions of the results in terms of means and standard deviations for each set of the independent variables and variance analysis to see their impact has also been performed as presented in Table 5.

6.1. Age-wise Means and SDs of Stress Variables:
Table 1 shows that at the overall level highest mean value are of IRD (8.99) followed by RO (7.78), RIN (7.20), REC (7.19) and SRD (7.00) in descending order. The lowest mean value is of PI (4.73), followed in ascending order by RI (5.13) and RA (5.83). The deviation from the mean (SD) is the highest for IRD (4.39) and the lowest for SRD (2.28), which is almost equal to that of RA (2.30). The trends across different age groups are almost akin to those obtaining at the overall level.
Regarding inter age-group differences for each of the stress variable, the table reveals that mean IRD for 20-30 years age group is the lowest (8.66) and less than the mean IRD at the overall level (8.99). With respect to the other age groups, the mean score for IRD is higher than that at the overall level. The trends appear to be almost similar with respect to the other stress variables with exception RI, PI and RIN in the case of which mean scores are lower than that at the over level for the 20-30 years age group respondents.
Further, the mean score for TRS is the highest (70.16) for the respondents falling in 30-40 years age group, followed by 40-50 years (67.23), 20-30 years (66.76) and above 50 years (63.06). It is also worth mentioning that the highest TRS for the 30-40 years age group people is also higher than the mean TRS for the sample as a whole (67.39). From this analysis, it comes out that the role stress is the highest among the respondents falling in the age group of 30-40 years. This is also true of the individual role stress variables.
Analysis of variance (ANOVA), presented in Table 5, has revealed main effect of respondents' age with respect to RE ($F=3.67$, $p<.05$), RO ($F=3.47$, $p<.05$) RI ($F=3.43$, $p<.05$), and TRS ($F=3.74$, $p<.05$).

6.2. Gender-wise Means and SDs of Stress Variables:
Table 2 exhibits means and standard deviations of stress variables for males and females. It shows that mean score of TRS among females is higher (68.61) than in males (66.92). As to individual role stressors it can be seen that females have exceeded males with respect to eight such stress variables, while males have an edge over the females with respect to the two variables including IRD and RO with mean scores 9.07 and 7.83, respectively. From amongst the different stress variables, the males have the highest score with respect to the IRD (9.07) and the lowest with respect to PI (4.67). The same holds good in respect of the females. From the analysis it is apparent that females have the higher stress level not only in terms of TRS, but also in the case of as many as eight stress variables out of ten comprising total stress (TRS).
Table 5 shows the results of Levene's test of equality of variance and t-test (two-tailed) for equality of means with respect to each sub-scale variable and the total stress to see the significance of gender-wise mean differences and equality of variances. The table shows that significant gender differences in terms of Levene's test for equality of means exist only in the case of RS, RI and TRS at $p<0.05$. However, no gender effect has been noted with respect to the mean values as t value for each of the variables is insignificant.

6.3. Qualification-wise Means and SDs of Stress Variables:

Table 3 presents level of qualification-wise means and SDs of the scores of ten stress variables and their total. The respondents are divided according to the three education levels, i.e. graduates, post graduates and others with diploma or certificate or any other qualification. Here again, the mean score of IRD is the highest (graduates=9.66, post graduates=8.59, others=8.65) with highest SDs (graduates=4.56, post graduates=4.22, others=4.35) and that of the PI is the lowest (graduates=4.88, post graduates=4.74 and others=4.35) irrespective of the level of qualification. However, the scores for stress variables marginally differ as to their minimum levels across different qualifications of the respondents. The graduates have the highest mean TRS (69.04), followed by post graduates (66.83) and the others (65.15). In the case of graduates, it is more than the average of the total sample, while it is less than that of the total sample in the case of the other two categories. The similar results have worked out with respect to the IRD and PI, while the results are mixed with respect to the remaining stress variables.

The SD for TRS is the highest for graduates (15.18), followed by post graduates (13.74) and others (9.04) which is the minimum. When we look at the variable-wise position regarding such trends it emerges that RE, RO, PI, RA and RIN have captured similar trends, while remaining variables constitute the exception with different ordering.

The results of analysis of variance (ANOVA), presented in Table 5, the revealed main effect of respondents' qualification only with respect to RIN (F=4.24, p<.05) and there were no inter-qualification group-wise significant differences with regard to the rest of the stress variables.

6.4. Experience-wise Means and SDs of Stress Variables:

The respondents are categorized in four experience classes, viz. 0-5, 5-10, 10-20 and above 20 years. It can be seen from Table 4 that the mean score of total role stress (TRS) is the highest (71.06) amongst those who have 10-20 years of experience; followed by those having 5-10 years experience (68.40) and 0-5 years experience (66.14). It shows that the TRS has positive association with the years of experience up to 20 years. Those above 20 years experience have the minimum mean score (47.33) of TRS. It implies that the people above 20 years experience develop acumen to circumvent the TRS level. This also implies that the people at this age become able to establish a trade of between their aspirations for promotion and what actually they achieve. It is worth noting that the TRS among 5-10 years and 10-20 years experienced people is above the overall average of the sample (67.39).

The respondents with lowest (0-5 years) experience have the highest mean score for IRD (8.65) and the minimum for PI (4.30) with SDs of 4.84 and 2.59 respectively. Almost similar trend holds with respect to those having 5-10 years experience. However, the other two age groups fall apart slightly. The respondents having experience in the range of 10-20 years resulted in highest mean score for IRD (9.12) with SD of 3.40 and minimum for RI (5.42) with SD of 3.36. The respondents with experience above 20 years have emerged distinct from the others in that their highest mean score is with respect to RS (6.83) with SD of 1.47 and the minimum with respect REC (2.50) with SD of 4.18.

The main effect of experience (Table 5) was noted as significant with respect to the REC (F=4.44, p<.05), RE (F=2.85, p<.05), RO (F=4.24, p<.05), PI (F=4.83, p<.05), SRD (F=6.27, p<.05), RA (F=3.99, p<.05) and TRS (F=6.51, p<.05).

CONCLUSION

The study reveals that at the overall level highest mean value is of IRD, followed by RO, RIN, REC and SRD in a descending order. The lowest mean value is of PI followed in ascending order by RI and RA. The deviation from the mean (SD) is the highest for IRD and the lowest for SRD. The trends across different age groups are almost akin to those obtaining at the overall level. Analysis of variance (ANOVA) has revealed the main effect of respondents' age with respect to RE, RO, RI and TRS. The males have the highest score with respect to the IRD and the lowest with respect to PI. The same holds good in respect of the females. From the analysis it is apparent that females have the higher stress level not only in terms of TRS, but also in the case of as many as eight stress variables out of ten comprising the TRS. The results of Levene's test of equality of variance and t test (two-tailed) for equality of means show that significant gender differences in terms of Levene's test for equality of means exist only in the case of RS and RI. However, no gender effect has been noted with respect to the mean values of other role stresses as t value for each of the variables is insignificant. Education-wise, the graduates have the highest mean TRS, followed by post graduates and the others. The results of analysis of variance (ANOVA) have revealed main effect of respondents' qualification only with respect to RIN and there were no inter-qualification group-wise significant differences with regard to the rest of the stress variables. The mean score of TRS is the highest amongst those who have 10-20 years of experience; followed by those having 5-10 years experience and 0-5 years' experience. It shows that the TRS has positive association with the length of experience up to 20 years. Those above 20 years experience have the minimum mean score of TRS. It implies that the people above 20 years experience develop acumen to circumvent the TRS level. This also implies that the people at this experience become able to establish a trade-off between their aspirations for promotion and what actually they achieve. It is worth noting that the TRS among 5-10 years and 10-20 years experienced people is above the overall average of the sample. The main effect of experience was noted as significant with respect to the REC , RE, RO, PI, SRD, RA, and TRS and the experience is not found to have been affecting the other remaining stresses.

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Table-1: Age-wise Means & SDs of Stress Variables

Age (Years)		Stress Variables										
		IRD	RS	REC	RE	RO	RI	PI	SRD	RA	RIN	TRS
20-30	N	186	186	186	186	186	186	186	186	186	186	186
	Mean	8.66	6.72	7.34	6.62	8.01	4.97	4.48	7.04	5.90	7.02	66.76
	S D	4.72	3.39	3.66	2.21	3.31	2.45	2.68	2.28	2.27	2.56	12.00
30-40	N	130	130	130	130	130	130	130	130	130	130	130
	Mean	9.37	6.75	7.05	7.55	8.05	5.70	5.12	7.13	5.92	7.52	70.16
	S D	4.27	3.50	3.54	2.87	2.53	2.73	2.93	2.27	2.34	2.57	15.59
40-50	N	52	52	52	52	52	52	52	52	52	52	52
	Mean	9.23	6.27	7.83	6.77	7.56	4.90	4.81	7.08	5.48	7.31	67.23
	S D	4.17	2.88	3.81	3.15	3.42	2.80	2.50	2.08	2.07	2.29	13.20
above 50	N	54	54	54	54	54	54	54	54	54	54	54
	Mean	9.02	6.26	6.39	6.70	6.54	4.48	4.59	6.48	5.69	6.91	63.06
	S D	3.65	2.62	4.01	2.34	3.81	2.94	2.59	2.46	2.52	2.76	14.29
Total	N	422	422	422	422	422	422	422	422	422	422	422
	Mean	8.99	6.61	7.19	6.94	7.78	5.13	4.73	7.00	5.83	7.20	67.39
	S D	4.39	3.27	3.69	2.60	3.21	2.67	2.73	2.28	2.30	2.56	13.77

Source: Survey

Table-2: Gender-wise Means & SDs of Stress Variables

Gender		Stress Variables										
		IRD	RS	REC	RE	RO	RI	PI	SRD	RA	RIN	TRS
Male	N	303	303	303	303	303	303	303	303	303	303	303
	Mean	9.07	6.50	7.17	6.92	7.83	5.01	4.67	6.87	5.70	7.18	66.92
	S D	4.23	3.10	3.69	2.64	3.37	2.55	2.68	2.31	2.24	2.52	13.09
Female	N	119	119	119	119	119	119	119	119	119	119	119
	Mean	8.79	6.90	7.24	6.97	7.66	5.43	4.90	7.33	6.17	7.23	68.61
	S D	4.78	3.67	3.73	2.48	2.75	2.95	2.86	2.17	2.41	2.66	15.34
Total	N	422	422	422	422	422	422	422	422	422	422	422
	Mean	8.99	6.61	7.19	6.94	7.78	5.13	4.73	7.00	5.83	7.20	67.39
	S D	4.39	3.27	3.69	2.60	3.21	2.67	2.73	2.28	2.30	2.56	13.77

Source: Survey

Table-3: Qualification-wise Means & SDs of Stress Variables

Qualifications		Stress Variables										
		IRD	RS	REC	RE	RO	RI	PI	SRD	RA	RIN	TRS
Graduate	N	155	155	155	155	155	155	155	155	155	155	155
	Mean	9.66	6.70	7.37	6.94	7.86	5.08	4.88	7.19	5.95	7.41	69.04
	S D	4.56	3.32	3.74	2.70	3.07	2.81	2.83	2.50	2.59	2.64	15.18
Post graduate	N	205	205	205	205	205	205	205	205	205	205	205
	Mean	8.59	6.43	7.13	6.98	7.75	5.28	4.74	6.86	5.78	7.30	66.83
	S D	4.22	3.09	3.68	2.61	3.26	2.65	2.74	2.12	2.20	2.51	13.74
Others	N	62	62	62	62	62	62	62	62	62	62	62
	Mean	8.65	6.98	6.94	6.81	7.66	4.73	4.35	7.00	5.69	6.34	65.15
	S D	4.35	3.74	3.68	2.30	3.40	2.36	2.48	2.20	1.82	2.37	9.04
Total	N	422	422	422	422	422	422	422	422	422	422	422
	Mean	8.99	6.61	7.19	6.94	7.78	5.13	4.73	7.00	5.83	7.20	67.39
	S D	4.39	3.27	3.69	2.60	3.21	2.67	2.73	2.28	2.30	2.56	13.77

Source: Survey

Table-4: Length of Experience-wise Means & SDs of Stress Variables

Years of experience		Stress Variables										
		IRD	RS	REC	RE	RO	RI	PI	SRD	RA	RIN	TRS
0-5	N	191	191	191	191	191	191	191	191	191	191	191
	Mean	8.65	6.74	7.44	6.60	7.83	4.91	4.30	6.95	5.73	6.99	66.14
	S D	4.84	3.39	3.72	2.20	3.05	2.27	2.59	2.30	2.13	2.63	11.46
5-10	N	175	175	175	175	175	175	175	175	175	175	175
	Mean	9.43	6.45	6.90	7.16	7.99	5.28	4.86	7.16	5.83	7.34	68.40
	S D	4.06	3.19	3.65	2.91	3.08	2.85	2.72	2.18	2.32	2.45	14.24
10-20	N	50	50	50	50	50	50	50	50	50	50	50
	Mean	9.12	6.66	7.80	7.56	7.34	5.42	5.80	7.12	6.50	7.74	71.06
	S D	3.40	3.33	3.33	2.78	3.86	3.36	3.07	2.19	2.62	2.55	17.59
above 20	N	6	6	6	6	6	6	6	6	6	6	6
	Mean	6.17	6.83	2.50	5.83	3.50	5.17	6.00	3.17	3.33	4.83	47.33
	S D	4.49	1.47	4.18	0.98	3.08	2.79	2.00	1.83	1.97	1.83	12.71
Total	N	422	422	422	422	422	422	422	422	422	422	422
	Mean	8.99	6.61	7.19	6.94	7.78	5.13	4.73	7.00	5.83	7.20	67.39
	S D	4.39	3.27	3.69	2.60	3.21	2.67	2.73	2.28	2.30	2.56	13.77

Source: Survey

Table-5: Demographic Impact on Stress Variables: f & t test Results

Demographic Variables	Stress Variables										
	IRD	RS	REC	RE	RO	RI	PI	SRD	RA	RIN	TRS
Age (f)	0.73	0.54	1.53	3.67*	3.47*	3.43*	1.43	1.12	0.6	1.26	3.74*
Gender (Levene's Test for Equality of Variances)	1.38	5.34*	0	0.11	3.42	7.37*	1.65	0	1.08	1.33	3.95*
Gender (t- test for Equality of Means)	0.59	-1.12	-0.2	-0.15	0.49	-1.46	-0.79	-1.85	-1.9	-0.15	-1.13
Qualification (f)	2.9	0.76	0.36	0.1	0.1	1.05	0.81	0.96	0.36	4.24*	2.12
Experience (f)	1.82	0.25	4.44*	2.85*	4.24*	0.83	4.83*	6.27*	3.99*	3.09	6.51*

* Significant at 5 per cent level.

ANALYSIS OF FDI INFLOWS IN INDIA

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ABSTRACT
FDI is a tool for jump-starting economic growth through its strengthening *of domestic capital, productivity and employment. FDI also plays a vital role in the up gradation of technology, skills and managerial capabilities in various sectors of the economy. The present paper attempts to analyze significance of the FDI Inflows in India since 1991 and analysis of various Indian sectors attracting FDI from 2005-2010.*

KEYWORDS
FDI, domestic capital, productivity, employment, economy, sectors.

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

IMPORTANCE OF FDI STUDY
For developing countries FDI is significant not only for employment generation but also for improving its productivity as well. Hence the international flow of capital is concerned as an alternative to labour migration from the poor countries (Meier, 1995). FDI brings to the recipient country not only foreign capital, but also efficient management, superior technology and innovations in products and marketing technique, which are generally in short supply in the developing countries. Thus access to foreign capital helps overcome the managerial and technological gaps in the host country. Further, foreign firms can increase competition in domestic markets, reduce monopoly profits and improve the quality of products and services (Meier, 1995, IFC, 1997 and Goldar and Ishigami, 1999).

OBJECTIVES OF STUDY
To study the FDI inflows in India from 1991-2010
To study and analyze the FDI inflows in various sector attracting highest equity FDI inflows in India from 2005-2010
To study and analyze the FDI inflows within the various Indian sectors from 2005-10

METHODOLOGY OF THE STUDY
The study is based on secondary sources of data. The main source of data are various Economic Surveys of India and Ministry of Commerce and Industry data, RBI bulletin, online data base of Indian Economy, journals, articles, news papers, etc.

FDI NEW DEFINITIONS
The IMF definition of FDI includes as many as twelve different elements-equity capital, reinvested earnings of foreign companies, inter-company debt transactions, short-term and long-term loans, financial leasing, trade credits, grants, bonds, non-cash acquisition of equity, investment made by foreign venture capital investors, earnings data of indirectly-held FDI enterprises, control premium and non-competition fee.
India, however, does not adopt any other element other than equity capital reported on the basis of issue or transfer of equity or preference shares to foreign direct investors.

FDI ROUTES IN INDIA
First is an automatic route through and second is through an investment with prior approval of the government. In India, FDI is permitted in the forms of Financial Collaborations, Joint Ventures and Technical Collaborations, Capital Markets via Euro Issues and Private Placements or Preferential Allotments.

REVIEW OF LITERATURE
The aspects of foreign direct investment i.e. political scenario and trends are analyzed by most of the studies and they are, Bhattacharyya (1994), Jain (1994), Prasad and Chandra (1994), Subramanian, et al. (1996) and Kumar (1998 and 2000). These studies in general highlighted the difference phases in the policies relating to FDI and brought out the significant changes in the composition of FDI in the 1990s.
Studies by Subramanian, et al. (1996) and Gopinath (1997) examined the determinants of FDI. Subramanian, et al. (1996) found that the availability of primary material inputs for manufacture and the large size of the domestic market for the sale of the manufactured products are the two principal economic determinant of location of FDI inflow. Other two factors that influenced the FDI are the growth rate of GDP and the level of infrastructure facility.

P.D. Jeromi (2001) in his study of Foreign Direct Investment in India, Policy, Trends and Impact finds there three reasons for FDI in India viz, Real Sector Reform, Infrastructural Development, Privatization. Further he analyzed FDI Growth Phase for India and finds that 1994-1997 is High approval but low FDI Inflows and 1998-2001 is Low approval and high actual FDI inflows. He argues that the 1990's economic reforms of India since the beginning has emphasized on attracting more FDI. India's FDI policies have been liberalized considerably in nineties resulting to the number of FDI approval and inflows have increased significantly till 1997. After that there was a decline in the FDI approval even though policies have been more and more liberal. He concludes in his study that, 40% of total FDI was used for Mergers and Acquisitions and More FDI is needed in Greenfield projects. His findings are Performance of FDI is companies are better than that of non-FDI companies and however FDI companies' contribution to exports is not great and their import propensity is quite high.

Foreign Trade review Vol. XLI No 04 Jan-Mar 2007. Quarterly Journal of IIFT Economic Survey 2006-07, Ministry of Finance, GOI, India's External Survey, 4th July 2007, Service Trade- India has been recording high growth in the export of services during the last few years. Such exports have increased three fold during the last three years in 2005-06 with growth of 42.0% it reached US61.4 billion. Growth has been particularly rapid in the miscellaneous services category, which comprises services and communication services. In 2005 while India's share and ranking in world merchandise exports were 1% and 29th respectively. Its share and ranking in the world commercial services exports was 2.3% and 11th rank respectively. By growing faster than merchandise exports, services exports constituted almost 60% of merchandise exports in 2005-06.

According to Economic Survey of India, 2006-07, FDI inflows (net) which had declined from US $ 4.7 billion in 2001-02 to US $ 2.4 billion in 2003-04, continued its growth for the second consecutive year in 2005-06 to climb back to US $ 4.7 billion gain. The overall FDI reported is inward FDI needed for outward FDI. FDI on a comparative net basis, year on year, exhibited a growth of 27.4% in 2005-06 reflecting the improved investment climate. Outward investment also simultaneity showed signs of a pickup with domestic companies making deeper forays for acquisition abroad. FDI inflows were mainly in the form of equity accounting for about 75.2% of the total FDI into India during 2005-06. FDI abroad (outward investment) grew sharply to reach US $ 3.2 billion in 2005-06.

The rising trend in FDI observed in 2005-06 accelerated further in 2006-07. As per provisional data available FDI (net) in April-Sept 06 at US $ 4.2 billion was almost twice as less in April-Sept 2005. As per the latest data on FDI inflows, there has been a 98.4% jump in the equity investment into India in April-Sept 2006-07 over April-Sept 2005-06 levels.

According to United Nations Conference on Trade and Development (UNCTAD) in a new report on world investment prospects titled, 'World Investment Prospects Survey 2009-2011, improved global sentiment and strong industrial output numbers in India are increasingly attracting foreign investors in the country. Other factors being attributed to the revival in foreign direct investment (FDI) in recent times include increasing consumer confidence. India has been ranked at the third place in global foreign direct investments this year, following the economic meltdown, and will continue to remain among the top five attractive destinations for international investors during the next two years.

India attracted FDI inflows of US$ 1.74 billion during November 2009, a 60 per cent increase over the US$ 1.08 billion achieved in same month last year. The cumulative amount of FDI inflows from Aug 1991 to Dec 2009 stood at US$ 127.46 billion, according to the latest data released by the Department of Industrial Policy and Promotion, India attracted FDI equity inflows of US$ 1.54 billion during December 2009. On a cumulative basis, FDI equity inflows of US$ 20.92 billion were recorded during Apr-Dec 2009.

The 2009 survey of the Japan Bank for International Cooperation conducted among Japanese investors continues to rank India as the second most promising country for overseas business operations, after China. According to the Minister of Commerce and Industry, Mr. Anand Sharma, FDI equity inflows as a percentage of GDP has grown from 0.75 per cent in 2005-06 to nearly 2.49 per cent in 2008-09. India's FDI inflows touched US$ 26.5 billion in the April-December period this fiscal. The country has attracted FDI worth US$ 23.82 billion in the January-October 2009 period and October 2009 alone witnessed a 56 per cent year-on-year jump in FDI with inflows of US$ 2.33 billion, according to the DIPP.

The services sector comprising financial and non-financial services attracted FDI worth US$ 3.54 billion during April-December 2009-10, while computer software and hardware sector garnered about US$ 595 million during the said period. The telecommunications sector attracted US$ 2.36 billion FDI during April-December 2009-10. During the April- December period in 2009-10, Mauritius has led the investors into India with US$ 8.91 billion worth of FDI, followed by Singapore with US$ 1.7 billion and the US with US$ 1.58 billion, according to latest data released by DIPP. The Indian retail market, which is the fifth largest retail destination globally, has been ranked the most attractive emerging market for investment in the retail sector by A T Kearney's annual Global Retail Development Index (GRDI), in 2009.

FDI POLICY INITIATIVES IN INDIA

GOI not only has promised to bring out an updated FDI policy every six months as stated in a comprehensive press note consolidating the entire regime for foreign investments in one place for easy reference but also proposes to improve investment environment in the country in the Union Budget for 2010-11 announced by the Union Finance Minister, Mr. Pranab Mukherjee, in Parliament on February 26, 2010 includes number of steps taken to simplify the FDI regime, clearly defined methodology for calculation of indirect foreign investment in Indian companies and the complete liberalization of pricing and payment of technology transfer fee and trademark, brand name and royalty payments.

Furthermore, the government has allowed the Foreign Investment Promotion Board (FIPB), under the Ministry of Commerce and Industry, to clear FDI proposals of up to US$ 358.3 million. Earlier all project proposals that involved investment of above US$ 129.16 million were put up before the Cabinet Committee of Economic Affairs (CCEA) for approval. The relaxation would expedite FDI inflow, according to the Union Home Minister, Mr. P Chidambaram. The government has accepted the recommendations of the Telecom Regulatory Authority of India to move to fast track mobile television (TV) technology services, for a composite foreign investment limit of 74 percent in mobile TV services. As announced by Minister for New and Renewable Energy, Mr. Farooq Abdullah, the GOI has allowed 100 per cent FDI in the renewable energy sector as favourable policy to attract foreign companies.

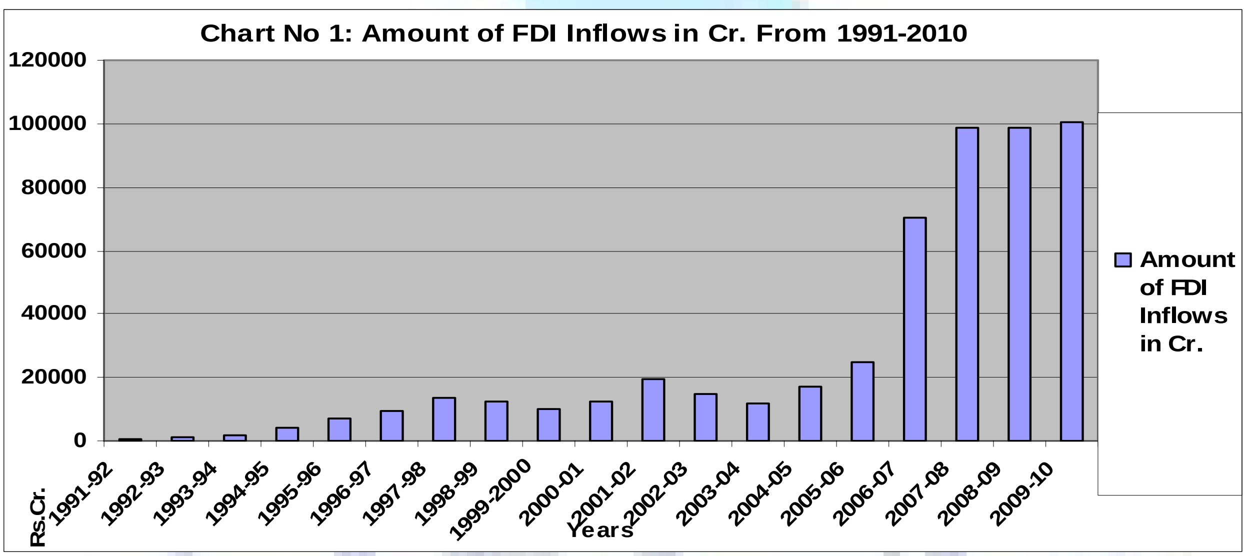
TABLE NO-1: YEAR WISE FDI INFLOWS IN INDIA FROM 1991-2010

Year	Amount of FDI Inflows in Cr.
1991-92	409
1992-93	1094

1993-94	2018
1994-95	4312
1995-96	6916
1996-97	9654
1997-98	13548
1998-99	12343
1999-00	10311
2000-01	12645
2001-02	19361
2002-03	14932
2003-04	12117
2004-05	17138
2005-06	24613
2006-07	70630
2007-08	98664
2008-09	98860
2009-10	100539

Source: Department of Industrial Policy & Promotion Ministry of Com & Industry Govt. of India & Lok Sabha Unstarred Question No. 535, dated 24.02.2009

CHART NO-1: YEAR WISE FDI INFLOWS IN INDIA FROM 1991-2010



Source: Department of Industrial Policy & Promotion Ministry of Com & Industry

The above chart shows the inflow of FDI in India from 1991-2010 and it's clear that though there is a bumpy ride from 1999 till 2006, FDI inflows have picked up from 2006 onwards except from 2008-09. Irrespective of the global meltdown the last three years i.e. from 2007-08 to 2009-20, show the stagnation and not the decline in the inflow of FDI in India.

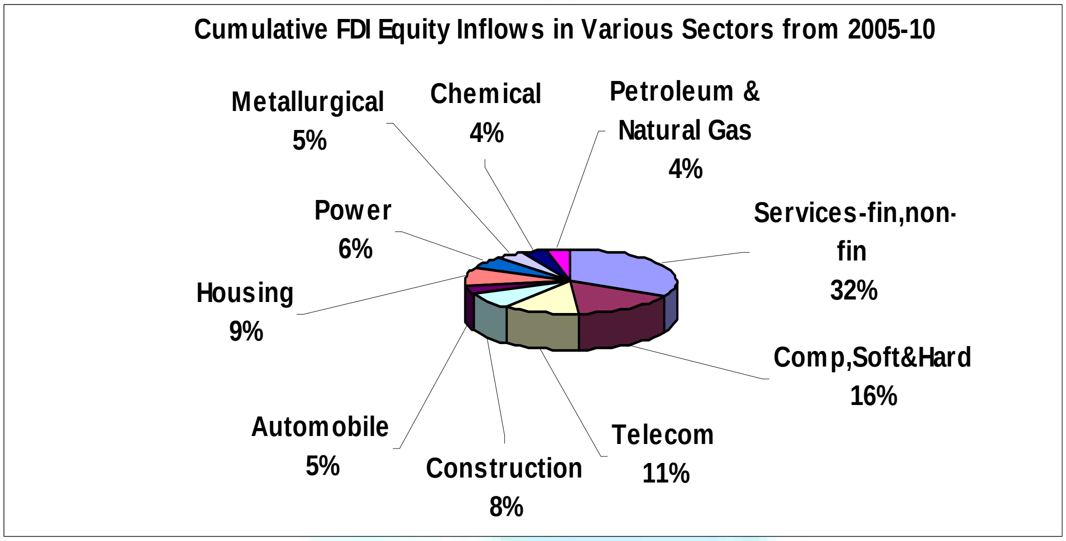
TABLE N0-2: CUMULATIVE FDI EQUITY INFLOWS IN SECTORS FROM 2005-2010

SECTORS	2005-06	2006-07	2007-08	2008-09	Cumulative	Total Inflow%
Services(Fin- Non Fin)	2399	21047	26589	23045	78742	32%
Comp-S/W & Hardware	6172	11786	5623	6944	39111	16%
Telecom	2776	2155	5103	10797	27544	11%
Construction	667	4424	6989	6224	19606	8%
Automobile	630	1254	2697	1792	11648	5%

Housing & Real Estate	171	2121	8749	10632	21794	9%
Power	386	713	3875	4079	13709	6%
Metallurgical	6540	7866	4686	3608	10956	5%
Chemical	1731	930	920	2561	9442	4%
Petroleum & Natural Gas	64	401	5729	1196	8509	4%

Source: DIPP, Federal Ministry of Commerce and Industry, GOI

CHART N0-2: CUMULATIVE FDI EQUITY INFLOWS IN SECTORS FROM 2005-2010



Source: DIPP, Federal Ministry of Commerce and Industry, GOI

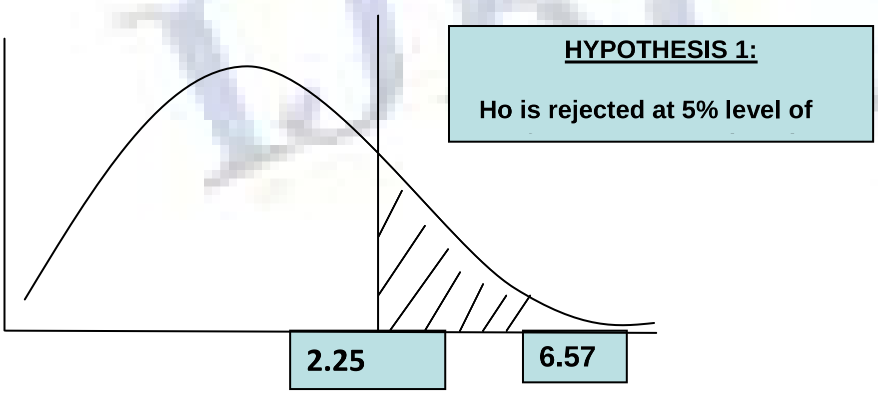
From above chart its clear that of all the sectors of Indian economy, services (fin and non fin) attracted maximum FDI inflows of 32% from 2005-10 followed by Computer software & Hardware 16%, Telecom 11%, Housing 9%, Construction 8%, Power 6%, Automobile and Metallurgical 5%, and least was attracted by Petroleum & Natural Gas and Chemicals i.e. 4%.
The FDI Inflows to Service Sector has helped the development of several industries in the service sector of the Indian Economy, such as Tele Communication, Financial and Non financial, Hotel & Tourism, and many others. FDI Inflows to Service Sector has been phenomenal in the past few years. Since the onset of the liberalization of the Indian economy in 1991, the country has experienced a huge increase in the inflow of Foreign Investments. The service sector in India has tremendous growth potential and as such it has attracted huge Foreign Direct Investments.

HYPOTHESIS 1

*Ho= There is **NO** statistically significant difference amongst the different components of sector with respect to FDI Inflows in India from 2005-2009.*

FINDINGS

Ho is **rejected** at 5% level of significance F3= 6.57 (9, 27)

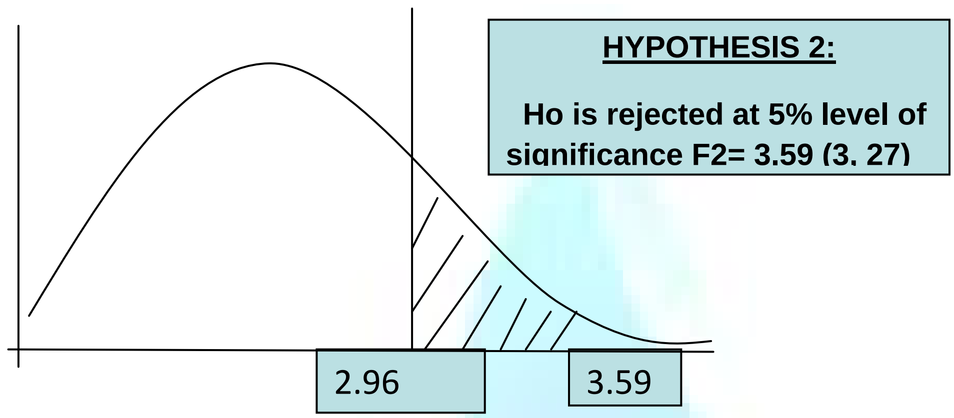


HYPOTHESIS 2

*Ho=There is **NO** statistically significant difference in year wise FDI inflows in various sectors from 2005-2009.*

FINDINGS

Ho is **rejected** at 5% level of significance F2= 3.598 (3, 27)



CONCLUSION

The decision is to reject the null hypothesis if the test statistic from the table is greater than the F critical value with k-1 numerator and N-k denominator degrees of freedom. Based on the ANNOVA of sectoral data available there is a statistically significant difference amongst the different components of sector with respect to FDI Inflows in India from 2005-2009. It is found that there is a significant difference in year wise FDI inflows in various sectors from 2005-2009. However, with the government planning more liberalization measures across a broad range of sectors and continued investor interest, the inflow of FDI into India is likely to further accelerate.

Note: Exchange rate used: 1 $ = 46.46 INR (as on February 2010) &1$ = 46.25 INR (as on December 2009)

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THE RELATIONSHIP BETWEEN EFFECTIVE LEADERSHIP AND EMPLOYEE PERFORMANCE

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ABSTRACT

Leadership has drawn great attention from scholars in various fields in the recent years. There is great controversy over the definition of leadership and thus many approaches to studying leadership. The present work, however, focus on the transformational, transactional and laissez-faire leadership model and the relationship between these leadership styles and employee performance. The study is a comparison between selected public and private sector enterprises and the data comprises of 43 middle-level managers and 156 subordinates. The paper looks first at various factors that add to the effectiveness of leadership through Garrett scores. It then discusses whether there is any differences in the leadership choice between the public and private sector enterprises. Finally, the relationship between the transformational, transactional, laissez-faire leaderships and employee performance is explored through correlation and regression analysis.

The results are likely to suggest that leaders must have the ability to attract / influence their subordinates, be able to set clear standards of performance to their peers and act as a best role model to the subordinates. The subordinates expect that their achievements must be recognized and rewarded either with monetary or with non-monetary terms. The Garrett's score that gives the preferences of the Middle level managers and the subordinates from among various leadership styles recommended the transformational leadership style in both the public and in the private sector enterprises. The results of correlation and regression analysis suggests that the transformational leadership style has significant relationships with performance outcomes; viz. effectiveness in work, satisfaction, extra effort and dependability. The study thus adds some additional knowledge for a better understanding of the preferred leadership approach and appropriate style for use with subordinate in various professional levels.

KEYWORDS
Employee Performance, Garrett Scores, Leadership, Leadership Effectiveness, Public and Private Sector Enterprises.

INTRODUCTION
In a competitive business environment, organizations rely upon their leaders to facilitate the changes and innovations required to maintain competitive advantage. Leaders are perceived as persons who can single-handedly create order out of chaos, navigate organizations through unthinkable environmental turbulence, bring mightiness out of mediocrity, and thrive where lesser mortals will quickly fade away. Leadership has been altered over time, with the change in employee requirements resulting in a demand for change in the relationship between a leader and his subordinates. Leaders have been found to influence followers in many ways, including coordinating, communicating, training, motivating, sharing information, and rewarding (Yukl, 1989).

It is argued that effective leadership has a positive sway on the performance of organisations (Maritz, 1995; Bass, 1997; Charlton, 2000). Behling and McFillen (1996) confirmed the link between high performance and leadership in the United States by developing a model of charismatic/transformational leadership where the leaders' behavior is said to give rise to inspiration, awe and empowerment in his subordinates, resulting in exceptionally high effort, exceptionally high commitment and willingness to take risks. Effective leadership is helpful in ensuring organisational performance (Cummings and Schwab, 1973; Hellriegel, Jackson, Slocum, Staude, Amos, Klopper, Louw and Oosthuizen, 2004). As a result, many leadership theories have been proposed in the last fifty years which are claimed to have influenced the overall effectiveness of the organisations where they have been employed through the employee performance.

The present study adds to the existing literature of finding the extent of relationship between leadership effectiveness and employee performance in the Indian context with the following objectives:

To ascertain the various factors that affects the effectiveness of the existing leadership styles;

To determine whether there is any difference in the leadership choice between public and private sector enterprises;

To find out the relationship between effective leadership and employee performance as measured by *extra effort, employee effectiveness, satisfaction and dependability.*

LEADERSHIP STYLES AND EMPLOYEE PERFORMANCE – A CAUSAL LINK
The success of an organisation is reliant on the leader's ability to optimise human resources. A good leader understands the importance of employees in achieving the goals of the organisation, and that motivating the employees is of paramount importance in achieving these goals. It has been widely accepted that effective organisations require effective leadership and that organisational performance will suffer in direct

proportion to the neglect of this (Fiedler and House, 1988). Furthermore, it is generally accepted that the effectiveness of any set of people is largely dependent on the quality of its leadership – effective leader behaviour facilitates the attainment of the follower's desires, which then results in effective performance (Fiedler and House, 1988; Maritz, 1995; Ristow, et al., 1999). Leadership is perhaps the most thoroughly investigated organisational variable that has a potential impact on employee performance (Cummings and Schwab, 1973).

A large body of empirical evidences has demonstrated that leadership behaviors influence organizational performance that strong leaders outperform weak leaders, and that transformational leadership generates higher performance than transactional leadership (Burns 1978; Bass 1990; Hater and Bass 1988; Howell and Avolio 1993). Kirkpatrick and Locke (1996) identified over 35 studies reporting positive relationships between leadership and performance. Transformational leadership or its components have been associated with the increases in individual, unit, and/or organizational performance in a variety of meta-analyses (Lowe et al. 1996), historical archival studies (House et al. 1991), laboratory experiments (Howell and Frost 1989; Kirkpatrick and Locke 1996), field experiments (Barling et al. 1996), and field studies (Baum et al. 1998; Curphy 1992; Hater and Bass 1988; Howell and Avolio 1993; Keller 1992). Recent leadership studies have continued to affirm the positive relationship between transformational leadership and performance at various levels (e.g., Dumdum et al. 2002; Dvir et al. 2002; Howell et al. 2005). Thus the researchers aim to discuss whether the transformational leadership does really stimulate the employees for higher performance or not. The proposed hypothesis is:

H_{01}: There is a significant positive relationship between Transformational leadership and Employee performance.

