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   INTRODUCTION

   REVIEW OF LITERATURE

   NEED/IMPORTANCE OF THE STUDY

   STATEMENT OF THE PROBLEM

   OBJECTIVES

   HYPOTHESES

   RESEARCH METHODOLOGY

   RESULTS & DISCUSSION

   FINDINGS

   RECOMMENDATIONS/SUGGESTIONS

   CONCLUSIONS

   SCOPE FOR FURTHER RESEARCH

   ACKNOWLEDGMENTS

   REFERENCES

   APPENDIX/ANNEXURE

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

JOURNAL AND OTHER ARTICLES
- Schemenner, R.W., Huber, J.C. and Cook, R.L. (1987), "Geographic Differences and the Location of New Manufacturing Facilities," Journal of Urban Economics, Vol. 21, No. 1, pp. 83-104.

CONFERENCE PAPERS
- Garg, Sambhav (2011): "Business Ethics" Paper presented at the Annual International Conference for the All India Management Association, New Delhi, India, 19–22 June.

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- Kumar S. (2011): "Customer Value: A Comparative Study of Rural and Urban Customers," Thesis, Kurukshetra University, Kurukshetra.

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- Garg, Bhavet (2011): Towards a New Natural Gas Policy, Political Weekly, Viewed on January 01, 2012 http://epw.in/user/viewabstract.jsp

DO EXECUTIVE DIRECTORS MANIPULATE EARNINGS?

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ABSTRACT

In this study we examined the effect and role of executive directors and ownership concentration of companies on probability of earnings manipulation. Companies in our study have been accepted in Tehran stock exchange and include 168 companies that are randomly selected. The investigated period has been between 2007 to 2011 and single variable linear regression method is used and the acceptable error level is considered 5%. Earnings manipulation is calculated by adjusted Jones model and discretionary accrual accounting. Results showed that in studied companies the higher the ratio of board of directors, the more the earnings manipulation rate, and there is a significant relationship. In addition, in companies where dispersion of shareholders is more, earnings manipulation rate is also more. In other words in companies where majority of shares ownership belongs to one or more shareholders, earnings manipulation and management rate are also more. Examining studied companies revealed that dispersion of shareholders is more in private companies, and shareholders often have low number of shares and also the board of executive directors ratio is 73%, while it is 58% in state companies. In addition, the percentage of bankruptcy in private companies is 26%, while it is 41% in state companies.

KEYWORDS
Earnings manipulation, executive director.

INTRODUCTION

Renders etal. 2010 and Rahnamayroodposhti and nabavichashmi, 2011 believes that the managers may embark with a set of real financial events to manipulate the in registering the public costs and advertisement and discounts and administrative costs also the coagulation of contracts which causes the deviance of clients from financial statements.

In the face of the divergence between sacred and secular in the west. Islam has always been viewed as the blueprint and social cement of a civilization .They explore alternative perspectives on governance by comparing the Islamic model of governance with the conventional western model. Within this framework, they present the principles of Islamic economies and Justice and review the practices of taxation, budget deficits, and government finance. This methodology selects the theories that are closest to the Islamic spirit.(Iqbal and Lewis 2009 ;Teresa and Pergola, 2009)

Watts and Zimmerman, 1990 and Chodhari, 2007 and Decow et al .1996 and Roychowdhury, 2006, believes that the managers may embark with a set of real financial events to manipulate the profits. Such cases we can refer to changing the sales program, costs of research and development and tardiness in registering the public costs and advertisement and discounts and administrative costs also the coagulation of contracts which causes the deviance of clients from financial statements.

A numerous research have shown (Piot and Janin, 2007; Meca and balesta, 2009) that in companies is which the ownership distribution is more than others and there is no stockholders or on the other hand the stockholders are distributed. The possibility of controlling over the managers performance is less than others.

Some researcher in different countries has emphasized this subject that the companies whose board members are non-duty-board and more experienced and skillful in the company's subject field, can have a good control over the executive managers and managing director performance.

And reduce the agencies, costs, moreover if the managing director's duty is separated from the board in the company. Controlling over the managing director performance will be improved (Yu, 2010; Youngbyun and et al. 2011; Wan, 2009).

According to the results of other researchers (Cao 2010, Atmaja 2009) about the effect of improvement of super in tendency and control over the reduction of the managers agency costs and according to the publication of the corporate governance by Tehran Stock Exchange the present research has been done and is being tried to investigate the corporate governance according to Iran particular circumstances and also accounting standards.

REVIEW OF LITERATURE

Ibrahim and abdulsamad 2010 in their own research in have considered the relationship and existence effect of internal auditor and auditing committee and earnings management. They have assessed the effect of different dimension of auditing quality such as accountant prestige, the existence of auditing committee and their dependence over management and the profit alteration. The results of their research were that the existence of accountants from 5 auditing famous companies has not caused the earnings management reduction. The existence of auditing committee has caused the earnings management. They express that these results in corporate governance is related to French companies which is different from the U.S.A.

Mohammad Alabbas 2009 in his research in Saudi Arabia Market has recompensed to relationship of corporate governance with earnings management. The temporal period of his investigation was 2005 - 2007. For the measurement of in discretionary accrual accounting items of the constituents which have been used in this research. The board combination, their independence, the existence of auditing committee in companies and the sovereignty of board duty form managing director of the companies. He has observed no meaningful relationship between corporate governance contractual and earnings management but realized that there is a negative relationship in companies between the auditing institute sizes and discretionary accrual accounting items.

Silvia Serijaro and Seyed Harta Otama 2008 in his research in Indonesia considered the relationship of the earnings management method with the companies' ownership structure and the size of the company and corporate governance. They realized that family structure in companies has a relationship with both the importance and the earnings management. They also have not observed and found any relationship between company's size and the existence of holding companies, constitutive investment and corporate governance with earnings management.

Agaiee and Chalaki 2010 in their research have refund to the relationship of constitutive investors and board independence with profit flattening in Iranian companies. They realized that there is a negative meaningful relationship between constitutive ownership and earnings management and also board independence with earnings management. They did not find any relationship between ownership concentration with earnings management.
Hasas Yeganeh 2009 have refund in Iran the different effective factors on placement of the company ownership system. The results of their investigation are the effect of factors such as company's ownership structure and the county legal framework and financial systems of a company.
Yazdainan 2007 have refund in Tehran Stock Exchange to the relationship of board independence and the existence of internal accountant with profit alteration by managers. The result of their research was if f the percentage of the constitutive is more than %45, the earnings management reduces and also there is a meaningful relationship between board independence and the existence of internal auditor.
Midary 2006 has refund the effect and the position of landowner structure and distributed and public ownership structure and family ownership structure in Iran economy and has concluded that in Iran stock market like countries China and India against the U.S.A laud owner structure and distributed has had the worst performance.
Mehrazin and et al 2008 in their research for the exploration of voluntary undertake items have refund to compare the different models in Iranian companies and ultimately, concluded that Johns' modified model and the modified model with their inflation show a better behavior toward earnings management.
Chen and Elder and Hung 2010 examine the incentive and entrenchment effects of controlling shareholders on the association between the investment opportunity set and earnings management in Taiwan. they finds that firms with more investment opportunities are more likely to engage in earnings management and also find incentive effects of controlling shareholders on firms financial reporting behavior in that cash flow rights are negatively associated with absolute abnormal accruals under a growth opportunity setting . Their results further indicate that high-growth firms with a high deviation between cash flow right and control right are more likely to engage in earnings management.
Judge 2010 have studies in Iran about different effective factors on placement of the company ownership system. The results of their investigation are the effect of factors such as company's ownership structure and the country legal framework and financial systems of a company.

IMPORTANCE OF THE STUDY
The importance of this study is due to examining the impact of board of directors composition in Iranian companies on earnings manipulation. This view can be explained based on agency theory. Thus agency theory in Iranian companies is somehow studied. In addition, the effect of shareholders on earnings manipulation is also studied.

STATEMENT OF THE PROBLEM
The studied problem in this research is the relationship and influence of board of directors and shareholders composition on earnings manipulation probability by executive directors elected by shareholders and board of directors. In addition, the effect of choosing the chairman by board of directors based on Iran commercial law on earnings manipulation is another case to be investigated.