Transactional contingent reward leadership behaviors have also been positively associated with performance, although to a lesser degree than transformational leadership (Klimoski and Hayes 1980; Podsakoff et al. 1982, 1984; Boerner et al. 2007). Although they are sometimes treated as a dichotomy, it is entirely possible for a given leader to exhibit neither, one, or both transformational and/or transactional leadership behaviors in varying degrees, in different situations. From the foregoing the following hypothesis is proposed:

H_{02}: There is a significant positive relationship between Transactional leadership and Employee performance.

Bass et al. (1997) conceptualised a third type of leadership, laissez-faire leadership, which was hypothesized to occur when there is an absence or avoidance of leadership. In this case the decisions are delayed, and reward for involvement is absent. No attempt is made to motivate the followers, or to recognise and satisfy their needs (Bass & Avolio, 1997). And hence:

H_{03}: There is a negative relationship between Laissez-faire leadership and Employee performance.

METHODOLOGY OF THE STUDY

POPULATION

The data is collected from Fenner (India) Ltd., Madurai, Hindustan Lever Ltd., Pondicherry, Solamalai Automobiles Pvt. Ltd., Madurai and TVS (India) Pvt. Ltd., Madurai. A self-structured questionnaire assessing the various leadership behaviors and employee performance measures were distributed to a random sample of 215 respondents. A total of N = 199 surveys were returned representing a response rate of 92.56 per cent. The sample consisted of 43 middle level managers (21.61 per cent) and 156 sub ordinates (78.39 per cent) who were under the direct control of the middle level managers.

62.80 per cent of the middle level managers (27 respondents) belonged to the Public sector enterprise whereas 37.2 per cent (16 respondents) belonged to the Private sector enterprises. Likewise, Sixty two per cent of the sub ordinates (96 respondents) belonged to the Public sector and thirty two per cent of the respondents belonged to the Private sector enterprises who were sixty in actual numbers. Their age ranged from 23 to 37, with a mean age of 32.7 years.

RESEARCH INSTRUMENT AND MEASURES

The questionnaire consisted of 50 items out of which 29 items were used to assess the various leadership behaviors (transformational, transactional and laissez-faire leadership behaviors), 11 items were administered to measure the employee outcomes (performance) and the remaining 10 items were used to assess the rank scores of various leadership behaviors. In all the cases, Likert's Five Point scaling ranging from "1" (Never) to "5" (Always) was used. In case of Laissez – Faire leadership reverse scoring was used and for employee performance terms ranging from "Rarely" to "Very Often" was used.

3.2.1 LEADERSHIP MEASURES

Transformational Leadership:

Six scales were identified and defined as characteristics of transformational Leadership (Bass 1985; Bass, Avolio, & Goodheim, 1987).

They are as follows:

Charisma: The leader instills pride, faith and respect, has a gift for seeing what is really important, and transmits a sense of mission which is effectively articulated.

Individualized Consideration: The leader delegates projects to stimulate learning experiences, provides coaching and teaching, and treats each follower as a respected individual.

Intellectual Stimulation: The leader arouses followers to think in new ways and emphasizes problem solving and the use of reasoning before taking action.

Inspirational Motivation: The leader provides followers with challenges and meaning for engaging in shared goals and undertakings.

Individual Consideration: The leader takes care of each and every follower of the group.

Confidence: The leader trusts the followers.

Transactional Leadership:

Three scales are identified and defined as being characteristics of transactional leadership
(Bass, 1985; Bass, Avolio, & Goodheim, 1987):

Contingent Reward: The leader provides rewards if followers perform in accordance with the contract or expend the necessary effort.

Task Completion: The leader has a firm belief on achieving the goals and that should have higher priority than any other objectives.

Management-by-Exception (Active): The leader concentrates fully on dealing with employees' mistakes, complaints and failures.

Laissez - Faire Leadership:

Two scales are identified and defined as being characteristic of Laissez – Faire leadership:

Management-by-Exception (Passive): The leader will not interfere in any problems until it becomes serious.

Laissez – Faire: The leaders who have less involvement in performance or who has no involvement at all in performing.

3.2.2 Outcome Measures

Extra Effort: The followers' interact in putting the efforts which were beyond their ability for higher performance.
Effectiveness: The ability of the followers to think more methodically and effectively.
Satisfaction: The quantum of satisfaction the followers' does have with their leaders.
Dependability: Ability of the followers to work with Zeal and confidence even in the absence of leaders.

DATA ANALYSIS

Descriptive statistics, Garrett Scores, Correlations and Regression Analysis were used to analyze the data set. Garret ranking technique was used to convert the order of preference given by the sample respondents into ranks. The following formula was used to convert the order of merit into ranks.

$$\text{Per cent position} = \frac{100(Ri_j - 0.5)}{N_j}$$

Where,

Rij = rank given by the jth individual for the ith factor, and
Nj = number of factors ranked by the jth individual.

After obtaining the per cent position of each item, it was further converted into scores by using Garret's table. The computed scores of the individual respondents for each factor were added and divided by the total number of respondents who had responded. The mean scores of all the factors thus arrived at were arranged in a descending order and ranks assigned according to the scoring. The hypotheses framed for the relationship between dependent and independent variables were analyzed using correlations and regression analysis.

REVIEW OF LITERATURE

In a survey conducted by *Bono and Judge (2003)* as to whether the followers of transformational leaders exhibit higher performance, motivation, job satisfaction, and organizational commitment in service and manufacturing organizations, it was found that Transformational Leadership behaviors, as evaluated by followers, was positively related to followers' job performance. From the answers given by the employees about the transformational leadership, *Nemanich and Keller (2007)* concluded that the Transformational Leadership behaviors had a significantly positive relationship with acquisition acceptance and to be positively related to goal clarity, creative thinking, and follower performance. The authors suggest Transformational Leadership be used to face challenges, such as those encountered during an acquisition.

In a similar study of *Piccolo and Colquitt (2006)* the authors found Transformational Leadership behaviors had a significantly positive relationship with task performance. They also found intrinsic motivation and goal commitment to significantly mediate the relationship between Transformational Leadership behaviors and task performance. The authors suggested for training and manager development plans for Transformational Leadership. *Wang et al. (2005)* studied 81 managers enrolled in master of business administration courses at a Chinese university and 162 of their immediate subordinates (68% response) to asess the two-way relationship between the leader and follower. Each manager rated task performance and organizational citizenship behavior of his/her followers and each follower rated Transformational Leadership behaviors of the manager and the leader-member exchange between them self and the leader. The authors found Transformational Leadership behaviors and the leader-member exchange to have significant relationships with task performance and organizational citizenship behavior. The authors also found the leader-member exchange to fully mediate the relationship between Transformational Leadership and task performance. The authors believe Transformational Leadership strategies, especially those that enhance the leader member exchange, should be included in management training.

Judge and Piccolo (2004) conducted a meta-analysis of 87 studies measuring transformational, transactional, and laissez-faire leadership. From the study, the authors found that the Transformational Leadership had shown the highest overall validity, while contingent reward leadership was a close second. The authors found more validity with Transformational Leadership than contingent rewards when looking at leader effectiveness. Contingent reward was found to be more valid for leader performance. The authors found the differences in validity were not significant for follower motivation and group performance. The authors found, through their meta-analysis, Transformational Leadership had a positive relationship with follower job satisfaction, follower leader satisfaction, follower motivation, leader job performance, group performance, and rated leader effectiveness.

According to *Mehra et al. (2006),* when some organizations seek efficient ways to enable them to outperform others, a longstanding approach is to focus on the effects of leadership. This is because team leaders are believed to play a pivotal role in shaping collective norms, helping teams cope with their environments, and coordinating collective action. This leader-centered perspective has provided valuable insights into the relationship between leadership and team performance.

RESULTS AND DISCUSSIONS

LEADERSHIP EFFECTIVENESS

By referring the Garrett's table, the percent position estimated is converted into scores. Then for each factor the scores of each individual are added and the mean values are considered to be the most important. The Garrett's score for the various factors that turns out the ordinary leadership styles into an effective one has been presented in Table 1. At its first level, ranks had been assigned to various factors under every question in accordance with their relative mean scores. (The results were too lengthy to be presented here. It may be given on requisition). From the selected factors, the major factors that determine the effectiveness of leadership were listed and the ranks were also assigned:

Table 1. Garrett Ranking Method for Leadership Effectiveness

Factors	Total Score	Mean Score	Rank

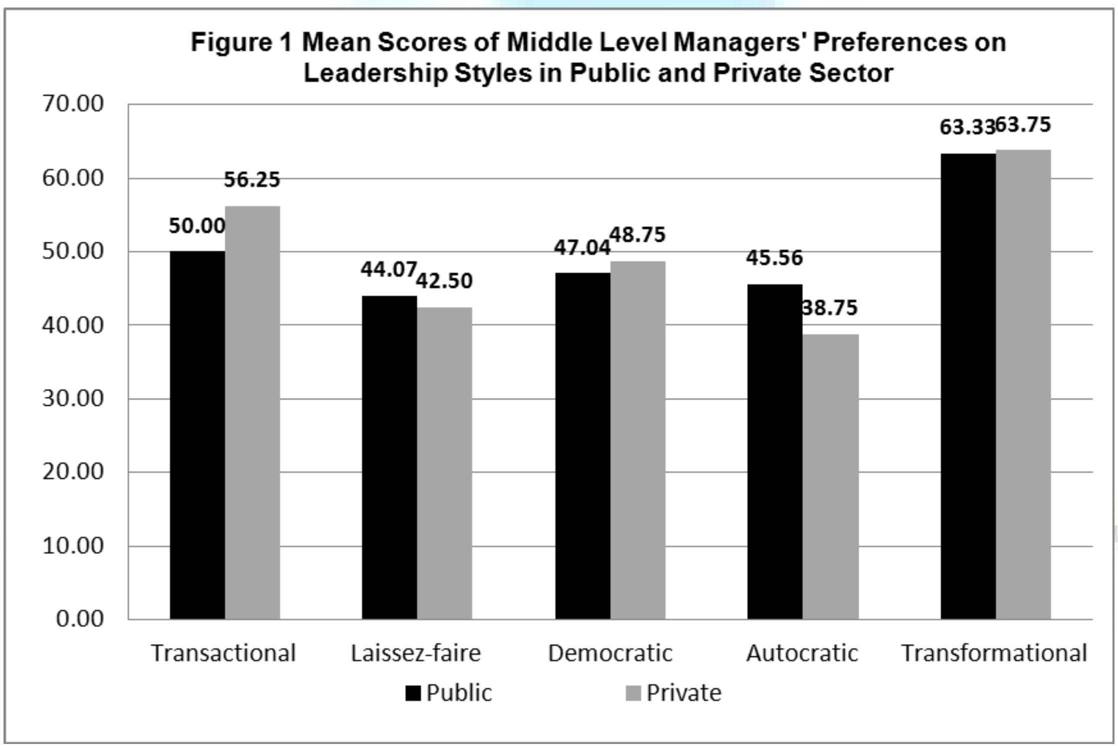
Planning and controlling ability	11270.00	56.63	5
Role model	12290.00	61.76	3
Self-Confident	11290.00	56.73	4
Sets standards of performance for group members	12430.00	62.46	2
Rewarding Achievement	11090.00	55.73	6
Influencing	13170.00	66.18	1

In our study, all the respondents have given the scoring for all the factors since the number factors given are only few. The table gives a clear picture that a leader should be able to influence his/her subordinates for better achievement and also be able to set the standards of performance for his/her peers that suit the individual capabilities as well as the organizational targets. They must act as "*Role-Models*" to encourage their followers, instill self-confident and has the ability to plan and control diverse activities of their peers. Thus, it is consistent with the result that the qualities possessed by transformational leaders were regarded the most effective than that of the transactional leaders and Laissez-Faire leaders.

At the same time, it is evident that Contingent Reward, one of the important features of Transactional leaders also play a vital role in determining the effectiveness of leadership but to a lesser extent than that of the transformational leadership qualities.

LEADERSHIP STYLE PREFERENCES IN THE SELECTED PUBLIC AND PRIVATE ENTERPRISES

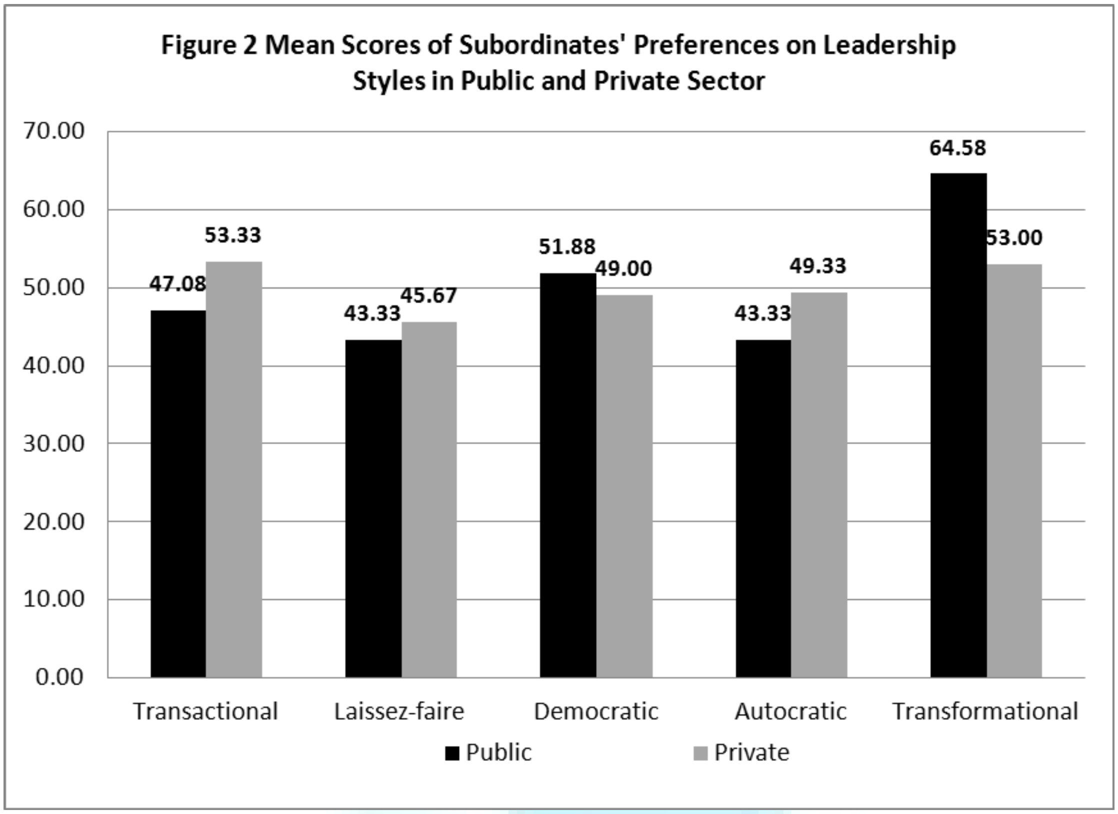
In Figure 1 the *Middle Level managers' preferences on leadership styles* among autocratic, democratic, transformational, transactional and laissez-faire leadership are displayed in the selected enterprises. The result does not give a wider difference between the selected public and private sector enterprises. The highest mean score of 63.33 indicates that majority of the respondents working in the middle level management prefer transformational leadership followed by transactional (50.00) and democratic leadership (47.04 per cent) in the selected public sector enterprises. The lowest mean scores of 44.07 and 45.56 can be found for laissez-faire leadership and autocratic leadership.



Note: The Garrett's scores were used to measure the middle level managers' preferences on leadership styles that are supplemented with the questionnaire drawn for the study.

And so is the case for the middle level managers working in the selected private sector enterprises. The highest mean score of 63.75 is found for transformational leadership whereas the least score of 38.75 is found for autocratic leadership.

The mean scores of *subordinates' preferences on leadership styles* in the selected public and private sector enterprises are given in Figure 2.



Note: The Garrett's scores were used to measure the middle level managers' preferences on leadership styles that are supplemented with the questionnaire drawn for the study.

From the figure, it is seen that the transformational leaders are more preferred by the subordinates in the public sector enterprises with the mean score of 64.58, whereas transactional leadership (53.33) scores is better in case of private enterprises. The least mean scores of 43.33 and 45.67 are found for laissez-faire leadership in case of both public and private enterprises.

The comparison of Figure 1 and 2 suggest that the transformational leaders are more preferred by majority of the respondents working both in public and the private sector enterprises followed by the transactional leadership qualities. The laissez-faire leadership had the least preferences in case of the selected enterprises.

The relationship between Effective Leadership and Employee Performance

Table 2 deals with the descriptive statistics for each of the variables involved in this study.

Table 2. Descriptive Statistics (all i.e. Public and Private sector)

Variables	Valid N	Mean	SD	Range	Min	Max
Idealised Attributes	199	3.61	0.62	3.33	1.67	5.00
Idealised Behaviors	199	3.61	0.61	2.67	2.30	5.00
Inspirational Motivation	199	3.72	0.58	3	2.00	5.00
Intellectual Stimulation	199	3.49	0.64	3	2.00	5.00
Individual consideration	199	3.49	0.75	3.5	1.50	5.00
Confidence	199	3.82	0.83	4	1.00	5.00

Contingent Reward	199	3.67	0.84	3.5	1.50	5.00

Measures	***IA***	***IB***	***IM***	***IS***	***IC***	***C***	***CR***	***TC***	***MBEA***	***MBEP***	***LF***	***EE***	***EFF***	***SAT***	***DEP***

Task Completion	199	3.88	0.44	2	2.75	4.75
Management-by-Exception(Active)	199	2.12	0.62	3	1.00	4.00
Management-by-Exception(Passive)	199	1.95	0.62	3	1.00	4.00
Laissez-faire	199	1.51	0.40	1.67	1.00	2.67
Extra Effort	199	3.55	0.62	3	2.00	5.00
Effectiveness	199	3.72	0.84	4	1.00	5.00
Satisfaction	199	3.62	0.60	3	2.00	5.00
Dependability	199	3.83	0.54	2.33	2.67	5.00

Pearson's 'r' was used to measure the magnitude and the direction of the correlations between leadership styles and performance variables. The correlations are presented in Table 3.

Table 3. Correlation Analysis Results

Transformational															
IA	1.00														
IB	-.17	1.00													
IM	.13	-.02	1.00												
IS	-.08	.05**	.12**	1.00											
IC	.00	.05**	.09*	-.14	1.00										
C	.08	.17**	.32*	.08**	.13**	1.00									
Transactional															
CR	.10	-.04	.12	.24	-.21	-.14	1.00								
TC	.03	-.20**	-.02**	.00	.00	-.21*	.01**	1.00							
MBEA	.13	-.14**	.16	.09	-.18	.12	.19	.06	1.00						
Laissez-Faire															
MBEP	-.13	-.01**	.00	-.11*	.03	-.08	-.06	.02	.06	1.00					
LF	.09	-.19	.04	.01	-.06	-.03*	-.03	-.09*	.07	.08	1.00				
Performance															
EE	-.17	.07*	-.08	.67	.21	-.16	.16**	-.09	-.05*	-.11*	-.07*	1.00			
EFF	.18**	.14**	.40**	.00	.53**	.62*	-.06*	-.16*	.00	-.01*	.11	-.18	1.00		
SAT	.06	.00	.18*	.25	-.13	.38*	.79**	-.04	.23	-.12*	-.01*	.08*	.07*	1.00	
DEP	.06	-.18	-.06**	.04**	.00	-.30*	.06**	.87	.02	-.01	.08**	-.01	-.21	-.03*	1.00

** **$p < .01$ (one-tailed); * $p < .05$ (one-tailed).** IA = Idealised Attributes, IB = Idealised Behaviors, IM = Inspirational Motivation, IS = Intellectual Stimulation, IC = Individual consideration, C = Confidence, CR = Contingent Reward, TC = Task Completion, MBEA = Management-by-Exception (Active), MBEP = Management-by-Exception (Passive), LF = Laissez-faire, EE = Extra Effort, EFF = Employee Effectiveness, SAT = Satisfaction, DEP = Dependability.

From the table, it can be seen that the employee effectiveness is positively influenced by the charisma. Inspirational motivation is positively correlated with employees' effectiveness and satisfaction at $p < .01$ and $p < .05$ but negatively correlated with dependability. Interestingly, the individual consideration given by the leaders to every subordinate tend to increase the effectiveness and satisfactional level of employees at 1 per cent significance level. At the same time, it is seen that the capability of the employees to work even in the absence of the leaders tend to decrease with the individual care and consideration given by the leaders. Thus it is advisable for the leaders to be very optimum in showing chariness to their peers who are working under them.

Contingent reward is likely to increase the willingness of employees to put forth extra efforts for task completion, increases satisfactional level of employees and dependability at $p < .01$ but negatively correlated with the effectiveness of the employees at $p < .05$.

As expected, the laissez-faire leadership is negatively correlated with employee effectiveness, extra effort and satisfaction level of employees at 1 per cent significant level does not show any correlation with dependability.

The results of the correlation analysis clearly indicates that transformational leadership style can create work effectiveness, satisfaction, dependability and extra effort more than transactional leadership. The laissez-faire leadership styles do not help for better employee performances in the selected public and private sector enterprises.

HYPOTHESES TESTING

Table 4 presents the results of hypothesis testing. From the table it is clear that this model has very high correlation between transformational leadership and employee performance as the adjusted R^2 is high (Adjusted $R^2 = 0.632$), i.e., 63% of the employee performance is explained by this model. The researcher *accepts* the null hypothesis (H_{01}) and concludes that *there is sufficient evidence, at the 5% level of significance, that there is a linear positive relationship between transformational leadership and employee performance.*

Table 4. Regression Analysis Results for Effective Leadership and Employee Performance

	Multiple R	R Square	Adjusted R Square	Standard Error	Observations
Transformational	0.800	0.640	0.632	0.191	199

Transactional	0.749	0.560	0.551	0.274	199
Laissez-Faire	0.820	0.673	0.666	0.147	199

The model also explained a high proportion of the explanatory capacity for transactional and laissez-faire leadership (adj. R^2 = 0.551 and 0.666 respectively). H_{02} and H_{03} were also supported that *"the transactional leadership has a significant positive relationship with employee performance"* but to a lesser extent than the transformational leadership and *"laissez-faire leadership has a negative relationship with the employee performance/outcomes"*.

CONCLUSIONS

Though there are numerous studies (eg. Dvir et al. 2002; Bono and Judge 2003; Bass et al. 2003; Nemanich and Keller 2007) that are extended in the area of leadership; it is quite interesting that universally acceptable conclusions are not arrived yet as to what is actually termed as effective leadership, what are the variables contributes for the effectiveness of leadership and so on. This may be attributed to several reasons like the differences in the culture, varying attitudes of the employees, varying expectations of the employees about their leaders etc. More importantly, the situation plays an important role in determining the success of leadership. A leadership quality that is effective in one situation among a particular group of members may not be effective with another situation or with another group of members. All these factors make the leadership process a tedious one, though not actually so.

And hence the researchers have attempted to make this study taking into consideration the respondents both from the public and private sector enterprises. The paper was set out to examine the various factors that increases the effectiveness of leadership and explores the relationship between the effective leadership styles and the employee performances. At its first level, the various factors that affect the effectiveness of leadership styles are suggested. The key result is that the leaders must have the ability to attract / influence their subordinates, be able to set clear standards of performance to their peers and act as a best role model to the subordinates. Additionally, the subordinates expect that their achievements must also be recognized and rewarded either with monetary considerations (like bonus, promotions etc.) or with non-monetary terms (eg. Best performer Awards etc.).

The Garrett's score which gives the preferences of the Middle level managers and the subordinates from among various leadership styles recommended the transformational leadership style in the public sector enterprises as well as in the private sector enterprises.

From the correlation and regression analysis, the relationship between the transformational, transactional, laissez-faire leadership and employee performance are measured. Leadership was positively linked with employee performance for both transformational leadership behaviors and transactional contingent reward leadership behaviors. The implication of this finding is that the managers, who are perceived to demonstrate strong leadership behaviors, whether transformational or transactional, will also be seen as engaging in increasing the employees' performance.

In summary, the transformational leadership style has significant relationships with performance outcomes; viz. effectiveness in work, satisfaction, extra effort and dependability. The study has added some additional knowledge for a better understanding of the preferred leadership approach and appropriate style for using with subordinate in various professional levels. By using the results, leaders can adjust their behaviours in practical ways to enhance subordinates' job performance, thereby reaping increased productivity for their organizations as a consequence.

LIMITATIONS AND PERSPECTIVES FOR FUTURE RESEARCH

As the present study was conducted only in India, further research should replicate the results in other countries. This idea echoes recent calls for cross-cultural research in the field of business ethics. Another limitation of the present studies was that they relied on selected few organizations. Larger domain of study would certainly throw more light on the various dimensions studied. And hence further studies should include a large sample size that represents the leadership qualities. The results of the present study however, can be used for future cross unit and cross institutional studies.

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A FUZZY BASED SERVPERF MODEL TO ASCERTAIN RESTAURANT SERVICE

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ABSTRACT
The service performance of the restaurant industry can be measured and improved only by understanding the potential gaps in quality. To achieve this, the service quality must be thoroughly studied from both the conceptual viewpoint and service quality measurement. This study explores and identifies the perceived service quality of customers for different restaurant service dimensions through a fuzzy based SERVPERF measurement technique. Also the factors influencing the service quality of restaurant services are identified and suggestions are given for the improvement.

KEYWORDS
Factor analysis, Fuzzy Logic, Reliability analysis, Service Quality, Triplet Fuzzy Number.

INTRODUCTION
The service quality plays an important role in the success of any business. For the better positioning and improvement of any service organization, it is necessary to evaluate the performance of the service provided by them. To ensure the competitive advantage of the hotel industry, it is essential to do contemporary research on the service quality issues of the industry. Today millions of dollars are spent on designing hotel services in every year. Design is acknowledged as the key aspect for deliberate competition. The practitioners and managers of hotel industry are of the view that the design aspects of hotel services are interior design and services. Even though customer feedbacks are collected for improvements, these are not used effectively, to prioritize hotel service design attributes. Hence, it is necessary to define a process, which will consider all characteristics of services. As far as restaurant is concerned the quality of the food and service is defined as meeting or exceeding the expectations of the customer as if promised by the restaurant. The food should be properly and neatly prepared and the service should be prompt and courteous. The benefit of quality food and service in addition to retaining existing customers will certainly bring new customers through word-of-mouth communication of its customer. Studying the service attributes is a key component for standardizing organization philosophy and it must be a part of the quality improvement initiative.

This study explores and identifies the perceived service quality of customers for different restaurant service dimensions through a fuzzy based SERVPERF measurement technique. This paper is prepared in the following style. Primarily, it provides a review on existing literature regarding the dimensions and applications of SERVQUAL, SERVPERF and fuzzy application to service quality, following which research methodology is presented. Further, the analysis and interpretations are given. Finally this work emphasizes on strategies to improve the service quality of restaurants which will provide valuable insights to that sector.

LITERATURE REVIEW
Parasuraman et al. (1985) have indicated that customers form their perception of quality from different elements of the service. SERVQUAL scales have been used in a variety of published studies. SERVPERF - a performance based alternative to the SERVQUAL measure has been developed by Cronin and Taylor (1992). In the SERVPERF model, the main attributes of the service quality of a provider are considered to assess and make comparison between perceived and expected service quality. They argued that a separate survey of customer expectation is unnecessary. Therefore, the model is based on only the perception component of SERVQUAL quality measurement. A summary of individual ratings of the 22 SERVQUAL questionnaire items have been used to identify the level of quality and the five SERVQUAL dimensions are not presupposed. There is also an opinion that there is little theoretical or empirical evidence to support their gap theory as the basis for measuring service quality (Teas, 1993). The versions of SERVQUAL continue to be critiqued and improved; SERVQUAL stands as the best mechanism for assessment and measurement of perceived service quality (Kettinger and Lee, 1995). SERVQUAL instrument for measuring service quality is applicable for a large range of services with minor modifications in the scale. Later gap score which defines the gap between expectations and

perceptions, has been introduced as an enduring perception about the overall excellence of a firm. Further studies confirm that SERVQUAL technique can be appropriately applied in measuring service quality perceptions in restaurants with appropriate modifications and refinement. Buttle (1996) has enlightened that “even though the authors of SERVQUAL had applied refinement to the original SERVQUAL instrument, and they held that the dimensions identified were transferable across business sectors, researchers still keep expressing the theoretical and operational concern and criticisms about the scale”, also he argued that “the numbers and contents of dimensions are varied in reality according to the sector under study”. Vazquez et al. (2001) have pointed out that the scale and its dimensions require customization to the specific service sector in which they are applied. The research of Wilkins et al. (2007) also supports these findings.

Sangeeta and Karunes (2004) have applied the SERVQUAL methodology to identify the gap between customer expectations and perceptions of the actual service received, and then QFD is used to identify the set of minimum design quality characteristics. Key and Theresia (2001) have proposed an integrated application on tourist perspective which involves SERVQUAL, Kano’s model and QFD for service industries to evaluate customer satisfaction; this approach guides the managers for the improvement and strengthening of weak service quality attributes. Ching-Shu and Lou-Hon (2007) have analyzed the hotel rating systems in Taiwan and identified the potential areas for improvement. Also they argued that the Taiwan hotel rating system currently has no criteria for evaluating the empathy dimension of service quality. Bharath et al. (2007) have examined the perceptions of South Asians, Caucasians, East Asians, and those of other ethnic origins in their perceptions of Indian restaurants in Malaysia. The findings suggest that there are universal likes and dislikes as well as differential perceptions between ethnic groups.

Rooma (2007) has developed a measurement for assessing hotel service quality. The generic SERVQUAL measure has been investigated to check whether the five dimensions are pertinent to the hotel industry. She has attempted an exploratory study and verified the five dimensions of SERVQUAL for hotel. Subsequently she compared her seven dimensional SERVQUAL assessment scaling for the hotel with the actual five dimensional SERVQUAL scaling, but further numerical illustrations are not given in her work.

Fuzzy set theory has been introduced by Zadeh (1965) to deal with problems involving uncertainty and fuzziness. Numerous studies have applied fuzzy set theory to research problems involving uncertainty. Chien and Tsai (2000) have used fuzzy number to assess perceived service quality and clarify the strengths and weaknesses of Taiwanese retail stores. According to Alreck and Settle (1995), in marketing research, most questionnaires use Likert scales to measure respondents' attitude, which is linguistic in nature. Instead of data being discrete, they have used statistical methods that accommodate continuous data. Hung (2009) has clarified the evaluation of weapon systems using fuzzy arithmetic operations. In the above fuzzy based researches, the qualitative data or linguistic terms are used to represent imprecise assessments of decision criteria or performance attributes are all expressed using fuzzy number.

FUZZY AND TRIPLET FUZZY NUMBER (TFN)

Generally, surveys examining customer perceptions of satisfaction or service quality have used questionnaires in which respondents indicate their feelings with reference to selected linguistic terms. But human judgments of events may vary significantly according to the subjective perceptions or personality of individuals, even when the same linguistic term is used (Chiou et al., 2005). Thus, when using fuzzy number to represent specific linguistic terms, researchers must consider differences among survey respondents. In this study a TFN is used to represent the linguistic term of respondent’s perception of customer satisfaction or service quality. Moreover, the linguistic terms from among which respondents chose to indicate their perception towards service are “very satisfied”, “satisfied”, “fair”, “unsatisfied” and “very unsatisfied”. In the survey questionnaire of this paper, respondents are asked to complete the range of each linguistic term based on their own subjective decision. On a scale of hundred, for example, one respondent has given triplets (0, 0, 25), (0, 25, 50), (25, 50, 75), (50, 75, 100) and (75, 100, 100) meaning “very unsatisfied”, “unsatisfied”, “fair”, “satisfied”, and “very satisfied”, respectively. Figure-1 gives a representation of these triplets reduced to a sacle of 5. Another respondent has given triplets (0, 0, 30), (0, 30, 50), (30, 50, 70), (50, 70, 100) and (70, 100, 100) meaning “very unsatisfied”, “unsatisfied”, “fair”, “satisfied”, and “very satisfied”, respectively. Finally, this study aggregated respondent opinions regarding specific linguistic terms by calculating the average triangular fuzzy number for all respondents. Consequently, the final average triangular fuzzy number of each linguistic term is decided and used for the subsequent assignment of a triangular fuzzy number indicating respondent perceptions (Tsaur *et al.*, 1997).

FUZZY ALGORITHM

Let the universe of discourse X be a subset of real numbers R, X={x_1, x_2….x_n}. A fuzzy set $\tilde{A}$= {(x, $\mu_A(x)$) | x ∈ X} is a set of ordered pairs where μ_A is called a membership function $\mu_A : X \rightarrow [0, 1]$ (Peter et al., 1993).

Let $\tilde{A}$ = {(x, $\mu_A(x)$) | x ∈ X} and

$$\widetilde{B} = \{(x, \mu_B(x)) \mid x \in X\}$$

(Refer Klir and Yuam (1995))

$\mu_{A\cap B}(x) = \min(\mu_A(x), \mu_B(x)),\quad x \in X,$

$\mu_{A\cup B}(x) = \max(\mu_A(x), \mu_B(x)),\quad x \in X.$

The triplet (a_1, a_2, a_3) denotes a triangular fuzzy number $\tilde{A}$. The membership function $\mu_A(x)$ of $\tilde{A}$ is defined as

$$\mu_A(x) = \begin{cases} Y_a^{L}(x) = \dfrac{x-a_1}{a_2-a_1}, & a_1 \le x \le a_2, \\ Y_a^{R}(x) = \dfrac{x-a_3}{a_2-a_3}, & a_2 \le x \le a_3, \\ 0, & \text{Otherwise} \end{cases}$$

The triangular membership function is exhibited in figure – 2.

The procedure for defuzzification of TFN is as follows.

In general, the average of fuzzy sets is defined as follows:

$$\widetilde{A}_{kAvg} = \frac{\sum_{i=1}^{n} \widetilde{A}_k^{\,i}}{n} = \left(\frac{\sum_{i=1}^{n} \widetilde{A}_{k1}^{\,i}, \sum_{i=1}^{n} \widetilde{A}_{k2}^{\,i}, \sum_{i=1}^{n} \widetilde{A}_{k3}^{\,i}}{n}\right) \quad \text{-------- (7.2)}$$

for k = 1, 2…,K, where $\tilde{A}_k^{i}$ is the triangular fuzzy number of kth linguistic term under ith respondent, $a_{k1}^{(i)}$, $a_{k2}^{(i)}$, $a_{k3}^{(i)}$ represent the lower value, the moderate value and the upper value of the support of $\tilde{A}_k^{(i)}$ respectively; n denotes the total number of respondents; K denotes the number of linguistic terms; there are five linguistic terms in this study.

The algebraic operations of fuzzy number differ from the algebraic operations involving real numbers. Let Ã and $\widetilde{B}$ be two triangular fuzzy numbers parameterized by the triplet (a_1, a_2, a_3) and (b_1, b_2, b_3) respectively and the algebraic operations can be expressed as (refer Abbasbandy and Hajjari, 2009)

Subtraction: $\tilde{A} \ominus \widetilde{B} = (a_1 - b_3,\ a_2 - b_2,\ a_3 - b_1)$

Defuzzification: $V_A = \dfrac{a_1 + 10a_2 + a_3}{12}$ (refer Pandian and Natarajan, 2010)

The α-cut procedure is given as follows;

The α-cut set $\widetilde{A}_\alpha$ of a fuzzy set $\widetilde{A}$ is defined as

$$\widetilde{A}_\alpha = \{x / \mu_A(x) \geq \alpha, x \in X\},\ (0 \leq \alpha \leq 1),\ \alpha \in R.$$

(a+(b–a)α, b, c –(c–b)α) are the limits of α-cut for a closer range.
The limits of a TFN (a, b, c) when α=0.5 is (a + (b-a) 0.5, b, c - (c-b) 0.5).

OBJECTIVE OF THE STUDY

This paper highlights the customer perceptions of restaurant service quality through SERVPERF and IPA methodology. The fundamental objectives to be accomplished through this study are:
To develop a new methodology to assess the service performance through triplet fuzzy numbers (TFNs) with fuzzy α–cut for restaurant service ,
To test the reliability of the defuzzified values obtained from α–cut TFNs for measuring service performance in restaurant and identifying the factors that determine the service quality of restaurant service, and
To suggest some recommendations to maximize the service quality improvement for restaurant service.

RESEARCH METHODOLOGY

The seven dimensions of SERVQUAL scaling given by Rooma (2007) are taken as base measuring attributes of this analysis. Further the measuring attributes are modified to Indian context. The six dimensions of SERVPERF with 56 attributes are taken up for studying the service performance of restaurant. These attributes are measured with seven point Likert Scale. The trained interviewers are provided with both oral and written instructions regarding the purpose, procedure, and the use of the results. The survey has been conducted in a restaurant which is attached with a hotel in Vellore, Tamilnadu, India. The 56 attribute SERVPERF questionnaire was used to collect the data from the respondents. Questionnaires were answered by the respondents without external help. The data was collected from customers who came to dine in with their families or alone. The sampling technique used was convenience sampling. The research design was descriptive in nature. The sample size is 595. The data was compiled in the SPSS sheet. However, the triangular fuzzy numbers (TFNs) make linguistic terms more objective and are different from general research using statistical methods in marketing research. The TFNs are used in this paper for making precise results. Initially the actual linguistic values of the SERVPERF are replaced with TFNs. Then the fuzzy α-cut is taken at 0.5. Further these α-cut TFNs are defuzzified and crisp values are obtained. Then the reliability is tested for this crisp values and the dimensionalities are studied by factor analysis.

DATA ANALYSIS AND INTERPRETATION

ALGORITHM

In this section, the method of measuring service performance using the crisp value obtained through fuzzy α-cut TFNs is discussed. The following are the five steps of the method.
Step 1: *Creating a triangular fuzzy number for the ith consumer's linguistic terms for perceived quality, say, Ã*
Step 2: *To minimize the wider limits of TFNs, α-cut is taken at 0.5 for all Ã*
Step 3: *Get the α-cut TFNs*
Step 4: *Convert the α-cut TFNs to fuzzy crisp values*
Step 5: *Replace all the linguistic values with crisp α-cut TFN values*

RELIABILITY TEST

The reliability of the restaurant performance score is examined by the analyses done on the scale's reliability. Reliability assessments are based on the internal consistency of the items, the alpha representing the same dimension of service quality as well as the overall scale. Cronbach's alpha is taken for validity assessment on correlation and factor analysis. Then the corrected item-to-total correlations are also examined. Among the alpha values of the individual gap score of the items, none had a correlation with the total scores that is lower than the 0.35 cut-off value suggested by Saxe and Weitz (1982). All the item-to-total correlations for the expectations scale ranged from 0.691 to 0.693. Reliabilities for linear combinations of the five subscales are also computed to assess the overall internal consistency of the gap scores (Nunnally 1978). The overall alpha value is 0.962 for the gap score (refer table – 1). These values suggest that both measures exhibit desirable levels of internal consistency at the aggregate level.

EXPLORATORY FACTOR ANALYSIS

A sampling adequacy value derived from KMO Bartlett test if closer to 1 indicates the patterns of correlations are relatively compact and so the factor analysis should yield distinct and reliable factors. According to Kaiser (1974), if the measure of sampling adequacy is greater than 0.5 then accept it and proceed with factor analysis. The degree of common variance among the fifty six variables is "middling" at 0.758, which states that sampling adequacy is acceptable (refer table – 2). To scrutinize the dimensionality of the scale, the correlation matrix of difference gap scores of expectations and perceptions is analyzed by Principal Component Analysis (PCA). This PCA of performance score extracted six factors with eigen-values greater than 1.0, accounting for 74.84 percent of the total variation. Rotation results give conceptually meaningful dimensions. Factor analysis results are provided in table – 4. The initial solution indicates that a single factor adequately summarizes the data on the basis of factor loadings and variance explained (refer table – 3). Factor analysis of the difference scores provides a clear picture of meaningful factor structure. 74.84% of total variance is explained after rotations of all the attributes and six components are extracted. The identified factors are renamed as follows: Factor 1: Basic needs, Factor 2: Empathy, Factor 3: Décor, Factor 4: Professionalism, Factor 5: Location and Ambience, Factor 6: Promptness

INFERENCE OF EXTRACTED FACTORS

The diner in a restaurant has many choices in all restaurant segments. It is quite a common fact that consumer is sophisticated and always impatient to be served. If the restaurant is not providing to the fullest satisfaction of their customer, the consumer will shift his loyalties to another. Restaurateurs must ask the customer to define great service. Today, the restaurateur who provides great service and value has a competitive edge over those operators who do not. To this end of finding what great service is, we have applied factor analysis. It can be seen from the factor loadings, that the attributes of restaurant service are grouped into six sets which are exhibited in figure – 8.2 and are described under.

Basic needs: The first set of attributes grouped under this factor reveals that the restaurant should provide good food as well as the best service. Generally customer likes the food to be what is promised on the menu, to be cooked and prepared properly, to be clean and to have the correct flavour. That is considered as quality food. The quality food does not mean healthy food or gourmet food. It is simply what is promised. Quality service is typically that which is timely and courteous. From the above grouping it is clear that if a restaurant concentrates on the first eight attributes the basic needs of a customer will be satisfied to a great extent.

Empathy: The second set of attributes are regarding empathy of the workers assuming various roles like listening carefully to complaints, problem-solving abilities, socialising with guests, greeting the customer with a smile or a hand shake, understanding the customers' requirements and having customers' best interest at heart. It is evident from the values obtained that the first six attributes play a pivotal role in satisfying the customer in the second most important set of attributes.

Décor: The third set includes the various attributes like arrangement of tables, clean and attractive tableware, glasses and plates and good presentation of food items, juice etc. Here the first three attributes stand out in their importance.

Professionalism: The fourth set of attributes, where services include the promises made on the services, neat and professional appearance of staff, recognising the regular restaurant customer, accuracy in billing and availability of menu that is easily readable etc. Only the first two attributes play a pivotal role in this factor.

Location and Ambience: The fifth set of attributes reveals that convenient location, image of the restaurant and the other provision are playing a vital role.

Promptness: The promptness and timely service also play an important role in a restaurant service.
In the last two factors, there is a single most important attribute.

DISCUSSION

The SERVPERF model has covered all the dimensions in the field of service quality. The model has effectively grouped the attributes into 6 factors with the most basic attributes coming in factors one and two as would be rightly expected. To improve the customer satisfaction, the attributes mentioned as the most important ones in each factor must be given special attention to. As the hotel under consideration is located on a highway, they should concentrate on satisfying the transit customers who drop in for a while to refresh and relax. If the service they offer is good, these customers will become regular visitors when they take up this route and recommend it to their friends also. If the management is still hesitant, there would be other players who will offer them better service and capture this restaurant's customers. The IPA shows that the hotel management will have to work from scratch to achieve superior service quality because it is quite evident that customers do not appreciate their service at present. Knowing what customers expect is the most important step in delivering quality service. The management should conduct frequent surveys to find out what are the expectations and perceptions of the customers and to see how effective their changes have been. When they do so, they get a picture of what their current status is. All the members, right from the general manager, to the chef, to the waiters, should work towards one common goal, which is to improve the service quality offered in the restaurant. Well, the management should always keep in mind that if they do not take care of their customers, someone else will.

CONCLUSION

Preparation and serving of food is an art. Food must not only be delicious but must also be presented in appetizing manner. The quality of the food and service is defined as meeting or exceeding the expectations of the customer as if promised by the restaurant. In a restaurant people are not only buying food, but they are also paying for a certain level of service. Quality service is typically that which is prompt and courteous. That is what customers expect. Exceeding those expectations with extra service is a plus and can overshadow mediocre food. The benefit of quality food and service is that customers will come back and will recommend the restaurant to friends. It would be helpful if SERVPERF are used to make periodic surveys in both national and local of normative expectations for each industry segment. That would help users of SERVPERF to determine whether a change in perceptions is the result of a change in normative expectations or a change in service quality delivered. Thus, the SERVPERF technique is a valid, reliable and cost-effective method to understand the customers' attitude. The SERVPERF interview is easy to administer and easy to respond to. Hence the restaurant services can make use of this tool to enhance their quality of service.

Table – 1: Reliability Statistics

Cronbach's Alpha	No. of Items
0.962	56

Table – 2: KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy		.758
Bartlett's Test of Sphericity	Approx. Chi-Square	113851.898
	Df	1378
	Sig.	.000

Table – 3: Total Variance Explained

Component	Initial Eigen values			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	19.343	36.497	36.497	19.343	36.497	36.497	12.40	23.397	23.397
2	7.742	14.608	51.105	7.742	14.608	51.105	7.358	13.883	37.280
3	4.089	7.714	58.819	4.089	7.714	58.819	6.804	12.838	50.118
4	3.451	6.511	65.330	3.451	6.511	65.330	5.189	9.791	59.909
5	2.538	4.788	70.118	2.538	4.788	70.118	4.017	7.580	67.490
6	2.504	4.724	74.843	2.504	4.724	74.843	3.897	7.353	74.843
7	1.838	3.467	78.310						
8	1.529	2.886	81.195						
9	1.306	2.465	83.660						
10	1.256	2.369	86.030						
11	1.105	2.085	88.114						
12	1.075	2.028	90.142						
13	.880	1.660	91.802						
14	.659	1.244	93.046						
15	.638	1.203	94.249						
16	.551	1.040	95.290						
17	.503	.949	96.239						
18	.418	.788	97.027						
19	.298	.562	97.589						
20	.272	.514	98.103						
21	.208	.392	98.496						
22	.190	.358	98.854						
23	.167	.315	99.169						
24	.113	.213	99.382						
25	.090	.170	99.552						
26	.069	.130	99.682						
27	.044	.083	99.765						
28	.028	.053	99.819						

29	.022	.041	99.860						
30	.017	.032	99.892						
31	.013	.025	99.917						
32	.011	.021	99.939						
33	.010	.018	99.957						
34	.008	.015	99.972						
35	.006	.011	99.983						
36	.004	.007	99.989						
37	.002	.003	99.993						
38	.001	.003	99.995						
39	.001	.002	99.997						
40	.000	.000	99.997						
41	.000	.000	99.998						
42	.000	.000	99.998						
43	.000	.000	99.998						
44	.000	.000	99.998						
45	.000	.000	99.999						
46	.000	.000	99.999						
47	.000	.000	99.999						
48	.000	.000	99.999						
49	.000	.000	99.999						
50	9.12E-05	.000	100.00						
51	8.36E-05	.000	100.00						
52	8.06E-05	.000	100.00						
53	7.80E-05	.000	100.00						

Table – 4: Rotated Component Matrix

	Components (Factors)					
	1	2	3	4	5	6
Prompt food service	.892					
Courteous employees	.868					
Friendliness of the staff	.844					
Appealing interior and exterior hotel décor	.826					
Responsiveness to customers requests	.816					
Good quality music played	.814					
Choice of menu, buffets, beverages and wines	.782					
Pays attention to the customer throughout	.778					
Provision of children's facilities	.755					
Experienced staff	.705					
Modern and comfortable furniture	.700					
Value for money	.687					
Comfortable, relaxed and welcome feeling	.681					
Advance and accurate information about the prices	.675					
Attractive lobby	.661					
Excellent dishes and desserts	.591					
Ability of staff to instill confidence in customers	.586					
Accuracy of food orders	.544					
Staff performing services right the first time	.522					
Listening carefully to complaints		.855				
Problem-solving abilities of the staff		.838				
Staff socializing with guests		.758				
Customer loyalty programmes		.735				

Greeting the customer with a smile or a shake hand		.726				
Understanding the customers' requirements		.715				
Restaurant to have customers' best interest at heart		.670				
Cleanliness and comfort of the restaurant		.557				
Comfortable seats		.551				
Visually appealing menu and dishes		.541				
Availability of staff to provide service		.510				
Spaciousness of the restaurant		.502				
Well-trained and knowledgeable staff			.797			
Complimentary items			.747			
Quick and neat delivery			.742			
Timely delivery services			.619			
Makes customer feel special			.613			
Reasonable rates			.609			
Accurate information about restaurant services			.599			
Appearance of tableware, glasses and dishes			.557			
Hygienic bathrooms and toilets			.540			
Willingness of the staff to provide help promptly			.540			
Staff with good communication skills			.528			
Neat and professional appearance of staff				.801		
Recognizing the restaurant customer				.728		
Accuracy in billing				.605		
Calling the customer by name				.541		
Availability of menu that is easily readable				.504		
Convenient restaurant location					.882	
Image of the restaurant					.638	
Provision of evening entertainment					.620	
Performing the service at the time promised						.816
Availability of reserving seats and homely delivery facilities						.730
Availability of the restaurant all days in the week						.552

Figure – 1: The i^{th} respondent's linguistic term

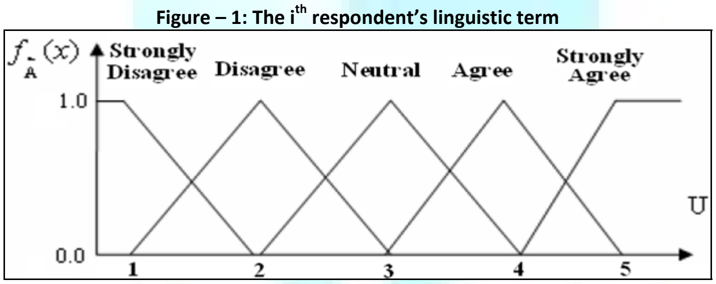
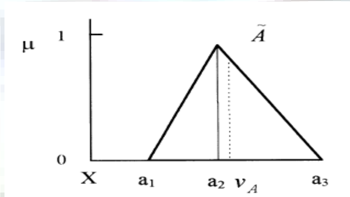


Figure – 2: A triangular fuzzy number Ã



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A COGNIZANCE TO INFORMATION SECURITY

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ABSTRACT

Information security means protecting information and information systems from unauthorized access, use, disclosure, disruption, modification, perusal, inspection, recording or destruction.[1]The terms information security, computer security and information assurance are frequently incorrectly used interchangeably. These fields are interrelated often and share the common goals of protecting the confidentiality, integrity and availability of information; however, there are some subtle differences between them.

In this paper, I show how our secured multiparty computation protocols protect the data of an organization during the war from the cyberspace war when a large number of defense units interact with one another, while hiding the identity and computations done by them. SMC is a problem of information security when large organizations interact with one another for huge data sharing and data exchange. It is quite possible that during sharing and exchange, the private data also get hacked. In order to protect and secure the private data, the protocols of SMC need to be deployed in the large computer networks on which the organizations work. The protocols work at the micro-level in terms of cryptography with which the data are encrypted and then shared, while allowing the keys to be used for sharable data while also keeping the keys untouched for private data. At the macro level, multilevel architectures are used for different types of security to be achieved. The computation part of the secured multiparty computation is based on the algorithmic complexity theory. The algorithms realize the protocols in such a way that it is tedious to break (decrypt) the keys to hack the private data.

KEYWORDS

Trusted third party (TTP), Secure multiparty computation (SMC), Cyberspace, Protocol

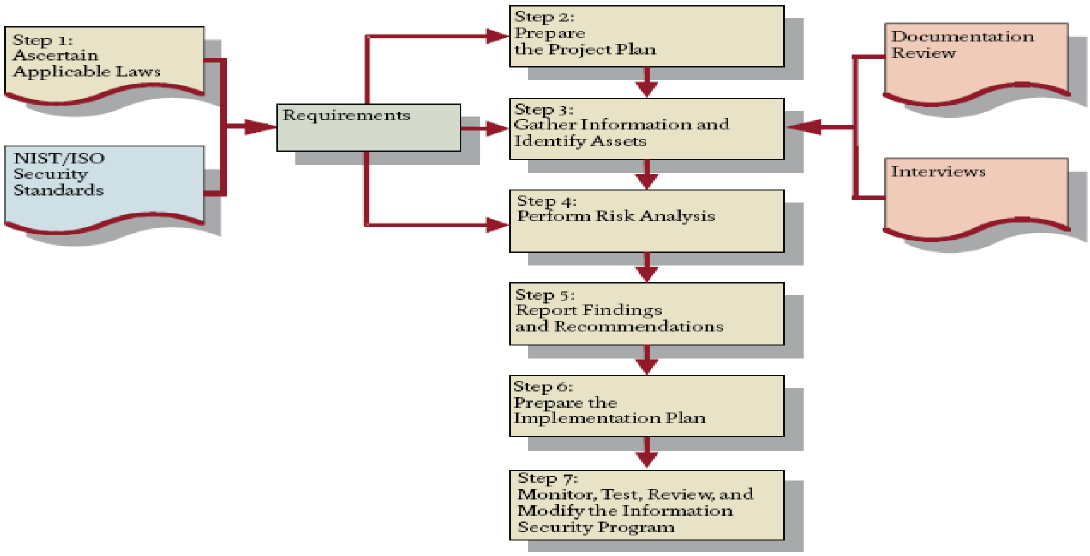
INTRODUCTION

With rapid technology and cost reduction, we have built a large Internet. The critical application of an organization requires an Internet to deliver information. The cyber world has become an important part of our day-to-day lives. Most of us use cyber space to communicate with friends and business associates through the devices that are connected to the Internet via wired or wireless technology. We make airline, railway and other travel reservations through the Internet, which we call the World Wide Web. Apart from this we use it for weather forecasting and planning of our daily activity, including our hobby and other social activities. We use the Web and all its powerful resources to educate ourselves and to gain knowledge. In summary, now cyber space is fully embedded in our daily live.

A common person connects to get information from home, office, university, or from any cyber cafe, even information stored in a remote place, so prevention is required. During war, millions of users wish to access the information which can be made accessible on the Internet. Many of the governmental decision-making processes also use cyber space to perform joint computations during war time. To prevent the identity of a defense unit, SMC can be applicable. When countries want to share the critical information of the war or terrorist attack, the terrorists can perform the malicious activities. They can capture the data from cyber space during communication, or a central computation body can disclose the information of one to others. This issue threatens all of us and introduces a whole set of ethical and legal issues for business people, scientists, parents, educators, and lawmakers.

In this paper, we propose and work out a technique to secure cyber space using SMC in which the data are concealed even from the anonymizers to further ensure privacy. The technique is based on encryption protocol working on multilayer SMC architecture. Solution involves the formal description of the protocol along with results to achieving high security. In this paper, we also address the issue of different adversaries in SMC and minimize their effects. In the SMC, a set of parties wishes to jointly compute some function of their inputs. Such a computation must preserve certain security properties, such as privacy and correctness; however, some of the participating parties or an external adversary colludes to attack the honest parties. While assuming that the result computed by a central body is trustworthy, we basically emphasize to hide the data of individuals. In proposed protocol, each party (country) will send encrypted data instead of original as well as the key to decrypt the same at a later stage of need. The party transfers key and data to TTP through a separate anonymizer for secrecy of key as well as data. In as earlier work, we had assumed that anonymizer will not store any data at any moment and shall only redirect it to the TTP. In addition to providing macro-level privacy, we also include micro-level in our proposed SMC protocol.

FIGURE 1. A TYPICAL INFORMATION SECURITY COMPLIANCE ASSESSMENT



LITERATURE REVIEW

With the increasing use of the Internet and deployment of various devices over the Internet, the risk of Security threats to privacy have become a major issue. Many sensors, monitoring devices, and environment data collecting devices are being deployed and have became an essential part of our daily life. Looking to such demanding needs, Cyber Trust Program at the National Science Foundation has increased the financial investment of research in this area. Business and individual organizations are facing cyber space security threats. The damage done by these threats is mounting along with the increase in the areas which are becoming their prey. The ability of resources, technology, and finances to cope with these is limited, however.

An individual, business, or enterprise system, that is, every critical system in cyber space, is a target of cyber threats. But there exist a possibility of forming a unified and effectual agenda for it by concentrating on severe threats that could cause critical damage.

Decision time, magnitude of threat, and awareness are the three key attributions of cyber space threat which are believed to have strong relations among them. Decision time refers to the pressure to the time approved for policy making; magnitude of threat means the matter's significance which is intimidating nations fundamental value; and the level of immediate grasp of the intermittent situation is the awareness (Michael, 2000).

Cyber space has become an important part of our daily life, consuming an escalating amount of our lives. It is increasingly being used for communication with friends, acquaintances, business associates, purchasing, selling goods and services, ticket reservations, weather Forecasts, news, social and travel planning, education, research, and as a source of information.

To protect the data of an individual from cyber space, SMC performs the major roles. SMC is the problem of *n* parties to compute a private function of their inputs in a secure method, where security means the correct result computed by a trusted third Party (TTP) for maintaining the privacy of the parties, as some of the parties may want to misuse another party's data. We assume that we have inputs *x1*, *x2*, . . ., *xn*, where *xi* is the data of party *Pi* and the TTP will compute a function *f* (*x1*, *x2*, . . ., *xn*) = (*y1*, *y2*, . . ., *yn*) and send the results to respective parties so that party *Pi* will receive only *yi* and not the results of other parties. This implies the data of all parties must be secure. Security is meant to achieve correctness of the result of computation and keep the party's input private, even when some of the parties are corrupted.

It is widely used to provide digital security of data as well as used in SMC protocol where malicious adversary exists. We had presented an SMC architecture in which the protocol tries to hide the identity of parties using some anonymizers. The *k* adversary parties hack the data of a party requires total permutations (*n*-*k*), which cannot be completed in polynomial time. This problem of insecure communication has been solved to some limit by introducing one more packet layers between anonymizer and party. This protocol is also used to secure Indian BPO. There is no attention given between anonymizer and TTPs that may cause the leakage of data through TTP. A Zero-Hacking protocol has been introduced which overcomes this problem using multiple TTPs. In this protocol, the computation is done by a randomly selected master TTP; thus the party is not aware where the computation will take place. So, it is difficult to disclose data through TTP. Also, the minimum number of TTP must be three. After this, to minimize risk we use encryption before sending the data to the anonymizer. To secure the data of an individual in cyber space, we propose a new protocol in which we divide and encrypt the data into packets of the parties before sending them to anonymizers.

DESIGN CONSIDERATIONS

PROTOCOL

Definition: 1. code of conduct or rules of appropriate behavior; 2. a formal agreement, in politics; 3. an original draft or record of a document

Synonyms: etiquette, rules, conventions, formalities, agreement

Antonyms:

Tips: Protocol is a diplomatic and political term that refers to appropriate behavior and rules of conduct for a particular situation or event. Protocol can also be a more sophisticated word to use to denote appropriate actions or rules in business (see usage examples). Protocol can also be used as a verb, meaning "to draw up or issue a protocol," but is most often used to refer to rules or conventions.

Usage Examples:
Business protocol requires that we arrive at this meeting well-prepared and on time. (etiquette)
We currently have several security protocols in place to insure that any sensitive company information is protected. (rules)
The countries established a new trade protocol to help further their respective economies and relations with each other. (agreement)
Carrie broke company protocol when she used her work e-mail address to send personal e-mails. (rules, conventions)
In network protocol, the data are encrypted and divided into a number of packets, and then the security increases the number of anonymizers that will behave as malicious adversaries. The main emphasis of this protocol is to minimize the effect of malicious adversaries. Figure 2 depicts that *p1*, *p2*. . . *on* are parties (countries). They encrypt the data through some predefined encryption technique. After encryption, encrypted data are divided into number of packets with corresponding packets holding encryption information. *D11*, *D12*. *Dij* are the different packets shown in Figure 2 where *I* = 1 . . . *n* and *j* = 1 . . . *d*. These packets go to randomly selected anonymizers *A1*, *A2*. *Am*. Anonymizer redirects these packets to TTP (computation body) for computation; here we are assuming that there is no loss of packets during the computation.

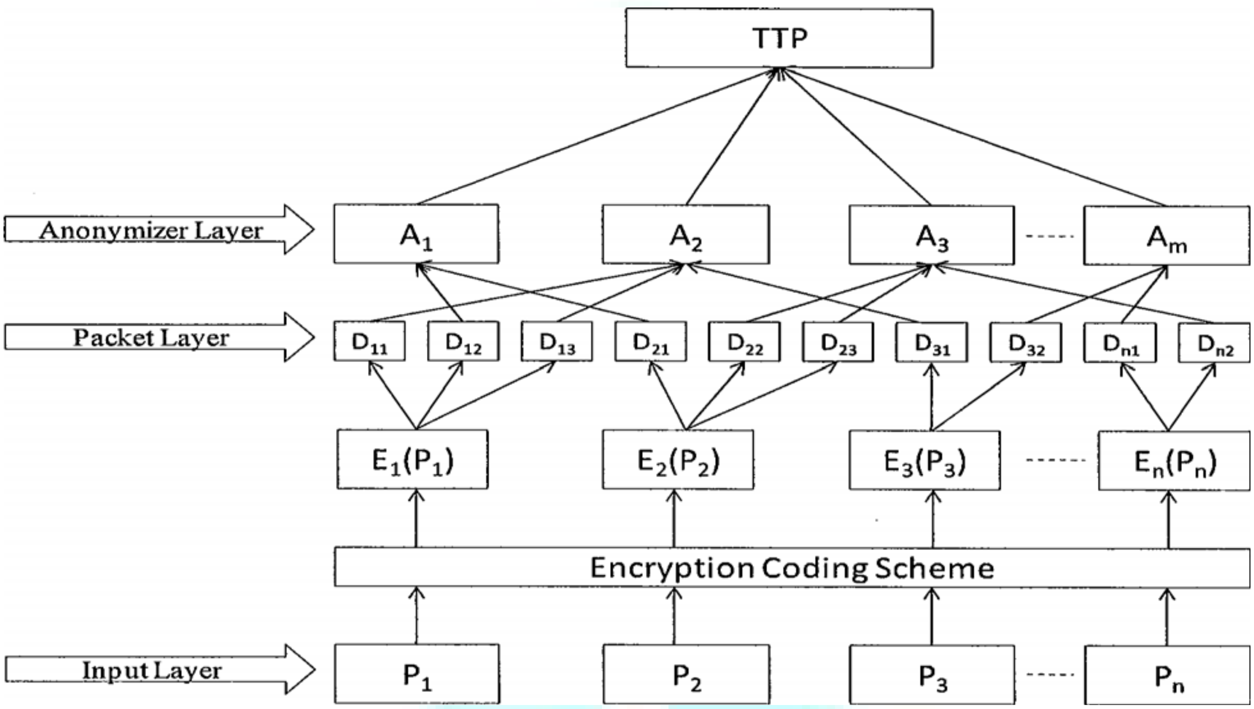


FIGURE 2 Architecture of protocol to protect cyber space.

CONCLUSION

The security of the system increases exponentially as the number of anonymizers increases. It is also concluded that even if the entire data of one party go through a single anonymizer, then security is also high. To further increase security, we divide the data in packets after encryption. The packets are then sent into different anonymizers. Because the packets are distributed among several anonymizers, one anonymizer cannot hold the entire data of any party. This paper also concludes that when data are encrypted and divided into a number of packets, then the security increases and even some of the anonymizers will behave as malicious adversaries. When we increase the number of packets, the security increases exponentially and the effect of the adversary minimizes. Therefore, the cyber space security is controlled using the encryption and anonymization process jointly.

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AN APRRAISAL OF MODELING DIMESIONS FOR PERFORMANCE APPRAISAL OF GLOBAL MUTUAL FUNDS

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ABSTRACT

A number of studies have been conducted to examine investment performance of mutual funds of the developed capital markets. Grinblatt and Titman (1989, 1994) found that small mutual funds perform better than large ones and that performance is negatively correlated to management fees, but not to fund size or expenses. Hendricks, Patel, and Zeckhauser (1993), Goetzmann and Ibbotson (1994), and Brown and Goetzmann (1995) present evidence of persistence in mutual fund performance. Grinblatt and Titman (1992), and Elton, Gruber, and Blake (1996) show that past performance is a good predictor of future performance. Blake, Elton, and Grubber (1993), Detzler (1999), and Philpot, Hearth, Rimbey, and Schulman (1998) find that performance is negatively correlated to fund expense, and that past performance does not predict future performance. However, Philpot, Hearth, and Rimbey (2000) provide evidence of short-term performance persistence in high-yield bond mutual funds. In their studies of money market mutual funds, Domian and Reichenstein (1998) find that the expense ratio is the most important factor in explaining net return differences. Christoffersen (2001) shows that fee waivers matter to performance. Smith and Tito (1969) conducted a study into 38 funds for 1958-67 and obtained similar results. Treyner (1965) advocated the use of Beta Coefficient instead of the total risk

This paper is intended examine the modeling dimensions of measuring performance of mutual funds during the last 50 years, which leads to innovative research in financial modeling of mutual fund's performance measure.

KEYWORDS

Financial Modeling, Mutual funds, performance appraisal, global investments

INTRODUCTION

The measure of performance of financial instruments is basically dependent three important models derived independently by Sharpe, Jensen and Treynor. All three models are based on the assumption that (1) all investors are averse to risk, and are single period expected utility of terminal wealth maximizers, (2) all investors have identical decision horizons and homogeneous expectations regarding investment opportunities, (3) all investors are able to choose among portfolios solely on the basis of expected returns and variance of returns, (4) all trans-actions costs and taxes are zero, and (5) all assets are infinitely divisible.

PERFORMANCE EVALUATION METHODS

The following paragraphs indicate a brief description of the studies on 'performance evaluation of mutual funds. Friend, Brown, Herman, and Vickers (1962)[1] offered the first empirical analysis of mutual funds performance. Sharpe (1964), Treynor and Mazuy (1966), Jensen (1968), Fama (1972), Grinblatt and Titman (1989, 1994) are considered to be classical studies in performance evaluation methods.

REVIEW OF LITERATURE

Sharpe (1964)[2] made a significant contribution in the methods of evaluating mutual funds. His measure is based on capital asset prices, market conditions with the help of risk and return probabilities. Sharpe (1966) developed a theoretical measure better known as reward to variability ratio that considers both average return and risk simultaneously in its ambit. It tested efficacy through a sample of 34 open-ended funds considering annual returns and standard deviation of annual return risk surrogate for the period for 1954-1963. The average reward to variability ratio of 34 funds was considerably smaller than Dow Jones portfolio, and considered enough to conclude that average mutual funds performance was distinctly inferior to an investment in Dow Jones Portfolio.[3]

Treynor (1965)[4] advocated the use of Beta Coefficient instead of the total risk. He argues that using only naïve diversification, the unsystematic variability of returns of returns of the individual assets in a port folio typically average out of zero. So he considers measuring a portfolio's return relative to its systematic risk more appropriate.

Teynor and Mazuy (1966)[5] devised a test of ability of the investment managers to anticipate market movements. The study used the investment performance outcomes of 57 investment managers to find out evidence of market timing abilities and found no statistical evidence that the investment managers of any of the sample funds had successfully outguessed the market. The study exhibited that the investment managers had no ability to outguess the market as a whole but they could identify under priced securities.

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Michael C. Jensen (1967)[6] conducted an empirical study of mutual funds during the period 1954-64 for 115 mutual funds. His results indicate that these funds are not able to predict security prices well enough to outperform a buy-the-market and hold policy. His study ignores the gross management expenses to be free. There was very little evidence that any individual fund was able to do significantly better than which investors expected from mere random chance. Jensen (1968) measured the performance as the return in excess of equilibrium return mandated by Capital Asset Pricing Model. Jensen's measure is based on the theory of the pricing of capital assets by Sharpe(1964) Lintrer (1965) and Teynor.

Smith and Tito (1969)[7] conducted a study into 38 funds for 1958-67 and published results relating to performance of mutual funds. However, Mc Donald (1974) examined 123 mutual funds for 1960-69 measures to be closely correlated more importantly, he found that on an average, mutual funds perform about as well as native 'Buy and Hold' strategy.

Fama (1972)[8] suggested alternative methods for evaluating investment performance with somewhat finer breakdowns of performance on the stock selection, market timing, diversification and risk bearing. It devised mechanism for segregation part of an observed investment return due to managers' ability to pick up the best securities at a given level of risk from part that is due to the prediction of general market price movements.

Dunn and Theisen (1983)[9] study is about ranking by the annual performance of 201 institutional portfolios for the period 1973 through 1982 without controlling for fund risk. They found no evidence that funds performed within the same quartile over the ten-year period. They also found that ranks of individual managers based on 5-year compound returns revealed no consistency.

Eun, Kolodny, and Resnick (1991)[10] reported similar findings. The benchmarks used in their study were the Standard and Poor's 500 Index, the Morgan Stanley Capital International World Index, and a self-constructed index of U.S. multinational firms. For the period 1977-1986, the majority of international funds outperformed the U. S. market. However, they are most failed to outperform the world index. The sample consisted of 19 U. S.-based international funds, and the Sharpe measure was used to assess excess returns.

Barua and Varma (1993b)[11] have examined the relationship between the NAV and the market price on Mastershares. They conclude that market prices are far more volatile than what can be justified by volatility of NAVs. The prices also show a mean reverting behaviour, thus perhaps providing an opportunity for discovering a trading rule to make abnormal profits in the market. Such a rule would basically imply buying Mastershares whenever the discount from NAV was quite high and selling Mastershares whenever the discount was low.

Droms and Walker (1994)[12] used a cross-sectional/time series regression methodology. Four funds were examined over 20 years (1971-1990), and 30 funds were analyzed for a six-year period (1985-1990). The funds were compared to the Standard and Poor's 500 Index, the Morgan Stanley Europe, Australia, and Far East Index (EAFE) which proxies non-U. S. stock markets, and the World Index. Applying the Jensen, Sharpe, and Treynor indices of performance, they found that international funds have generally underperformed the U. S. market and the international market. Additionally, their results indicated that portfolio turnover, expense ratios, asset size, load status and fund size are unrelated to fund performance.

Bauman and Miller (1995)[13] studied the persistence of pension and investment fund performance by type of investment organization and investment style. They employed a quartile ranking technique because they noted that "investors pay particular attention to consultants' and financial periodicals' investment performance rankings of mutual funds and pension funds". They found that portfolios managed by investment advisors showed more consistent performance (measured by quartile rankings) over market cycles and that funds managed by banks and insurance companies showed the least consistency. They suggest that this result may be caused by a higher turnover in the decision-making structure in these less consistent funds. This study controls for the effects of turnover of key decision makers by restricting the sample to those funds with the same manager for the entire period of study.

Volkman and Wohar (1995)[14] extend this analysis to examine factors that impact performance persistence. Their data consists of 322 funds over the period 1980 to 1989, and shows performance persistence is negatively related to size and negatively related to levels of management fees.

Elton, et al (1996)[15] examined the predictability of stock mutual funds performance based on risk-adjusted future performance. It also demonstrated application of modern portfolio techniques on past data to improve selection, which permitted construction of portfolio funds that significantly outperformed a rule based on the past rank alone. The portfolio so selected was reported to have small, but statistically significant, positive risk-adjusted returns during a period when mutual funds in general had negative risk adjusted returns.

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Jayadev (1996)[16] paper enlightens performance evaluation based on monthly returns. His paper focuses on performance of two growth oriented mutual funds (Mastergain and Magnum Express) on the basis of monthly returns compared to benchmark returns. For this purpose, risk adjusted performance measures suggested by Jensen and Treynor and Sharpe are employed.

Carhart (1997)[17] shows that expenses and common factors in stock returns such as beta, market capitalization, one-year return momentum, and whether the portfolio is value or growth oriented "almost completely" explain short term persistence in risk-adjusted returns. He concludes that his evidence does not "support the existence of skilled or informed mutual fund portfolio managers".

Yuxing yan (1999)[18] examined performance of 67 US mutual funds and the S &P 500 index with 10-year daily return data from 1982 to 1992. The S & P index was used as bench mark index. Daily data are transformed into weekly data for computational reasons. In the calculations, it was assumed that the S & P 500 market index is a good one, i.e., it is efficient and its variance is constant.

Arnold et al (2000)[19] study examines the risk-adjusted returns using Sharpe's Index, Treynor's Index and Jensen's Alpha for five portfolios of international mutual funds during 1985-1994. The bench marks for competition were the U.S. market proxied by the Vanguard Index 500 mutual fund and a portfolio of funds that invest solely in U.S. stocks. The results show that for 1985 through 1994 the portfolio of international mutual funds outperformed the U.S. market and the portfolio of U.S mutual funds.

Rahul Bhargava et al (2001)[20] evaluated the performance of 114 international equity managers over the January 1988 to December, 1997 period. Performance tests are conducted using Sharpe, Jensen performance methodologies. Three major findings are reported. First, international equity managers, on an average, were unable to outperform the MSCI world market proxy during the sample period. Second, geographic asset allocation and equity style allocation decisions enhanced the performance of international managers during the sample period. Third, separately managed funds were outperformed mutual funds.

Sadhak (2003)[21] study is an attempt to evaluate the performance of Indian mutual funds with the help of data pertaining to: a) trends in income and expenses, b) investment yield and risk-associated returns, and c) returns of Indian mutual funds vis-à-vis returns of other emerging markets.

Bala Ramasamy and Yeung's (2003)[22] survey focused on Malaysisa where the mutual fund industry started in the 1950s but only gained importance in 1980s with the establishment of government initiated programme. The sample size consisting of 56 financial advisors representing various life insurance and mutual fund companies resulted in 864 different profiles of mutual funds. The cojoint analysis was employed to generate the questionnaire and analyse its results. The results of this survey point to three important factors which dominate the choice of mutual funds. These are consistent past performance, size of funds and costs of transaction.

Chang, et al (2003)[23], identified hedging factor in the equilibrium asset pricing model and use this benchmark to construct a new performance measure. Based on this measure, they are able to evaluate mutual fund managers hedging timing ability in addition to more traditional security selectivity and timing. While security selectivity performance involves forecasts of price movements of selected individual stock, market timing measures the forecasts of next period realizations of the market portfolio. The empirical evidence indicates that the selectivity measure is positive on average and the market timing measure is negative on average.

Alexander (2004)[24] has suggested a new dimension called 'modified approach for risk-adjusted performance of mutual funds'. This method can be considered as more powerful, because it allows not only for an identification of active resources, but also for identification of risk. He observed two interesting results: First, it can be shown that in some cases, a superior security selection effect is largely dependent on taking higher risks. Second, even in the small sample analyzed in the study, significant differences appear between each portfolio manager's styles of selection.

Gupta OP and Amitab Gupta (2004)[25] published their research on select Indian mutual funds during four year period from 1999 to 2003 using weekly returns based on NAVs for 57 funds. They found that fund managers have not outperformed the relevant benchmark during the study period. The funds earned an average return of 0.041 per week against the average market return of 0.035 per cent. The average risk free rate was 0.15 per cent per week indicating that the sample funds have not earned even equivalent to risk-free return during the study period.

Subash Chander and Jaspal Singh (2004)[26] considered selected funds during the period Nov 1993 to March, 2003 for the purpose of their study. It was found that Alliance Mutual Fund and Prduential ICICI Mutual funds have posted better performance for the period of study in that order as compared to other funds. Pioneer ITI, however, shown average performance and Tepleton India mutual fund has staged a poor show.

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Amit Singh Sisodiya (2004)[27] makes comparative analysis of performance of different mutual funds. He explains that, a fund's performance when viewed on the basis of returns alone would not give a true picture about the risk the fund would have taken. Hence, a comparison of risk-adjusted return is the criteria for analysis.

Alberto et al (2005)[28] analyzed the passive role that, implicitly, would place institutional investors in such a context. The study was conducted in Italy using empirical evidence from the Italian stock exchange (Comit Index). This study finds that three factors reduce the freedom of institutional investors to manage their portfolio- the market target size, the fund structure and the bench marking.

Sudhakar and Sasi Kumar (2005)[29] made a case study of Franklin Templeton mutual fund. The sample consists of a total 10 growth oriented mutual funds during the period April 2004 to March 2005. NIFTY based on NSE Index was used as the proxy for the market index and each scheme is evaluated with respect to the NSE index to find out whether the schemes were able to beat the market or not. It was found that most of growth oriented mutual funds have been able to deliver better returns than the benchmark indicators. In the sample study, all the funds have positive differential returns indicating better performance and diversification of the portfolio, except two funds with negative differential returns viz., Franklin India Blue Chip Fund, Templeton India Income Fund.

Martin Eling (2006)[30] made a remarkable contribution to the theory of 'performance evaluation measures'. In this study, data envelopment analysis (DEA) is presented as an alternative method for hedge fund performance measurement. As an optimization result, DEA determines an efficiency score, which can be interpreted as a performance measure. An important result of the empirical study is that completely new rankings of hedge funds compared to classic performance measures.

George Comer (2006)[31] examined the stock market timing ability of two samples of hybrid mutual funds. It was found that the inclusion of bond indices and a bond timing variable in a multifactor Treynor-Mazuy model framework leads to substantially different conclusion concerning the stock market timing performance of these funds relative to the traditional Treynor-Mazuy model find less stock timing ability over the 1981-91 time period provide evidence of significant stock timing ability across the second fund sample during the 1999-2000 period.

Yoon K Choi (2006)[32] proposed an incentive compatible portfolio performance evaluation measure In this model, a risk-averse portfolio manager is delegated to manage a fund, and his portfolio construction (and information-gathering) effort is not directly observable to investors. in which managers are to maximize investors' gross returns net of managerial compensation. He considers the effect of organizational elements such as economics of scale on incentive and thus on performance.

Ramesh Chander(2006)[33], study examined the investment performance of managed portfolios with regard to sustainability of such performance in relation to fund characteristics, parameter stationarity and benchmark consistency. The study under consideration is based on the performance outcome of 80 investment schemes from public as well as private sector for the five-year period encompassing January 1998 through December 2002. The sample comprised 33.75 per cent of small, 26.75 per cent of medium, 21.25 per cent of large and 18.75 of the giant funds.

Ramesh Chander (2006a)[34] study on market timing abilities enables to understand how well the manager has been able to achieve investment targets and how well risk has been controlled in the process. The results reported were unable to generate adequate statistical evidence in support of manager's successful market timing. It persisted across measurement criteria, fund characteristics, and the bench mark indices. However, absence of performance is noted for alternative sub-periods signifying the negation of survivorship bias.

Beckmann, Lutje & Rebeggiani (2007)[35] found that Italian female professionals do not only assess themselves as more risk averse than their male colleagues, they also prefer a more passive portfolio management compared to the level they are allowed to. Besides, in a competitive tournament scenario near the end of the investment period, female asset managers do not try to become the ultimate top performer when they have outperformed the peer group. However in case of underperformance, the risk of deviating from the benchmark makes female professionals more willing than their male colleagues to seize a chance of catching up.