OBJECTIVES
The objectives of this study include:
1. Examining the effect of board on probability of earnings manipulation by managers.
2. Examining the effect of shareholders on probability of earnings manipulation by managers.
3. Examining earnings manipulation in private, state, bankrupt and non-bankrupt companies.

HYPOTHESIS
According to the above researches' results in Iran and according to the corporate governance performance by accepted companies' in Tehran Stock Exchange, hypothesis have been complied:
Hypothesis 1: there is meaningful and negative relationship between non executive director and discretionary accrual accounting items.
Hypothesis 2: there is meaningful and negative relationship between ownership concentration of companies and discretionary accrual accounting items.

RESEARCH METHODOLOGY
In this section research, variables have been identified and their way of measurement has been explained and then the experimental research according to theoretical principle and also Iran environmental and legal circumstances arranged.

EXECUTIVE DIRECTOR RATIO
Iranian companies according to trade Law and corporate governance rule and their article can choose their board of directors from out of the company; these directors can be the managers of other company but on the basis of related law to governmental organization they cannot be the managers of governmental corporation. The names of these boards are disclosed in annual report of corporation to public. Since these directors do work full-time in the company are informed about the detail performance of corporation but they have not independence and can supervise on directors and CEO. This ratio is obtained through dividing the numbers of executive directors by total number of the board of directors.

OWNERSHIP CONCENTRATION RATIO
In Iranian companies stockholders usually embark to choose the managers and other stockholders (having little share) don't have any role in choosing the managing directors and managers. From the point of view of theoretical it is confirmed. It is supposed that stockholder must take into view his/her benefits and must not consider other stockholders. Iran owns concentration law has not presented a special quality control mechanism. For the measurement of this variable in each company, own concentration rate is calculated the more this standard, the more the concentration of stockholders.
Own concentration is how is the distribution of allotment between different companies stockholders. The less the stockholders, the more concentrated is own. In this study, in order to calculate the own concentration ratio from Herfindal –Hireshman model has been used. The above standard is obtained through total square root of allotment percentage belong to companies' stockholders. `
Side by side the standard, own concentration rate is increased and in the situation that total allotment belongs to one person. The most value will be allocated and is calculated for equivalent 10000 units whereas, ownership structure was distributed and all stockholders own equal ratios. The "HHI" has the least value and is calculated for the equivalent of N/10000.

$$\mathbf{HHI = \sum (p_i / p * 100)^2} \qquad \textbf{(Equation 1)}$$

MANIPULATED EARNINGS
The discretionary accrual accounting is substitute for manipulated earnings and is measured with Jones' modified model. In this model has been attempted to separate the discretionary accrual and undiscretionary. The effect of economic condition a business on contractual items for a specific period of time which is known as '' event period'' with selling and properties and machinery variables and equipments is estimated as follow:

$$\frac{TA_{it}}{A_{it-1}} = \alpha_1\left(\frac{1}{A_{it-1}}\right) + \alpha_2\left(\frac{\Delta REV_{it}}{A_{it-1}}\right) + \alpha_3\left(\frac{PPE_{it}}{A_{it-1}}\right) + \varepsilon_{it}$$

(Equation 2)

TA_{it} is the total accrual accounting items, A_{it} is total assets, REV_{it} is changes of selling income and PPE_{it} is changes of properties machinery and equipments. After estimating of parameters of the above model by the help of information of the year 2007 to 2010, each company through implementation of temporal models of in discretionary accrual accounting items as mentioned below estimates for the "estimation period" it means the year 2010.

$$NDA_{it} = \alpha_1\left(\frac{1}{A_{it-1}}\right) + \alpha_2\left(\frac{\Delta REV_{it} - \Delta REC_{it}}{A_{it-1}}\right) + \left(\frac{PPE_{it}}{A_{it-1}}\right)$$

(Equation 3)

In the last step the discretionary accrual accounting items or the standard of earnings management is calculated as below:

$$DA_{it} = \frac{TA_{it}}{A_{it-1}} - NDA_{it}$$

(Equation 4)

On the basis of theoretical, the total accrual accounting items is calculated with the below method according to annually financial statements. In this research we calculate the difference between net income and net cash flow from the operation on the basis of Iran accounting standards as total accrual items.

$TA_{it} = E_{it} - OCF_{it}$

(Equation 5)

In the above formula E_{it} reagents the net profit before the tax and ocf_{it} cash flow from the operation and TA_{it} reagents the total accrual accounting items in time period of 2011.

RESEARCH MODEL

According to theoretical bases and research literature and also other carried out researches in Iran, the relationship between variables will be identified as below.By dividing the variable of corporate governance to each of favorable components of research which has been pointed in hypothesis; the research model will be compiled as below:

$DA_{it} = \alpha_0 - \alpha_1$*% exe director - α_2*%Own Conc+α_3*Variable Control + ε

(Equation 6)

% exe as the executive directors or in - board of director ratio and **%own conc** as the ownership concentration of the companies and **variable control** involved the controls variables of research, for example the type of company's ownership (on the basis of governmental and private) and companies bankruptcy according to the Z_{altman} index.

RESULTS & DISCUSSION

For the considering of research models and also the check up the research hypothesis, the accepted companies have been evaluated in Tehran Stock Exchange. The end of their fiscal year should be the end of ESFAND (Mid - March) and should not involve the investment companies and in time period 0f 2007 to 2011 their data should be available.

The number of the companies according to the above condition is 281 which 168 companies from different industries have been chosen randomly.

TABLE 1: DESCRIPTIVE STATISTIC OF THE STATISTICAL SAMPLE CORPORATION

Number of Selected Corporation	Total Number of Corporation	Type of industries
17	29	Mineral corporation
13	21	Food Corporation
26	45	Cement and Tile corporation
31	65	Metal corporation
28	45	Automobile corporation
28	41	Petrochemical corporation
25	35	Pharmacy corporation
168	281	Total

Before investigation and checking up each of the research hypothesis the results of descriptive statistic related to each of the variables will be studied. The results of the tests related to regression presumptions are offered and in the end the results of research hypotheses will be displayed.

The results of variables are shown in below table:

TABLE 2: TABLE OF DESCRIPTIVE STATISTIC OF THE VARIABLES

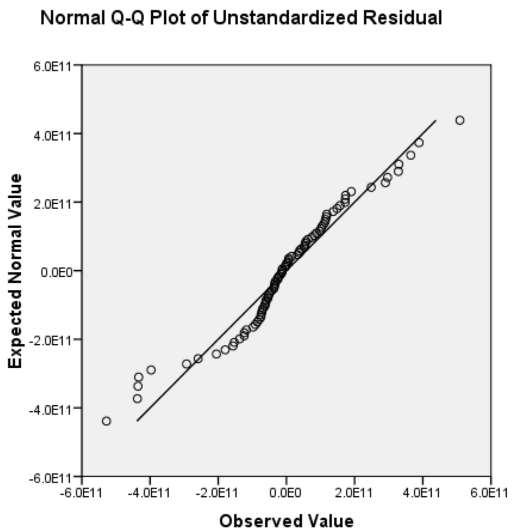
Variance	St. Deviation	Statistical Mean	Type of corporation	Variable
2.633	1.415	-4.127	dependence	Discretionary accrual accounting
3.3464	2.3621	0.5621	Independence	executive director Ratio
1.1374	2.3790	6.1673	Independence	ownership Concentration ratio

As it is shown in the above table, the deviation results from criteria and the variables variances in companies are close to each other and are not much.

Before the investigation of hypothesis we investigate the presumptions regression model:

1- The investigation of being normality of reminders. In this case the "Kolmugrouf Smirnove" test has been used; one method for investigating the results of this test is drawing the diagrammatic reminders which have been mentioned below:

GRAPH 1: NORMAL PLOT OF UN STANDARDIZED RESIDUAL



Moreover, the results of statistical hypothesis H_0 based upon data normality, since P-value is more than %5 the confirmation and the hypothesis confronting it has not been confirmed.