Gajendra Sidana (2007)[36] made an attempt to classify hundred mutual funds employing cluster analysis and using a host of criteria like the 1 year old return, 2 year annualized return, 3 year annualized return, 5 year annualized return, alpha, beta etc. The data is obtained from value-research. The author finds inconsistencies between investment style/objective classification and the return obtained by the fund.

Coates and Hubbard (2007)[37] reviewed the structure, performance and dynamics of the mutual fund industry, and showed that they are consistent with competition. It was also found that concentration and barriers to entry are low, actual entry is common and continuous, pricing

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exhibits no dominant long-term trend, and market shares fluctuate significantly. Their study also focused on 'effects of competition on fee' and 'pricing anomalies'. They suggested legal interventions are necessary in setting fee in mutual funds of United States.
Subha and Bharathi (2007) [38] study is carried out for open end mutual fund schemes and 51 schemes are selected by convenient sampling method. NAV's are taken for a period of one year from 1st October 2004 to 30th September, 2005. Out of the 51 funds as many as 18 schemes earned higher returns than the market return. The remaining 33 funds however generated lower returns than the market.
Sondhi (2007)[39] study analyses the financial performance of 36 diversified equity mutual funds in India, in terms of rates of return, comparison with risk free return, bench mark comparison and risk adjusted returns of diversified equity funds. Fund size, ownership pattern of AMC and type of fund are the main factors considered in this study. The study reveals that private sector is dominating public sector.
Cheng-Ru Wu etal(2008)[40] study adopts modified Delphi method and the analytical hierarchy process to design an assessment method for evaluating mutual fund performance. The most important criteria of mutual fund performance should be 'mutual fund style' following is 'market investment environment'. This result indicates investor's focus when they evaluate the mutual fund performance.
Eleni Thanou (2008)[41] study examines the risk adjusted overall performance of 17 Greek Equity mutual funds between years 1997 and 2005. The study evaluated performance of each fund based on the CAPM performance methodology, calculating the Treynor and Sharpe Indexes for the nine year period as well as for three sub-periods displaying different market characteristics. The results indicated that the majority of the funds under examination followed closely the market, achieved overall satisfactory diversification and some consistently outperformed the market, while the results in market timing are mixed, with most funds displaying negative market timing capabilities.
Lakshmi, Malabika Deo and Murugusean (2008),[42] studied a sample of schemes in the eight years period. This study is based on performance evaluation is restricted to the schemes launched in the year 1993 when the industry was thrown open to private sector under the regulated environment by passing the SEBI(Mutual Funds) Regulations 1993. The performance of the sample schemes were in line with that of the market as evident from the positive beta values. All the sample schemes were not well diversified as depicted by the differences in the Jensen alpha and Sharpe's differential return.
Massimo Masa and Lei Zhang (2008)[43] found the importance of organizational structure on Asset Management Company of mutual fund. Their study found that more hierarchical structures invest less in firms located close to them and deliver lower performance. An additional layer in hierarchical structure reduces the average performance by 24 basis points pr month. At the same time, more hierarchical structures leads to herd more and to hold less concentrated portfolios.
Manuel Ammann and Michael Verhofen (2008)[44] examined the impact of prior performance on the risk-taking behaviour of mutual fund managers. Their sample taken from US funds starts in Jan 2001 and ends in Dec, 2005. The study found that prior performance in the first half of the year has, in general, a positive impact on the choice of the risk level in the second half of the year. Successful fund managers increase the volatility, the beta, and assign a higher proportion of their portfolio to value stocks, small firms, and momentum stocks in comparison to unsuccessful fund managers.
Onur, Edwards and Ajay(2008)[45] study evaluates the performance of 50 large US-based international equity funds using risk-adjusted returns during 1994-2003. This study provides documentation on the risk-adjusted performance of international mutual funds. The evaluation is based on objective performance measures grounded in modern portfolio theory. Using the methodology developed by Modigliani and Miller in 1997, the study reports the returns that would have accrued to these mutual funds for a five-year holding period as well as a ten-year holding period. It is evident from the empirical results of this study that the funds with the highest average returns may lose their attractiveness to investors once the degree of risk embedded in the fund has been factored into the analysis.
Qiang Bu and Nelson Lacey (2008)[46] examined the determinants of US mutual fund terminations and provided estimates of mutual fund hazard functions. Their study found that mutual fund termination correlates with a variety of fund specific variables as well as with market variables such as the S&P 500 index and the short-term interest rate. This was tested with the underlying assumptions of the semi-parametric Cox model and reject proportionality. They also found that different fund categories exhibit distinct hazard functions depending on the fund's investment objectives.
David M Smith (2009)[47] discussed the size and market concentration of the mutual fund industry, the market entry and exit of mutual funds, the benefits and costs of mutual fund size changes, principal benefits and costs of ownership from fund shareholders' perspective etc. This study is based on data from Morningstar (2009) about US mutual fund industry, which was composed of 607 fund families.
Bake, Haslem and Smith (2009)[48] investigated the relation between the performance and characteristics of 118 domestic actively managed institutional equity mutual funds. The results showed that the large funds tend to perform better, which suggests the presence of significant

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economies of scale. The evidence indicates a positive relation between cash holding and performance. They also found evidence in a univariate analysis that expense ratio class is an important determinant of performance, and the results are significant in a multivariate setting using Miller's active alpha as a performance metric.

Khurshid et al (2009)[49] studied the structure of the mutual fund industry in India and analyzed the state of competition among all the mutual funds in private sector and public sector. The levels of competition and their trends have been obtained for the periods March 2003 to March, 2009. This study found over-all mutual fund industry is facing a high competitive environment. An increasing trend of competition was observed within Bank-Institution, Private sector foreign and private sector joint venture mutual funds.

Mohit Gupta and Agarwal (2009)[50] study focused on the portfolio creation and industry concentration of 18 ELSS schemes during April 2006 to April 2007. Mutual fund industry concentration was the variable used in classification or cluster creation. This exercise was repeated each month for the period under study. Finally portfolio performance was compared with index fund, portfolio of three randomly picked funds of the previous month, and the return and risk parameters of ELSS category as a whole.

Amar Ranu and Depali Ranu (2010)[51] critically examined the performance of equity funds and found out the top 10 best performing funds among 256 equity mutual fund schemes in this category. Their considers three criteria for selection: a) mutual funds having 5 years of historical performance, b) fund schemes having a minimum of Rs.400 crore of assets under management and c) fund which have average return more than 22.47. They found that HDFC TOP 200(Growth) option was outperforming among the top 10 best performing equity funds.

Sunil Whal and Albert Wang (2010)[52] found impact of the entry of new mutual funds on incumbents using the overlap in their portfolio holdings as a measure of competitive intensity. Their study reveals that funds with high overlap also experience quantity competition through lower investor flows, have lower alphas, and higher attrition rates. These effects only appear after the late 1990s, at which point there appears to be endogenous structural shift in the competitive environment. Their concluding remark is that 'the mutual fund market has evolved into one that displays the hallmark features of a competitive market'.

OBJECTIVES

To understand financial modeling techniques used for performance evaluation of global mutual funds during last 50 years.

To develop scope for new model in the area of performance appraisal of mutual funds

A REVIEW ON VARIOUS MODELS FOR PERFORMANE EVALUATION

JENSEN MODEL[53]: Given the additional assumption that the capital market is in equilibrium, all three models yield the following expression for the expected one period return on any security (or portfolio) *j*:

$$E(R_j) = RF + \beta_J [E(R_m) - RF]$$

RF = the one-period risk free interest rate.

$\beta_J = cov(j\ R_J, R_M) / \sigma^2 R_M$ = the measure of risk (hereafter called systematic risk) which the asset pricing model implies is crucial in determining the prices of risky assets.

$E(R_M)$ = the expected one-period return on the "market portfolio" which consists of an investment in each asset in the market in proportion to its fraction of the total value of all assets in the market. It implies that the expected return on any asset is equal to the risk free rate plus a risk premium given by the product of the systematic risk of the asset and the risk premium on the market portfolio.

FAMA MODEL[54]: In Fama's decomposition performance evaluation measure of portfolio, overall performance can be attributed to selectivity and risk. The performance due to selectivity is decomposed into net selectivity and diversification. The difference between actual return and risk-free return indicates overall performance:

Rp – Rf

Where in

Rp: is actually return on the portfolio, which is monthly average return of fund.

Rf- is monthly average return on treasury bills 91-days.

The overall performance further can be bifurcated into performance due to selectivity and risk

Thus,

$Rp - Rf = [Rp - Rp(\beta_p) + Rp(\beta_p) - Rf)]$

In other words, Overall performance = selectivity + risk

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TREYNOR AND MAZUY MODEL[55]: Treynor and Mazuy developed a prudent and exclusive model to measure investment managers' market timing abilities. This formulation is obtained by adding squared extra return in the excess return version of the capital asset pricing model as given below:

$(R_{pt} – R_{ft})= \alpha + \beta p (R_{mt}- R_{ft}) + \gamma p (R_{mt}- R_{ft})^{2+} e_{pt}$

Where: Rpt – is monthly return on the fund, Rft- is monthly return on 91 days treasury bills, Rmt- is monthly return on market index, Ept is error term

This model involves running a regression with excess investment return as dependent variable and the excess market return and squared excess market return as independent variables. The value of coefficient of squared excess return acts as a measure of market timing abilities that has been tested for significance of using t-test. Significant and positive values provide evidence in support of the investment manager's successful market timing abilities.

STATMAN MODEL[56]: Statman measured mutual funds using the following equation:

eSDAR (excess standard deviation and adjusted return) = $R_f + (R_p - R_f)$ (Sm/ Sp) – Rm

In this formulae: Rf- monthly return on three-month treasury bills, Rp – monthly return on fund portfolio

Rm- monthly return on the benchmark index, Sp- standard deviation of portfolio p's return and Sm – standard deviation of return on the bench mark index.

This model used for shor-term investment analysis. The perfrormance is compared with it bench mark on monthly basis.

CHOI MODEL[57]: Choi provides a theoretical foundation for an alternative portfolio performance measure that is incentive-compatible. In this model, a risk-averse portfolio manager is delegated to manage a fund, and his portfolio construction (and information-gathering) effort is not directly observable to investors. The fund manager is paid on the basis of the portfolio return that is a function of effort, managerial skill, and organizational factors. In this model, the effect of institutional factors is described by the incentive contractual form and disutility (or cost) function of managerial efforts in fund operations. It focuses on the cost function as an organizational factor (simply, scale factor). It was assumed that the disutility function of each fund is determined by the unique nature of its operation (e.g., fund size) and is an increasing function of managerial effort at an increasing rate.

ELANGO MODEL[58]: Elango model is also compares the performance of public sector funds vs private sector mutual funds in India. In order to examine the trend in performance of NAV during the study period, growth rate in NAV was computed. The growth rate was computed based on the following formula:

Growth Rate : Rg = $(Y_t - Y_0 / Y_0)$ X 100

Rg : Growth rate registed during the current year

Y_1 : yield in current year

Y_0 : yield in previous year

In order to examine whether past is any indicator of future growth in the NAV six regression analyses were carried out. NAV of base year was considered as the dependent variable and current year as in the independent variable.

Equation: Y = A + b X

Dependent variable: Y = NAV of 1999-2000

Independent variable : X = NAV of 2000-01

In the same way, the second regression equation computed using NAVs of 2000-01 and 2001-02, as dependent and independent variables.

CHANG, HUNG AND LEE MODEL[59]: The pricing model adopted by Jow-Ran chang, Nao-Wei Hung and Cheng-Few Lee is based on competitive equilibrium version of intemporal asset pricing model derived in Campbell. he dynamic asset pricing model incorporates hedging risk as well as market. This model uses a loglinear approximation to the budget constraint to substitute out consumption from a standard intertemporal asset pricing model. Therefore, asset risk premia are determined by the covariances of asset returns with the market return and with news about the discounted value of all future market returns. Formally, the pricing restrictions on asset *i* imported by the conditional version of the model are:

$E_t r_{i,t+1} - r f_{,t+1} = -V_{ii} / 2 + \gamma V_{im} + (\gamma - 1)V_{ih}$

Where:

Etri, t+1 ; log return on asset, *r f,t*+1 log return on riskless asset, *Vii* denotes Var*t* (*ri,t*+1)*, γ* is the agent's coefficient of relative risk aversion, *Vim* denotes *Covt* (*ri,t*+1*, rm,t*+1), and *Vih* = *Covt* (*ri,t*+1*,* (*Et*+1 − *Et*)*,_∞j* =1 *ρ j rm,t*+1+*j*), the parameter: *ρ* = 1 − exp(*c* − *w*) and *c* − *w* is the mean log consumption to wealth ratio.

This states that the expected excess log return in an asset, adjusted for a Jensen's inequality effect, is a weighted average of two covariances: the covariance with the return from the market portfolio and the covariance with news about future returns on invested wealth. The intuition in this equation that assets are priced using their covariances with the return on invested wealth and future returns on invested wealth.

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 ISSN 0976-2183

MM APPROACH[60]**:** Leah Modigliani and Franco Modigliani better known as M^2 in the investment literature. This measure is developed adjusting portfolio return. This adjustment is carried on the uncommitted(cash balances) part of the investment portfolio at the risk-less return so as to enable all portfolio holdings to participate in the return generation process. This adjustment is needed to bring out the level playing field for portfolio risk-return and vis-à-vis market return. The effect of this adjustment is reported below:

$$M^2 = {}^*Rp - Rm$$

$$^*Rp = (Rf \cdot (1-Sdm/ Sdp)) +(Rp \cdot Sdm/Sdp)$$

In this formulae: * Rp = expected return, Rf = Risk free return, Sdm = Standard deviation of market portfolio and Sdp = Standard deviation of managed portfolio

In case the managed portfolio has twice the standard deviation of the market, then, the portfolio would be half invested in the managed portfolio and remaining half be invested at the risk-less rate. Likewise, in case the managed portfolio has lower standard deviation than the market portfolio, it would be levered by borrowing money and investing the money in managed portfolio. Positive M^2 value indicate superior portfolio performance while the negative indicates actively managed portfolio manager's inability to beat the benchmark portfolio performance.

Table : Overview of Different Measures:

MEASURES	DESCRIPTION	INTEPRETATION
Sharpe Ratio	Sharpe Ratio= Fund return in excess of risk free return/ Standard deviation of Fund. Sharpe ratios are ideal for comparing funds that have a mixed asset classes.	The higher the Sharpe ratio, the better a fund's returns relative to the amount of risk taken.
Treynor Ratio	Treynor ratio= Fund return in excess of risk free return/ Beta of Fund. Treynor ratio indicates relative measure of market risk.	The higher the Treynor ratio shows higher returns and lesser market risk of the fund
Jensen Measure	This shows relative ratio between alpha and beta	Jensen measure is based on systematic risk. It is also suitable for evaluating a portfolio's performance in combination with other portfolios.
M^2 Measure	It matches the risk of the market portfolio and then calculate appropriate return for that portfolio.	A high value indicates that the portfolio has outperformed and vice versa.
Jensen Model	$E(R_j) = RF + \beta_J [E (R_m) - RF]$	The expected one-period return on the "market portfolio" which consists of an investment in each asset in the market in proportion to its fraction of the total value of all assets in the market.
Fama Model	$Rp - Rf = [Rp - Rp(\beta_{p)} + Rp(\beta_{p)} - Rf)]$	Overall performance = selectivity + risk
Treynor and Mazuy Model	$(R_{pt} - R_{ft})= \alpha + \beta p (R_{mt}- R_{ft}) + \gamma p (R_{mt}- R_{ft})^{2+} e_{pt}$	This model involves running a regression with excess investment return as dependent variable and the excess market return and squared excess market return as independent variables.
Statman Model	$eSDAR = R_f + (R_p - R_f) (Sm/ Sp) - Rm$	This model used for shor-term investment analysis. The perfrormance is compared with it bench mark on monthly basis.
Elango Model	$Rg = (Y_t - Y_0 / Y_0) X 100$	In order to examine whether past is any indicator of future growth in the NAV six regression analyses were carried out. NAV of base year was considered as the dependent variable and current year as in the independent variable.

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EMPIRICAL RELATIONSHIP BETWEEN SELF AWARENESS AND SERVANT LEADERSHIP

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ABSTRACT

This research paper adds to the increasing body of knowledge in the sphere of Servant Leadership. Although there has been loads of research in the area of Leadership, especially Transformational Leadership and Emotional Intelligence, there has been limited research in the area of Self Awareness (as a component of Emotional Intelligence as per Goleman, 1996) and Leadership, particularly Servant Leadership. This research paper attempts to fill the void. This study indicates that there is positive relationship between Self Awareness and Servant Leadership. The usefulness of this research can be seen in leadership development area.

KEYWORDS

Agapao Love, Altruism, Empowerment, Self Awareness, and Servant Leadership

INTRODUCATION

SELF AWARENESS

Self-awareness has been defined as one's own ability to self-observe (Wicklund, 1979) and to precisely evaluate one's behavior with respect to set norms (Atwater and Yammarino, 1992). Self-awareness is the practice of reflecting on and accurately assessing one's own behaviors and skills as they are manifested in workplace interactions (Church, 1997)

Malcolm Higgs (2000) has described Self-awareness " as the awareness of our own feelings and the ability to recognize and manage these". Daniel Goleman (1996), described Self Awareness as the practice of reflecting on and accurately assessing one's own behaviors and skills as they are manifested in the workplace. Self-awareness involves leaders being aware of their own strengths and weaknesses and possessing the ability to be frank and honest about them. Daniel Goleman (1996) who has worked extensively on Emotional intelligence has said that Self Awareness is a component of Emotional Intelligence.

A limited number of empirical studies have attempted to link self-awareness to leadership. A few key studies that have dealt with this issue is by Atwater & Yammarino (1992); Church (1997); Van Velsor, Taylor, & Leslie (1993). These studies have all viewed Self-Awareness as congruence between 'self' and 'other' ratings through a 360-degree feedback. This type of conceptualization has traditionally been represented statistically by difference in scores (Church, 1997) and this has been referred to as "congruence-d" (Warr and Bourne, 1999).

Some of the terminologies used in the literature to indicate different types of congruence are viz. Underestimation, In-agreement and good estimation, In-agreement but poor estimation, and Overestimation (Atwater et al., 1998; Atwater & Yammarino, 1997; Fleenor et al., 1996; Sosik & Megerian, 1999). In a 360-degree feedback, Leaders whose self-ratings are below others' (peers / followers / superiors) ratings are referred to as underestimators. Leaders whose self-ratings are high and similar to the others' rating are referred to as in-agreement/good estimators. Leaders whose self-ratings are low and similar to others' rating are referred to as inagreement/ poor estimators. And leaders whose self-ratings are greater than others' ratings are referred to as overestimators.

The main criticism of this conceptualization lies in the fact this index can reflect simply the extent to which self- and other-ratings covary, rather than actual self-awareness (Clive Fletcher and Caroline Baily (2003). They suggest that there is some utility in considering alternative ways and contexts in which to establish an individual's level of self-awareness. Clive suggests that evaluating Self Awareness in other methodologies rather than a multi source feedback would be useful option.

There has not been much study done on Self Awareness as a component of Emotional Intelligence as defined by Goleman (1996). He has indicated that Self-Awareness has three components, Emotional Awareness, Self Assessment and Self Confidence. Based on these components, a self-rating self-awareness questionnaire was developed for the purpose of this study.

SERVANT LEADERSHIP

The focus of servant leadership is not on self but rather on others and the leader is first servant of others (Greenleaf, 1977). The servant leader's first and foremost activity is to serve and meet the needs of others (Russell & Stone, 2002). The philosophy of the servant-leader as seen by Greenleaf (1977), is distinct to say the least. He said that the servant-leader puts others first, trusts everyone unless and until, they prove themselves untrustworthy.

"The servant-leader is servant first…. It begins with the natural feeling that one wants to serve, to serve first. Then conscious choice brings one to aspire to lead. He is sharply different from the person who is a leader first, perhaps because of the need to assuage an unusual power drive to acquire material possessions. For such it will be a later choice to serve – after leadership is established. The leader-first and the servant-first

are two extreme types. Between them there are shadings and blends that are part of the infinite variety of human nature." (Greenleaf, 1991)
Servant leaders develop others, helping them to achieve follower goals (McMinn, 2001). Servant leaders articulate vision, behave in a manner to earn followers' trust and credibility (Farling, Stone, & Winston, 1999). Real servant hood is a leadership style that relies upon the influence of self-giving McKenna (1989).
Patterson's (2003) research has come up with a servant leadership model that includes seven behaviors as exhibited by a servant leader while interacting with his/her followers. These seven behaviors are agapao love, humility, altruism, vision, trust, empowerment, and service. Matthew P. Earnhardt (2008) has empirically validated servant leadership construct as developed by Patterson (2003). We will use these seven behaviors to measure servant leadership in the context of the present paper.
Following hypotheses are proposed to be tested in this study.

HYPOTHESES

There will be significant positive relationships between Servant Leadership components of agapao, humility, altruism, vision, trust, empowerment, and service
There will be significant positive relationship between Servant Leadership and Self Awareness
There will be significant positive relationship between components of Servant Leadership and Self Awareness.

METHODOLOGY

QUESTIONNAIRE DEVELOPMENT AND VALIDATION

The questionnaire for the purpose of testing Servant Leadership is developed based on the literature survey and in particular suited to steel manufacturing public sector environment. The questionnaire is a self-rating, likert scale based (scale 1 to 5) instrument to be filled up by the leader himself/herself. The instrument has total 30 questions with 24 questions on Servant Leadership and 6 questions on Self Awareness.
The questionnaire with initial list of 50 questions was shared with Industry and Faculty experts for review.
The faculty experts validated questions (whether the question measures what they are intended to) and the industry experts validated the relevance of the questions to the steel-manufacturing public sector environment. The validation by Industry experts is done in view of general reluctance of employee response to such surveys. Industry experts felt that, if the questionnaire were too long then it would be very difficult to get response from the employees. After many deliberations it was concluded that a questionnaire with 24 for servant leadership and 6 questions for self awareness would be used for the study.
A pilot data collected from 30 managers was tested for reliability and cornbach alpha indicated a value of .818. After having validated the questionnaire, it is then made available for administering to larger respondents.

SAMPLE

The instrument was administered in a large Steel Manufacturing Public Sector Organization in southeast India. The respondents were reached via emails with the context of the research, and a request to fill up the instrument. The instrument was accessible via an Internet for them to review and provide their feedback. The feedback was anonymous and was insured of confidentiality.
The sample was a convenient sample and total about 151 managers have responded with their feedback. The sample was drawn from various departments of steel manufacturing, Production, Maintenance, Planning, Projects and Quality Assurance teams. The data collection process took about 20 days.

COMMON METHOD VARIANCE (CMV)

Philip M. Podsakoff, Scott B. MacKenzie and Nathan P. Podsakoff (2003) carried out a critical review of the literature on common method variances (i.e., variance that is attributable to the measurement method rather than to the constructs the measures represent) in behavioral research and recommended some remedies. CMV not only can vary the strength of the bias but also can vary the direction of its effect. Method variance can either inflate or deflate observed relationships between constructs.
One of the primary way that Philip M. Podsakoff et al. (2003) recommend to control method variance was through the design of the questionnaire itself. Accordingly the researcher adopted following measures. 1)The order of the questions for Servant Leadership were jumbled up and 2) Protecting respondent anonymity and reducing evaluation apprehension. Respondents were assured that this data will be used purely for academic research purpose. In view of the above, it is concluded the effect of CMV is very minimal in this study

RESULTS OF SURVEY

The results of the survey were analyzed using SPSS version 16 software. The resultant data when tested for the reliability for all the items, the cornbach alpha has showed a value of 0.893, which means that the reliability of instrument is good for us to consider the results. Cornbach Alpha for Servant Leadership is 0.885; Cornbach Alpha for Self Awareness is 0.718, which is more than acceptable limit of 0.7 (Gay, 1990).
In order that the hypotheses are tested, normality of the data is established. The results of Kolmogorov-Smirnov test for normality of residuals are indicated in Table 1 below.

Table 1. Results of Tests of Normality

Tests of Normality			
	Kolmogorov-Smirnov[a]		
	Statistic	df	Sig.
Residual for Servant Leadership	.073	151	.066
a. Lilliefors Significance Correction			

The null hypothesis that the *residuals follow a normal distribution* can be accepted at 95% confidence level as p-values (0.066) is greater than 0.05. Hence, it can be inferred that the assumption of normality of residuals holds true.

TEST FOR HYPOTHESES

HYPOTHESIS 1: There is a linear relationship between servant leadership components of agapao, humility, altruism, vision, trust, empowerment, and service

To test this hypothesis, bivariate correlation is run between all the components of Servant Leadership. Table 2 shows correlation matrix.

Table 2: Correlation Matrix between components of Servant Leadership

	Agapao	Humility	Altruism	Vision	Trust	Empowerment	Service
Agapao	1	.512**	.470**	.471**	.589**	.612**	.499**
Humility		1	.451**	.348*	.518**	.516**	.421**
Altruism			1	.371*	.278**	.380**	.346**
Vision				1	.402**	.428**	.497**
Trust					1	.544**	.423**
Empowerment						1	.561**
Service							1

**. Correlation is significant at the 0.01 level (2-tailed)
*. Correlation is significant at the 0.05 level (2-tailed)

The range of correlations is starting from 0.278 to 0.612 . With P values less than 0.05, even though the correlations are ranging from weak to strong, they are positive and significant correlations. Hence Hypothesis 1 is accepted. This study supports Patterson's (2003) model of Servant Leadership.

HYPOTHESIS 2: There is a linear relationship between Servant Leadership and Self Awareness

To test the hypothesis, bivariate correlation is run between Servant Leadership and Self Awareness. Table 3 gives the results.

Table 3: Correlation and Coefficient of Determination between Servant Leadership and Self-Awareness

	Servant Leadership	R Squared
Self Awareness	.478**	0.228

**. Correlation is significant at the 0.01 level (2-tailed)

The correlation between Self Awareness and Servant Leadership is a healthy 0.478 with coefficient of determination (R Square) at 0.228. The significance level is less than 0.001. Since the P value is less than 0.05 and the correlation is positive and statistically significant, the Hypothesis 2 is accepted. This means that increase in Self Awareness would influence increase in Servant Leadership to the extent of coefficient of determination.

HYPOTHESIS 3: There will be significant positive relationship between components of Servant Leadership and Self Awareness

To test the hypothesis, bivariate correlation is run between all the components of Servant Leadership and Self Awareness. Table 4 gives the results

Table 4: Correlation between Self-Awareness and Components of Servant Leadership

		Agapao	Humility	Altruism	Vision	Trust	Empowerment	Service
Self Awareness	Pearson Correlation	.458**	.363**	0.196*	.338**	.353**	.417**	.304**
	Sig. (2-tailed)	0.00	0.003	0.054	0.00	0.00	0.00	0.00

**. Correlation is significant at the 0.01 level (2-tailed).
*. Correlation is significant at the 0.05 level (2-tailed).

All correlations are positive and significant and P values are less than 0.05. Based on the results, Hypotheses 3 is accepted. The correlations range from weak (.196) to healthy (.458). Altruism has lower correlation with Self Awareness.

DISCUSSION

This study supports Patterson's (2003) model of Servant Leadership. This study indicates that there is positive, significant leadership between Servant Leadership and Self Awareness. Self-Awareness also has positive correlationship between Servant Leadership components. Individuals who are self aware are thought to have higher levels of organizational commitment and job satisfaction, and to be more effective managers and leaders than individuals who are less aware (Atwater and Yammarino, 1997). Subordinates of managers who are high in self awareness will report higher levels of job satisfaction (Dan Moshavi et. al, 2003). In the present study some of the correlations are weak, given that the sample is from public sector organization, bureaucratic organization, the weak relationship can be explained due to prevailing environment. This needs to be further investigated in other business environments.

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PERFORMANCE OF NEW GENERATION BANKS IN INDIA: A COMPARATIVE STUDY

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ABSTRACT
Evaluating Indian Banks' performance is not an easy task, as it seems. There are so many factors, which need to be taken care while differentiating good banks from the bad ones. Just by using some standard ratio for banks' financial analyses, one can reach at conclusions some time or the other, and still could be away from actuality. However, there has to be some mechanism through which these banks can be compared and evaluated from time to time. The traditional analysis largely focused on parameters like Credit –Deposit ratio, commonly referred to as CD ratio, level of nonperforming assets, Capital Adequacy ratio and the other usual earnings ratio. Now, the things have changed; by just having high CD ratio it doesn't mean that the bank is sound. The basic definition of banking business has changed, largely due to the entry of private banks as well foreign banks in the banking industry which has given a totally new dimension to the banking business, which was never thought of a decade ago. This paper tries to analyse the economic performance of commercial banks on the basis of some modern techniques popularly used for this purpose.

KEYWORD
Commercial banks, performance analysis, modern techniques.

INTRODUCTION
In the backdrop of global financial crisis and its repercussions on the Indian economy, the year 2008-09 has been a testing year for the Indian banking sector. The Indian banking sector, however, withstood this test and the resilience of this sector was more than evident. Also, no one will ignore the fact that the sector is currently in a transition phase. It has been passing through a transformation phase and has the influences of a number of forces that are operating in the domestic economy as well as in the international financial system. While public sector banks are in the process of restructuring, private sector are busy in consolidating through mergers and acquisitions. The entry of foreign banks leaves influential impact over the whole sector. The financial sector is likely to witness a significant structural change in the coming year. Nowadays, there are many new entrants which are about to come into the banking sector from both domestic and international sector. Entry of private and foreign banks in the segment has provided healthy competition and is likely to bring more operational efficiency into the sector. However, before investing in a banking stock an investor should look at certain key performance ratios.
Unlike any other manufacturing service, company bank accounts are presented in a different manner as far as banking regulation is concerned. The analysis of banks accounts differs significantly from any other company due to their structure and operating system. Those key operating and financial ratios which one would normally evaluate before investing in a company may not hold true for a bank. However, there have been standard parameters developed over the years, which can serve as a very effective tool for judging a bank's performance.

REVIEW OF LITERATURE
After the liberalization of the Indian Economy, many private sector banks have started their business in India. The issue that is addressed in this study is how effectively these banks have performed? In the past, various studies relating to the financial performance of banks have been conducted by researchers. In his paper, Das (2002) has attempted to develop an objective method for ranking the nationalized banks, by analysing the performance of 17 public sectors banks. Swami and Subramanayam (1994) have tried to study the inter-bank differences in the performance of public sector banks in India with the help of the "Taxonomic method". It was found in the study that many banks had wide disparities in their measures of performance. Noulas and Ketkar (1996) conducted a study to examine the technical and scale efficiency of banks. Bhattacharya et al. (1997) and Sathye (2005) have studied the impact of privatization on the performance of banks. The results of the studies were, however, contradictory. While Bhattacharya found that performance of the public sector banks was sound as compared to the private sector banks, Sathye found the opposite results in his study. Saha and Ravishankar (2000) rated 25 public sector banks using the data envelopment analysis (DEA). A study on technical efficiency and benchmark performance of 68 commercial banks has been conducted by Mukherjee et al. (2002), which revealed that, in India, public sector banks are more efficient than both private and foreign banks. Swamy (2001) studied the comparative performance of different banks groups. Das (2002) has studied the interrelationship among capital, non-performing

loans and productivity of public sector banks. Uppal (2004) conducted a comparative study of the business, efficiency, soundness and productivity of the new private sector banks. He concluded that private sector banks are sound in urban area and he has ranked the banks as per the parameters. Qamar (2003) has studied the profitability and resource use efficiency in scheduled commercial banks in India. He found that new private sector banks and foreign banks are marginally more efficient than the old private sector and public sector banks.
This study is an addition to the literature by using the modern techniques for evaluating bank performance.

METHODOLOGY OF THE STUDY

OBJECTIVE OF THE STUDY
The basic objective of the study is to analyse the performance of the selected banks- SBI, PNB, BOI, IDBI, AXIS, HDFC and ICICI - through the modern techniques and to rank them according to their performance.

THE UNIVERSE AND SAMPLE OF THE STUDY
For the present study, the universe is all private banks and public sector banks irrespective of their size. From this, a sample is selected which is based on the awareness of the general public regarding different private as well as public sector banks. In order to meet this requirement, a formal public research was carried out, from which it is understood that the seven banks are the more popular banks.

SOURCES OF DATA
The study is mainly based on secondary data. The relevant information in this regard is collected from various sources like the CMIE, stock exchanges and magazines like Analyst, Business today, RBI and IBA bulletins. The period taken for the study purpose is 2009-10.

MODERN TECHNIQUES FOR EVALUATING BANK PERFORMANCE
Traditional analysis, which is more subjective doesn't talk about any ratio but identifies some broad dimension of banking business and it largely dwells on some basic parameters for broadly analysing bank performance. While, the modern techniques lay large emphasis on ratio and they have developed certain standard ratio that will analyse banks from various perspectives. Let's look at some key ratio that differentiates a good bank from a bad one.

KEY OPERATING PERFORMANCE RATIOS

1. NET INTEREST MARGIN (NIM): For bank, interest expenses are their main costs (similar to manufacturing cost for companies) and interest income is their main revenue source. The difference between interest income and expense is known as net interest income. It is the income, which the bank earns from its core business of lending. Net interest margin is the net interest income earned by the bank on its average earning assets. These assets comprise of advances, investments, balance with RBI& Money at call.

$$\text{NIM} = \frac{\text{Interest income} - \text{Interest expenses}}{\text{Average earning assets}}$$

2. OPERATING PROFIT MARGINS (OPM): Banks operating profits is calculated after deducting administrative expenses, which mainly include salary cost and network expanses cost. Operating margin is profit earns by the bank on its total interest income. For some private sector banks the ratio is negative on account of their large IT and network expansion spending.

$$\text{OPM} = \frac{\text{Net interest income (NII)} - \text{operating expenses}}{\text{Total interest income}}$$

3. COST TO INCOME RATIO: Controlling overhead is critical for enhancing the bank return on equity. Branch rationalization and technology up gradation account for major part of operating expenses for new generation banks. Even through, these expanses result in higher cost to income ratio, in long term they help the bank in improving its return on equity .The ratio is calculate as a proportion of operating profit including non-interest income(fee based income).

$$\text{Cost to income ratio} = \frac{\text{Operating expenses}}{\text{NII + non interest income}}$$

4. OTHER INCOME TO TOTAL INCOME: Fee based income account for a major portion of the bank's income. This generates from higher fee income through innovative products and adapting the technology for sustained service levels. This stream of revenues is not dependent on the bank capital adequacy and consequently, potential to generate income is immense. The higher ratio indicates increasing proportion of fee-based income. The ratio is also influenced by gain on government securities, which fluctuated depending on interest rate movement in the economy.

Table: I
Comparative Operating Performance (in %)

FYO9	NIM	OPM	Cost to Income	Other Income to Total income
SBI	2.93	17.5	46.62	16.59
PNB	2.85	13.72	42.50	13.80
BOI	2.43	14.71	64.31	15.72

IDBI	0.75	-0.85	49.26	10.18
AXIS	2.49	7.64	38.76	21.09
HDFC	4.2	15.6	51.65	16.76
ICICI	2.2	4.25	44.11	19.64

Sources: RBI bulletin

Table I indicates that, HDFC banks stands first in Net Interest Margin, on account of it's lending to retail sector, which is considered to be high margins business owing to low cost funds from retail deposits. SBI has upper hand in operating Profit Margin which is the result of higher profit earned by the efficient utilization of resources. AXIS bank is on top position for rest of the two key ratios i.e. cost to Income & Other income to Total Income.

KEY FINANCIAL RATIOS

1. CREDIT TO DEPOSITE RATIO (CD RATIO): The ratio is indicative of the percentage of funds lent by the bank out of the total amount raised through deposits. Higher ratio reflects ability of the bank to make optimal used of the available resource .The point to note here is that loans given by bank would also include its investments in debentures, bonds and commercial papers of the companies(these are generally included as part of investments in the balance sheet).

2. CAPITAL ADEQUACY RATIO (CAR): A banks capital ratio is the ratio of qualifying capital to risk adjusted (or weighted) assets. As per the latest RBI norms, banks in India should have a CAR of 9 %. A ratio below minimum indicates that the bank is not adequately capitalized to expand its operations. The ratio ensures that the banks do not expand their business without having adequate capital.

$$\text{CAR} = \frac{\text{Tier I capital + Tier II capital}}{\text{Risk weighted assets}}$$

Tier-I Capital : It is also known as Core Capital, it provides the most permanents and readily available support to a bank against unexpected loses. It includes the aggregate paid-up capital, statutory reserves and other disclosed free reserves including share premium and capital reserves arising out of surplus on sale of assets.

Tier-II Capital : It contains elements that are less permanent in nature or less readily available, than those comprising Tier-I. It comprises:
Undisclosed reserves and cumulative perpetual preference assets.
Revaluation reserves, which arise from revaluation of assets, are undervalued in the bank's books.
General provision and loss reserves.
Subordinated debt of 5-7 years tenure.

3. NPA RATIO: These are the assets that are doubtful to return the principal and/or interest in the near future. This results in huge losses to a bank. Thus a bank with a low profit but at the same time low NPA is preferable to the one having higher profits and higher NPA. The net non – performing assets to loan (advances) ratio is used as a measure of the overall quality of the bank loan book. Net NPA's are calculated by reducing cumulative balance of provisions outstanding at a period in from gross NPAs. Higher ratio reflects rising bad quality on loans.

$$\text{NPA ratio} = \frac{\text{Net non-performing assets}}{\text{Loans given}}$$

4. ROA: Returns on assets ratio is the net income profit generated by the bank on its total assets (including fixed assets).The higher the proportion of average earnings assets, the better would be the resulting return on total assets. Similarly, ROE (return on equity) indicates return earned by the bank on its total net worth.

$$\text{ROA} = \frac{\text{Net profits}}{\text{Avg. total assets}}$$

Table-II

Comparative Financial Performance (in %)

FY09	CD Ratio	CAR	Net NPA ratio	ROA
SBI	73.1	14.3	1.76	1.04
PNB	73.8	14.0	O.17	1.39
BOI	74.8	13.0	0.44	1.49
IDBI	92.0	11.6	0.92	0.62
AXIS	69.5	13.69	0.40	1.44
HDFC	69.2	15.69	0.63	1.28
ICICI	100.0	15.53	2.09	0.98

Sources: RBI bulletin

Table II shows that, ICICI bank is having the highest CD ratio that shows their promptness to lend fund raised through deposits while HDFC bank have enough capital among all in proportion to the risk-weighted assets of the bank, although all banks are capable enough to maintain the CAR above stipulated limit. PNB bank stands first on account of Net NPA ratio which is the result of having high quality of assets. BOI is the best among all in case of getting return out of the assets invested.

EFFICIENCY RATIOS

1. Interest Income per Employee: It is computed by dividing total Interest Income earned by the banks, in a particular year, by the total number of employees.
2. Profits per Employee: It is computed by the dividing the profit after tax earned by the bank by the total number of employees. A higher ratio indicates higher efficiency of management.
3. Business per Employee: It is computed by dividing total business by the total number of employees. Business includes the sum of total advances and deposits in a particular year.

These ratios indicate the productivity level of the bank's employees. Since public sector banks are operating with large employee base, the productivity ratio for these banks lags behind when compared with new generation private sector banks. Banks can improve these ratios by increasing the technology infrastructure, frequent offering of innovative products and also employee rationalization.

Table : III
Productivity Comparisons

FY09	Interest Income (in Rs cr.)	Profit	Business (amount in Rs lakh)
	Per Employee		
SBI	0.30	4.74	556.00
PNB	0.35	5.64	654.92
BOI	0.40	7.49	833.00
IDBI	1.14	8.42	2030.33
AXIS	0.31	10.02	1060.00
HDFC	0.30	4.18	446.00
ICICI	0.89	11.00	1154.00

Sources: RBI bulletin

Table III shows that, IDBI bank is having high Interest Income as well as Business per employee among all. The reason behind this is the small number of employee than other banks and on the other front, it reflects that their men-power are efficient. ICICI bank ranks first in profit per employee criteria, which shows the efficiency of their management and aggressive attitude towards earning profit from the point of view of their employees.

OVERALL PERFORMANCE ANALYSIS OF BANKS BY RANKING METHOD

Table: IV
Composite Index

Ratios / Banks	NIM	OPM	Cost/ Income	O.I/T.I	CD ratio	CAR	Net NPA ratio	ROA	Int.Inc. /Emp.	Profit /Emloy.	Busi. /Employ.	Total	Rank
SBI	2	1	4	4	5	3	6	5	6	6	6	48	V
PNB	3	4	2	6	4	4	1	3	4	5	5	45	IV
BOI	5	3	7	5	3	6	3	1	3	4	4	44	III
IDBI	7	7	5	7	2	7	5	7	1	3	1	52	VI
AXIS	4	5	1	1	6	5	2	2	5	2	3	36	I
HDFC	1	2	6	3	7	1	4	4	6	7	7	48	V
ICICI	6	6	3	2	1	2	7	6	2	1	2	38	II

As indicated in Table IV, ranks are assigned to every bank on the basis of their performance in each aspect separately and then the total obtained is given individually. The bank having the least total is considered the best among all. The result of overall ranks of the selected banks indicates that AXIS bank is the topmost bank, followed by ICICI, BOI and so on.

CONCLUSION

From the analysis, it can be concluded that the banking stocks have witnessed a sharp run-up over the last twenty four month period. The fundamentals of the sector have been negatively impacted on account of a slowdown in the credit growth resulting due to financial uncertainty spread all over the world. Private sector banks have, however, managed to perform better on account of their aggressive retail lending which fuelled their total income. Nevertheless, competition among banks is tough and the consumer benefits from it. Now the customer enjoys better service quality, innovative products, and better bargains. The increasing size of banking itself indicates that there is a lot of untapped potential in the market for banking. Given the base rate environment and economic recovery, banks have been able to increase credit off-take. Growth has been tremendous, particularly in the retail segment, including housing loans, vehicle loans, and credit cards. The loss due to fluctuating interest rates is a thing of the past, interest rate are all set to comparatively stabilize in the future. This could mean a loss in the treasury income for banks. But expert's contended that the loss in treasury income would be more than offset by the interest income on advances, assuming that credit off-take will be as good as in the earlier years. The coming fiscal will prove to be a transition phase for Indian banks as they will have to align their strategic focus on increasing their interest rate.

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ROLE OF MICROFINANCE IN UPLIFTING WOMEN STATUS

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ABSTRACT

Microfinance is now a proven strategy for reaching poor women. Microfinance both credit and saving has potential to improve the well-being of poor women in developing countries. Microfinance programme in India has been increasingly promoted to empower women. However, only a few studies examine the link between microfinance and women's empowerment. For the majority of women borrowers, microfinance helps in lifting women out of poverty and achieving economic and political empowerment with their homes, their village and their countries. The purpose of this article is to examine the contribution of microfinance and microfinance programme like Self-Help Group, Bank-Linkage to empower the women.

KEYWORDS

Bank-Linkage Programme, Microfinance Programme, Self-help Group& Women Empowerment.

INTRODUCTION

Microfinance is emerging as a powerful tool, reaching out to poor household who have yet to be reached by formal finance sector. Microfinance is an effective intervention for poverty alleviation in early seventies for developing countries. The great visionary and Nobel Prize winner Prof. Md. Yunus has conceptualized this intervention to eradicate poverty. Credit is one of the most crucial inputs in the process of economic development. Development of economic, social and political dimensions is incomplete without empowerment of women. This inability of credit institutions to deal with credit requirement of poor particularly women has led to emergence of the microfinance. The micro credit summit campaign reports that 14.2 millions of the world's poorest women now have to access to financial services accounting for nearly 74 per cent of the 19.3 million poorest served women.

CONCEPT OF MICROFINANCE

The concept of microfinance can be described as by title of F.A.J. Borman's 1990 book, "Small, Short and Unsecured." Microfinance refers to small scale financial services such as micro-saving, micro credit and micro-insurance to the people who operate micro enterprises which generate income and allowing them to meet financial needs and emergency. These short term loans are enough to start or expand business, weaving baskets, raising chicken or buying wholesale product to sell in the market.

The aspect of microfinance has contributed to its success of its credit plus approach where focus has not only been on providing adequate timely credit to low income groups but to integrate it with other development activities such as community organizing and development, leadership, training, skill and entrepreneurship. The ultimate aim is to attain social and economic empowerment. The microfinance programme has major impact on improving living standard of poor people.

During the year 2007-2008, the idea has been presented under two models of microfinance involving credit linkage with bank.

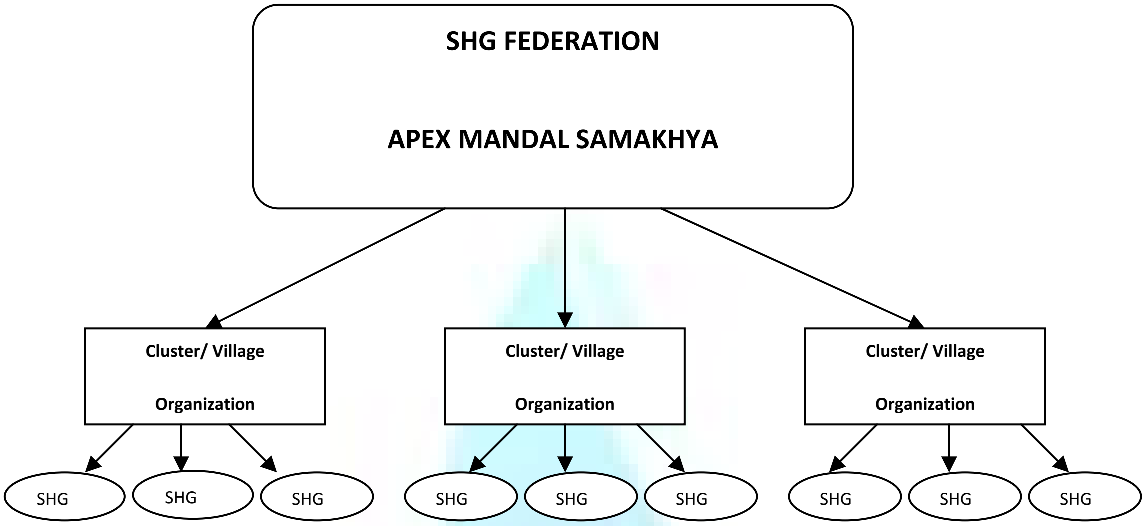
1) SHG-BANK LINKAGE MODEL

This model involves the SHGs financed directly by banking agencies viz commercial Banks (Public sector and private sector), Regional Rural Bank (RRBs) and cooperative Banks.

2) MFI BANK LINKAGE MODEL

This model covers financing of micro finance institutions (MFIs) by banking agencies for on lending to SHGs and other small borrowers covered under microfinance sector. SHG is a group of about 10 to 20 people, usually women from similar class and region who come together to form saving and credit organization. They pooled financial resources to make small interest bearing loan to their members.

Figure 1 : SHG MODEL



(Source: www.apmas.org)

The assessment of microfinance programmes indicates that it helped expansion of public services, creation of employment opportunities, acceleration of agriculture production and infrastructure development. In India too, formal financial system has been meeting social and economic objectives because it has been unable to reach the poor household and particularly women. All this give rise to concept of microcredit for the poorest segment along with a new set of credit delivery techniques, with the support of NGO an informal sector comprising SHG started mobilising saving of their members and lending these resources among the members on a microscale.

GROWTH OF MICROFINANCE IN INDIA

During the financial year 2007-2008, microfinance in India through its two major channels-SHG-linkage-bank and MFI served over 33 millions India up by 9 million over the previous financial year and 4 out of 5 microfinance clients in India are women.

Table: 1 Growth of Microfinance in India

Items	2002	2003	2004	2005	2006	2007	2008
No of new SHGs provided with Bank loan.	4,61,478	7,17,360	1079091	1618456	22,38,565	29,24,973	34,77,965
No of new SHGs financed during the year.	1,97,653	255882	3,61,731	5,39,365	6,20,109	6,86,408	5,52,992
Rate of growth of loans to new SHGs (%)	32	29	41	49	15	11	(-)16 decline
No of SHGs Receiving repeat loans	41,413	102,391	171,669	258,092	344,502	457,410	1,86,883 Provisional data
Rate of growth of repeat loan	91	147	68	50	33	33	Data incomplete.
Proposition of repeat loans to total loan	17	29	40	32	36	40	11
Bank loan disburse during year	545	1,023	1,855	2,994	4,499	6643	4,228
Of which disbursed to new group (crores)	453	691	1,158	1,727	2,330	3,044	2,542
of which disbursed as repeat loan (cr.)	92	332	698	1,268	2,169	3,599	1,686
Average loan size new	22,919	27,005	32,013	32,019	37,574	44,343	45,960
Repeat loan size	22,215	32,425	40,660	49,130	62,960	78,682	90,195

(Source: NABARD Report 2007-2008)

The table 1 depicts the growth and working of MFIs and SHGs in India. At present, about 800 MFIs and 22 lakhs government backed SHGs are the principal source of microfinance. The MFIs draw their capital mostly from private banks, SIDBI and foreign investors. The SHG is an informal association of 10-20 poor women who contribute small amounts into saving pool. The SHG can lend money to its members, helping them to engage in some income generation activities.

As per the provisional information made available by National Bank for Agriculture and Rural Development report 2007-2008 which is shown in table 1 that number of new groups credit-linked with banks declined to 0.552 million during the year 2008, compared to 0.68 million group in 2007. The cumulative number of groups that have borrowed from a bank at least once has increased to 3.48 million by end of March 2008 from 2.92 million, at same time last year. The extent of finance availed by these new SHGs amounted to Rs. 42.28 billion. The average loans to new groups increased by Rs. 1,520 to Rs. 45,900 and to existing group increased by Rs. 11,500 to Rs. 90,100 when compared to previous year. The number of groups that have availed during 2007-2008 could be around 0.58 million and the amount of loans availed were around Rs. 40 billion.

Women are typically targeted for microfinance initiative around the global because studies indicate that involving women in microfinance ventures often plays a role in increasing gender equality within a country. Efforts to reduce gender inequality can be linked to positive effects within a country. World Bank Report demonstrates that countries and societies with high levels of gender inequality and discrimination against women often have the following attributes: high property levels, low economic growth and weak governance. Additionally providing women with access to finance resources help increase the stability of the family unit (Cheston and Kuhn, 2002).

In "Microfinance and the empowerment of Women", Linda Mayouse (2001) identifies three distinct models outlining reasons to target women.

MODEL-1: FINANCIAL SELF SUSTAINABILITY

In order to create overall market growth, women are targeted for microfinance initiatives because of their proven high loan repayment rates when compared to men. Economic empowerment to women provides the necessary access to resources to enable individuals to make their own decisions and become self reliant.

MODEL-2: POVERTY ALLEVIATION

According to poverty Alleviation Model, organizations promote microfinance as a mean of alleviating poverty and fostering community development. The poverty alleviation model target women because of their characterizing level of poverty and responsibility for maintaining and running the family unit.

MODEL 3: FEMINIST EMPOWERMENT

The feminist empowerment model is most indirect of three models because its overall goal is to promote economic, social and political empowerment among women.

MICROFINANCE AND WOMEN ENTREPRENEURSHIP

The microfinance industry has given more attention to the women's need for saving services and other finance services. According to women employment survey conducted by NGO, 60 per cent of the women have greater power over family, planning, buying and selling property and sending their children to the school. Studies from all part of world have found that increasing self esteem of women is among good consequence of microfinance. This has not only increased their self-esteem of confidence but also their status at home. Indian women clients of Rashtriya Seva Samiti (RASS) found that their contribution helped them in earning greater respect from family.

A few studies commissioned by NABARD indicate that the programme has emerged as largest microfinance network in the world with impressive statistics (Kropp and Suran, 2002 and Seibal and Dane 2002). The programme has enabled more than 350 lakh poor women in the country to gain access to microfinance facility from formal banking system (Economic Survey, 2007-2008).

Table: 2 Progress of SHG Bank Linkage to empower women in India

Year	New SHG financed by banks			Bank Loan (Rs. Crores)		
	Number	Growth	Cumulative Number	Amount	Growth (%)	Cumulative Amount (cr.)
2002-03	2,55,882	29	7,17,360	1,022.34	87	2,048.68
2003-04	3,61,731	41	10,79,091	1,855.53	81	3,904.21
2004-05	5,39,365	49	16,18,456	2,994.25	62	11,397.55
2006-07	6,86,408	11	29,87,441	6,643.19	47	20,113.52
2008-09	1,26,068	--	30,51,41	2,072.78	--	--

(Source: Economic survey 2007-2008)

Table 2 shows the progress of SHG- Bank -Linkage from 2002 to 2008. The cumulative member of SHG-Bank linkage has increased from the figure of 7, 17,360 as on 2002-03 to 30, 51,041 as on 2008-2009. The cumulative bank loan has also witnessed rapid growth from Rs. 2,048.68 Cr. in 2002-03 to 20,113.52 Cr. as on 31st Dec. 2008.

Table: 3 Growth of SHG linked credit programme women client (State wise)

Name of State	2004	2005	2006	2007	2008	Growth rate in 2008
Assam	10706	31234	56449	81454	107098	31
Bihar	16246	28015	46221	92339	93410	29
Chhattisgarh	9796	18569	31291	41703	60763	46
Gujarat	15974	24712	34160	43572	46526	7
Himachal Pardesh	13228	17798	22920	27799	31899	15
Jharkhand	12647	21531	30819	37317	42605	14

Name of State	2004	2005	2006	2007	2008	Growth rate in 2008
Madhya Pardesh	27095	45106	52125	70912	83336	18
Maharastra	38535	71146	131470	225856	326425	45
Orissa	77588	123256	180896	234451	307591	31
Rajasthan	33846	60006	98171	137839	173192	26
Uttar Pardesh	79210	119648	161911	198587	236929	19
Uttarakhand	10908	14048	17588	21527	24679	15
West Bengal	51685	92698	136251	181563	228395	26
Total	**397461**	**667761**	**1005272**	**1324917**	**1764856**	**28**
Percentage growth	**59**	**68**	**51**	**37**	**28**	

(Source: NABARD 2007-2008)

According to the table 3, NABARD has been emphasizing on the SHG-Bank-linkage programme in the priority states as they account for 70% of the country's rural poor population table discloses SHG-Bank-linkage programme in 13 priority states. There has been increase in the number of SHGs credit linked to banks from 3, 97,464 as on 31st March 2004 to 1764856 as on 31st March 2008. The member of SHG linked credit programme during the year has recorded significnat increase in the state of Assam, Bihar, Chattisgarh, Madhya Pardesh, Maharastra, Orrisa and West Bengal on the hand, the states of Uttarahnchal, H.P. and Jharkhand have shown relatively less growth. Thus, it is clear from data available from the level of microcredit has increased over the years.

Microfinance programme enables women to secure greater levels of decision making power within the family unit. It is a result of women's increased economic opportunity and control over their finances. This in turn provides women with new skills, information and organisation capacity building (i.e. an expanded network of people). As a result of social and political empowerment are able to improve their status within their community.

CHALLENGES TO WOMEN

Microfinance has been successful in supplying production loans to women who run tiny business but on other side, these initiatives occasionally produce negative effects. Kantor, Dunn and Arbuckle (2000) also find that an increased success in business due to microfinance may reduce the women's household decisions. Women who successfully utilized their financial resources and build thriving entrepreneurial ventures frequently themselves working longer house and often harder than they have in the past. This change in workload may lead to poor health, exhaustion and overwork.

The problem of male influence is one of the most difficult challenges related working with women as microfinance clients. According to Mayoux (2001) women serve as intermediaries between lending institutions and their male relatives. Rather than using the loans to start small business, women actually turn the money over to their husband or other male relatives. Though loan is sanctioned in name of women, but often it is expropriated by men and other family member and women is not strong enough to resist it. It has been observed that after disbursement of loan women does not know how to use it. Certain cultural factors hamper their ability to develop enterprises access microfinance and draw benefit from it. The domestic responsibilities of women consume the major portion of time and to spend on this enterprise. Mayoux effectively summarizes the potential negative effects of microfinance programmes Evidences indicates that those who cast the benefit from microfinance and may be even further disempowered, are those who are already the poorest and/or most disadvantaged by ethnic group and/or who are abused group and/or who are abused within household (Mayoux, 2001, 15). It is also clear that while these can be significant benefits to encourage in order empowering women, considerable cost also exist.

CONCLUSION

It is concluded that microfinance has proved is concluded that microfinance has proved it to successful in empowerment of women reducing dependency on money lenders, easy access to credit to their members and savings and moderate economic benefits. There has been tremendous growth in the progress of SHG-Bank-linkage. NABARD's SHG-Bank-linkage programme has been a major effort to connect thousands of SHGs across the country with formal banking system. Till the recent past, microfinance programmes have confined themselves to distribution of loan to women but receipt of a loan and utilization of loan is guarantee of improving economic status of women.

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FIVE ESSENTIAL INGREDIENTS FOR SERVICE EXCELLENCE: A LESSON TO LEARN TO INDIAN ORGANISATIONS

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ABSTRACT
Some service experiences are not as fulfilling as customer often expect. Little things that appear small are often done wrong. Creating value to the customer is indeed more complex that what we assume. And that is why it is important for organizations to map out service experiences wisely. But, unfortunately most of the organizations got associated with products and services rather than on organizations responsible for creating them. On our way to rediscovering service excellence and recognizing it as a major tool for market place success, we are learning to view service excellence from customers' point of view. So, in order to compete effectively it is important for any organization to first get into the mind of the customer i.e., to explore customer's focused values. And then to focus on various solutions to create positive customer experience i.e., creation of customer value. One approach is to identify the determinants of service excellence that may relate to the services. Keeping this in mind, successful companies are now gearing to organize their businesses around the customer experience rather than organizing their businesses along the product lines are geographic business units. Today, with ever-increasing focus on customers, companies are taking a service oriented approach to customer value management. This paper focuses on a framework in identifying few ingredients in the formula for service excellence viz. service failure recovery, service employee empowerment, service delivery, service technology, and last but not the least service training and development.

KEYWORDS
Service excellence, service failure recovery, service delivery, service employee empowerment, service training and development.

INTRODUCTION
"SERVICE EXCELLENCE IS A MATTER OF BEING PASSIONATE ABOUT DOING INSIGNIFICANT THINGS IN A SIGNIFICANT MANNER."

Today's competitive world, achieving total customer satisfaction is a key element in setting the business goals and objective s of the corporate. Improving performance in service delivery and responsiveness to the customers has become a source of competitive advantage in many industry and service sectors.

It is unfortunate that several organizations in India in various sectors like hospitality brokerage, insurance, higher education, medical care and public services are far from above mentioned quality components for excellence. Some of the reasons seen are: Poorly designed processes, ill-trained and overworked staff with unachievable targets and general lack of service technology. Similar, is the situation in after sales service of manufactured goods and call-center systems in India that need to be addressed seriously?

In services as well as manufactured goods it is the value delivery and communication of this value proposition to customer is very important for growth and profitability. It would always be rewarding for organizations to develop the evaluation criteria by which customer can judge and appreciate the value. This is one area, which needs well-designed systems and communication with customer. In multi-ethnic, multi religion and multi lingual society like in India it is quite daunting and challenging for creating such components of service excellence.

"EXCELLENCE IS NOT AN ACTION BUT A HABIT"

Excellence can be defined as the quality or state of being outstanding or superior since customer have rising threshold of satisfaction levels and hence excellence.

Excellence will deliver memorable personal experiences including customer Delight (significantly beyond expectation of customer, positively shocking, unexpected and random) Delight is when the customer perceives a service as having exceeded the desired level, naturally the reaction of the customer is of immense satisfaction and pleasure. This type of satisfaction is known as delight.

Service excellence is being increasingly used to create customer value that helps businesses to sustain profitable growth.

Specifically, units with higher levels of service excellence exhibited:

Higher customer satisfaction and loyalty

More consumers during the year.

Higher reported levels of customer satisfaction and service quality.

Increase in levels of long term commitment in employees with the organization.

Higher levels of joint effort in the organization

What is important is First, to believe genuinely in customer delight and service as a goal of organization, which is only possible by Top management support, and then go on and train and empower employees' right from front line and beyond. choice of right attitude employees is must backed by database and technology systems.

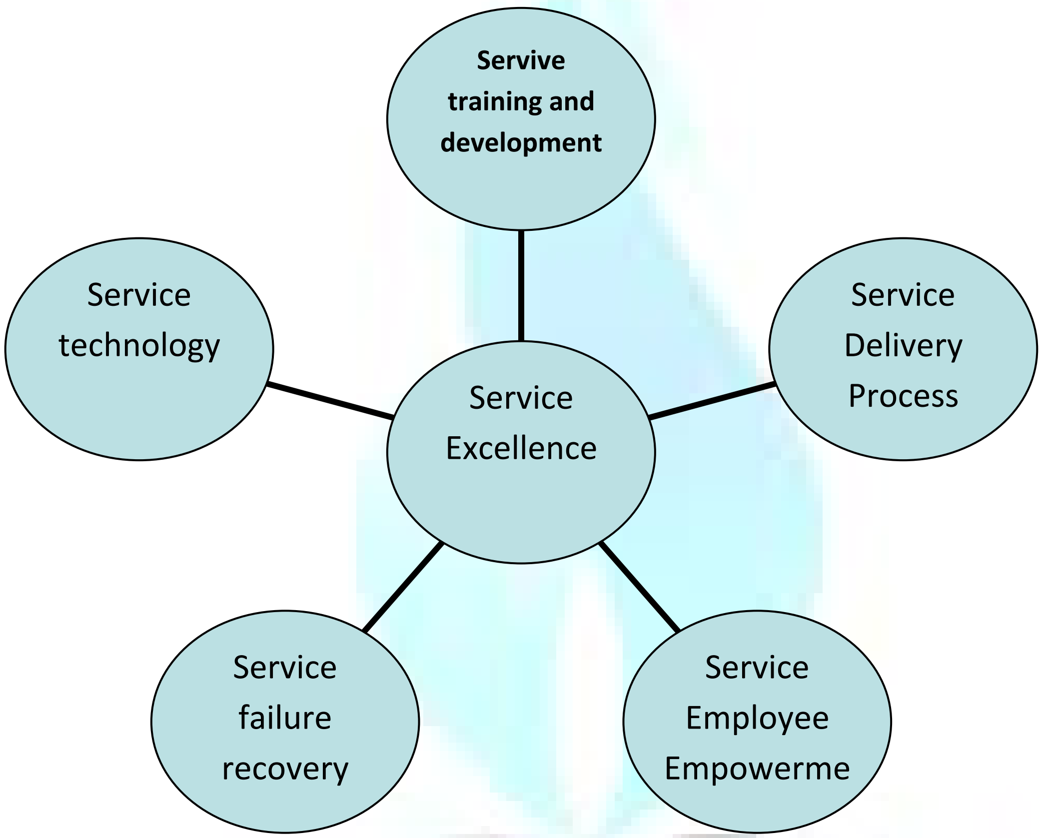
The key control points in service chain right from first contact point of a customer to after sales guarantee have to be identified and the systems of monitoring and improvements around them has to be built for leading to service quality and delight.

Since it is a lot difficult to even out pricing in tailored need for services products and customer is not able to find worth of the service product-reliability and efficiency of service providers (Services Triangle – Valerie, et al) is vital for ensuring service excellence.

5S' FOR SERVICE EXCELLENCE:

The relationship between a company and its customers needs to be mutually rewarding r and fruitful. It is however, not an easy task for companies to maintain such a relationship for long. All customers are not alike and organizations cannot afford to maintain a relationship with all of them. They should choose the right customers and then invest in the relationship. So before investing in customer relationship Organizations need to keep track of the following ingredients in order to build and develop successful customer value:

1. Service training and development
2. Service employee empowerment
3. Service failure recovery
4. Service technology
5. Service delivery



Few ingredients in the formula for service excellence

SERVICE EMPLOYEE TRAINING AND DEVELOPMENT

Employee represent the organization to the customers .if these employees are not given training in how to go about face to face customer contact, the entire marketing effort may not prove to be effective. So to provide quality service, employees need ongoing training in the necessary skills and knowledge and in the process or interpersonal skills. Most organizations are quite conscious of and relatively effective at training employees in technical skills. These skills may be taught through formal education, as in case at McDonald's Hamburger University, which trains McDonald's managers from all over the world.

At the same time service employees also need training in interpersonal skills that allow them to provide courteous, caring, responsive, and empathetic service. Training in interactive skills helps employees develop listening, problem solving, communication skills.

Even the back office staff should be trained for service skill. Managers, supervisors, and support staff are also trained the same way, as providers understand that contact employees will deliver quality service to customers only when they experience the same values and behaviors from their supervisors. And moreover organizations should understand that training is not only for new employees; it must be an ongoing process for sharing, learning and further improvement.

SERVICE FAILURE RECOVERY

The second ingredient to achieve service excellence is service failure recovery. Companies must bring together with one reality. Things can go wrong. Due to a variety of reasons, service experience can vary in quality. When things go wrong? The comeback to situations of failure can take two forms: take no notice of failure and do nothing or identify failure and be ready to recover from it.
The process of getting back into shape or regaining balance is called recovery. In the context of service excellence when service delivery is not right the first time, firms can choose to try the second time. For instance Dominos promises pizza delivery within thirty minutes. But when promise is not kept and delivery is delayed due to unforeseen events, pizzas are given free to compensate for the disappointment.

SERVICE TECHNOLOGY

The third ingredient for service excellence is service technology service organizations need to ensure that the technology should be that customer understands it and fits well into the requirements of service encounters .i.e., service consumer's .that the customer should feels at ease while using the technology interface. If the customers feel that a system is too complicated or feel insecure, they will avoid the purchase or find other ways. And at the same time, it is also important that employees are equipped with suitable tools and technology that enhance their ability to serve the customer. Reliability of technology is another linked issue. How frequently technologies fail to perform? What substitute arrangements are available? Frequent service failure interferes with employees' ability to perform and satisfy the customers. This can be seen at ticketing machines.

SERVICE DELIVERY PROCESS

This ingredient plays a very important role in the achievement of service excellence. A service customer often consumes a total service experience rather than some limited end –of-process output. This totality is often conveyed through a service very process .the importance of service delivery process is that it assures service, availability and consistent quality that means service excellence.
Without sound delivery process, managing service requirement is extremely difficult. service cannot be inventoried; therefore, it becomes essential to find out ways and means to handle peak load to optimize varied customer needs with different levels .so,stack gave a much simplified version and described the 'process' in three stages. First, a process can be broken down in logical steps to facilitate analysis and control. Second there are more than one available options of processes in which output may differ. Finally, each system includes the concept of deviation or tolerance standards in recognition that the processes are 'real time' phenomena that do not conform perfectly to any model or description, but function within a norm.

SERVICE EMPLOYEE EMPOWERMENT

If you sincerely believe that "the customer is king," the second most important person in this kingdom must be the one who has a direct interaction on a daily basis with the one who is king. - Michel Bon, CEO of France Telecom
If you get everybody in the company involved in customer service, not only are they 'feeling the customer' but they're also getting for what's not working. Penny hands comb
Empowerment means giving employees the desire, skills, tools, and authority to serve the customer (eithmal and Bitner). Let's understand this with a case:
Every employee is empowered in Ritz Carlton Hotel to do the following to satisfy a customer:
Move heaven and earth to satisfy a customer;
Contact appropriate employees to help resolve a problem swiftly (lateral service concept);
Spend up to $ 2,000 to satisfy a customer;
Decide the acceptability of products and services;
Decide the business terms of sales
Become involved in setting the plans for their work area; and
Speak with anyone regarding any problem.
That is employee empowerment. Empowering your employees also shows them that you believe them to do the right thing. This in turn has a positive energy on employee performance. The higher the service employee morale, the better service they will provide to your customers. Employee empowerment not only improve better services to the customer but at the same time increases employees' motivation, job satisfaction, and loyalty to their companies, and have a positive impact on the lower level. Another benefit is that if your contact employee can resolve the complaint, then middle management doesn't have to occupy their time doing it.

CONCLUSION

Service excellence, thus, emerges as the key to create customer value and viability for an organization in a highly competitive market scenario the imperatives and challenges before organization are many and varied, and it is only by innovating constantly and keeping abreast certain, backed up by sound strategies and an appropriate mix of ingredients discussed above, that an organization can hope to best its larger counterparts.

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FOREIGN DIRECT INVESTMENT IN INDIA: CHALLENGES AND OPPORTUNITIES IN MULTI-BRAND RETAIL SECTOR

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ABSTRACT
In the year 1991 India faced severe balance of payments deficits and was forced to bring about changes in Foreign Direct Investment [FDI] policy. India is among the top most attractive destinations for FDI. The government has allowed FDI in the wholesale cash and carry companies to sell to retail outlets owned by their domestic partners in a limited way for on-selling to retail customers. This provides a window to them for benefitting from the retail boom in the country. The present study aims to understand and analyze the challenges and opportunities faced by FDI Inflow and the future outlook towards FDI in Multi – Brand Retail Sector. It concludes that inward FDI can enhance competition and accelerate the process of innovation in the local Retail Sector.

KEYWORDS
Foreign Direct Investment Policy, FDI inflows, Multi - Brand Retail Sector and Small Retailers

INTRODUCTION
India has witnessed a gradual change in the Government's attitude to Foreign Direct Investment since 1948. As India had severe scarcity of capital resources at the time of independence; it welcomed foreign investment in a restricted manner. Since the second five year plan period (1956-1961) greater emphases was given to Industrialization which led to development of the local industries. To protect the domestic industry from foreign competition, Government adopted a more restrictive attitude towards FDI in the late 1960s. In the 1980s, as a part of the industrial policy resolutions, the attitude towards FDI was liberalized. "The year 1991 was marked with severe balance of payments deficits. Foreign exchange reserves went down to US$ 1.1 billion in June 1991 – less than sufficient for two weeks of import requirements" (Misra, S.K. 2000). India was on the verge of default and it got financial assistance from IMF on certain terms and conditions. This involved "Structural Adjustment Programme (SAP)" by India. These "SAP" apart from bringing about changes in fiscal policy, industrial policy and changes in other important economic policies involved a major change in FDI policy of India. Under this scenario it was not possible for India to continue with its past policy of restrictions and it became essential to liberalize the economy. Liberalization involves free operation of international market forces. This led to removal of most of the restrictions in FDI. As a result, India is now among the top five most attractive destinations for FDI.

STATEMENT OF THE PROBLEM
Retail is the second largest sector next only to agriculture in terms of employment generation. It employs more than 33 million people and it contributes more than 5 percent to GDP of India (CSO 2009). It is highly unorganized and is dominated by Small Retailers. There is great potential of growth in this sector but it is not able to exploit its potential to the fullest due to infrastructural constraints. Retail sector is in dire need of investment to overcome this constraint. As of now FDI in Multi –Brand Retailing is completely prohibited and investment by local investors has not been able to bridge the gap between the need and actual investment. India's supply chains require substantial backend investment in order to build retail businesses.

This has greater implication for agriculture sector as a substantial percentage of agricultural output is lost, due to lack of proper infrastructure like cold chain storage and warehousing, food processing machinery etc. The retail back-end in India needs huge investments, therefore the Government can open its door to foreign investors in Multi Brand Retail Sector.

METHODOLOGY
As the study is exploratory and qualitative in nature an extensive use of secondary data is made. Further the secondary data pertaining to the study is fathered from Department of Industrial Policy & Promotion (DIPP) reports, leading journals and a number of news items. In order to compare the FDI inflow over the period under study, the percentage method is used.

OBJECTIVES OF THE STUDY
The overall objective of the study is to apply a micro approach to evolve an objective method for analysing FDI in Multi - Brand Retail Sector in India and specifically intend to identify the opportunities and challenges.

The following are the main objectives of the study:

To understand FDI inflow in India and to analyze the challenges and opportunities faced by FDI inflows in Multi Brand Retail Sector.

To explore the role of FDI in Multi Brand Retail Sector and its impact on Small Retailers.
To study the future outcome towards the phase of FDI initiated at Multi Brand Retail Sector.
To offer suggestions in FDI policy about FDI inflow in Multi Brand Retail Sector.

SCOPE OF THE STUDY

The study will highlight the current scenario of the FDI inflows in India. It is concerned with FDI in Multi Brand Retail Sector and discusses the relevant measures to formulate and force regulatory and legal reforms in this sector and achieve its aim of National Growth and quality services through the investor's dynamic relationship to attract India as their FDI destination. The study is confined to a period from 1991 to 2010. This study reviews existing studies conducted by the Government and other entities on this topic examines its likely impact on farmers, employment, consumers and small retailers.

FOREIGN DIRECT INVESTMENT: CURRENT SCENARIO

Presently FDI is allowed in India in almost all the sectors; except a few which are of strategic concerns. It is prohibited in Activities not opened to private sector investment including Atomic Energy and Railway Transport (other than Mass Rapid Transport Systems), Multi-Brand Retail Trading, Lottery Business including Government and private lottery, online lottery , Real Estate Business or Construction of Farm Houses , Gambling and Betting including casinos , Manufacturing of Cigars, cheroots, cigarillos and cigarettes, of tobacco or of tobacco substitutes, Business of chit fund, Nidhi company and Trading in Transferable Development Rights (TDRs).
In all the other sectors it is permitted with different equity limits ranging from 26 percent to 100 percent subject to certain terms and conditions wherever applicable.
FDI is permitted in India through two routes; the Automatic Route and the Government Route. Under the Automatic Route, the non-resident investor or the Indian company does not require any approval from the RBI or Government of India for the investment. Under the Government Route, prior approval of the Government of India through Foreign Investment Promotion Board (FIPB) is required. Proposals for foreign investment under Government route as laid down in the FDI policy from time to time are considered by the Foreign Investment Promotion Board (FIPB) in Department of Economic Affairs (DEA), Ministry of Finance (DIPP). Table 1 depicts entry route and FDI caps in some selected sectors.

TABLE 1: ROUTE WISE FDI INFLOWS IN SPECIFIC SECTORS WITH EQUITY / CAP

S.NO.	Sector/Activity	Percent of FDI Cap/Equity	Entry Route
1.1	**Agriculture & Animal Husbandry**		
	Floriculture, Horticulture, Development of Seeds, Animal Husbandry, Pisciculture, Aquaculture and Cultivation of Vegetables & Mushrooms under controlled conditions and services related to agro and allied sectors. **Note: Besides the above, FDI is not allowed in any other agricultural activity**	100	Automatic
1.2	**Tea Plantation**		
	Tea sector including tea plantations **Note: Besides the above, FDI is not allowed in any other plantation**	100	Government
2.	**MINING**		
2.1	Mining and Exploration of metal and non-metal ores but excluding titanium bearing minerals and its ores.	100	Automatic
2.2	**Coal and Lignite**		
	1. Coal & Lignite mining for captive consumption by power projects, iron & steel and cement units and other eligible activities .	100	Automatic
	(2) Setting up coal processing plants like washeries **subject to** the condition that the company shall not do coal mining and shall not sell washed coal or sized coal from its coal processing plants in the open market and shall supply the washed or sized coal to those parties who are supplying raw coal to coal processing plants for washing or sizing.	100	Automatic
2.3	Mining and mineral separation of titanium bearing minerals & ores, its value addition and integrated activities.	100	Government
3.	**Electric Generation, Transmission, Distribution and Trading** except in atomic power.	100	Automatic
4.	**Airports**		
	(a) Greenfield projects	100	Automatic
	(b) Existing projects	100	*
5.	**Air Transport Services**		
	Helicopter services/seaplane services requiring DGCA approval	100	Automatic
6.	**Other services under Civil Aviation sector**		
	Maintenance and Repair organizations; flying training institutes; and technical training institutions.	100	Automatic
7.	**Setting up hardware facilities such as up-linking, HUB etc.**		
	Up-linking a Non-News & Current Affairs TV Channel	100	Government

8.	**Development of Townships, Housing, Built-up infrastructure and Construction-development projects**		
	Townships, housing, built-up infrastructure and construction development projects	100	Automatic
9.	**Industrial Parks - both setting up and already established Industrial Parks**		
	Industrial Parks - both setting up and already established Industrial Parks	100	Automatic
10.	**Petroleum & Natural Gas Sector**		
	Exploration activities of oil and natural gas fields, infrastructure related to marketing of petroleum products, actual trading and marketing of petroleum products, petroleum product pipelines, natural Gas /LNG pipelines, market study and formulation and Petroleum refining in the private sector.	100	Automatic
11.	**Print Media**		
11.1	Publishing/printing of Scientific and Technical Magazines/specialty journals/ periodicals.	100	Government
11.2	Publication of facsimile edition of foreign newspapers	100	Government
12.	(a) Infrastructure provider providing dark fibre, right of way, duct space, tower (IP Category I) (b)Electronic Mail (c) Voice Mail	100	**
13.1	**Cash & Carry trading Wholesale Trading/ Wholesale Trading**	100	Automatic
13.2	**Trading for exports**	100	Automatic
13.3	**E-commerce activities**	100	Automatic
13.4	**Trading of items sourced from MSE sector**	100	Government
13.5	**Test marketing** of such items for which a company has approval for manufacture, provided such test marketing facility will be for a period of two years, and investment in setting up manufacturing facility commences simultaneously with test marketing.	100	Government
13.6	**Single Brand product trading**	51	Government
14.	**Non-Banking Finance Companies (NBFC)**		
	Foreign investment in NBFC in selected activities	100	Automatic
15.	**Courier services for carrying packages, parcels and other items which do not come within the ambit of the Indian Post Office Act,1898**	100	Government

Notes:
*Automatic up to 74 percent Government route beyond 74 percent.
**Automatic up to 49 percent Government route beyond 49 percent.
Source: Compiled from Consolidated FDI Policy-Circular 2 of 2010, Department of Industrial Policy & Promotion, Ministry of Commerce and Industry, Govt. of India

Services sector has attracted the highest FDI equity inflows of 20.93 percent for the period April 2000 to June 2010. It is followed by Computer software & Hardware, Telecommunications, Housing & Real Estate, Construction Activities and Power having 8.78, 8.49, 7.50, 7.13, and 4.37 percentage shares respectively in total FDI inflows for the same period.