N	NORMAL PARAMETER	KOLOMOROV- SMIRNOVE	SIGN
168	.0000562	1.746	0.169

2- The investigation of independence observation. In this test with the help of a Durbin-Watson dependant errors is assessed, or on the other hand, the investigation of whether the observed quantities have relationship with the other qualitative observations or not? If the hypothesis of the independent errors is not confirmed, the use of regression is impossible the results of this test have been show as below:

TABLE 3: CONSEQUENCE OF DURBIN-WATSON TEST

Model	R	Change Statistics			Durbin-Watson
		R Square Change	F Change		
1	.129	.060	1.005		2.006

As it is shown in the above table, the technical Durbin -Watson at normal level in, that is, more than 2 and less than 2.5. Thus we can conclude that the errors are dependant from each other.

3- The conforming test of independent variables. For the investigation that whether independent variables have high correlation or not, the VIF has been used which its results show lack of correlation between independent variables with each other.

The investigation of the research has been complied considering Iran environmental situations as below:

RESEARCH HYPOTHESIS

In the first hypothesis has been mentioned that there is a negative and meaningful relationship between discretionary accrual accounting items with executive director. In this hypothesis, it is supposed that companies whose number of in-board director is more than out –board directors, the rate of discretionary accrual accounting items, is more too. Therefore, CEO have the motivation of manipulate financial figures. The results of the regression experiment have been mentioned as follow:

TABLE 4: RESULTS OF FIRST HYPOTHESIS

Model	R Square	Adjusted R Square	Std. Error of the Estimate		
				R^2 Change	Sig. F
1	.36	0.23	2.572E11	0.19	0.02

As results are shown in the table above, sign F scale is lower than the scale of acceptable error level (%5). Therefore the hypothesis is confirmed and the meaningful relationship between in-board and the discretionary accrual accounting items scale is confirmed, as well.

The coefficient signal is positive which reveals the direct relationship between them. The correlation intensity between them is on the basis of R^2 coefficient, multiple %23.

Base on second hypothesis, there is a meaningful relationship and negative between ownership concentration and the discretionary accrual accounting items. On the basis of Iran corporate governance, companies shouldn't prefer the majority's to minority's interest and should not have priority. but the manager are usually chosen by the majority, thus the majority's profit protection has priority. We expect that this event changes in to reality, and the more is the portion distribution, the possibility of earnings manipulation is more, the results of the statistical experiment as follows:

TABLE 5: RESULTS OF SECOND HYPOTHESIS

Model	R Square	Adjusted R Square	Std. Error of the Estimate		
				R Square Change	Sig. F Change
1	0.52	- 0.38	3.376E11	- 0.19	0.018

As the above table show, sign F is less than alpha %5 therefore; the negative and significant relationship between ownership concentration and discretionary accrual accounting items is confirmed. It means, in companies which ownership dispersion is high, then possibility has earnings manipulation occur.

OTHER STATISTICAL RESULTS

One of the variables which are very important and significant in Iranian companies is the type of the company's ownership with respect to governmental and non-governmental. We expect that in private companies due to overhauling the competition concept and market and increasing the owner' wealth, the earnings manipulation and stakeholders' misleading often occurs or is weaker. More over the internal auditing because of its role over improvement of supervision on manager should have an active role, furthermore, this earning manipulation is more for misleading the stockholders and beneficiaries in companies due to financial problems who involved with financial stress. On the basis of Z_{altman} companies divided into two groups bankrupt and un bankruptcy, it was obvious that in bankrupt companies the average of this standard is more and managers of these companies have more motivation for earning manipulation.

The variable size of the companies as an effective factor on motivation possibilities for earnings management in different researches in Iran, the size of the natural logarithm of total assets corporations entered as control variable in research method. The total results haven't changed for none of the hypothesis but the relationships reinforced a lot as though it increased for ownership concentration 67 percent and for non executive directors 33 percent which express the meaningful effect of the variable. These results in brief show bellow:

TABLE 6: RESULTS OF OTHER STATISTICAL METHOD

Average executive directors ratio	Percent Bankruptcy corporation	Owner Concentration	Mean of earnings management	Percent have internal Auditor	Description
0.73	26	5692	3.1278	67	Private Corporation
0.58	41	7629	4.3981	59	Government Corporation

FINDINGS

On the basis of theoretical framework research and also other carried out researches in Iran, it was supposed that by accomplishing the corporate governance in Iran, the supervision over managers' performance of companies has been improved decreasing or omission of discretionary accrual accounting or manipulate of the earnings by managers.

In first hypothesis, the relationship between in-board and earnings management has been confirmed and there is a positive relationship. The existence of in-board is mostly for the protection of stockholder beneficiary in Iranian companies and for managers don't have the possibility of profit manipulation. This goal has been confirmed in this hypothesis. Therefore managers manipulate earnings for achieve their goals. Their goals often are continues management on corporation and compensation and up price of shares corporation. Results revealed earnings management in governmental corporation is high as the private corporations .Further more mean of earnings management in Private Corporation is low, rank of concentration of corporations is low too. Number of corporations are bankruptcy in private corporations is low thus weak financial corporation almost manipulate earnings and mean of earnings management in power financial corporation is lower than weak corporations .In contrary in governmental corporations bankruptcy is more and mean earnings management is more and ownership concentrations is more .corporation that manipulate earnings generally do not protect of internal auditors. As results shown, in private corporations executive directors ratio is very low thus board of directors often full time and busy directors and CEO cannot manipulate earnings.

In the second hypothesis, the relationship between ownership concentration and discretionary accrual accounting item has been confirmed. Their relationship is meaningful and negative. Thus ownership dispersion in corporation causes to managers for earnings manipulation. This is more in government ownership corporations to private corporations. If ownership of corporation is concentrate, then managers for supervise by board and stockholders possibility cannot smoothing earnings. Results revealed that in corporations that concentrations ownership is high and do not internal auditors and executive directors is high ,mean of earnings management is high too ,thus management can easily and without supervision manage earnings. More above, results shown that corporate that has high concentration ratio are high executive ratio and high earnings management, thus managers with knowledge and cooperative with board of directors manipulate earnings.

RECOMMENDATIONS

In final base on results of research and investigate corporate governance law of Iran suggestion includes:

1. TSE ranking corporations as corporate governance same other countries.
2. In almost, board of directors corporations do not have financial or accounting or economic technical membership thus decision board of directors almost without economical.

CONCLUSION

It is expected based on agency theory that CEOs attempt to manipulate and manage earnings in order to protect their interests. In this regard, factors effecting the selection of chairman in Iranian companies are studied. According to Iran commercial law, directors are elected by shareholders and chairman is elected by board of directors. Results showed that shareholders composition has a significant negative relationship with election of board and chairman and earnings manipulation indirectly. It means that in companies where dispersion of shareholders is more, since they can not have an important effect on chairman's performance and there is not a consensus and agreement between them, the chairman can manipulate earnings easily. In addition, the effect of board in terms of full time and temporary on CEO's performance is also studied and it was revealed that the more the percentage of full time board, the more the probability of earnings manipulation and there is kind of performance coordination between chairman and them and according to Iran commercial law, managing director is one of the executive directors. Thus Iran commercial law is regulated so that provides the possibility of earnings manipulation and there is not an exact control system based on corporate governance system intended and it is necessary to be reviewed seriously.

SCOPE FOR FURTHER RESEARCH

It is suggested to investigate the effect of non-executive board in future studies.
It is suggested to investigate other models of measuring earnings manipulation in future studies.
It is suggested that other control variables such as size and leverage of company, etc enter the research model in future studies.

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MANAGEMENT EDUCATION – IMPACT OF VALUE ORIENTATIONS ON CAREER & BUSINESS

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ABSTRACT
Management programs of MBA / PGDM is regarded as the premier business qualification for aspiring managers. In view of the recent financial crisis, and innumerable relentless corporate scams nationally and globally, Business ethics, Corporate Social and Environmental Responsibility, Corporate Governance Corporate Citizenship and Sustainability are gaining momentum and core areas of focus in the business world. Therefore, it would seem logical that business schools address these issues strategically, as students well trained on ethical and responsible social issues can well ensure implementation and a culture of corporate governance in business organization. This empirical study conducted in Bangalore investigates the aspiring managers' level of learning, comprehension and sensitivity to these concepts in their career and decision making. The study exploring the role of business schools in promoting such culture through value based Business education reveals serious concerns. The study will be of interest to students, academicians and management professionals.