TABLE 2: SHOWS THE TOP TEN COUNTRIES HAVING THE HIGHEST PERCENTAGE SHARE IN TOTAL FDI INFLOWS IN INDIA
STATEMENT ON TOP TEN COUNTRY-WISE FDI INFLOWS (From April 2000 to June 2010) [Amounts in U.S. $ million]

S. No	Country	Total FDI Flows	Percentage with total FDI inflows
1	Mauritius	49106.45	42.32
2	Singapore	11127.76	9.53
3	U.S.A.	8533.28	7.40
4	U.K.	6039.49	5.15
5	Netherlands	4830.0	4.18
6	Cyprus	4151.67	3.64
7	Japan	4005.16	3.52
8	Germany	2840.73	2.44
9	U.A.E.	1663.46	1.16
10	France	1599.16	1.39
	Total	93897.2	

Source: Compiled from FDI in India Statistics, Department of Industrial Policy & Promotion, Ministry of Commerce and Industry, Govt. of India

Table 3 highlights the fact that there has been positive growth in FDI inflows over most of the years for the period 1992-93 to 2010-2011(up to June 2010). During 1997-98, 2002-03, 2003-04 and 2009-10 a negative growth rate was found in the FDI inflow due to the economic downturn in the world.

TABLE 3: FACTS ON FOREIGN DIRECT INVESTMENT [FDI]

(As per DIPP's FDI data base - Equity capital components only): [U.S. $ million]

FDI Flows into India					
Financial Year (April -March)	**Total FDI Flows**	**Percent of growth over Previous year**	**Financial Year (April - March)**	**Total FDI Flows**	**Percent of growth over Previous year**
1992-1993	165	-	2001-2002	4222	(+) 45
1993-1994	393	(+) 138	2002-2003	3134	(-) 26
1994-1994	654	(+) 66	2003-2004	2634	(-) 16
1994-1995	1374	(+) 110	2004-2005	3759	(+) 43
1995-1996	2141	(+) 55	2005-2006	5546	(+) 48
1996-1997	2770	(+) 29	2006-2007	15726	(+) 184
1997-1998	2682	(-) 3	2007-2008*	24581	(+) 56
1998-1999	3083	(+) 15	2008-2009*	27331	(+) 11
1999-2000	2439	(+) 21	2009-2010**	25881	(-) 05
2000-2001	2908	(+) 19	2010-2011*** (up to june'10)	5807	NA
			Cumulative Total	137230	

Notes:
(i) including amount remitted through RBI's-NRI Schemes, stock swapped & advances pending for issue of shares)
(ii) FEDAI (Foreign Exchange Dealers Association of India) conversion rate from rupees to US dollar applied, on the basis of monthly average rate provided by RBI (DEAP), Mumbai.
(iii) * Includes Stock Swap of Shares US$ 3.2 billion for the year 2006-2007 & US$ 5.0 Billion for the year 2007- 08.
(iv) Variation in equity inflows reported in above Table II-A & II-B for 2006-07, 2007-08, 2008-09, 2009-10 & 2010-11
(up to April 2010) is due to difference in reporting of inflows through Stock Swap by RBI in the monthly report to DIPP & monthly RBI bulletin.
(v) ** Includes US$ 40 million as Stock swapped during July 2009.
(vi) *** Includes US$ 35 million as stock swapped during the month of April 2010.
Source: Compiled from FDI in India Statistics, Department of Industrial Policy & Promotion, Ministry of Commerce and Industry, Govt. of India

FOREIGN DIRECT INVESTMENT IN RETAIL SECTOR

FDI in Multi Brand Retail Sector is completely prohibited in India. Since 2006 FDI up to 51 percent is allowed in Single Brand product trading through Government route. FDI inflows in Single Brand product trading forms a very small percentage of the total FDI inflows in India, but it is seen as a driver to attract investments in production and marketing, improving the availability of such goods for the consumers, encouraging increased sourcing of goods from India, and enhancing competitiveness of Indian enterprises through access to global designs, technologies and management practices. Table 4 shows FDI inflows in Single Brand Retail sector for the period Jan 2007 – July 2010. Till July 2010 an FDI inflow of US $ 196.13 million had been received by India in this sector, comprised 0.17 percent of total FDI inflows during the period April 2000 to July 2010. Single brand retail outlets with FDI generally comprise of high-end products and focus on brand conscious customers. (DIPP Discussion Paper 2010)

In 1997 India allowed FDI with 100 percent equity in Cash and Carry wholesale trading through government approval route. Since 2006 it is permitted under automatic route. From April, 2000 to March, 2010, this sector had received US $ 1.779 billion FDI inflows. This comprised 1.54 percent of the total FDI inflows received during this period.

TABLE 4

STATEMENT ON RETAIL TRADING (SINGLE BRAND) SECTOR FDI INFLOWS (From August 1991 to June 2010) [Amounts in U.S. $ million]

S. No	**year**	**FDI Flows** U.S. $
1	1991- 2006	-
2	Jan 2007 – Dec 2007	1.68
5	Jan 2008 - Dec 2008	23.32
6	Jan 2009- Dec 2009	162.78
7	Jan 2010 - June 2010	8.35
	Total till July -2010	196.13

Source: Compiled from FDI in India Statistics, Department of Industrial Policy & Promotion, Ministry of Commerce and Industry, Govt. of India

FDI IN MULTI BRAND RETAIL SECTOR: CHALLENGES AND OPPORTUNITIES

Consumption pattern has drastically changed with urbanization. With emergence of a large middle and upper middle sector, substantial increase in the income of the people and growth in the nuclear families Indian retail sector has witnessed a sea change in attitude of the consumers. India has a large young population who is more trends conscious and is ready to pay a higher price for better quality and branded products. People are ready to spend on lifestyle improvement. Entertainment, leisure, food, and shopping all under one roof are highly welcome. All this makes India a very attractive destination for foreign investors.

The Department of Industrial Policy and Promotion has floated a discussion paper on the issue related with permitting FDI inflows in Multi Brand Retail Sector. It is pertinent to point out that technological development is always needed for a developing Country like India and therefore it is a boon that MNC'S are interested to bring their innovative technology and high end products to India. In order to build back-end infrastructure it is essentials to develop the front-end as well. FDI in Multi Brand Retail Sector needs to be declared laudable as it is expected to bring the most innovative technology to India which will benefit not only the retail traders but even the interest of people of other sections including farming, cooperative, service sector in non corporate enterprises and to end consumers as well. The best standards and the highest quality of the goods for which these global retailers are known, if brought, will change the face of retail trading in India.

Growth of the rural sector in general and agriculture in particular depends to a large extent on the infrastructural facilities and assured markets for the farm produce. In the absence of adequate markets for cash crops, most of the farmers remain confined to the production of wheat and other traditional crops, even though the soil conditions may not be suitable for their cultivation. FDI in MBR will create markets for cash crops and motivate the farmers to grow products like fruits, vegetables etc which may be more suitable to the soil and climatic conditions of that area. Bharti-Wal-Mart, the joint venture between Bharti Enterprises and US-based Wal-Mart Stores, said it plans to buy agriculture produce directly from 35,000 small and medium farmers in India by the end of 2015. The retail venture proposes to bring in the best farm management practices and train farmers to grow more with less water and optimum use of fertilizers and pesticides. Wal-Mart Stores Inc chief executive Mike Duke says, “We are confident that these initiatives would result in a 20 percent increase in the income of farmers and have a multiplier effect to benefit one million farmers and other workers associated with agriculture” (Economic Times 2010)

Investment in infrastructure like storage, transport, food processing etc will help in reducing the intermediaries and thus will help in reducing the gap between prices paid by the consumers and prices received by the farmers. Investment in back end infrastructure will reduce the wastage of farm output, time and quality deterioration. If the facilities are shared by farmers on reasonable prices will help in increase income for the farmers.

FDI in MBR will increase the competition leading to improvement in quality standard of the products offered for sale, more choices for consumers due to increase in variety of products offered and a reduction in prices. All this will increase the consumers’ surplus.

It is feared that opening of the MBR to foreign competition would badly affect the small retailers and would lead to huge job losses. With a large economy like India this may not be true as there is room for both big as well as small retail outlets to grow. Another point to be considered is that when large modern domestic Multi Brand outlets start operating in the economy it is bound to shift some consumers from small retail outlets to the big ones. Thus FDI in MBR is not the sole culprit as far as adverse effects on them is concerned. If it is made mandatory for these foreign outlets to create a back end cash and carry for small retailers, then they will be able to reap the benefits of scale on the sourcing side. Mom and Pop shops will continue to have an advantage in their locality because of convenience factor.

LIMITATIONS OF THE STUDY

The study suffers from the following limitation

The study is limited to India. Hence, the result arrived from the study may or may not be applied to other countries. This study covers only the limited caps of the FDI flow.

The result cannot be generalized for the FDI flow in other challenging sectors.

This study does not cover the FDI inflow in unorganized sector.

The generalization of the finding of the study is subject to limitations.

SUGGESTIONS

To provide greater benefits to economy there should be stiff local sourcing requirements and investments in back end infrastructure should be compulsory. Opening of FDI should be done in a calibrated manner so that domestic retailers both organized and unorganized get breathing space and are able to upgrade their practices. FDI in MBR should not remain limited to big cities, to provide rural youths opportunities to get fruitful employment in Retail Sector.

CONCLUSION

Once India gets integrated into Global economy with FDI in Multi - Brand Retail Sector, it will be placed at an advantage if it is made mandatory for foreign retailers to bring with them technology and management know-how. Human Resource will be developed as these investors will provide education and training to the people employed by them. There is a great scope of employment generation as these retail outlets will need manpower to run them. Carrefour estimates its retail operations in India, in about 10 years, would provide direct and indirect employment opportunities to approximately 20,000 people in the stores itself (Abhishek Ranganathan 2010). Wal-Mart Stores Inc chief executive Mike Duke says that easing the rules of FDI in retail will create 3 million jobs in the next five years and helps contain inflation by 50-70 basis points (Images Food Bureau 2010).

Greater sourcing from India will give assured markets for farmers and thus will bring in increased income for them. Investment in cold chain facilities will reduce the post harvest losses to farmers leading to greater revenue generation. Increased income for Small and Medium Size Entities is also expected as the MNCs will turn to them to meet the standards of local tastes and product preferences. For successful operation of the retail trade, heavy investment in backend infrastructure is must thus it is expected that FDI in Multi - Brand Retail Sector will be conducive in building world class supply chain.

The move would present a massive opportunity to the world's biggest retailers such as Wal-Mart, France's Carrefour and Britain's Tesco to enter a market and near double-digit economic growth. Supporters say foreign money would ramp up investment in logistics such as cold storage and unclog supply bottlenecks. Between 30-40 percent of post-harvest produce goes to waste in a country where nearly half the people are malnourished (Thomson Reuters & Alistair Scrutton 2010). Consumers will get their share in the form of greater variety, better quality, and world – class customer services at lower prices.

DIPP has floated the discussion paper at the right time. It has got a positive feedback from many of the stakeholders. While the Ministry of Finance is opposed to any change in the existing retail FDI policy, the Agriculture and Consumer Affairs Ministries, along with the Planning Commission, are open to the proposal mooted by the Ministry of Commerce and Industry. Consensus on opening up of Multi-Brand Retail to foreign direct investment, or FDI, looks unlikely anytime soon, with many states opposing freeing up the sector. So far, 18-19 states have responded, including Kerala, West Bengal and Chhattisgarh, have opposed allowing FDI in Multi-Brand Retail. States’ support is important, as they can always deny retailers permission to open stores within their boundaries on various grounds.

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IMPACT OF ADVERTISING ON CHILDREN WITH SPECIAL REFERENCE TO EATING HABITS

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ABSTRACT

Advertisement is integral part of the industry which wants its product to be reached to the customer, and thereby converting them into consumers. Advertising is sole of everyone's' lifestyle, and the degree of impact of adverting on children is becoming devastating day by day. Advertisements showcase the 'must haves' for a kid making them a consumer even before they have reached the age of 3. on the contrary, advertisement are educating, updating and motivating the children to learn good thing as well. Thus the objectives of this research paper are to explore both the beneficial and harmful effects of media on children's food habits, and to identify how the advertising industry can be regulated by formulating unified laws to prevent the over-exposure of children to the ad world. I am also emphasizing on directing children's towards imbibing healthy food habits in them by suggesting parents to be more aware & regulating the advertisement targeted on children. This research paper also take a review on what kind of regulations are implemented in some parts of world regarding advertisements targeting children's & what kind of steps are being taken in India in this direction. Using 'On the Spot' sampling method 100 children between 5-15 yrs age group and 50 parents are interviewed with the help of interview schedule and data collected is presented in the form of pie chart. The research paper concludes that advertising severely affect the eating habits of present generation children. The role of parents and legal system plays crucial role in preventing the anti-health ads influencing the children's eating habits.

KEYWORDS
Advertisements, Children, eating habits, healthy food, role of parents.

INTRODUCTION
In the 21st century we all are aware of the development of science and technology and of the progress made by mankind. Science has always given us a lot and one of the gifts of science is mass-media which includes television, radio etc.

Television is having a great impact on our minds and as a result we learn word to word utterances of the persons acting before us. This is true whether they are in serials or in advertisements. Advertisement has become a media for making a product popular in a short period of time and this is one of the important reasons for the impact of new products in the mind of children. Advertising is sole of everyone's' lifestyle. Not only adults but children are also getting influenced by these advertisements. The degree of impact of advertising on adults may be problematic but the outcome is devastating for children. Advertisers of children's television used to appeal to the parents earlier but now they appeal directly to children -- who do not have the emotional or cognitive tools to evaluate what's being sold to them. Television is no more just a source of entertainment for children. They showcase the must haves for a kid making them a consumer even before they have reached the age of 3. Small kids even below 3 years of age are found dominating the purchase decision, which is again the result of increasing influence of advertisements. Today, when parents go to market with their children the latter ask for those products which have not even reached the market.

Inclusion of children in TV advertisements is not new to the world of advertisement, but if you refer the ads 10-15 years back, children could be seen in those product ads which are directly used by them, for example, Biscuit ads, chocolate ads, Rasana Ad…etc Today the scenario is totally different. We can see children in the insurance advertisement, vehicle advertisement and even in home appliances advertisement. The reason is quite interesting – the role of current generation children in family related matters is very active as against that of passive 10-15 years before. Children in current families invariably 1or 2 in number as against 3-5 in old days, dominate the family purchase decisions and one of the major reasons of this change is advertisement. It will not be an exaggeration if I say that advertisements are shaping the mentality and value system of children by making them demanding constantly for variety and thrill.

Thus the influence of the media on the psychosocial development of children is profound. Not only mental health, but ads are also impacting the physical health of the children. And here lies the objective of this research paper. It is found that 65% of the eating and drinking preferences of children are the result of advertisements. This includes all category of food items, right from biscuits, chocolates to pizza, fruit juice and even health drinks. On one side the advertisements are motivating the children to try health drinks like Boost, Horlicks, on the other side advertisings are also diluting their food habits by compelling them to consume Maggy, pizza, and coke drinks.

Thus the objectives of this research paper are to explore both the beneficial and harmful effects of media on children's food habits, and to identify how the advertising industry can be regulated by formulating unified laws to prevent the over-exposure of children to the ad world. I am also emphasizing on directing children's towards imbibing healthy food habits in them by suggesting parents to be more aware & regulating the advertisement targeted on children. I also have taken a review on what kind of regulations are implemented in some parts of world regarding advertisements targeting children's & what kind of steps are being taken in India in this direction.

POSITIVE EFFECTS OF ADVERTISEMENT ON KIDS
Advertising makes the kids aware of the new products available in the market. It increases their knowledge about the latest innovations, in the field of technology as well as otherwise.

Convincing ads, which center around healthy food products, can help improve the diet of a child, if they are attractive enough.

NEGATIVE EFFECTS OF ADVERTISEMENT ON KIDS

The personal preferences in clothing, toys, food and luxurious of children are altered by the advertisements, to a great extent.

Many advertisements in the present times include dangerous stunts, which can be performed only by experts. Even though the commercials broadcast the statutory warnings with the ad, the kids often try to imitate the stunts at home, with fatal results.

The flashy advertisements broadcast in television generate impulse shopping in children.

Junk foods, such as pizzas, burgers and soft drinks, are heavily promoted during children's TV viewing time. This develops a craving for fatty, sugary and fast foods in kids, thereby affecting their health adversely.

Advertisements encourage the children to persuade their parents to purchase the products shown in the commercials, whether useful or not. The little ones tend to get adamant, if they are not bought the product.

Children often tend to misinterpret the messages conveyed in commercials. They overlook the positive side and concentrate more on the negatives.

Children, after watching the glitter of commercials, often lose the ability to live a life without materialistic joy.

The kids usually get more attracted towards the costly branded products, such as jeans and accessories. They disregard the inexpensive, but useful, ones that are not shown in the commercials.

REVIEW OF LITERATURE

According to the "India Media Market 2007" report from Heernet Ventures, the Indian media market is expected to grow from revenues of $9.2 billion in 2007 to $17 billion by 2012. That converts to an estimated INR 415.4 billion in 2007 rising to INR 766 billion in 2012, with a compound annual growth rate (CAGR) of 13%. Accounting for 43% of total ad spending, newspapers are the largest advertising channel in India, followed by television, at 35% of the total, with the other media channels far behind. Online advertising currently accounts for only 3% of total spending. Internet, another important source of enriching knowledge for children which also became a medium for marketing their product as this is the major time spent area after media. The concept of online marketing was introduced & products are sponsored on frequently visited sites & some odd ways like Pop Ups. This leads the buyer (children in this case) to a new world of market & sometimes even to pornographic material at the adolescent age. Now the child is attracted to the product advertised which are designed strategically and thus become the new segment for the marketing company. Although internet marketing is still evolving in India, it is better we wake up to this future problem and take some steps in that direction.

Since we are more diverted towards looking at the negative impact, let us not forget the positive ones created on the minds of children. Social advertising is a very good example of positive advertising. The objective of social advertising is to change public attitude and behavior and stimulate positive change. The polio ad campaign coincided with the immunization of additional six million children at the polio booths across the state between November 2002 and February 2003.

According to the New Encyclopedia Britanica, “Advertising is a form of communication intended to promote the sale of a product or service to influence the public opinion to gain political support or to advance a particular cause”. This survey focus on the children in the age group of 5-15 years which is now forming the new segment for the marketing companies. Advertisement is the major source of marketing the product. So Companies spend huge amount of money to promote their product in the competitive environment**.** Advertising in print media grew 14.7% in 2004 compared to TV ad which has grown by 13%. During January-December 2004, ad spend in press accounted for 46% of the total advertising pie of Rs 11,800 crore followed by TV at 41%, outdoor 7%, cinema 3%, radio 2% and internet 0.5%.

A research study in UP commissioned by UNICEF found that more than 94 percent of respondents reported that they came to the polio booth after seeing the spots on television which was endorsed by celebrities like Amitabh Bachhan, Shahrukh Khan, Sachin Tendulkar & Jaya Bachhan. Around 112 cases has been reported in the year 2003 compared to 1600 cases in the year 2002. A Unicef-supported television and radio campaign won a silver medal at this year’s EFFIE Awards given by the advertising industry.

Similarly advertisements of iodized salt generate the awareness among people to buy it, which avoids the prevalence of Goiter. Advertising also helps the children’s health in a positive way- be it a kid of 3 yrs or a little grown up of 12 yrs. Advertising provokes children to stay clean which are advertised by soap companies like Dettol, Lifebuoy etc. Brushing twice a day was a marketing strategy for more usage of product but such advertisement always helps the children to keep their teeth clean, healthy and germ-free. Even the use of some cartoons or sometimes small ideas like “Pepsodent Germicheck– Dhishum Dhishum” encourages the child to use the product to realize the benefits shown in the advertisements. Companies such as Amul and Nestle are advertising milk products to the young generation as something cool & refreshing, e.g. Amul Kool. Advertising & Society International Marketing Conference on Marketing & Society, 8-10 April, 2007, IIMK 305 claim any milk product is always a good diet for the body of children. It is much more vitamin –rich and useful than other products like soft drinks which are actually harmful to the health.

Now we can throw some light on advertisements having negative impact on the children’s health. Most aired advertisements are of the celebrity famed Soft Drinks which contain pesticides almost 27 times higher in India than the EU norms according to the findings of Delhi based NGO, Centre for Science & Environment. Intake of such products is found normal with the growing children who nowadays take it as a part of regular diet or a good partying option that is readily available to them. But after the reports by CSE about the findings of pesticides, the amount of pesticide contained has reduced but not up to the desired level till now.

Burgers & pizzas & the mouth watering fast foods pave its entries in the most number of Advertisements, which are shown mainly during the children’s program. These products are mainly advertised as the complete diet food which claims to include all the required nutrients by a human body. All these junk food items are easily accessible to the school going kids having working parents who don’t have time to cook. Fast food chains often target their advertising at children and teenagers or the young who more or less have the required purchasing power and who most of the times influence the purchasing behaviour of parents and who can become the target market for their products for long. For example McDonald’s happy meal which always has a toy attached with it and a newly released children’s movie. Children are very fond of clowns and cartoon characters which form the advertising mascot for the target audience. The early onset of diabetes is mainly due to the changing food habits. A couple of years ago, people in the age group of 20-35 years used to suffer from diabetes. But now, children aged anywhere between three months and 17 years are also developing diabetes, which is a cause for great concern. Fast food habits may lead to obesity among children. Obesity per se is not a serious health problem, but it is a prime precursor of many non-communicable diseases (NCDs) like diabetes, hypertension, cardiovascular diseases (CVDs), gall bladder ailments, cancer, psycho-social problems, breathlessness, sleep disorders, asthma, arthritis, weak bones and reproductive hormone abnormalities. Iron deficiency can result into anemia.

Research has proved that children decide on what kind of clothes they want to wear & such demands of the child are often fulfilled by the pocket-full parents who don't have a say in such decisions. And all the child's buying decisions are influenced by the advertisement shown all over media, billboards & magazines. But also cause a threat to the parents who have budget constrain to satisfy their children's need causing emotional distress among them.

If you ask a kid, who would you like to look like? And the obvious answer would be I want to be a Barbie doll, an every girl's fantasy. But the stick thin Barbie doll image helps the kids grow in a way that they think will make them like their role models and even makes them health conscious. All the girls want to have a Barbie doll image & by doing that they hamper their physical health. Sometimes the efforts to emulate their heroes land these children in serious trouble that may be dangerous to their lives.

RESEARCH DESIGN

With the help of advertisements, companies are attracting the so called new segment in the market. i.e. children segment. My research project deals with various studies about the nature of the children, their likes & dislikes, parent's role in the decision making & the influence of advertising on the buying habits seen by the kids. The data collection was done using on the spot sampling in the form of personal interview. I used various secondary sources for gathering data related to the research report. Analysis of data has been done using quantitative methods such as Arithmetic mean. Those analysed facts & findings are presented in different forms for ease of understanding by use of pie charts and bar charts. This research report just does not concentrate on the findings but also suggests corrective measures to be taken up to minimize the after effects of the advertising world which will be always on the upsurge. This impact of advertising on children is exponential and will rapidly grow in the coming future. Therefore considering the severity of the possible problems this report aims at taking precautionary steps in the government's front, ethical front of the advertisers and of course on the parental & children's front.

DATA COLLECTION

PRIMARY DATA

Primary data is collected from the respondents with the help of interview schedule. It was mainly directed towards investigation of the various impacts the advertising has on the children's' minds & how advertisement decides their buying and eating habit. The survey had to be done at the point of purchase. So it was carried out in food malls where the brands are sold & places like McDonalds & places like schools where we could actually meet the parents.

SAMPLING TECHNIQUE

Non Probability Sampling Technique was used & in that on the spot sampling was done. The responses were collected from 100 Children and 50 parents, who were interviewed with the interview schedule at different places of purchase. Hence a on the spot sampling technique was decided, which would enable using personal judgment to conveniently approach the parents and children and save time also.

SECONDARY DATA

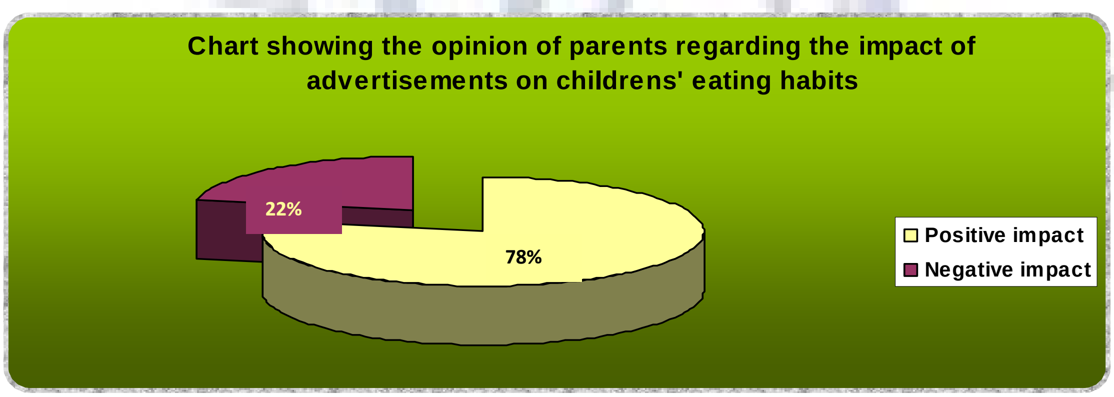
The secondary data is collected form prevision research reports on the related issues. Apart from the secondary data is also collected from internet for getting the data about the various statutory rules and regulations on advertising. The data is also collected from the websites of food chains like McDonalds, Pizza hut, Dominos…etc.

ANALYSIS OF FINDINGS

A] PRIMARY DATA FINDINGS

1. Parents when asked about the impact of advertisements on 'Eating habits' of children, 78% parents responded that the impact is negative and only 22% responded that the impact is positive. This is mainly due to those advertisements, which motivate the children to consume healthy food like milk, Egg, and health drinks.

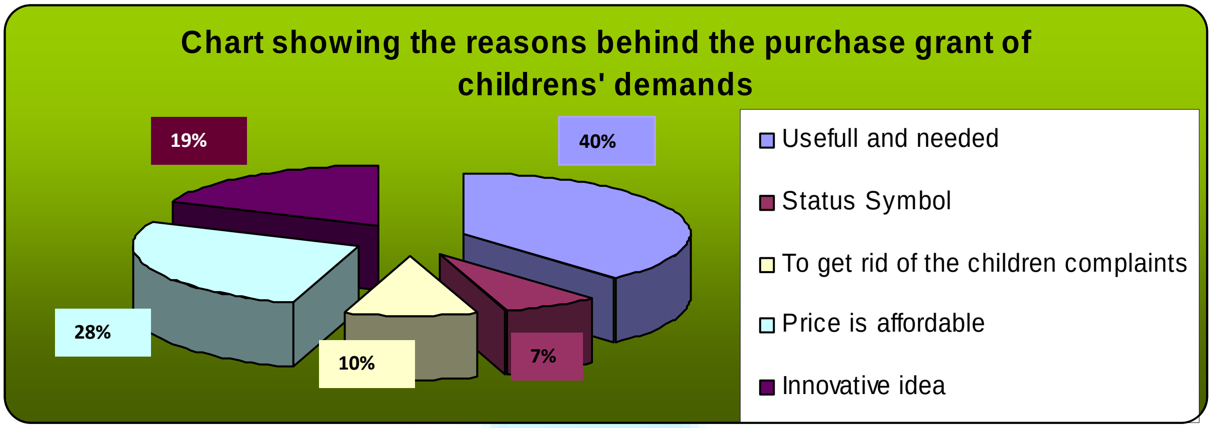
Chart-I



2. 65% parents responded that their children aggressively demand some food item and dominate the purchase decision due to its advertisement on TV

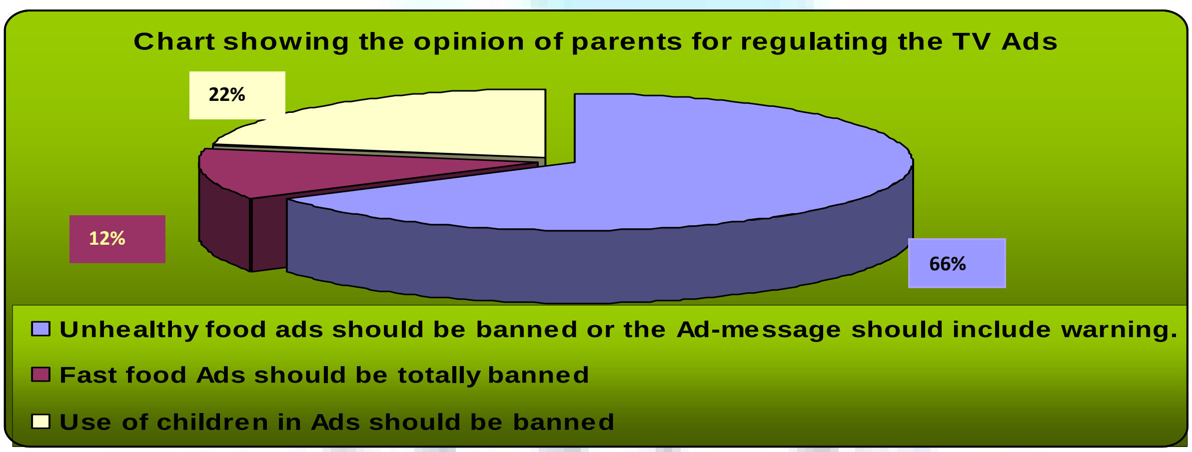
3. Parents when asked about the circumstances in which they grant the purchase demands of children initiated from advertisements, 40% responded that they allow the purchase because the product is useful and needed, 28% allow as the product is affordable, 19% allow as there is some innovative content, 7% parents allow because owning product is status symbol and 10% parents allowed the purchase for no specific reason, but just to get rid of the demand of the children and irritation causing out of it.

Chart- II



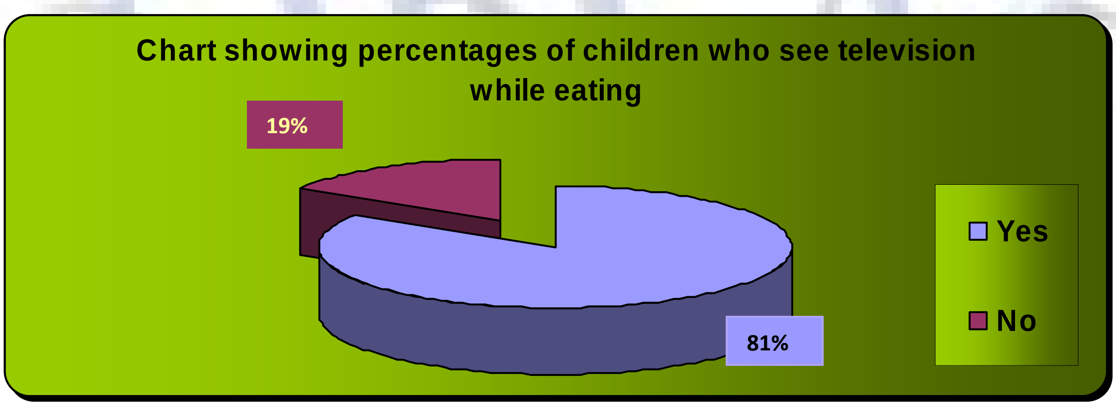
4. 92 % of the parents surveyed feel that there is need for regulation as far as food related Advertisements are concerned. Of these about 66% say that, either the advertisements of unhealthy food products should be banned or the Ad-Message should be regulated by including the warning against excess consumption. 12% parents say that all the food Ads targeting children should be totally banned and about 22% say that the use of children in food advertisements should be banned, as when children themselves advocate such products, it becomes difficult for the parents to convince their kids for not eating.

Chart-III



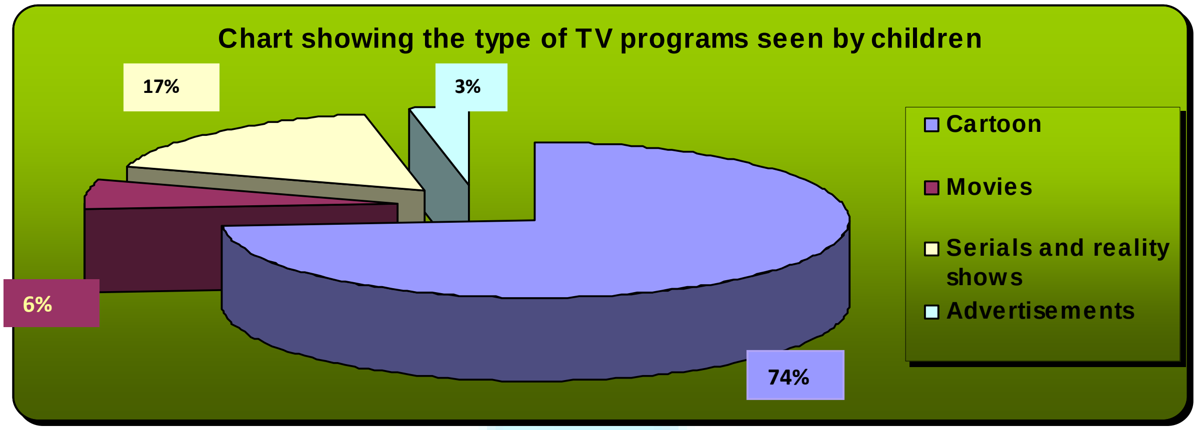
5. Around 81% of children watch TV while eating which may affect their food intake.

Chart- IV



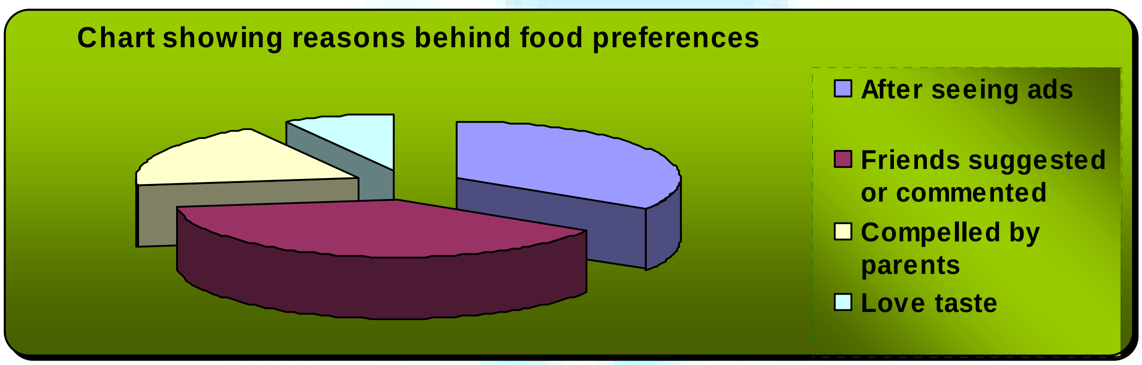
6. Children when asked about the type of program they generally watch on television Around 74% of the children watch cartoon channels, 6% watch movies, 17% watch serials and especially children reality shows, and only 3% see advertisements. The ads which are shown on cartoon Channel are invariably seen by the children and thus impact children psychology.

Chart-V

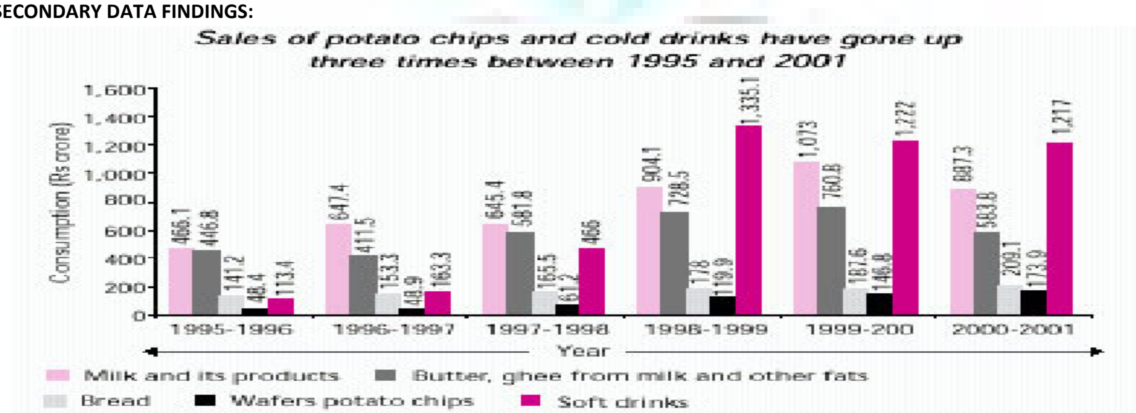


7. When investigated what really influence children to decide their eating or drinking preferences, it is found that 34% children prefer to consume any eatable, as they have seen its advertisement. 39% children prefer to eat or drink any food item, just because their friends has suggested or commented about it, most of them were again in the category who consumed that food item after seeing the advertisement. 19% children consume any food item as it is needed and parents compel to eat, and 8% children are in that category who repetitively consume some particular food product or beverage as they like its taste very much. The products like some branded chips and snacks, Maggi, flavoured biscuits, fruity…etc are in this category of food items.

Chart-VI



B] SECONDARY DATA FINDINGS:



Source: Parna Dasgupta 2004, Director, Confederation of Indian Food Trade & Industry (CIFTI), New Delhi.

International Marketing Conference on Marketing & Society, 8-10 April, 2007, IIMK 308

1] Size of Advertising industry in India: Rs.16300 crore (ET 26/02/07)
2] Snack food market size: Rs.4500 crore (ET 26/02/07)
Branded snack food market size: Rs.1300 crore (ET 26/02/07)
3] More than 60% of commercials promote sugared cereals, candy, fatty foods and toys.
4] Pan Cheese Pizza contains 46.6 % of fats in 2 slices of Pizza whereas a normal body intake should be of 10-20 % calories from fat.
5] According to the new "India Media Market 2007" report from Heernet Ventures, the Indian media market is expected to grow from revenues of $9.2 billion in 2007 to $17 billion by 2012.
6] After the pulse polio ad campaign only 112 cases of lack of vaccination were reported in comparison to 1600 cases before the campaign.
7] 70% of parents agreed that the child influences them while buying products.
8] Only 2% of the amount goes into Research and development of the product but almost 50% goes into Advertising in India.
9] A leading nutritionist in AIIMS, in a Delhi survey of well-to-do schools found that about 27 per cent of school children were overweight and seven per cent obese.
10] Fast food consisted of 83% of the advertised product.
11] Increasing Sales of fast food & soft drinks over previous years.

12] ADVERTISING REGULATION IN DIFFERENT COUNTRIES

Advertising laws in India, or the lack of them, are in strong contrast with advertising standards in Europe or in the US where concerned parents and governments closely monitor what their children are learning and picking up from TV in the form of advertisements. In Sweden and Norway, TV advertising and sponsorship of programmes aimed at children below the age of 12 are prohibited. In Greece, the advertising of toys on television is banned between 7.00 a.m. and 10.00 p.m. In Germany and Denmark there are bans on certain forms of toys. In Austria and the Flemish part of Belgium no advertising is permitted 5 minutes before or after programmes for children. Sponsorship of children's programmes is not permitted in Denmark, Finland, Norway and Sweden while in Germany and the Netherlands, although it is allowed, it is not used in practice. Australia does not allow advertisements during programmes for pre-school children.

SUGGESTIONS TO REGULATE THE IMPACT OF ADS ON CHILDREN EATING HABITS

1) Parent involvement and Education:

Studies show that parents play an important role in their children's social learning, but if a parent's views are not discussed explicitly with children, the medium may teach and influence by default Parents should be educated with respect to what should be healthy food as per proper nutritional intake for their children. Parents should continuously assess their children's eating habit and its impact on their health. If child is found getting into wrong eating habit especially due to ads, it is the prime responsibility of the parents to explain them the damage out of it. Apart from these, parents should educate their children about the advantages of eating healthy food and disadvantages of unhealthy food.

2] Statutory Warning

The intake of junk food & carbonated drinks causes numerous diseases such as obesity, hypertension, cardiovascular diseases (CVDs), gall bladder ailments, cancer, psycho-social problems, breathlessness, sleep disorders, asthma, arthritis, weak bones and reproductive hormone abnormalities. So it should come with statutory warnings as in the case of cigarettes (Smoking is injurious for health and milk powder such as "Intake of this food more than twice a week is not good for health."

3] **Legal Implications**:

In India, there are no specific advertising laws that relate to children and food-related advertisements in particular. A host of laws and Acts like the 'Cable TV Networks (Regulation) Act, 1995' and the 'Infant Milk Substitutes, Feeding Bottles and Infant Food Act' deal with children-related advertising in a vague way. Not only are there advertisements that are targeted at children but a host of them that feature young children, even babies. In most parts of the world, there are few or no specific rules concerning food advertising to children beyond the rules which must apply to all advertising. In India, even general rules pertaining to advertising are very lax. Also, there are no regulatory bodies that monitor TV advertisements. Apart from the Ministry of Information and Broadcasting that decides to intervene when it wants to, there are only voluntary groups like the 'Advertising Agencies Association of India', and the 'Advertising Standards Council of India', both of which are business organizations and can only put moral pressure on advertisers and companies to withdraw objectionable advertisements. There is urgent need for voluntary and government pressure groups to seriously take note of the situation.

The government needs to draft and implement laws that do not deal with advertising in general but are specific and relate to every aspect of advertising, especially those that target young children and pertain to food. In other parts of the world, there exist voluntary groups like the 'Adbusters' and 'Mothers groups' that watch and pressure governments to clamp down on aggressive and intrusive advertising. At present there are various laws implemented by government under various ministries.

4] Advertisement Code to be monitored by an organization which will take care of the following:

A] Before any AD is aired on television, the most sought medium by children some code of conduct should be followed. Any food ADs should be scrutinized with regards to the claims they are making & the food ingredients should meet some standards laid down by recognized organization like WHO.

B] The stipulated time limit for advertisement is followed by the companies or not. TV Channels generally do not follow any rules regarding advertising air time. Doordarshan poses a limit on advertising time which is a maximum of 7.5 minutes of advertisements in a 30 minute programme. Private TV channels are free to air as many advertisements they like.

CONCLUSION

From the analysis of primary data and secondary data it is concluded that advertising severely affect the eating habits of present generation children. The role of parents and legal system plays crucial role in preventing the anti-health ads influencing the children's eating habits. Though advertisement is integral part of the industry which wants its product to be reached to the customer, they should not forget that its their social responsibility to take care of the future generation of the country which are been targetted tactfully to earn profits. Parents should make the kids more aware of the surrounding so that they start taking proper & logical decision. Also government's role is important here. It can do it by implementing proper food laws and harmonization of various laws into single unified law.

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THE IMPACT OF DIVIDEND POLICY ON SHAREHOLDERS' WEALTH (A STUDY WITH REFERENCE TO FERRO ALLOY AND ALLOY STEEL INDUSTRY IN INDIA)

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ABSTRACT

The aim of this paper is to analyze the impact of dividend policy on shareholders wealth in Ferro Alloy and Alloy steel companies in India. To measure the impact of dividend policy on shareholders wealth multiple regression and step wise regression models are used by taking DPS (Dividend per share) RE (Retained earnings per share) PE_{t-1} (Lagged price earning ratio) and MPS_{t-1} (Lagged market value per share) as independent variables and MPS (Market value per share) as dependent variable. To decide the proportion of explained variation in the dependent variable, the coefficient of determination (Adjusted R^2) has been tested with the help of F values. The analysis is based on a sample of 18 steel companies listed on the Bombay Stock Exchange over a period of 10 years from 1999 to 2008. The dividend policy can be constructed as distribution (timing and pattern) of dividend payment. The empirical results of the study show that there is a significant impact of dividend policy on shareholders wealth in Alloy steel companies, while the shareholders wealth is not influenced by dividend pay out to the extent that Ferro Alloy steel companies in India are concerned.

KEYTERMS

Dividend paying companies, Dividend non paying companies, Dividend per share, Retained earnings per share, Lagged price earning ratio, Lagged market value per share, Market value per share.

INTRODUCTION

Dividend policy refers to the policy chalked out by companies regarding the amount it would pay to their shareholders as dividend.[1] The main objective of any dividend policy should be to divide the net earnings in an optimum manner so as to pay dividends and retained earnings for reinvestment with the objective of maximizing the wealth of shareholders.[2] Dividend policy can provide shareholders an insight on management view on earning trends and current share price, as well as its stance on financial slack. This information is important in valuing the company and assessing the management.[3] Dividend may also provide a vehicle for communicating management superior information concerning their interpretation of the firm's recent performance and their assessment of future performance.[4]

Dividend policy is important to shareholders because it can affect share price and shareholder's wealth[5]. A cash dividend entitles the shareholders to a certain sum of money and is the ordinary way in which he reaps from time to time the fruits of his investment. It divides among the shareholders the accumulated earnings of the corporation[6]. Companies make a proper balance between dividend payment and retained earnings. When the firm increases retained portion of the net earnings, shareholders current income in the form of dividend decreases. On the other hand, when dividends are increased share holders current income will increase and this influences the market value of share. Generally the payment of dividends may significantly influence the market price of share. The higher dividend may increase the value of a share and low dividend may reduce the market value of share.[7]

DIVIDEND FROM THE TAX PERSPECTIVE OF THE SHAREHOLDERS

The shareholder's wealth is reflected by the combination of the share price and dividend payment. The payment of dividend can improve corporate governance by offering investors clear signal about a company's future financial health and by imposing discipline on corporate manger. Dividends have their advantages and disadvantages from the perspective of the firm's management and its share holders. From the tax perspective of the shareholders, rising share price implies higher capital gain tax while dividend increase means higher dividend tax. Some shareholders prefer capital gain tax because they have to be paid only when the share are sold. Because shareholders can control when they will sell, they can potentially defer capital gains taxes for many years. Some shareholders favor dividends, even though they lack the advantages associated with deferral, preferring the flexibility that come with cash dividend payment. This liquidity allows investors to more easily manage their financial affairs redirecting funds behind that they offer important means to judge the firm financial health and future prospects[8].

The present work is an attempt to study the impact of dividend policy on shareholders' wealth of selected Ferro Alloy and Alloy steel companies in India.

STATEMENT OF THE PROBLEM

In India a few studies have analyzed the relationship between the share holders wealth and dividend payment. Net earnings are divided in to two parts- retained earnings and dividends. The retained earnings of the business may be reinvested and treated as long term funds. The dividend should be distributed to the shareholders in order to maximize their wealth as they have invested their money in the expectation of being made better of financially. Therefore the present study mainly analyzes how far the level of dividend affects the shareholders wealth particularly in Ferro Alloy and Alloy Steel companies in India.

OBJECTIVES OF THE STUDY

To study the relationship between dividend payout and shareholder wealth.
To analyze whether increase in dividend leads to increase in shareholders wealth.
To analyze the impact of variation in dividend policy on shareholders wealth of dividend paying and nonpaying companies Ferro Alloy and Alloy Steel companies in India.
To analyze the impact of retained earnings and past performance in the presence of dividend policy on shareholders wealth of Ferro Alloy and Alloy Steel companies in India.

HYPOTHESES

H_0^1 There is no significant difference in average market value relative to book value of equity between dividend payers and non payers of Ferro Alloy steel companies in India.
H_0^2 There is no significant difference in average market value relative to book value of equity between dividend payers and non payers of Alloy steel companies in India.
H_0^3 There is no significant difference in average market value relative to book value of equity between dividend payers and non payers of Ferro Alloy and Alloy steel companies in India.
H_0^4 There is no significant impact of dividend policy on shareholder's wealth in Ferro Alloy Steel Companies in India.
H_0^5 There is no significant impact of dividend policy on shareholder's wealth in Alloy Steel Companies in India.
H_0^6 There is no significant impact of dividend policy on shareholder's wealth in Ferro Alloy and Alloy steel Companies in India.

METHODOLOGY

The study uses only secondary data which are collected from CMIE (Center for Monitoring Indian Economy) Prowess package. Analytical method is used for interpreting the date. The data collected from this source have been used and compiled with due care as per requirement of the study.

PERIOD OF THE STUDY

The data used for the analysis are relating to the selected Ferro Alloy and Alloy steel companies for the period of ten years ranging from1999 to2008.

SAMPLING DESIGN

Originally the sample for this study has been chosen from the list of companies listed in BSE. The sample of 18 companies in Ferro Alloy and Alloy steel industry has been chosen from 141 listed Ferro Alloy and Alloy steel companies in BSE (Bombay Stock Exchange).The sample unit of 10 from Ferro Alloy Steel industry and 8 from Alloy
Steel industry, ie, 18 companies have been chosen by convenient sampling technique. The sample units have been chosen for the study based on the availability of required financial data like, Current share price, Dividend per share, Retained earnings, Lagged market price and Lagged price earning ratio for a period of 10 years from 1999 to2008. These data were available for the above period only in the case of 18 companies. Hence the study has to be done on 18 companies only.

TOOLS USED FOR ANALYSIS OF DATA

The equation and variables used for the study are given below;

MPS it = a+ b DPS it +c RE it + e it …………………… (1)
MPS it = a+ b DPS it + c RE it + (PE) t-1 + e it ……… (2)
MPS It = a + b DPS it + c RE it + (MPS) it + e it ……… (3)
Where,
MPS it = Market price per share.
DPS it = Dividend per share.
RE it = Retained earning per share.
PE t-1 = Lagged price earning ratio.
MPS it-1 = Lagged market price (MV t-1)

The subscript 'i' denotes the i^{th} company in a sample of n companies selected from a particular industry, and all variables are measured in the t^{th} time period. Market price per share is the closing price for the year.
To analyze data, the statistical tools used are; Mean, Standard deviation, multiple regression technique and step wise regression method to ascertain best fitted model for predicting the dividend policy. The significance of various explanatory variables have been tested by computing t values. To determine the proportion of explained variation in the dependent variables, the coefficients of determination (R^2) have been worked out. The significance of R^2 has also been tested with the help of F- values.

LIMITATIONS OF THE STUDY

Due to shortage of time and resources, the study is limited to Ten years data from (1999-2008). Therefore a, detailed trend covering a lengthy period has not been considered.

The study is based on secondary data collected from CMIE Prowess package. Therefore, the quality of the study depends purely upon the accuracy, reliability and quality of secondary data.
The study is limited to 18 companies of Ferro Alloy and Alloy steel industry only listed in BSE. Therefore it is not possible to reach a meaningful conclusion from the present study relating to dividend trends in the entire steel industry.
Thus while using the findings of the study one should be careful and use the same judiciously, by taking the various limitations in to consideration.

ANALYSIS AND INTERPRETATION

COMPARISON OF SHAREHOLDER'S VALUE BETWEEN DIVIDEND PAYERS AND NON PAYERS AMONG SELECTED STEEL COMPANIES

Before going through an in-depth evaluation of the relationship between dividend policy and the wealth of shareholder in the selected Ferro Alloy and Alloy steel companies in India, it has been tried to compare investor's average wealth (mean value of market value to book value) between dividend paying and dividend non paying steel companies under the above mentioned categories.
The comparison of the mean value of market value to book value of all selected companies together, pooling them from both the segments, Ferro Alloy and Alloy Steel, under dividend paying and nonpaying category is also carried out. The significance of the mean difference between dividend payer and non dividend payer is examined with the help of 't' test. The results of the analysis are shown in table .1, 2, and 3.

TABLE 1: YEAR WISE COMPARISON OF MARKET VALUE TO BOOK VALUE OF EQUITY BETWEEN DIVIDEND PAYING AND NON DIVIDEND PAYING SELECTED FERRO ALLOY STEEL COMPANIES IN INDIA

Year	Dividend Payers		Dividend Non Payers		t-values	LS
	Mean	SD	Mean	SD		
1999	0.39	0.32	0.77	0.57	-1.29	ns
2000	0.28	0.26	0.44	0.37	-0.78	ns
2001	0.18	0.17	0.36	0.38	-.97	ns
2002	0.33	0.29	0.74	0.75	-1.13	ns
2003	1.29	1.08	1.65	2.12	-0.34	ns
2004	1.57	1.18	1.52	1.04	0.065	ns
2005	1.38	0.72	2.33	1.41	-1.13	ns
2006	1.35	0.72	2.73	2.39	-1.24	ns
2007	2.54	0.77	4.86	1.26	-3.51	s
2008	0.59	0.16	0.83	0.31	-1.54	ns
All Years	0.99	0.76	1.62	1.38	-1.28	ns

SD - Standard Deviation; ns – Not significant; Significant at 1% level < 0.01 and Significant at 5% < 0.05

Table 1 indicates that the average market value relative to book value of equity of the dividend paying companies is less than the average market value relative to book value of equity of non-dividend paying companies for all the years except that of in 2004. The mean value of dividend paying companies is 1.57 and the dividend non paying company is 1.52 in that year. The overall mean value, for the study period, of the dividend paying Ferro Alloy steel companies is less than one (0.99) and that of the non paying companies is greater than one (1.62). Now to examine whether there is any significant difference in the mean values of market value to book value of the selected Ferro Alloy companies, t statistic and p values are considered. A glance at t values reveals that there is no significant difference in the mean values of market value to book value between both dividend paying and non dividend paying companies, except for the year 2007. Also the differences in the mean values of the annual averages in the period of study are also found insignificant between both dividend paying and non dividend paying categories.
Ho: There is no significant difference in average market value relative to book value of equity between dividend paying and non dividend paying Ferro Alloy steel companies.
Since the calculated t values are less than the table value, (ie table value at five percent 1.96), for all the years, except 2007, the null hypothesis is accepted.

TABLE 2: YEAR WISE COMPARISON OF MARKET VALUE TO BOOK VALUE OF EQUITY BETWEEN DIVIDEND PAYING AND NON DIVIDEND PAYING SELECTED ALLOY STEEL COMPANIES IN INDIA

Year	Dividend Payers		Dividend Non Payers		t-values	LS
	Mean	SD	Mean	SD		
1999	0.69	1.25	0.53	0.39	0.21	ns
2000	0.44	0.70	0.27	0.16	0.38	ns
2001	0.49	0.71	0.16	0.11	0.77	ns
2002	.0.70	1.19	0.41	0.25	0.39	ns
2003	1.61	2.97	1.49	1.40	0.061	ns
2004	1.68	2.79	1.86	1.97	-0.096	ns
2005	2.06	2.90	1.90	1.79	0.083	ns
2006	2.33	2.27	1.57	0.79	0.549	ns
2007	3.04	2.49	1.84	0.96	0.77	ns
2008	1.64	2.21	0.52	0.1	0.85	ns
All Years	1.55	0.88	1.05	0.73	1.38	ns

SD - Standard Deviation; ns – Not significant; Significant at 1% level < 0.01 and Significant at 5% < 0.05

Table 2 indicates that the average market value relative to book value of equity of the dividend paying companies is greater than the average market value relative to book value of equity of non-dividend paying companies for all the years except 2004. The overall mean value, for the study period, of the dividend paying Alloy steel companies is 1.55 and that of the non paying companies is 1.05. Now to examine whether there is any significant difference in the mean values of market value to book value of the selected Alloy companies, t statistic and p values are considered. A glance at t values reveals that there is no significant difference in the mean values of market value to book value between both dividend paying and non dividend paying companies. Also the differences in the mean values of the annual averages in the period of study are also found insignificant between both dividend paying and non dividend paying categories.

Ho: There is no significant difference in average market value relative to book value of equity between dividend paying and non dividend paying Alloy steel companies.

Since the calculated t values are less than the table value, (i.e. table value at five percent 1.96), for all the years, the null hypothesis is accepted.

TABLE 3: YEAR WISE COMPARISON OF MARKET VALUE TO BOOK VALUE OF EQUITY BETWEEN DIVIDEND PAYING AND NON PAYING SELECTED FERRO ALLOY AND ALLOY STEEL COMPANIES IN INDIA

Year	Dividend Payers		Dividend Non Payers		t-values	LS
	Mean	SD	Mean	SD		
1999	0.54	0.87	0.68	0.50	-0.403	ns
2000	0.36	0.51	0.37	0.30	-0.093	ns
2001	0.34	0.51	0.29	0.31	0.234	ns
2002	0.51	0.84	0.61	0.61	-0.287	ns
2003	1.44	2.11	1.59	1.77	-0.156	ns
2004	1.62	2.02	1.65	1.33	-0.29	ns
2005	1.72	2.02	2.17	1.45	-0.525	ns
2006	1.84	1.67	2.3	1.95	-0.533	ns
2007	2.79	1.76	3.73	1.90	-1.09	ns
2008	1.11	1.58	.71	0.29	0.711	ns
All Years	1.23	0.80	1.41	1.09	-0.428	ns

SD - Standard Deviation; ns – Not significant; Significant at 1% level < 0.01 and Significant at 5% < 0.05

An examination of the results of year wise comparison of market value of equity to book value between dividend paying and non dividend paying steel companies in India, which are depicted in table 3 shows that the mean market vale of equity relative to book value of dividend paying steel companies is less than that of the non dividend paying steel companies for all the years except those in the years 2001and 2008.

But the testing of the mean difference using t test revealed that the difference between mean value of the market value to book value of dividend paying and non dividend paying companies is insignificant.

Ho: There is no significant difference in average market value relative to book value of equity between dividend paying and non dividend paying Ferro Alloy and Alloy steel companies.

The calculated t values are less than the table value, (i.e. table value at five percent 1.96), for all the years. Therefore, the null hypothesis is accepted that there is no significant difference in average market value relative to book value of equity between dividend paying and non paying Ferro Alloy and Alloy steel companies in India.

RELATIONSHIP BETWEEN DIVIDEND POLICY AND SHARE HOLDERS' WEALTH

DIVIDEND PAYING FERRO ALLOY STEEL COMPANIES

In this section the impact of initiating dividend payments by the Ferro alloy steel companies on their shareholders wealth has been analyzed using multiple regression analysis. Market value is considered as dependent variable and retained earnings, lagged price earning, lagged market value in addition to dividend per share are taken as explanatory variables. The result of regression analysis in this regarded is presented in tables from 4 to 6.

TABLE 4: RESULT OF REGRESSION SHOWING THE IMPACT OF DIVIDEND POLICY ON MARKET VALUE OF EQUITY OF ALL DIVIDEND PAYING SELECTED FERRO ALLOY STEEL COMPANIES IN INDIA

Dependent Variable: Market price per share (**MV**)

Independent variables	Model 1	Model 2	Model 3	Model 4
Intercept-(β) T value	57.729** (2.181)	62.688*** (2.739)	70.693*** (2.729	70.316** (2.566)
Dividend per share(DPS)-(β) T value	170.652*** (4.625)	69.178* (1.725)	65.935 (1.516)	63.24 (1.414)
Retained Earnings (RE)-(β) T value		0.120*** (4.165)	0.120*** (3.925)	0.119*** (3.041)
Lagged price earning ratio(PE t-1)-(β) T value			-0.357 (-0.329)	
lagged market value of share(MVt-1)- (β) T value				0.007* (0.038)
R2 Adjusted r2 F value Degree of freedom	0.308 0.294 21.39*** 1,48	0.495 0.473 23.01*** 2,47	0.485 0.447 12.85*** 3,41	0.483 0.445 12.78*** 3,41

Figures in parentheses show t – values

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

The table 4 shows the regression result for all selected steel companies under Ferro Alloy Steel category with regard to impact of initiating dividend payment on share holders' wealth. Four different specification of models are examined here; all the four models are significant at 1 percent level (F=21.39, P is < 0.01 for model one, F= 23.01, P is <0.01 for model two, F = 12.85, P is < 0.01 and model four F= 12.78, P is <0.01). Among the four models, F value for model 2 is very high. Furthermore regression result shows that the co- efficient of dividend per share (DPS) of model one is highly significant at 1 percent level (β=170.6, t = 4.685, P is < 0.01) and the model two is significant at 10 percent level (β= 69.178, t = 1.725, p is < 0.10), while in all other models they are insignificant. On the other hand, co-efficient of retained earning (RE) in all models are highly significant at 1 percent level (β= 0.12, t = 4.165, P <0.01 in model 2, β = 0.12, t = 3.925 P is < 0.01in model 3 and model 4 $\beta = 0.119$, t = 3.041, P is < 0.01). Also from the examination of adjusted R^2 values, it is clear that the explanatory variables in model 2 explain 47.3 percent of the variance in market value, whereas explanatory variable in model 1, 3 and 4 explain 29.4 percent, 44.7 percent and 44.5 percent respectively of the variance in the depended variable. Hence model 2 is the best fit model, as it gives highly significant F values and highest adjusted R^2.Interestingly though the co-efficient of dividend per share in model 1 is statically significant, its significant has declined considerably when retained earning (RE) is also included in the model along with this. And in the model where DPS, RE, and PEt_{-1} are considered as regressor, it is found that both DPS and PE_{t-1} as insignificant. In the model two the retained earnings is significant at one percent level of significance and the dividend per share is significant at ten percent level of significance. The significant intercepts in all four models indicate that there are some factors inherent in market value dominated over dividend policy from the analysis of Ferro Alloy steel companies under steel sector. Retained earning is found that to influence market value over other variable considered.

H0 There is no significant impact of dividend policy on shareholder's wealth in Ferro Alloy Steel Companies in India.Therefore, in harmony with the previous analysis on Ferro Alloy, the regression result also support accepting the null hypothesis that there is no significant impact of dividend policy on shareholder wealth and rejected alternative hypothesis. Hence, the study reveals that dividend policy announcement makes no significant impact on share holder's wealth.

DIVIDEND PAYING ALLOY STEEL COMPANIES

In this section of this chapter, the impact of dividend policy on the share holders' wealth is examined on the data collected from the Alloy Steel companies. The impact of dividend policy has been elicited using multiple regression analysis. The dividend per share (DPS) has been used as proxy for measuring the dividend policy of the companies and market value (MV) of equity of the companies under study is considered as proxy for measuring the share holders' wealth and used a dependent variable. Apart from dividend per share (DPS), retained earnings(RE) lagged price earning ratio(PE t-1) and lagged market value of equity (MVt-1) are also used as explanatory variables in order to know the whether the dividend policy in Alloy steel companies are dominated by these factors in influencing the making of share holders wealth. These results of the analysis with relevant interpretation are followed here under

TABLE 5: RESULT OF REGRESSION SHOWING THE IMPACT OF DIVIDEND POLICY ON MARKET VALUE OF EQUITY OF ALL DIVIDEND PAYING SELECTED ALLOY STEEL COMPANIES IN INDIA

Dependent Variable: Market Price of Share (**MV**)

Independent variables	**Model 1**	**Model 2**	**Model 3**	**Model 4**
Intercept-(β) T- value	-34.56 (-1.492)	-8.958 (-.431)	-7.561 (-.320)	-4.281 (-.304)
Dividend per share (DPS)-(β) T- value	293.327*** (12.996)	302.568*** (15.522)	302.317*** (14.119)	117.662*** (4.749)
Retained Earnings (RE)-(β) T -value		-2.821*** (-4.261)	-2.834*** (-3.978)	-1.141** (-2.45)
Lagged price earning ratio(PE t-1)-(β) T- value			.056 (.128)	
Lagged market value of share(MVt-1)-(β) T value				.704*** (8.667)
R2 Adjusted r2 F value Degree of freedom	.779 .774 168.91*** 1,48	.840 .834 123.71*** 2,47	.838 .826 70.57*** 3,41	.943 .939 224.86*** 3,41

Figures in parentheses show t- values**** Significant at 1 % level, ** Significant at 5% level,* Significant at 10% level.

An investigation of the impact of initiating dividend payment on share holder's wealth by the regression analysis on the data drawn from the selected steel companies under Alloy category reveals the following result. As in the case of steel companies under Ferro Alloy category for different regression models were framed for the analysis taking market value as dependent variable and dividend per share (DPS), retained earnings (RE), lagged price earning ratio (PEt-1) and lagged market value (MVt-1) of shares are as in dependent variable. The result showed highly significant F values at 1 percent level of significance indicating the goodness of fit of the models (F =168.91, P is < 0.01 for model 1 and F = 123.71, P is < 0.01, F = 70.568, P is < 0.01 and F = 224.9, P is < 0.01 respectively).Among the four models the 4th model with explanatory variable dividend per share and lagged market value of share has positive significance and the retained earning has negative significance and the highest F value and adjusted R^2. Furthermore, the models shows co-efficient of dividend per share (DPS) significant at 1 percent level in all the model (β= 293.33, t = 12.99, P is< 0.01 in model 1and β = 302.568, t = 15.52, P is< 0.01, β =302.32, t = 14.12, P is < 0.01 and β = 117.7, t = 4.75, P is < 0.01 are respectively in model 2, 3 and 4 and the lagged market value (MVt-1) of share is significant at one percent level of significance (β =.704,t = 8.667,Pis < 0.01).

Also from the perusal of adjusted R^2 values, it is clear that the explanatory variables in model 4 explain 93.9 percent of the variance in the market value. Whereas explanatory variables in model 1, 2 and 3 explain 77.4 percent, 83.4 percent and 82.6 percent respectively of the variance in dependent variable. It is concluded that the initiation of dividend payout by Alloy steel companies under the steel sector has significant impact on its shareholder wealth and also market has significantly reacted dividend payout and lagged market value. Retained earning is found to have significant negative impact over market value.

H0 There is no significant impact of dividend policy on shareholder's wealth in Alloy Steel Companies in India.

H_1 There is a significant impact of dividend policy on shareholder's wealth in Alloy Steel Companies in India.

Therefore the regression result substantiates the acceptance of alternative hypothesis; stated as that there is significant impact of dividend policy announcement on shareholders wealth.

DIVIDEND PAYING FERRO ALLOY AND ALLOY STEEL COMPANIES

In respect of all dividend paying companies, examination of the regression result portrayed in table 6 reveals that initiation of dividend payout by these companies has significant effect on their shareholders wealth. In depth the examination of the results shows that all the models possess at 1 percent level of significant F values.

TABLE 6: RESULTS OF REGRESSION SHOWING THE IMPACT OF DIVIDEND POLICY ON MARKET VALUE OF EQUITY OF SELECTED FERRO ALLOY AND ALLOY STEEL COMPANIES IN INDIA

Dependent Variable: market Price of Share (**MV**)

Independent variables	1	2	3	4
Intercept-(β) t -value	6.922 (0.383)	5.090 (0.284)	7.266 (0.359)	5.947 (0.358)
Dividend per share (DPS)-(β) t- value	251.22*** (12.297)	239.558*** (11.299)	238.949*** (10.322)	111.762*** (4.114)

Retained Earnings (RE)-(β) t- value		0.047* (1.809)	0.047* (0.095)	0.001 (0.024)
Lagged price earning ratio(PE t-1)-(β) t- value			-0.038 (-0.076)	
Lagged market value of share(MVt-1)-(β) t-value				0.600*** (6.450)
R2 Adjusted r2 F value Degree of freedom	0.607 0.603 151.21*** 1,98	0.620 0.612 78.99*** 2,97	0.610 0.597 44.89*** 3,86	0.737 0.728 80.48*** 3,86

Figures in parentheses show t – values
*** Significant at 1% level, ** Significant at 5% level, * Significant at 1 % level

The table 5.6.3 presented the regression result of dividend paying both the selected Ferro Alloy and Alloy steel companies under the steel industry, has the co-efficient of dividend per share (DPS) in all models are highly significant at 1 percent level. It is β = 251.22, t = 12.30, P is < 0.01 in model one and β = 239.56, t = 11.29, P is < 0.01, β =238.95, t = 10.32, P is < 0.01 and β = 111.77, t = 4.11 P is < 0.01 respectively in models 2, 3 and 4. Further the co-efficient of retained earning (RE) in model 2 and 3 are significant, while the lagged market value (MVt-1) is significant in model 4. From among the four models, the fourth model shows high Adjusted R^2 value (0.728) and significant F value (80.48). Interestingly the co-efficient of dividend per share (DPS) in model four, though statistically significant, has declined considerably in the presence of highly significant co-efficient of lagged market value (MVt-1). And the intercept also takes insignificant co-efficient.

It is concluded that the initiation of dividend payout by both Ferro Alloy and Alloy steel companies' has significant impact on its shareholders wealth and also market has significant relation with dividend policy and past performance. Therefore the null hypothesis (There is no significant impact of dividend policy on share holders' wealth in Ferro Alloy and Alloy Steel Companies) is rejected in this analysis.

MAJOR FINDINGS OF THE STUDY

The market value has been below the book value of shares in the case of dividend paying companies and market value relative to book value is found to be lower than that of the dividend non paying companies under Ferro alloy steel during the study period.

The pooled year comparative average market value to book value of dividend paying and non paying alloy steel companies is non significant , therefore, there is no difference between market value to book value of alloy steel companies.

As a whole, the share holders' wealth of dividend paying steel companies (Ferro alloy and Alloy steel) has decreased significantly when compared to that of the dividend non paying counterparts, which further add no difference between average market value to book value of steel companies.

Dividend policy alone does not have any significant impact on share holders' wealth in case of Ferro alloy steel companies.

Dividend policy of selected companies under alloy steel industry has significant positive impact on share holders' wealth during the study period.

The wealth of the share holders of selected companies under Ferro alloy and Alloy steel industry is related to the dividend policy of such companies.

CONCLUSION

Generally higher dividend increases the market value of the share and vice versa. Share holders preferred current dividends to future income so, dividend is considered as an important factor which determines the shareholders' wealth. This is normally true in case of limited income investors. Dividend has information content and the payment of dividend indicates that the company has a good earning capacity.

The wealth of shareholders is generally prejudiced by the different variable such as growth in sales, improvement of profit margin, capital investment decision, capital structure decision, and cost of capital (Dividend on equity) and interest on debt .etc. This study mainly focused on dividend payment performance of (Ferro alloy and Alloy) steel industry and whether it has any impact of shareholders' wealth.

As far as the Ferro Alloy steel companies share holders wealth is not influenced by the dividend payout. Whereas, with the alloy steel companies are concerned, there is a significant effect of dividend policy on shareholders wealth.

On the whole (Ferro alloy and Alloy steel companies) the result of the analysis tells that initiation of dividend payout by companies has significant impact on their shareholders' wealth.

SUGGESTIONS

Based on the findings of the study the following suggestions are put forth:

Retained earnings act as an important factor in determining the share holders' wealth in Ferro alloy steel company. The increase in retained earnings lead to increase in net worth (Book value of equity) of the share holders, and there would be large volume of shareholders inflow for which they would be prepared to repurchase the shares by paying premium, the companies should concentrate more on that aspect.

The payment of dividend has significant effect on shareholders wealth in alloy steel companies. If these companies are paying the dividend regularly with periodic enhancement, the shareholders wealth would be higher. Hence the alloy steel companies should have policy of paying the dividend rather than retention.

The regression results substantiate that the market value of all the Ferro Alloy and Alloy Steel companies on the whole under study have an impact over shareholders wealth creation.

SCOPE FOR FUTURE STUDY

The present study has examined the effect of dividend policy on shareholders' wealth in Ferro alloy and Alloy steel company in India. The analysis has produced

Some meaningful inferences and results and one possibility for future research is to extend the investigation to other sector and among the cross section.

It may be interesting to conduct a similar study in order to determine whether importance of retained earnings on share holders' wealth has increased over a period of time.

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DETERMINANTS OF CORPORATE PROFITABILITY OF LISTED COMPANIES IN INDIA

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ABSTRACT
The study highlights the determinants of corporate profitability in India by taking a sample of 61 non financial companies from BSE-100 Index. Both firm specific variables and Macro economic variables are used to see the determinants of profitability .With the help of Fixed Effect analysis and correlation analysis, it is proved that firm specific factors like financial asset, Size of the firm are positively significant on profitability while leverage and Average Payment Period are negatively influenced the profitability. The macro economic variables like GDP and Interest rate account positive effect on profitability.

KEYWORDS
Firm Specific Variables, Macro Economic Variables, and Fixed Effect Correlation,

INTRODUCTION
The existence, growth and survival of a business organisation mostly depend up on the profit which an organization is able to earn. It is true that when profitability increases the value of shareholders may increase to considerable extent .The term profitability refers to the ability of the business organisation to maintain its profit year after year. The profitability of the organisation will definitely contribute to the economic development of the nation by way of providing additional employment and tax revenue to government exchequer .Moreover; it will contribute the income of the investors by having a higher dividend and thereby improve the standard of living of the people.

The Indian economy is one of the growing economies in the world and the contribution of the Indian companies to the economic growth is highly remarkable. Besides, India is becoming a major commercial hub of Asia making the foreign investors to deploy their fund in Indian corporate sector to ensure higher profitability. Thus, the present study has its own relevance in the present economic scenario. In fact; to the Indian context not much study have been done to the extent to arrive a meaningful conclusion to address this issue. Therefore, it is necessary to investigate the factors which are influencing the profitability of Indian companies.

WHAT DETERMINES PROFITABILITY?
Studies have been cited there are many factors which are influencing the profitability; Eljelley (2004) concluded that the size of the firm have a significant impact on firms' profitability in Saudi Arabia .Because large sized firm can enjoy economies of scale. Firm size appears to be a crucial factor of persistence of profit in manufacturing firm (J. A. Goddard .J. O. S. Wilson 1996).Financial asset is also one of the determinants of corporate profitability as it will increase the profitability by means of earning additional income from the securities(Lazridis and Tryfonids 2006). Augustinus, Prasetyantoko and Rachmadi (2008) states that leverage has a negative influence on firm profitability in Indonesia. But contrary to that, Joshua Abor (2005) found Positive association between the ratios of total debt to return on equity. S.Lin and W.Rowe (2006) GDP is positively related to profitability. Similarly Mc Namara Keith (1995) stated that macro economic factors have influence over the firm performance, because a conducive economic environment is essential for the firms' performance.

LITERATURE REVIEW
To have a better insight into the issue we are focusing up on, it is necessary to go through the previous studies. Augustinus, Prasetyantoko and Rachmadi (2008) examined the factors determining the corporate performance of 238 listed companies in Jakarta Stock Exchange (JSX) in Indonesia. For this firm specific factors and macro economic factors are considered. The ordinary least square regression result highlighted that macro economic variable have greater impact over profitability, rather than firm specific factors. Similarly, S.Lin and W.Rowe (2006) studied the determinants of the profitability of Chinese local state enterprises. The study with the help of panel data analysis found that GDP is positively related to profitability while the debt ratio and unhealthy asset to total asset ratio negatively related to profitability of the firms in china. In Another study K.Nazar and M.Mokhtar (2004) investigated the factors that Influence corporate performance performance of Malaysian companies during the period 1998-2001.The study comes out with a finding that ISO registration appeared to be the most significant determinant of corporate performance in Malaysia. Y.E.Spanos, G.Zaralis and S. Lioukasi (2004) examined the impact of firm and industry specific factors on profitability regarding Greek manufacturing industry. The industry effect is captured by considering industry concentration, entry barriers and growth for firm level strategy was considered to capture the effect. The study concluded that firm specific factors

significantly contribute to the firms' profitability. C.A .Ramezani, L.Soenen and J.Jung (2002) in their study by using multivariate analysis concluded that corporate profitability measures generally rise with earnings and sales growth. Similarly, S.K. Majumdar (1997) analyzed whether size and age influences the productivity and profitability by using a sample of 1020 Indian firms. The study concluded that larger firms are more productive and less profitable while older firm are more profitable and less productive J. A. Goddard .J. O. S. Wilson (1996) investigated the persistence of profits for a UK firm. The persistence of profits is found to be marginally higher in services than in manufacturing industry. Industry-wide characteristics are found to be important in determining long-run profitability within manufacturing but not within service sector. R.K.Kakani, B.Saha and V.N.Reddy (2001) investigated the determinants of financial performance by considering 566 large Indian firms. They have found that size, marketing expenditure and international diversification had positive relation with firms' market valuation. The study also proved that ownership by domestic financial institutions and dispersed public shareholders and the leverage of the firm were the important factors affecting its financial performance.

OBJECTIVES OF THE STUDY

The main objective of the study is to see that what determines the firms' profitability in India. The objectives incidentals to the main objective are listed below.

To see that whether Company Specific variables like firm Size, Leverage Financial Asset , Average Payment , Period determines profitability

To see that whether macro economic factors like, GDP, Inflation and Interest rate have any influence over profitability.

SAMPLE AND DATA

A panel of 61 non financial companies from National Index (NATEX) of Bombay Stock Exchange for the period of 10 years from 1st January 2000 to 31st December 2009 is considered for the study. The data relating to macro economic variables like inflation, GDP and interest rate data have been collected from RBI websites. The company specific data have been collected from CMIE prowess data base.

VARIABLES

The variables used in the study include dependent, independent variables. The return on asset (ROA) is taken as dependent variable and firm size measured through logarithm of Sales (LS), Leverage Ratio (LR) calculated by Debt divided by total asset, the average payment period (APP) which is calculated by dividing creditors by purchases and multiplying the result by 365, Financial Asset to Total Asset Ratio, Interest Rate (Prime Lending Rate), G D P, and Inflation (based on Whole Sale Price Index) are used as Independent variables.

STATISTICAL TOOLS

The descriptive statistics like mean, median and standard deviation are used to see the individual effects of the variables. Besides, Correlation and panel data analysis model Fixed Effect are employed to see the effects of the variables on firm profitability.

MODEL SPECIFICATION

We have used panel data regression analysis like Fixed Effect Model to investigate the determinants of profitability in India. Fixed effect model assumes firm specific intercepts, which captures, the effects of those variables that are particular to each firm and that are constant over time. The model we have developed to see what determines profitability in India is depicted below.

$ROA = \infty + \beta 1\ (LR) + \beta 2\ (FA) + \beta 3\ (LS) + \beta 3\ (APP) + \beta 4\ (INF) + \beta 1\ (GDP) + \beta 1\ (IR) + €$ Where,

ROA = Return on Assets
LR =Leverage Ratio
FA = Financial Asset to Total Asset Ratio
LS = Logarithm of Sale
APP = Average Payment Period
INF = Inflation Rate
GDP = G D P Growth
IR = Interest Rate
€ = Error Term

RESULTS AND DISCUSSION

DESCRIPTIVE STATISTICS

The descriptive statistics in table -1 shows that the mean value and the median value of ROA is 8.9% and 7.5% respectively, while the standard deviation is 79% variability. The mean and median of leverage ratio (LR) is 28% and 25% respectively. The financial asset (FA) is having a mean value of 13.4% and median of 90%, while the standard deviation is 13.4% variability. The creditor's payment period has an average period of 211days and median period of 160 days. The standard deviation is 281.63 .The logarithm of sales has a mean of 3.48 while the median is 3.46 and the standard deviation shows 68 %variability. The GDP is having a mean value of 6.63 and median of 6.613 while the standard deviation is 1.7 % variability. The interest rate is having mean value of 11.77% while the median value of 12%, while the standard deviation has reported 70% variability.