KEYWORDS
Business Ethics, Business School, Corporate Governance, Corporate Social Responsibility (CSR), Management Education.

INTRODUCTION
Corporate catering to the market demand has traditionally been a function of financial performance and profitability. With rising globalization and pressing ecological issues, the perception of the role of corporate in the broader societal context has altered to be socially responsible. Today, the stakeholders (employees, community, suppliers and shareholders) are redefining the role of corporate taking into account the corporate's broader responsibility towards society and environment, beyond economic performance. With this shift from economic to economic with social dimension, institutions and corporate are endorsing the term Corporate Social Responsibility (CSR).

CSR, though acclaimed recently, has been in practice in India from the time of Kautilya, where philosophers of pre-Christian era advocated ethical principles in business. Charity to the poor and the disadvantaged was prominent in ancient literature with religious symbolism as 'Dharmada' in Hinduism, 'Zakaat' in Islam, and 'Daashaant' in Sikh and was also part of Christianity. In India, the idea was practiced through setting up of charitable foundations, educational, healthcare institutions, and trusts for community development through donations. CSR came into usage in the early 1970s and by late 1990s, the concept was in common parlance and supported by all sections of society. In 1977 less than half of the Fortune 500 firms mentioned CSR in their annual reports, but by 1990, approximately 90 percent of Fortune 500 firms embraced CSR as one of their organizational goals, and actively promoted their CSR activities in annual reports (Boli and Hartsuiker, 2001).

CSR is comprehended differently. The words: 'corporate,' 'social,' and 'responsibility' relates to responsibilities corporations have towards society within which they exist and operate. Some understand it as a company's commitment to manage its various roles in society as producer, employer, customer and citizen responsibly while for others it is synonymous to Corporate Responsibility or Corporate Citizenship. CSR as defined by World Business Council for Sustainable Development: "Corporate Social Responsibility is the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families, the local community and society at large". Archie Carroll in 1991 describes CSR as a multi layered concept within a pyramid – economic, legal, ethical and philanthropic responsibilities. "True" social responsibility requires the meeting of all four levels consecutively in a pyramid, the model probably is the most accepted and established one.

Of late, in line with CSR, corporate social and environmental responsibility (CSER) is gaining ground, which refers to the commitment of firms to contribute to both social and environmental objectives. Besides, CSER encompasses issues of regulatory compliance, accountability, voluntary initiatives, communication and transparency and institutionalization of environmental and social issues as noted by McIntosh (2003). Survey of Tata Energy Research Institute (Altered Images of TERI India), highlights concerns of environment pollution, poverty, quality of products, employee discrimination and other social issues which needs more attention by companies as part of CSR. There is a growing recognition that responsible business practices, good governance, ethical conduct has a positive impact on ones' life as well on society wellbeing. CSR is not a fad or a passing trend, companies have started to realize that it as an integral part of business and beginning to engage in some mode, while some may coin it as corporate citizenship, but the core message remains the same. Broadly, CSR typically includes issues related to: business ethics, community development, human rights, environmental sustainability, corporate governance, Corporate Citizenship.

The term gaining grounds in business parlance today is **Corporate Citizenship**, the essence of which as defined by Boston College Centre for Corporate Citizenship is: Minimize harm, maximize benefit, be accountable & responsive to key stakeholders and support strong financial results. **Corporate Governance** (CG) indicates the philosophy of organizational accountability and control. Well-defined and enforced corporate governance provides a structure ensuring the enterprise adheres to accepted laws, ethical standards and best practices benefitting all. CG has now received increased attention because of high-profile scandals involving abuse of corporate power.

Bruntland Commission of the United Nations (1987) defines **Environmental sustainability,** as development that meets the needs of the present without compromising the ability of future generations to meet their own needs. World Summit (2005) emphasized the reconciliation of environment, social & economic demands - the "three pillars" of sustainability. Environmental sustainability has emerged as a critical policy focus across the world. The 2010 Environmental Performance Index (EPI) ranking of 163 countries across 25 performance indicators tracked well established policy categories covering both environmental, public health and ecosystem vitality spelling out levels of development, good governance and concerted policy effort. EPI rankings indicate countries doing best against the array of environmental pressures that every nation faces. Against 163 countries, India ranks a dismal 123rd position. (Yale centre for Environmental Law and Policy)

R0LE OF BUSINESS SCHOOLS IN IMPARTING VALUES OF CSR/CSER / CG / CORPORATE CITIZENSHIP
India, according to the UNDP Human Development Report 2010, the Multiple Poverty Index, MPI – which identifies multiple deprivations in the same households in education, health and standard of living – shows that 55% of the population suffers multiple deprivations. The social welfare programs of the State need to be supported by the corporate sector which can alternatively build brand image improve customer loyalty through its qualitative products and services and bring about professional management in social sector programs. But this can only be realized through value based education sensitizing students to issues of triple bottom line so that they shall integrate socially responsible and sustainable developmental programs in corporate strategies in future. As CSR and corporate citizenship as the binding philosophy are becoming more acceptable in business parlance today, it is imperative to integrate CSR and socially responsible value issues into mainstream of management curriculum, as Business Schools which produce future managers and leaders need to inculcate and sensitize students with the values of CSER and corporate citizenship.

Kholberg (1976) states that Business Institutions have a crucial role to play by actively nurturing socially responsible business practices and instilling codes of good governance in business graduates and enable them to respect the rights of other stakeholders. White (1980) suggests that business schools are one of the best places to encourage this type of value development culture.

Citing serious corporate scams and bankruptcies, post Enron, Wall J K (2002) states, professors at business schools have re-invigorated their ethics instruction. Efforts are thus required to integrate CSR based values into the mainstream of business education, where business schools and universities can promote new teaching models. Some business schools have started making efforts to produce more socially – sensitized MBA/PGDM programs, but the enthusiasm is still lacking.
The study explores the perception of young management professionals towards these social, environmental and ethical values and the role played by the Business schools in nurturing these values through value based education. Introducing the concepts in the first section, the study proceeds to the literature review in the second section. Third section focuses on Research study inclusive of analysis and interpretation. The conclusions drawn and the suggestions through opportunities and challenges to business and education are implicated in the final section of the study.