TABLE 1: DESCRIPTIVE STATISTICS OF VARIABLES USED IN THE STUDY WITH 610 FIRM YEAR OBSERVATIONS

Variables	Mean	Std.dev.	Median
ROA	0.089	0.079	0.075

LR	0.282	0.281	0.250
FA	0.134	0.134	0.090
APP	211	281.63	160
LS	3.48	0.683	3.46
INF	4.944	1.441	4.841
GDP	6.632	1.733	6.613
IR	11.775	0.702	12.000

CORRELATION ANALYSIS

The correlation analysis reveals that firm specific factors like financial asset and Size of the company are having positive relationship with profitability. That means the large sized firms have larger profit when compared to small firm because of their larger operations. The positive relationship between financial asset and profitability explains that the investment of the companies in other companies increase the profitability of the companies. The leverage shows a negative association with profitability, while the average payment period also shows a negative relationship with profitability indicating that deferring payment to creditors may negatively affect profitability. The macro economic variables GDP positively influence the profitability. But, to our surprise interest rate and inflation shows positive relation with profitability

TABLE 2: CORRELATION COEFFICIENT OF 61 NON FINANCE COMPANIES DURING 2000-2008

Variable	ROA	LR	FA	LS	INF	ITR	GDP	APP
ROA	1							
LR	-0.287	1						
FA	0.192	-0.176	1					
LS	0.135	-0.148	0.145	1				
INF	0.110	-0.045	0.156	0.166	1			
IR	0.145	0.010	0.089	0.156	0.023	1		
GDP	0.193	-0.033	0.1503	0.221	0.047	0.4212	1	
APP	-0.050	0.008	-0.095	-0.125	0.0614	0.0198	0.0190	1

FIXED EFFECT ANALYSIS

One of the limitations of Pearson Correlation is that they do not allow in identifying causes from consequences. So we have used Panel data analysis model Fixed Effects and Random effect to identify the factors influencing the corporate profitability in India. The hausman specification test revealed that fixed effect model is suitable to the data we have used for estimation, accordingly we employed fixed effect model to capture the effect of various factors on profitability. The results are reported in the following table.

TABLE-3: FIXED EFFECT RESULTS OF DETERMINANTS OF CORPORATE PROFITABILITY OF 61 NON FINANCE COMPANIES WITH 610 FIRM YEAR OBSERVATION

Dependent Variable Regression Model	Return on Asset Fixed Effect
Independent Variable	Coefficients
Constant	-0.119 (0.000) ***
LR	-0.1829 (0.000) ***
FA	0.048 (0.055) *
LS	(0.043) (0.000) ***
APP	5.910 (0.566)
GDP	0.002 (0.081) *
INF	7.058 (0.995)
IR	0.0072 (0.010) **
Adjusted R Square	.70

*Denotes significant at 10% **Denotes significant at 5 % *** Denotes significance at 1%, Figures in parentheses is P Values

The fixed effect result pertaining to determinants of corporate profitability revealed that both company specific factors and macro economic factors are affecting the profitability of the firms in India. The leverage ratio reports negative coefficient (-0.189) with profitability at 1% significance indicates that over use of debt may affect the profitability as the firm has to service its debt resulting a reduction in profitability. This supports the findings of the earlier study of Augustinus, Prasetyantoko and Rachmadi (2008). The financial asset to total asset ratio discloses a positive significant relationship with profitability which implies that the investment in financial asset will contribute the profitability of the firms in India. This supports the findings of Lazridis and Tryfonids (2006). With regards to the size of the company and the profitability the result shows that size of the company has positive effect on the profitability. This is consistent with the results of Nasr and Rehman (2006).So it can be say that large size company may have higher profitability than the small size company because of economies of scale. The average payment period do not have any statistical significance.

Among the macro economic variable GDP growth rate has a positive effect on the profitability with 5% statistical significance which implies that economic growth will increase the profitability of Indian companies. This is similar to the research findings of S.Lin and W. Rowe (2006), while inflation shows no statistical significance. The reason for this insignificant result may be because of the yearly inflation data that we have used for the estimation. The result of interest rate shows a positive coefficient at 10% statistical significance is quite unusual and against the general economic principles. However, this is consistent with earlier work of Augustinus, Prasetyantoko and Rachmadi (2008) in Indonesia. The constant of the model reveals that it is insignificant. The Adjusted R Square of the model reports 70% variability indicating the suitability and reliability of the model in explaining the determinants of profitability in India.

From the analysis it can be seen that firm specific factors like Size of the firm and financial asset have positive impact on the profitability which indicates that firms in India can have higher profitability .Thus, it is advised that firms should invest the idle funds in some profitable securities so that companies profitability can be improved with out affecting the liquidity. The large sized firms have better profitability, so companies have to expand its business so that it can increase the profitability to a considerable extent. The leverage negatively influences the profitability of the firms in India. The leverage is known as a double edged sword, so going beyond the limit for debt financing may affect the profitability negatively .So companies have to keep in mind all these things while going for debt financing. The macro economic variable GDP shows a positive effect on profitability implies that during the period of economic growth profitability tends to be increased because of economic activities, larger employment and high purchasing power of the people in the country. As a result, there may be more demand from the part of people for products of the firm and it ultimately leads to profitability of the firms. The interest rate shows a positive significance on profitability.

CONCLUSION

This paper examines the determinants of corporate profitability of Companies in India by taking a sample of 61 non financial companies listed in BSE-100. The study concludes that the firm specific variables like size of the firm, financial asset are having positive effect on profitability while the leverage ratio shows negative influence on profitability. The macro economic variables like GDP and interest show positive effect on profitability. It is found that both firm specific variables and macro economic variables except Average Payment Period and Inflation are determining the profitability of companies in India. Regarding the further research, a study may have to be carry out by taking more firm specific variables like promoters holding, Export holdings of firms and macro economic variables like exchange rate and capital market developments by considering an extensive sample of companies with some more years may give more clarity on the issue in hand. Besides, sector wise determinants on profitability would also a direction for the future research.

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CUSTOMER PERCEPTION ON ELECTRONIC CUSTOMER RELATIONSHIP MANAGEMENT IN BANKS - AN EMPIRICAL STUDY

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ABSTRACT
Building relationship with customers is becoming the main goal of any organization. This is very much true for services industries like banks. Due to LPG measures and deep competition, banks in India whether public or private are forced to execute their operations in customer centric way. eCRM is a powerful tool that can be used by banks to attract, expand and retain their customers.

This paper is an attempt to identify customer perspectives on eCRM practices in banks. It also tries to identify the level of satisfaction of customers regarding eCRM and its relevance with demographic variables. The study collected data from 150 respondents through questionnaire which included questions on a five point scale. Two hypotheses were framed and tested using cross tabulation and ANOVA. The results of the indicated that demographic factors like age, income, education, computer knowledge etc., have a positive relationship with customer perception and level of satisfaction. The study concluded that the banks have to identify right strategies to attract customers with different demographic profile and to offer them the right ecrm practices.

KEYWORDS
Customer Perception, E-Banking, Electronic Customer Relationship Management, Level of Satisfaction.

INTRODUCTION
Building strong cooperative relationship with customers is becoming very important goal for many organizations. This is becoming very much true for services industries especially the banks. All service sector industries have realized that creating superior customer service is the key for their survival. Banks are taking lot of initiatives to differentiate themselves from others and to keep the customers for long time. eCRM is one such strategic initiative available to banks to offer world class services to their customers.

REVIEWS
As changes are inevitable, marketing environment is also changing and developments in information technology have scope for innovations in retaining the customers on one side and maintaining the cordial relationships with the customers. (Burke et al., 1999)[i].

According to Kapil Chaturvedi[ii], eCRM provides companies with a means to conduct interactive, personalized and relevant communications with customers across both electronic and traditional channels. CRM is essentially business strategy for acquiring and maintaining right customers over long term. With this framework, number of channels are available for interacting with the customers. One of these channels is electronic and has been labeled ecommerce. It does not replace sales force, call center or fax but it is just simply another extension channel to meet the customers.

eCRM terminology arrived from CRM refers to strategic implementation of CRM process using the power of Internet and Web Technology. Electronic media plays a vital role in the implementation and practices of eCRM in enterprise.

eCRM is described as combination of software, hardware, application and management commitment to improve customer service, develop a relationship and retain valuable customers and this motivates valuable customers to remain loyal with the enhanced features of eCRM. 'e' makes huge difference (Dyche, 2001)[iii].

In the literature of services marketing, perception is defined as the consumer's belief, concerning the service received or experienced. Customer perception is regarded as the indicator of the marketing effectiveness of the firm. From banks point, its products are the services and production and consumption of services occur simultaneously. A bank being people intensive, people oriented high contact service outlet, the interpersonal relationship between customers and service personnel greatly influence the quality of service and customer satisfaction. To achieve favorable customer perception, about company's services and offers, identification of customer's expectation and actual delivery of services are essential elements of marketing strategy. So companies must create positive attitude towards the identification of needs and wants of customers. (Alok Kumar Rai, 2008)[iv].

Customer service is an important aspect of business management because this strategic activity allows the firm to draw consumers to purchase the products or services offered and develop a customer base by developing patronage through the added value of customer service. In firms with networked operations e-customer relationship management (e-CRM) captures the aggregate efforts of the company to utilize customer service to improve its overall value offering to customers. E-CRM constitutes three core strategic activities. First is operational e-CRM that refers to the automation of the customer processes such as sales and after-sales services to achieve greater efficiency in meeting the needs and demands of customers. Second is collaborative e-CRM, which pertains to the efforts on the part of the firm to communicate directly with its customers through self-service options in websites or through email. Third is analytical e-CRM that refers to the continuous collection of customer information for various purposes including determination of customer satisfaction behaviors and the viability of introducing new products or services. (Hayes, M. 2006)[v]

Superficially, CRM is seen as a marketing technique geared towards building a bridge from the company to its core customers. (Greco and Ragins, 2003)[vi] However, it must be emphasised this is an overall integration of all the operations of the organisation, granted, with the ends of satisfying the needs of the customers. (Bose 2002) More specifically, it is an integration of all the technologies in the back office operations and front office operations of the organisation. However, seeing the main driver of this model is technology, it would appear that the capability of the company to complement its operations to the technological developments needed would be the issues in its implementation.

The application of CRM models tends to trigger a boost in sales because of the flexibility provided by the model. Specifically, the company is able to carry out certain adjustments in their internal operations because they are able to foresee the needs of the market. Recent trends and data regarding the buying behaviour of their customers are key elements on this forecast. In addition, forecasting through CRM provides a more accurate representation of the needs of the customers. This equates to the company implementing initiatives that will address and fulfil these said customer need in a more accurate manner. Moreover, the implementation of CRM also paved the way for Tesco to carry out cross-selling initiatives to its major customers. They did this by placing alternatives and enhancements on their offers as seen in the membership cards that they have given their core customers. As seen in Tesco, they placed importance on "people" on the whole. This means that they made ways to integrate value their employees and their customers which essentially increased the relationship between the two major elements of their operations. This also indicates a balance between the internal and external environments of the organisation. To some extent, this has been the major contribution of CRM to companies like Tesco. [vii] & [viii]

A study was carried out with an objective to compare all the different services provided by different banks to give the suggestions to improve the products in order to make it more competitive and customer friendly. The study was conducted on people of Rajkot who have account in private and nationalized banks in Rajkot city. The study revealed that people prefer private banks rather than nationalized banks due to services and inter connectivity between the branches. The use of e-banking services is not to the mark as expected by the banks. ATM is used mainly for cash with drawal and balance enquiry. The author had made suggestions that the banks need to build up an IT sarvy customer base. Since in India the literacy rate on IT is very low, banks need to put in major efforts towards educating people on this aspect. (Dr. Sanjay J. Bhayani, 2005)[ix]

An analysis was done on the existing banking scenario and strategies followed by Indian bankers and how corporate customers perceive service quality of their public and private sector banks. SERVQUAL, a multidimensional scale is used for analyzing the customer's perceptions and expectations, of service quality. The main strategy followed by banks identified through their study is that some banks have a separate relationship manager who handles all important and big accounts. They have considered six factors in SERVQUAL like competence, conveyance, and customer oriented-ness, promptness of service, modernization and communication. The analysis of the study revealed that customers are more satisfied with competence and convenience and least satisfied with modernization and communication. They have recommended the banks to concentrate on aspects of improving the usage of modernized technologies like online DDs, Internet banking etc., and aspect of communication like getting regular feedback, informing non collection of cheques etc., They also identified that there is a wide gap between the service quality of Indian banks and foreign banks but still corporate maintain their primary account only with public banks due to long term relationship and lower costs. If these banks take steps to modernize their activity definitely the service quality perceptions of customer about public banks will improve. (Dr.R.Krishnaveni, D.Divya Prabha, 2005)[x]

OBJECTIVES

This study aims to identify the perceptions of customers regarding the ecrm practices followed by banks. It also tries to explore the various problems faced by customer in eCRM usage.

HYPOTHESIS

The study is based on the following hypotheses.

There is no significant relationship between demographic variables of the respondents and their perception on eCRM practices followed by banks.

There is no significant difference between the demographic variable and their level of satisfaction on eCRM.

METHODOLOGY

In a view to precede the research in a systematic way the following research methodology has been used. By means of obtaining detailed opinion of the customers, this research falls under the category of descriptive research.

DATA AND SOURCES OF DATA

Both primary and secondary data collection was made. As a source of primary data questionnaire was prepared in a view to obtain information from the respondents and apart from this to gather some relevant secondary information the secondary data were obtained from news papers, magazines, records, websites and books. The primary data consists of questions related to personal profile of the respondents. The respondents were asked to rate their opinion regarding general perception on usage of Internet, Implementation, Services, Maintenance, Performance, Training and support, Ease of use, Security and Reliability of eCRM etc., in a 5 point Likert Scale (5-Strongly Agree, 4-Agree, 3 – Neutral, 2 – Disagree, 1 – Strongly Disagree). They were also asked to rank the problems faced by them in eCRM usage.

AREA OF THE STUDY

Chennai and Coimbatore

SAMPLE SIZE

The population for the study is list of customers who use eCRM in Chennai and Coimbatore City.

75 customers from Chennai city and 75 customers from Coimbatore City are selected using convenience sampling.

PERIOD OF STUDY
Jan 2010 – May 2010

FRAMEWORK OF ANALYSIS
Based on the information obtained through the questionnaire cum interview schedule the data were coded and analyzed using SPSS 11.5 and some of the analytical tools like Anova, Simple Percentage and Chi-square methods were used to analyze the data.

LIMITATIONS
Survey is conducted only in Chennai and Coimbatore. Hence the findings of the study may or may not be applied to other cities.

ANALYSIS AND INTERPRETATION
Customer perception about eCRM is measured using 60 statements with a five point scaling. The respondents were classified into low, moderate and high based on the overall score on their opinion using +-0.5 (S.D) classification.

Age and customer perception on eCRM
H0: There is no relationship between age and respondents perception on eCRM
H1: There is a relationship between age and respondents perception on eCRM

AGE * Perception – Cross tabulation

Count

		Perception			Total
		Low Score	Medium Score	High Score	
AGE	<25	6(17.6)	7(20.6)	21(61.8)	34(100)
	25-34	20(30.3)	21(31.8)	25(37.8)	66(100)
	35-44	11(42.3)	7(26.9)	8(30.8)	26(100)
	45-54	9(69.2)	4(30.8)	0(0)	13(100)
	55 and above	3(27.3)	3(27.2)	5(45.5)	11(100)
Total		49(32.7)	42(28)	59(39.3)	150(100)

Source: Primary data-Questionnaire

From the above table we can infer that among the respondents of the age group of below 25 years, 17.6% of respondents have given low score and 20.6% have given medium score and 61.8% have given the high score. Among the respondents of 25-34 age group, 30.3% have given low score, 31.8% have given medium score and 37.8% have given the high score. Among the respondents of 35-44 age group, 42.3% have given low score, 26.9% have given medium score and 30.8% have given the high score. Among the respondents of 45-54 age group, 69.2% have given low score, 30.8% have given medium score and 0% have given the high score. Among the respondents of above 55 age group, 27.3% have given low score, 27.2% have given medium score and 45.5% have given the high score.

ANOVA

	Sum of Squares	Df	Mean Square	F	Sig.
Between Groups	13.270	4	3.318	5.114	.001
Within Groups	94.063	145	.649		
Total	107.333	149			

The anova table indicates that p value is .,001 which is less than 0.05. So we reject our null hypothesis. Therefore there is a relationship between age and respondents perception on eCRM.

Sex and customer perception on eCRM
H0: There is no relationship between Sex and respondents perception on eCRM
H1: There is a relationship between Sex and respondents perception on eCRM

SEX * Perception Cross - tabulation

		Perception new			Total
		Low Score	Medium Score	High Score	
SEX	male	24(26.9)	31(34.8)	34(38.2)	89(100)

female	25(41)	11(18)	25(41)	61(100)
Total	49(32.67)	42(68.9)	59(39.3)	150(100)

Source: Primary data-Questionnaire

From the above table we can infer that among the male respondents, 26.9% of respondents have given low score and 24.8% have given medium score and 38.2% have given the high score. Among the female respondents 41% have given low score, 18% have given medium score and 41% have given the high score.

ANOVA

	Sum of Squares	Df	Mean Square	F	Sig.
Between Groups	.457	1	.457	.633	.428
Within Groups	106.876	148	.722		
Total	107.333	149			

The anova table indicates that p value is .0.428 which is greater than 0.05. So we accept our null hypothesis. Therefore there is no relationship between sex and respondents perception on eCRM.

Education and customer perception on eCRM

H0: There is no relationship between Education and respondents perception on eCRM

H1: There is a relationship between Education and respondents perception on eCRM

EDUCATIO * Perception Cross - tabulation

		Perception new			Total
		Low Score	Medium Score	High Score	
EDUCATIO	Higher secondary	0(0)	2(100)	0(0)	2(100)
	Graduation	11(28.9)	12(31.6)	15(39.5)	38(100)
	Post Graduation	27(39)	13(18.8)	29(42.2)	69(100)
	Professional	11(33.3))	15(45.5)	7(21.2)	33(100)
	Others	0	0	8(100)	8(100)
Total		49	42	59	150

Source: Primary data-Questionnaire

From the above table we can infer that among the respondents, who have completed higher secondary, 0% of respondents have given low score and 100% have given medium score and 0% has given the high score. Among the respondents who are graduates, 28.9% have given low score, 31.6% have given medium score and 39.5% have given the high score. Among the respondents who are post graduates, 39% have given low score, 18.8% have given medium score and 42.2% have given the high score. Among the respondents who are professionals, 33.3% have given low score, 45.5% have given medium score and 21.2% have given the high score. Among the respondents of who belongs to other category 100% have given the high score.

ANOVA

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	8.297	4	2.074	3.037	.019
Within Groups	99.036	145	.683		
Total	107.333	149			

The anova table indicates that p value is .0.019 which is less than 0.05. So we reject our null hypothesis. Therefore there is a relationship between education and respondents perception on eCRM.

Computer knowledge and customer perception on eCRM

H0: There is no relationship between computer knowledge and respondents perception on eCRM

H1: There is a relationship between computer knowledge and respondents perception on eCRM

Computer education * Perception – Cross - tabulation

		Perception new			Total
		Low Score	Medium Score	High Score	
COMP	Zero	10(22.7)	20(45.5)	14(31.8)	44(100)
	Basic	21(52.5)	8(20)	11(27.5)	40(100)
	Diploma	8(21.6)	8(21.6)	21(56.8)	37(100)
	Graduate	7(38.8)	6(33.4)	5(27.8)	18(100)
	Post Graduate	3(27.3)	0(0)	8(72.7)	11(100)
Total		49	42	59	150

Source: Primary data-Questionnaire

From the above table we can infer that among the respondents who have zero knowledge on computers, 22.7% of respondents have given low score and 45.5% have given medium score and 31.8% have given the high score. Among the respondents who have some basic computer knowledge, 52.5% have given low score, 20% have given medium score and 27.5% have given the high score. Among the respondents who possess some diploma in computers, 21.6% have given low score, 21.6% have given medium score and 56.8% have given the high score. Among the respondents who are computer graduates, 38.8% have given low score, 33.4% have given medium score and 27.8% have given the high score. Among the respondents who are postgraduates in computers 27.3% have given the low score and 72.7% have given high score.

ANOVA

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	9.259	4	2.315	3.422	.010
Within Groups	98.074	145	.676		
Total	107.333	149			

The anova table indicates that p value is .0.010 which is less than 0.05. So we reject our null hypothesis. Therefore there is a relationship between computer knowledge and respondents perception on eCRM.

Occupation and customer perception on eCRM

H0: There is no relationship between respondents' occupation and their perception on eCRM

H1: There is a relationship between respondents' occupation and their perception on Ecrm

		Perception			Total
		Low Score	Medium Score	High Score	
OCCUP	Government Employee	13(56.5)	5(21.7)	5(21.7)	23
	Private Employee	16(16.8)	28(31.1)	46(51.1)	90
	Business	3(33.3)	4(44.4)	2(22.3)	9
	Profession	3(60)	0	2(40)	5
	Student	0	2(100)	0	2
	Others	14(66,.7)	3(14.3)	4(19)	21
Total		49	42	59	150

Source: Primary data-Questionnaire

From the above table we can infer that among the respondents, who are government employees, 56.5% of respondents have given low score and 21.7% have given medium score and 21.7% have given the high score. Among the respondents who are private employees, 16.8% have given low score, 31.1% have given medium score and 51.1% have given the high score. Among the business people, 33.3% have given low score, 44.4% have given medium score and 22.3% have given the high score. Among the respondents who are professionals, 60% have given low score, 40% have given the high score. Among the respondents who are students 100% have given medium score. Among others, 66.7% have given low score, 14.3% have given medium score and 19% have given high score.

ANOVA

	Sum of Squares	df	Mean Square	F	Sig.

Between Groups	17.189	5	3.438	5.492	.000
Within Groups	90.144	144	.626		
Total	107.333	149			

The anova table indicates that p value is .0.000 which is less than 0.05. So we reject our null hypothesis. Therefore there is a relationship between respondents' occupation and their perception on eCRM.

Income and customer perception on eCRM

H0: There is no relationship between respondents' income and their perception on eCRM

H1: There is a relationship between respondents' income and their perception on eCRM

INCOME * Perception Cross - tabulation

		Perception new			Total
		Low Score	Medium Score	High Score	
INCOME	Below 10000	5(35.7%)	2(14.3)	7(50)	14
	10000-19999	27(32.1)	28(33.3)	29(34.6)	84
	20000-29999	9(24.3)	5(13.5%)	23(62.2)	37
	30000-39999	3(42.9)	4(51.9)	0(0)	7
	40000 and above	5(62.5)	3(37.5)	0(0)	8
Total		49	42	59	150

From the above table we can infer that among the respondents, who earn below 10,000, 35.7% of respondents have given low score and 14.3% have given medium score and 50% have given the high score. Among the respondents who earn 10000 to 19999, 32.1% have given low score, 33.3% have given medium score and 34.6% have given the high score. Among the respondents who earn 20000 to 29999, 24.3% have given low score, 13.5% have given medium score and 62.2% have given the high score. Among the respondents who earn 30000 to 39999, 42.9% have given low score, 51.9% have given the medium score. Among the respondents who earn above 40000, 62.5% have given low score and 37.5% have given medium score.

ANOVA

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	9.375	4	2.344	3.469	.010
Within Groups	97.959	145	.676		
Total	107.333	149			

The anova table indicates that p value is .0.010 which is less than 0.05. So we reject our null hypothesis. Therefore there is a relationship between respondents' income and their perception on eCRM.

Respondents Period of relationship with the bank and their perception on eCRM

H0: There is no relationship between respondents' period of relationship with bank and their perception on eCRM

H1: There is a relationship between respondents' period of relationship with bank and their perception on eCRM

TIME * Perception new Cross - tabulation

		Perception new			Total
		Low Score	Medium Score	High Score	
TIME	less than 1 year	0(0)	5(33.3)	10(66.7)	15
	1-3 years	25(34.7)	17(23.6)	30(41.67)	72
	4-6 years	3(18.8)	6(37.5)	7(43.7)	16
	>6 years	21(44.7)	14(29.7)	12(25.6))	47
Total		49	42	59	150

Source: Primary data-Questionnaire

From the above table we can infer that among the respondents, who have less than 1 year of relationship with the bank, 0% of respondents have given low score and 33.3% have given medium score and 66.7% have given the high score. Among the respondents who have 1-3 years of relationship, 34.7% have given low score, 23.6% have given medium score and 41.67% have given the high score. Among the respondents who have 4-6 years of relationship, 18.8% have given low score, 37.5% have given medium score and 43.7% have given the high score. Among the respondents who have more than 6 years of relationship, 44.7% have given low score, 29.7% have given the medium score and 25.6% have given high score.

ANOVA

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	9.071	3	3.024	4.492	.005
Within Groups	98.263	146	.673		
Total	107.333	149			

The anova table indicates that p value is .0.005 which is less than 0.05. So we reject our null hypothesis. Therefore there is a relationship between respondents' period of relationship with the bank and their perception on eCRM.

Type of account and respondents perception on eCRM
H0: There is no relationship between type of account and respondents perception on eCRM
H1: There is a relationship between type of account and respondents perception on eCRM

ACCOUNT * Perception Cross - tabulation

		Perception new			Total
		Low Score	Medium Score	High Score	
ACCOUNT	savings a/c	47(34.3)	37(27)	53(38.7)	137
	current a/c	2(15.4)	5(38.5)	6(46.1)	13
Total		49	42	59	150

Source: Primary data-Questionnaire

From the above table we can infer that among the respondents, have savings account in the bank, 34.3% of respondents have given low score and 27% have given medium score and 38.7% have given the high score. Among the respondents who have current account in the bank, 15.4% have given low score, 38.5% have given medium score and 46.1% have given the high score.

ANOVA

	Sum of Squares	Df	Mean Square	F	Sig.
Between Groups	.827	1	.827	1.149	.285
Within Groups	106.506	148	.720		
Total	107.333	149			

The anova table indicates that p value is .0.285 which is greater than 0.05. So we accept our null hypothesis. Therefore there is no relationship between respondents' type of account and their perception on eCRM.

The above analysis indicates that the factors like age, education, computer knowledge, occupation, Income and period of relationship with the bank have relationship with the customer perception on eCRM, whereas sex and type of account are not having any relationship.
Hypothesis 2:
H0: There is no relationship between age and respondents level of satisfaction on eCRM
H1: There is a relationship between age and respondents level of satisfaction on eCRM

AGE * Level of satisfaction Cross tabulation

		Level of satisfaction			Total
		Low Score	Medium Score	High Score	
AGE	<25	10(29.4)	13(38.2)	11(32.4)	34

25-34	4(6.1))	25(37.9)	37(56)	66
35-44	5(19.2)	2(7.7)	19(73.1)	26
45-54	8(61.5)	5(38.5)	0(0)	13
55 and above	3(27.3)	5(45.5)	3(27.3)	11
Total	30	50	70	150

Source: Primary data-Questionnaire

From the above table we can infer that among the respondents of the age group of below 25 years, 29.4% of respondents have given low score and 38.2% have given medium score and 32.4% have given the high score. Among the respondents of 25-34 age group, 6.1% have given low score, 37.9% have given medium score and 56% have given the high score. Among the respondents of 35-44 age group, 19.2% have given low score, 7.7% have given medium score and 73.1% have given the high score. Among the respondents of 45-54 age group, 61.5% have given low score, 38.5% have given medium score and 0% have given the high score. Among the respondents of above 55 age group, 27.3% have given low score, 45.5% have given medium score and 27.3% have given the high score.

ANOVA

Level of satisfaction

	Sum of Squares	Df	Mean Square	F	Sig.
Between Groups	18.324	4	4.581	9.355	.000
Within Groups	71.009	145	.490		
Total	89.333	149			

The anova table indicates that p value is .0.000 which is less than 0.05. So we reject our null hypothesis. Therefore there is a relationship between respondents' age and their level of satisfaction on eCRM performance.

Education and customer level of satisfaction on eCRM

H0: There is no relationship between Education and respondents level of satisfaction on eCRM

H1: There is a relationship between Education and level of satisfaction on eCRM

EDUCATIO * level of satisfaction - Cross tabulation

		Level of satisfaction			Total
		Low Score	Medium Score	High Score	
EDUCATION	Higher secondary	0(0)	2(100)	0	2
	Graduation	12(31.6)	16(42.1)	10(26.3)	38
	Post Graduation	15(21.7)	21(30.4)	33(47.8)	69
	Professional	3(9.1)	11(33.3)	19(57.6)	33
	Others	0	0	8(100)	8
Total		30	50	70	150

Source: Primary data-Questionnaire

From the above table we can infer that among the respondents, who have completed higher secondary, 0% of respondents have given low score and 100% have given medium score and 0% has given the high score. Among the respondents who are graduates, 31.6% have given low score, 42.1% have given medium score and 26.3% have given the high score. Among the respondents who are post graduates, 21.7% have given low score, 30.4% have given medium score and 47.8% have given the high score. Among the respondents who are professionals, 9.1% have given low score, 33.3% have given medium score and 57.% have given the high score. Among the respondents of who belongs to other category 100% have given the high score.

ANOVA

Level of satisfaction

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	9.892	4	2.473	4.514	.002
Within Groups	79.442	145	.548		
Total	89.333	149			

The anova table indicates that p value is .0.002 which is less than 0.05. So we reject our null hypothesis. Therefore there is a relationship between respondents' education and their level of satisfaction on eCRM performance.

Sex and customer perception on eCRM

H0: There is no relationship between Sex and respondents level of satisfaction on eCRM
H1: There is a relationship between Sex and respondents level of satisfaction on eCRM

Crosstab

		Level of satisfaction			Total
		Low Score	Medium Score	High Score	
SEX	male	17(19.1)	28(31.5)	44(49.4)	89
	female	13(21..3)	22(36.1)	26(42.6)	61
Total		30	50	70	150

Source: Primary data-Questionnaire

From the above table we can infer that among the male respondents, 19.1% of respondents have given low score and 31.5% have given medium score and 49.4% have given the high score. Among the female respondents 21.3% have given low score, 36.1% have given medium score and 42.6% have given the high score.

ANOVA

Level of satisfaction

	Sum of Squares	Df	Mean Square	F	Sig.
Between Groups	.295	1	.295	.490	.485
Within Groups	89.038	148	.602		
Total	89.333	149			

The anova table indicates that p value is .0.485 which is greater than 0.05. So we accept our null hypothesis. Therefore there is no relationship between sex and respondents level of satisfaction on eCRM.

H0: There is no relationship between computer knowledge and respondents perception on eCRM
H1: There is a relationship between computer knowledge and respondents perception on eCRM

		Level of satisfaction			Total
		Low Score	Medium Score	High Score	
COMP	Zero	15(34.1)	20(45.5)	9(20.5)	44
	Basic	6(15)	24(60)	10(25)	40
	Diploma	5(13.5)	0(0)	32(86.5)	37
	Graduate	4(22.2)	6(33.3)	8(44.4)	18
	Post Graduate	0	0	11(100)	11
Total		30	50	70	150

Source: Primary data-Questionnaire

From the above table we can infer that among the respondents who have zero knowledge on computers, 34.1% of respondents have given low score and 45.5% have given medium score and 20.5% have given the high score. Among the respondents who have some basic computer knowledge, 15% have given low score, 60% have given medium score and 25% have given the high score. Among the respondents who possess some diploma in computers, 13.5% have given low score, 86.5% have given the high score. Among the respondents who are computer graduates, 22.2% have given low score, 33.3% have given medium score and 44.4% have given the high score. Among the respondents who are postgraduates in computers 100% have given high score.

ANOVA

Level of satisfaction

	Sum of Squares	df	Mean Square	F	Sig.

Between Groups	22.143	4	5.536	11.946	.000
Within Groups	67.190	145	.463		
Total	89.333	149			

The anova table indicates that p value is .0.000 which is less than 0.05. So we reject our null hypothesis. Therefore there is a relationship between computer knowledge and respondents level of satisfaction on eCRM.

Occupation and customer level of satisfaction on eCRM

H0: There is no relationship between respondents' occupation and their level of satisfaction on eCRM

H1: There is a relationship between respondents' occupation and their level of satisfaction on eCRM

		Level of satisfaction			Total
		Low Score	Medium Score	High Score	
OCCUP	Government Employee	6(26.1)	7(30.4)	10(43.5)	23
	Private Employee	12(13.3)	27(30.0)	51(56.7)	90
	Business	4(44.4)	3(33.3)	2(22.3)	9
	Profession	0	3(60)	2(40)	5
	Student	2(100)	0	0	2
	Others	6(28.6)	10(47.6)	5(23.8	21
Total		30	50	70	150

Source: Primary data-Questionnaire

From the above table we can infer that among the respondents, who are government employees, 26.1% of respondents have given low score and 30.4% have given medium score and 43.5% have given the high score. Among the respondents who are private employees, 13.3% have given low score, 30% have given medium score and 56.7% have given the high score. Among the business people, 44.4% have given low score, 33.3% have given medium score and 22.3% have given the high score. Among the respondents who are professionals, 60% have given low score, 40% have given the high score. Among the respondents who are students 100% have given low score. Among others, 28.6% have given low score, 47.6% have given medium score and 23.8% have given high score.

ANOVA

Level of satisfaction

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	10.221	5	2.044	3.721	.003
Within Groups	79.112	144	.549		
Total	89.333	149			

The anova table indicates that p value is .0.003 which is less than 0.05. So we reject our null hypothesis. Therefore there is a relationship between occupation of the respondents and their level of satisfaction on eCRM.

Income and level of satisfaction on eCRM

H0: There is no relationship between respondents' income and their level of satisfaction on eCRM

H1: There is a relationship between respondents' income and their level of satisfaction on eCRM

		Level of satisfaction			Total
		Low Score	Medium Score	High Score	
INCOME	Below 10000	0	12(85.7)	2(14.3)	14
	10000-19999	20(23.8)	22(26.2)	42(50)	84
	20000-29999	4(10.8)	13(35.1)	20(54.1)	37
	30000-39999	4(57.1)	3(42.9)	0	7
	40000 and above	2(25)	0	6(75)	8
Total		30	50	70	150

Source: Primary data-Questionnaire

From the above table we can infer that among the respondents, who earn below 10,000, 85.7% have given medium score and 14.3% have given the high score. Among the respondents who earn 10000 to 19999, 23.8% have given low score, 26.2% have given medium score and 50% have given the high score. Among the respondents who earn 20000 to 29999, 10.8% have given low score, 35.1% have given medium score and 54.1% have given the high score. Among the respondents who earn 30000 to 39999, 57.1% have given low score, 42.9% have given the medium score. Among the respondents who earn above 40000, 25% have given low score and 75% have given high score.

ANOVA

Level of satisfaction

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	6.586	4	1.646	2.885	.025
Within Groups	82.748	145	.571		
Total	89.333	149			

The anova table indicates that p value is .0.025 which is less than 0.05. So we reject our null hypothesis. Therefore there is a relationship between income of the respondents and their level of satisfaction on eCRM.

Respondents Period of relationship with the bank and their perception on eCRM

H0: There is no relationship between respondents' period of relationship with bank and their level of satisfaction on eCRM

H1: There is a relationship between respondents' period of relationship with bank and their level of satisfaction on eCRM.

TIME * Level of satisfaction Cross - tabulation

		Level of satisfaction			Total
		Low Score	Medium Score	High Score	
TIME	less than 1 year	2(13.3)	8(53.3)	5(33.3)	15
	1-3 years	12(16.7)	18(25)	42(58.3)	72
	4-6 years	3(18.8)	5(31.3)	8(50)	16
	>6 years	13(27.7)	19(40.4)	15(31..9)	47
Total		30	50	70	150

From the above table we can infer that among the respondents, who have less than 1 year of relationship with the bank, 13.3% of respondents have given low score and 53.3% have given medium score and 33.3% have given the high score. Among the respondents who have 1-3 years of relationship, 16..7% have given low score, 25% have given medium score and 58.3% have given the high score. Among the respondents who have 4-6 years of relationship, 18.8% have given low score, 31.3% have given medium score and 50% have given the high score. Among the respondents who have more than 6 years of relationship, 27.7% have given low score, 40.4% have given the medium score and 31.9% have given high score.

ANOVA

Level of satisfaction

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	4.081	3	1.360	2.330	.077
Within Groups	85.252	146	.584		
Total	89.333	149			

The anova table indicates that p value is .0.077 which is greater than 0.05. So we accept our null hypothesis. Therefore there is no relationship between period of relationship with the bank and respondents level of satisfaction on eCRM.

Type of account and respondents level of satisfaction on eCRM

H0: There is no relationship between type of account and respondents level of satisfaction on eCRM

H1: There is a relationship between type of account and respondents level of satisfaction on eCRM

	Level of satisfaction			Total
	Low Score	Medium Score	High Score	

ACCOUNT	savings a/c	28(20.4)	44(32.1)	65(47.4)	137
	current a/c	2(15.4)	6(46.2)	5(38.5)	13
Total		30	50	70	150

From the above table we can infer that among the respondents, have savings account in the bank, 20.4% of respondents have given low score and 32.1% have given medium score and 47.3% have given the high score. Among the respondents who have current account in the bank, 15.4% have given low score, 46.2% have given medium score and 38.5% have given the high score.

ANOVA

Level of satisfaction

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	.018	1	.018	.030	.862
Within Groups	89.315	148	.603		
Total	89.333	149			

The anova table indicates that p value is .0.862 which is greater than 0.05. So we accept our null hypothesis. Therefore there is no relationship between Type of account and respondents level of satisfaction on eCRM.

The above analysis indicates that the factors like age, education, computer knowledge, occupation and Income have relationship with the level of satisfaction of customers on eCRM, whereas sex, period of relationship with the bank and type of account are not having any relationship.

SUGGESTIONS AND CONCLUSION

In this fast changing world, bank customers are having increased education level and growing wealth. The needs and expectations of customers are growing at a faster rate. So there is a compulsory need for the banks to adapt to new technology and make changes in their operations. This study was conducted to identify how much the customers are happy with practices followed by banks in creating a stronger relationship with them.

The study revealed that the demographic variables like age, education, computer knowledge, occupation, income and period of relationship with the bank are having positive relationship with customer perception on eCRM practices. Further the cross tabulation results imply that people of less age group have given highest score, so banks have to decide on strategies which will attract even the old aged people. Since computer knowledge plays important role in customer perception on eCRM practices, banks can give proper training to customers in usage of eCRM tools. Banks have to educate their employees to give proper training to the customers to use the facilities provided through eCRM for better usage even for the old aged customers.

It can decide best user interface which is very friendly and easy to use, in order to attract more customers. Since private employees and students have got good perception on eCRM practices, banks have to adopt right strategies to attract even people of other categories like government employees, professionals etc. The study also revealed that period of relationship with the bank is having relationship with customer perception.

As far as the customer satisfaction is concerned, the demographic variables like age, education, computer knowledge, occupation and income are having positive relationship with customer satisfaction on eCRM practices but period of relationship with bank is not having any relationship. This means that even people who are maintaining accounts in a bank for a longer period may also be unsatisfied but they will continue with the bank because of compulsion. (Like employees whose salary being credited in particular bank). Banks have to look into this category of people and they should offer the best services to them so as to make them happier. Otherwise these customers may create negative marketing and bank may fail to retain existing customers and also to gain new customers.

Finally, to compete more efficiently and effectively in the marketplace, the banks should provide proper instructions and personnel assistance on how to use the eCRM facilities to the employees and through them to the customers. The banks are investing heavily on Information technology but unless banks arrange demonstration programs for the customers and train them properly to enjoy all the services, it may be very difficult for them to sustain in the competitive banking scenario.

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