LITERATURE REVIEW

Business School students need training in ethics and moral reasoning more than most other students according to Trevino & Nelson (1999). Crane (2004) cites a study of top business schools in the US that found business school education not only fails to improve the moral character of students but potentially weakens it. He further remarks that in recent years, the ethical content in business education is limited to the extent expected of ranking agencies such as American Assembly of Collegiate Schools of Business (AACSB International) or Association of MBA's of United Kingdom (AMBA).
Buchholz (1989) identified a critical issue with management education; students are taught theories of management but are not necessarily exposed to the implications of their usage. MBA graduates act unethically because they were neither exposed to the ethical dilemmas nor to strategies for resolving such dilemmas that are part of business decision making. Pfeffer and Fong (2002) argue that business education has not been effective in teaching business ethics, no correlation with career success nor has little influence on management practices.
Powers and Vogel (1980) justify that teaching of business ethics is not to resolve moral dilemmas, but help manager to develop competencies for moral and social judgment in business contexts, ability to integrate broader social issues holistically. Dunfee & Robertson (1988) emphasize the inclusion of such subjects in management programs, to orient students with a perspective of what ethics and social responsibility mean in business practice, and convince students that ethical issues are an important part of the business functions of finance, marketing and management.
Matten & Moon (2004) identifying the increased role of CSR in European organizations, raise issues on providing CSR skills to graduates through Business education. In their survey on European Business Schools, they found that 47% of their respondents offered subjects on CSR or related fields such as citizenship, governance, business ethics etc., as optional subjects and 38% embedded the concepts in existing subjects and modules. 27% included CSR in compulsory modules while 20% use other CSR teaching activities such as seminars, special events, conferences etc.,
Aspen BSP's survey of 15 Business schools in 2007, about the attitude of MBA students towards the relationship between business and society, reveals that business students are concerned about the primary responsibilities of a company. In addition to citing shareholder maximization and satisfying customer needs, creating value for the community in which they operate is also stressed. 26% MBA students of 2007 have expressed more interest in finding a job that offers potential to contribute to society compared to 15% in 2002. Study also shows that the business schools and companies have not convinced the students that environmental and social responsibility contributes to corporate financial success.
A survey conducted in Great Britain in 2002 noted that 80% of respondents felt big companies have a moral responsibility towards society. A survey conducted in 2001 by "Burson-Marsteller" on managers in top companies' show that 89% of them felt that CSR will influence every major decision in the future. Urgency to address issues of social and environmental sustainability is triggered by successive corporate scandals combined with external pressures from NGOs, policy makers, consumers and the media. With the business world gaining benefits of CSR, there is a need for business schools to include these issues as part of the business curriculum. Gardiner & Lacy (2005) argue that despite increasing demand from business community for such specialist knowledge, with a few exceptions, business education has been unable to address the issue due to lack of understanding of the debate and its strategic value within the core MBA curricula. They cite a study conducted by CSR Europe in 2001, The Copenhagen Centre and the International Business Leaders Forum found a comprehensive demand for new business models and management skills to help companies respond to the triple bottom line of business: economic, social & environmental contexts and found that the Business schools addressed these concepts as only elective subjects.
AACSB responded to this issue by setting up an ethics education page. Business schools have a responsibility to acquaint their students with the ethical theories, tools, and cases. Although (AACSB)-International requires 'ethical understanding and reasoning ability' as an assurance of learning standard, the accrediting requirements leave delivery systems to the discretion of individual programs (AACSB International 2007). Studies also show that demand for such subjects related to values & sustainability in MBA is neither on par nor in career decisions of students. Despite the fact that, professionals from both business and academics support the inclusion of CSR or Business ethics as part of MBA curriculum, as argued by Freeman (1984) business leaders need to be more vocal in their support for the inclusion of such important content.
Undoubtedly, some B Schools have been training students on Ethics and CSR through innovative methodologies. The QS Global 200 Top Business Schools survey for 2010-11, based on the perceptions of leading recruiters, has also released a rating of top five B-schools, listed below, perceived to address issues of ethics and social responsibility most effectively in their MBA programs.

- Stanford University, Harvard University, Tuck School of Business of Dartmouth University, INSEAD & Wharton.

RESEARCH STUDY

Post Enron scandal of 2001, business schools around the world have reciprocated to the need for imparting sound ethics and a responsible mindset in the future graduating leaders. These schools are now consciously trying to groom socially relevant and responsible management talent - either through introduction of discrete courses in business ethics and CSR, or by integrating elements of these into every module. Trained on ethics and social values, graduates are expected to ensure corporate governance and socially responsible business practices in their organization. With this strategy, the study investigates the level of understanding and learning impact of these issues on young management professionals and also focused on the role of business schools in promoting and training a culture of responsible business practice.

THE MAIN OBJECTIVES OF THE STUDY ARE

- To examine the comprehension level of socially responsible value concepts of CSR, Business ethics, corporate governance by the young business managers.
- To examine the role played by Business Schools in having sensitized these young business managers about socially responsible value orientations of Business ethics, CSR, CG, environmental and related issues.
- To examine the important value orientations towards career of a fresh graduate / Business graduate
- With respect to the above factors, gender – wise comparison of understanding, perception and internalization level is examined.

A simple multiple choice online survey consisting of seven sets of questions, grouped into the following three main categories was administered. They were instructed to indicate options that best described their positions or perspectives on issues of CSR / Corporate governance.

- Career – How do socially responsible issues of CSR and ethics factor influence job preferences?
- Business & Social Responsibility- Are companies fulfilling their social responsibilities and the benefits derived thereof.
- Curriculum – Assessment of inclusion, best mode of delivery of concepts of CSR, Corporate Governance and sustainability issues through business school curriculum and its impact.

ANALYSIS & INTERPRETATION

Demographics: Out of the total 1250 sample data, 191 responded of which four response data had to be rejected on account of incoherence in the responses. Therefore, the response rate is 14.96% and the sample size for the study constitutes 187 respondents. The sample consisted of young management professionals having passed out of MBA/PGDM in the years 2008, 2009 and 2010. The respondents have studied in B-Schools from AICTE approved, University departments, and private autonomous institutions in Bangalore. Respondents work in different companies with the work experience ranging from one to five years being Management Trainees (47%) to First level managers (44%) and Middle level managers (09%). The sample consisted of 63% male and 37% female respondents, between the age group of 24 to 32 years.

Being a simple survey questionnaire, the completed responses were subjected to simple statistical analysis to understand the perception level of the respondents on subjected parameters.

To begin with the analysis of questionnaire:

Q. 1. According to me, the following factors are / were crucial in selecting my first job: (Indicate three important factors)

As illustrated in Table 1, the most important deciding factors on choosing the job, there is consensus about salary or compensation scoring the highest (33%) followed by job security (12%) and diversity and challenging job responsibilities (11%). However, Ethics and values of the company scored 10% and contribution to society and environment with 5% response rate. Response for job security seems to be the impact of heat of recent financial crisis.

TABLE 1: INDICATES RESPONSES TO QUESTION 1

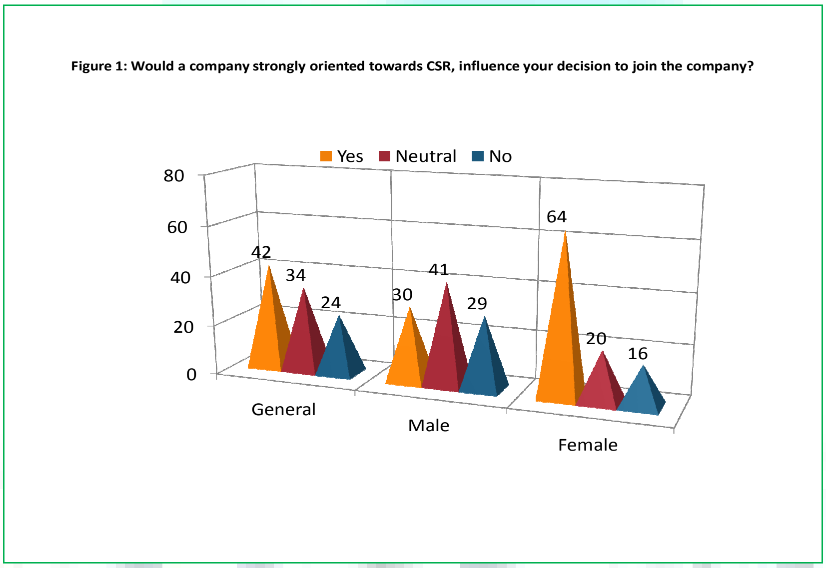
Factors	Response %		
	General	Male	Female
• Job Security	12	11	14
• Challenging & diverse job responsibilities	11	12	10
• Image/ Brand of the company	09	10	07
• Training & Development opportunities	08	09	06
• Salary /compensation	33	33	32
• Work Life Balance	06	04	10
• Potential to make contribution to society / environment	05	02	09
• Company's Products & Services	01	02	0
• Opportunity to travel and work Internationally	05	07	01
• High ethical standards &values of the company	10	10	11

Comparing the gender factor, the female respondents are more concerned about values and ethics, indicating ethics and values of the company as the third most important factor with 11%. Work that promotes contribution to society and environment is positively responded by female respondents. However, factors like International travels, and image of the company are positively responded by the Male respondents.

Q. 2. Would a company strongly oriented towards CSR values influence your decision to join the company?

According to figure 1, a company strongly oriented towards CSR values would influence 42% of the respondents' decision to join the company. The influence is higher on female respondents with the response rate of 64%, and surprisingly the response from male is less than half of that with 30%.

FIGURE 1



Q. 3. I believe the following are the main responsibilities of a company: (Indicate four important factors)

TABLE 2 - INDICATES RESPONSES TO Q. 3

Factors	Response %		
	General	Male	Female
• Complying with laws, rules and regulations	08	08	07
• Maximize value for shareholders	15	14	15
• Satisfy customer needs	12	13	12
• Produce useful and high quality goods & services	11	10	11
• Invest in growth & wellbeing of employees	19	19	19
• Ensure confidentiality of important information	03	02	04
• Create value through local community development	07	07	08
• Enhance environmental conditions	06	06	07
• Transparent, accountable & responsible business practices	15	16	14
• Engage in charity and philanthropic activities	04	05	03

Identifying four main responsibilities of a company, the following factors received consensus from both male and female respondents in general as shown in Table 2:

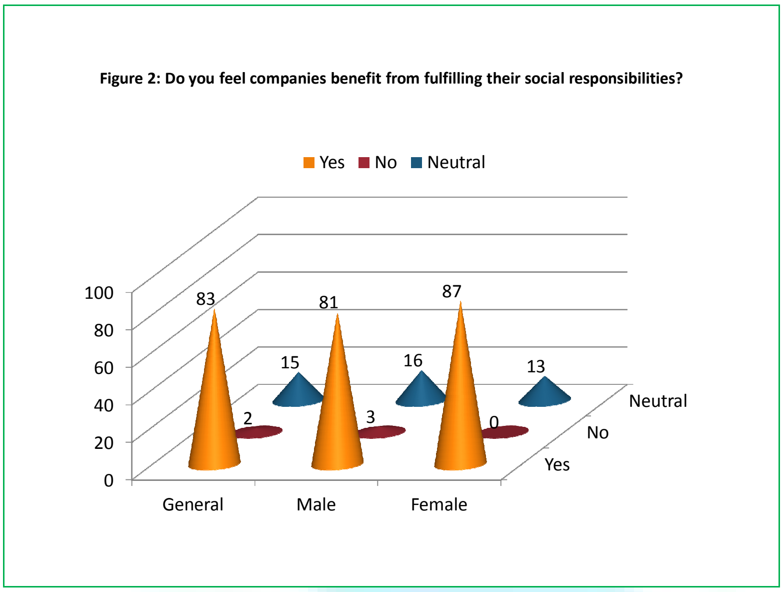
- Investing in growth and wellbeing of the employees
- Maximize value for shareholders
- Transparent and responsible business practices
- Satisfy customer needs.

Regarding other factors, the response for 'Create value through local community development' (8%) and 'enhance environmental conditions' (7%) is comparatively higher from female respondents.

Q. 4. Do you feel that companies benefit from fulfilling their social responsibilities?

83% of the respondents in general agree that the company benefits from fulfilling the social responsibility. However, the response rate is 87% for female and 81% for the male respondents as shown in figure 2.

FIGURE 2



Q. 5. Indicate three most important factors which best benefit companies from fulfilling their social responsibilities:

TABLE 3 - INDICATES RESPONSES TO Q. 5

Factors	Response %		
	General	Male	Female
• Customer loyalty gets boosted	18	18	19
• Revenue increases	15	15	14
• Builds positive public image/reputation	28	28	28
• Fewer legal or regulatory problems	05	05	05
• Operation costs gets reduced	01	02	0
• Better management of risk	04	05	03
• Stronger & healthier community	18	17	19
• Employees are satisfied and productive	07	06	08
• Satisfying stakeholders interests	04	04	04

Table 3 illustrates consensus amongst the respondents in identifying the three most important factors which best benefit companies from fulfilling their social responsibilities:

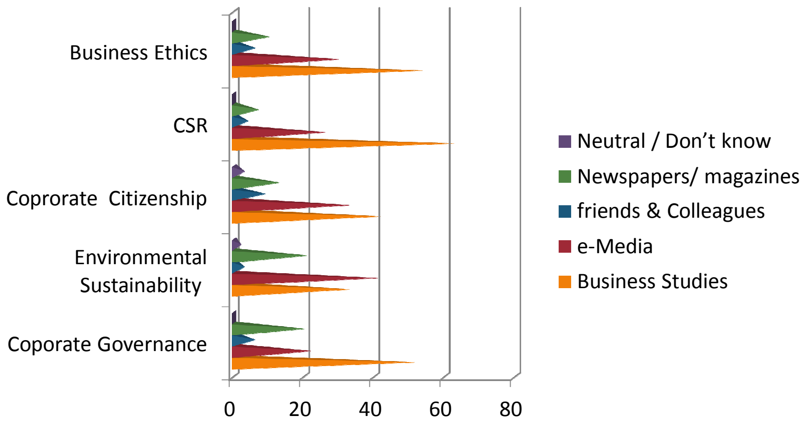
- Positive public image / reputation
- Customer loyalty gets boosted
- Stronger & healthier community

But the respondents are still looking at the benefits of social responsibility in a conventional way-good public image and are not able to relate to other business benefits as reduced operating costs, increase in revenue.

Q. 6. Indicate the original source through which you heard or gained knowledge or information of the following concepts:

There are some startling facts about gaps in Business Studies revealed in figure 3. Although the respondents have passed out of MBA /PGDM, oriented about CSR, to the tune of 63% response, but are not able to comprehend and relate concepts of corporate citizenship (42%) and Environmental sustainability (33%).

Figure 3: Indicate the original source through which you heard or gained knowledge or information of the following concepts:



Comparatively, female respondents have responded to have gained better orientation of the concepts through Business studies with 50% than the male respondents.
Table 4 below shows the extent of awareness or knowledge of concepts of CSR / CG / ethics or environmental sustainability through different sources. It is disappointing with only 49% response through Business Studies.

TABLE 4 - SHOWS THE EXTENT OF KNOWLEDGE OR AWARENESS OF THE CONCEPTS THROUGH DIFFERENT SOURCES

Sources of knowledge of ethics/CSR/CG/sustainability	Total Response Rate (%)		
	General	Male	Female
Business Studies	49	48	50
E Media	30	33	25
Friend / Colleague	06	06	04
Newspapers / Magazines	14	12	20
Neutral / Don't know	01	01	01

However, e-media is positive on its stride in educating the viewers with 30% of response, and more so on the male respondents with a response rate of 33%. Orientation through print media of newspapers and magazines is more on female respondents with 20% response rate comparatively.

Q. 7. Curriculum content of MBA / PGDM related to issues and concepts of sustainability / CSR, Corporate Governance can best be delivered through: (Indicate three best options)

Table 5 below illustrates the three best modes of delivery of concepts of CSR/ Corporate Governance or ethics through business curriculum; there is general agreement amongst the respondents to:

- Promoting industrial internships to students related to CSER / Sustainability (22 % response).
- To integrate socio-ethical and environmental themes into the core curriculum (20%).
- To organize students' participation in community development activities (18 %).

TABLE 5 – INDICATES RESPONSES TO Q. 7

Options	Response %		
	General	Male	Female
Integrating socio-ethical and environmental themes into the core curriculum	20	20	20
To introduce electives that focus on socio-ethical and environmental issues	09	08	12
More case studies related to Business ethics, corporate governance / CSR / in classes	14	14	14
Invite advocates of CSR / CG as guest speakers on these topics	16	16	15
By promoting industrial internships to students related to CSR / sustainability	22	23	20
Organizing students participation in community development activities	18	18	18
Any other	01	01	01

Female respondents have recommended CSR related studies through electives strongly with the response rate of 12% as against 8% by male respondents. However, the male respondents have strongly recommended for industry internships (23%) and 20% by female respondents.

Some of the other serious remarks given by the respondents:

- Educators themselves to be more ethical in governance of the institutions and to exemplify through ethical leadership.
- To regulate on commercialization of institutions.
- Fair practice in assessment and evaluation of students.

CONCLUSION

The study reveals serious concerns for Business schools. Despite being graduates of MBA/PGDM, oriented on issues of socially responsible values and practices, internalization and the comprehension level of socially responsible value orientations are alarmingly low, including their preference to opt a company strongly oriented towards CSR. Although respondents generally concur with the advantages the company benefits from being socially responsible, but their approach and comprehension regarding the benefits of social responsibility issues is conventional. Study also shows that the business studies have not convinced the students that environmental and corporate social responsibility contributes to corporate financial success.

However, gender-wise, Business school studies have had a better impact on the female respondents with respect to internalization, comprehension and career preference for social values coupled with environmental and socially responsible business practices.

RECOMMENDATIONS

The study reveals a need for more focus on the learning and understanding of CSR related concepts and integration into business practices through Business Studies.

Opportunity & Challenges to B Schools	Opportunity & Challenges to Corporate
To educate and inculcate principles & practice of ethics in personal and professional life of students.	Branding through responsible business practice.
Institutions and educators to lead by ethical practice.	Role of business in sustainable environmental issues.
To teach Business Ethics of Indian & global context.	To regulate business through corporate governance.
To promote experiential learning/ field work than just Theory.	Accountability for climate change and depleting natural resources.
To develop real case studies on domestic models of CSR/ethics	To ensure maintain transparency & accountability in transactions.
To integrate education with issues of sustainable society, environment &business.	To build ethical managerial pool by focusing on applied ethical issues.
To plan a systematic pedagogy through innovative teaching.	Responsibility of business in shaping society.
To sensitize that ethical practice serves both self & society.	To standardize code of ethics in business across the globe.

With scams and corruption soaring high, there is urgency to weed out the roots of these problems. Today's Students and young professionals are the future leaders, eager to learn, sensitive to socio-environmental issues and easier to groom. Need to foster an ongoing dialogue and partnership between corporate, business schools and NGOs. Business curriculum need to integrate concepts and issues of CSER/ CG and sustainability. Promote industry internships in these related fields, advocate community development, rehabilitation and philanthropic activities as adopted by some leading Indian B Schools. Therefore, the need of the hour for the Business schools to groom the students with socially responsible values for a qualitative and sustainable business and society.

SCOPE FOR FURTHER RESEARCH

More light can be thrown through further study by exploring the implications of value orientations through management education by examining and comparing differences between Business Schools of different tiers within Bangalore or between metro cities or states across India or at an international level.

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STRATEGIC GAINS OF BY-PRODUCT MARKETING: A STUDY ON SELECTED COMPANIES OF BANGLADESH

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ABSTRACT

Products that are produced during the production process of some other product are commonly known as by-products. In most manufacturing companies one or more by-products are produced along with the primary product. Some companies use these by-products efficiently while others do not. Companies that market by-products appropriately can leverage this ability to acquire competitive advantages. This study attempted to understand the scenario of by-product marketing in Bangladesh through the analysis of a number of RMG companies, i.e., Ananya Fashion Ltd, Barnali Fashion, Florescent Apparels Ltd, Outright Fashion Ltd., Babylon Garments Ltd, Square Fashion Limited and S. Islam Fashions Limited. The study found that culture within most firms is devoid of the initiative that is required to capitalize the opportunity to market by-products. Only one company among the cases observed has pursued by-product marketing with fervor. Two other firms have taken some initiative in this regard but are not realizing the full potential of the by-products. Scenario of two companies' is average; use of by-products in the rest of firms studied is negligible.

KEYWORDS

Strategic Gain, By-Product, Marketing.

INTRODUCTION

By-product is something that is not intended or has not been planned but happens as a result of another situation or something that you do (macmillandictionary.com/dictionary/british/by-product). So, product(s) produced on the way of production of targeted product, is (are) called by-product. By-products are the 'extra' results from an action preformed. For example, if a log is cut into two pieces using a chainsaw so that it fits into the furnace, sawdust is created as by-product (http://wiki.answers.com/Q/What_is_meant_by_a_byproduct).

Marketing is the anticipation, management, and satisfaction of demand through an exchange process (Evans and Berman, 1994). Marketing deals with identifying and meeting human and social needs. One of the shortest definitions of marketing is "meeting needs profitably". According to American Marketing Association "Marketing is an organizational function and a set of processes for creating, communicating, and delivering value to customers and for managing customer relationships in ways that benefit the organization and its stakeholders" (Kotler and Keller, 2005). Marketing of by-products is called by-product marketing. By-product marketing is gaining traction in several industries within South Asia. Following is a brief highlight of different industries where by-product marketing is being explored.

India ranks topmost in the world in livestock holding and has the potential to utilize slaughterhouse by-products to partly meet the growing requirement of animal feeds. The total availability of offal/bones in the country generated from large slaughterhouses is estimated to be more than 21-lakh tones/annum. Besides other uses, it can also be used for the preparation of animal feeds. The total requirement of animal feed has been estimated at 37 million tones. This includes 24 million tones of cattle feed (which as per the directive of the Department of Animal Husbandry, Govt. of India cannot have slaughter house waste material). Slaughterhouse waste material has the potential to partly replace 13 million tones of animal feed material. Slaughterhouse wastes can be used as inputs to feeds for the poultry, fish and pets like dogs and cats. Presently in India, live stock feed production is more of cereal based and less of animal by-product based. This results in livestock, especially poultry, pig and fish competing with humans for grains and cereals which can easily be replaced with slaughterhouse waste. Slaughterhouse waste is first converted into intermediate products like Meat Bone Meal (MBM), Di0calciumphosphate (DCP) & bicalphos (BCP) which are essentially feed supplements. They are then mixed with various crop ingredients to make a complete feed for animals. Meat Bone Meal is a protein and phosphorous supplements for animal feed manufacturers. It is used upto 5% of total feed. DCP and BCP are essentially phosphorous supplements for animal feed manufacturers and are used to the extent of 1% of total feed. Currently total production of MBM in India is around 55200 tonnes/annum and total estimated demand is 77500 tonnes/annum. So the gap between production and supply of MBM is around 22300 tonnes/annum. Leading manufacturers of MBM in India are Standard Agro Vet (P) Ltd., Allanasons Ltd., Hind Agro Ltd., Al Kabeer, Hyderabad. Similarly the total production of DCP in India is a around 27600 tonnes/annum and total demand is 34800 tonnes/annum. Therefore the gap between production and demand of DCP is approximately 7200 tonnes/annum. Leading manufacturers of DCP in India are Hind Nihon Ind. Ltd., Muradnagar, Punjab Bone Meal, Jullundar, Kerala Chemical & Proteins Ltd., Cochin & Shaw Wallance Ltd, Jabalpur (tifac.org.in/index.php?option=com_content&view=article&id=713&Itemid=205).

The main by-products of rice milling are rice hulls or husk, rice bran, and brewer's rice. Rice hulls are generated during the first stage of rice milling, when rough rice or paddy rice is husked. Rice bran is generated when brown rice moves through the whiteners and polishers. When paddy is hand-pounded or milled in a one-pass Engleberg steel huller, rice bran is not produced separately but mixed with rice hulls. Brewer's rice is separated and produced when milled rice is sifted. 100 kg of paddy rice will generate approx 20 kg of husk. The bulk density is 100 to 150 kg/m3. Rice husk contains 16 to 22% ash, which is high in silica. The ash composition and structure give rice hulls an abrasive character. Metal surfaces in frequent contact with rice hulls will wear out and eventually puncture. Common use of rice husks are as bedding materials, and as source of energy. In the modern rice milling industry, rice husks are increasingly being used as a fuel source for grain drying and parboiling, and for electricity generation. In Bangladesh, rice hulls are the preferred fuel for parboiling, and rice hulls are widely used for grain drying in the larger rice mills in Northern India. Rice hulls, once ground, are also used as ingredient in animal feeds. Using rice husk in gasifyers or furnaces that are used in small and medium size plants Asia produces black ash, which still contains around 20% carbon. This so called carbonated rice husk is often used as soil conditioner for poor soils, as an ingredient for bio fertilizers. Also current research is elaborating its potential for carbon sequestration in soils to reduce greenhouse gas emissions (knowledgebank.irri.org/rkb/index.php/rice-milling/byproducts-and-their-utilization).

100 kg of paddy rice will generate approx 5 to 10 kg of bran. Rice bran is a mixture of substances, including protein, fat, ash, and crude fiber. In many cases, bran contains tiny fractions of rice hull, which increases the ash content of bran. Bran composition is largely dependent on the milling process. In modern rice mills, several different kinds of bran are produced: coarse bran (from the first whitening step), fine bran (from second whitening step) and polish (from the polishing step). Polish consists of part of the endosperm and is often referred to as meal. Rice bran has a high nutritive value. Besides proteins, rice bran is an excellent source of vitamins B and E. Bran also contains small amounts of anti-oxydants, which are considered to low cholesterol in humans. Rice bran contains

10-23% bran oil. The oily nature makes bran an excellent binder for animal feeds. Bran oil, once stabilized and extracted, is a high quality vegetable oil for cooking or eating. The conventional use of rice bran is as ingredient for animal feeds, in particular ruminants and poultry. In recent years however, advances in stabilization techniques have been made which has led to new uses for bran and its derivatives, most notably bran oil for cooking and waxes for cosmetic products. In the developing countries, rice bran is underutilized due to a lack of suitable stabilization techniques (knowledgebank.irri.org/rkb/index.php/rice-milling/byproducts-and-their-utilization).

The recycling of coal combustion by-products, or coal utilization by-products (CUB) which includes the solid residue from coal and gasification, is a practice that can play a significant role in maintaining both the cost advantage and environmental acceptability of coal-fired power plants. Coal burning electric utilities produce over 100 million tons of CUB materials annually in the United States, but only about one-third are recycled for productive purposes. The remainder is disposed of in landfills or ponds, representing both a significant cost to electric utilities and the waste of raw materials that could potentially be of greater value if they were utilized. In many cases, the use of CUBs provides the end-user with a product that is superior to the one that would have been obtained by using conventional materials. CUBs are defined as "fly ash, bottom ash, boiler slag, fluidized-bed combustion (FBC) ash, or flue gas desulphurization (FGD) material produced primarily from the combustion of coal or the cleaning of stack gases (netl.doe.gov/technologies/coalpower/ewr/coal_utilization_byproducts/pdf/coal_util.pdf).

Electricity supply for rural areas, so long, has been a far cry in context of Bangladesh. Realizing this, many organizations along with Bangladesh government are trying to bring renewable energy in a competitive package to meet deficiency. But solar energy, mainly for its inefficiency and high cost, is not having much success in a broader aspect. Rice husk by-product based biomass plant can be an alternate energy source to meet the electricity demand of local enterprises, irrigation and rural households. Ash generated from the husk is processed to produce silica and calcium carbonate through silica precipitation method. Silica has a huge demand in industries like rubber, tooth paste and other chemical industries. Calcium carbonate is mainly used in construction industry. It may be used as a building material, limestone aggregate for road building, ingredient of cement etc (Bhuiyan et. al., 2011).

The review of literature thus shows a great deal of interest in by-product marketing in come specific industries in South Asia. But very little research has been conducted with a focus on Bangladesh market or the RMG industry. This is where the objective of the study fits in.

OBJECTIVE OF THE STUDY

The objective of the study is to find out whether Bangladeshi RMG firms are acquiring strategic gains from by-product marketing.

RESEARCH METHODS

RESEARCH DESIGN

The first stage of this research was an exploratory research. The methods of exploratory research included survey of experts and a pilot survey. To conduct the pilot survey a questionnaire was developed. For pilot survey the questionnaire was less structured with more open ended questions. After the completion of the exploratory research, population and sample were defined clearly, and a more structured questionnaire was developed with mostly close-ended questions. The second stage of this research was descriptive under conclusive research; the insights gained from exploratory research were verified to assist the decision maker in determining, evaluating, and selecting the best course of action. In this study the main target population was the RMG producing companies. Sampling frame was the RMG companies of Dhaka city. Sampling technique of the study was convenient sampling under non-probability sampling and results are valid for sample only, not for the universe. "Non-probability sampling relies on the personal judgment of the researcher rather than chance to select sample elements. The researcher can arbitrarily or consciously decide what elements to include in the sample" (Malhotra, 2006). According to this argument sample size of this study was 07.

DATA COLLECTION METHODS

The study was done based on primary as well as secondary data. Primary data were collected from employees of the companies. The methods for collecting primary data were survey, personal interview, conversation and observation. Secondary data were collected through different reports, papers and prospectus, relevant journals, dailies, periodicals, related research works, relevant books and websites.

DATA PRESENTATION AND ANALYSIS

Data analysis and presentation were performed in descriptive statistics by using SPSS 14 Software.

RESULTS AND DISCUSSIONS OF THE STUDY

A **by-product** is a secondary or incidental product derived from a manufacturing process or chemical reaction, and is not the primary product or service being produced. A by-product can be useful and marketable. It can also have severe ecological consequences that unless treated before disposal. The following is a documentation of the findings from research done to find out the strategic gains generated by by-products in different Bangladeshi firms within the RMG industry.

ANANYA FASHION LTD. AND BORNALI FASHION

Ananya Fashion Ltd and Barnali Fashion primarily produce full pants and three-quarter pants. Both these types of pants can be categorized depending in the complexity of the manufacturing process, i.e., critical pant and non-critical pant. Critical pants are those that have multiple pockets and have critical design elements that require more steps in the production process to complete. On the other hand, non-critical pants are simple in design and relatively easy to produce. By-products of these companies are small pieces of wastage fabrics, cartons, pp bags, leftovers and stock lots. Contribution of these by-products to recover cost is shown in the following table.

TABLE 1: CONTRIBUTION OF BY PRODUCTS OF ANANYA FASHION LTD. AND BORNALI FASHION TO RECOVER COST

Year	Total cost of production/Year		Earnings from by products/Year		Cost recovery from by products (%)	
	Ananya	Bornali	Ananya	Bornali	Ananya	Bornali
2010	4,03,32,000	5,36,00,000	72,000	95,000	0.178 %	0.177%
2009	3,97,30,000	4,77,00,000	70,000	82,000	0.166 %	0.172%
2008	3,50,80,000	4,12,00,000	65,000	79,200	0.173 %	0.192%
2007	3,24,60,000	3,96,00,000	61,000	77,400	0.188%	0.195%
2006	3,03,50,000	3,82,00,000	55,000	68,000	0.181%	0.178%

Since the revenue from by-products ranged from 0.166% to 0.195% in these firms, it can be inferred that revenue from by-product marketing in these two firms is not offering any financial gain. The study found that the key people within these firms do not think about by-products as a strategic resource that can be leveraged, rather just a waste that is salvaged at a negligible cost. Another insight gathered from the research is that the management of these international RMG marketers is satisfied with current profitability measures to such extent that the management is not keen on recovering costs from other sources such as by-product marketing.

FLORESCENT APPARELS LTD.

Florescent Apparels Ltd. is a 100% export oriented RMG producing company. It produces knit products, i.e., t-shirts, tank tops, polo shirts, shorts, jackets and sweat shirts etc. By products of the company are small pieces of wastage fabrics, cartons, pp bags, leftovers and stock lots. Contribution of these by-products to recover cost during 2006 to 2010 is shown in the following table.

TABLE 4: CONTRIBUTION OF BY PRODUCTS OF FLORESCENT APPARELS LTD TO RECOVER COST

Year	Total cost of production/Year	Earnings from by products/Year	Cost recovery from by products (%)
2010	33600000	300000	0.89
2009	31200000	276000	0.88
2008	30000000	255000	0.85
2007	29360000	241000	0.82
2006	28050000	236000	0.84

The cost recovery from by-products marketing ranged from 0.82% to 0.89%. It indicates that this company, too, is inefficient in by-product marketing. This study found that top management of this company does not give importance on by-products marketing. The percentage figures are slightly higher than the previous two firms producing pants not because this firm is putting more efforts on by-products marketing, but because the firms is engaged in producing multiple types of upper body garments many of which create greater wastage material. Here, too, the pressures on profitability are not so high; as a result the management does not try to earn competitive advantages from different angles such as by-products marketing.

OUTRIGHT FASHION LTD.

Outright Fashion Ltd. is a 100% export oriented RMG producing company. It produces knit products, i.e., trouser, shorts, jogging suit, heavy jacket, light weight jacket, fleece jacket etc. By products of the company are small pieces of wastage fabrics, cartons, pp bags, leftovers and stock lots. Contribution of these by-products to recover costs from 2006 to 2010 is shown in the following table.

TABLE 5: CONTRIBUTION OF BY PRODUCTS OF OUTRIGHT FASHION LTD TO RECOVER COST

Year	Total cost of production/Year	Earnings from by products/Year	Cost recovery from by products (%)
2010	64800000	504000	0.78
2009	60000000	420000	0.70
2008	56400000	396000	0.71
2007	54700000	365000	0.67
2006	51800000	326000	0.63

The cost recovery from by-products marketing ranged between 0.63% to 0.78%. The figures are typical of firms engaged in variegated products manufacturing that create larger wastage material. Survey shows that the firm looks at by-products marketing as a necessary evil since the disposal and sale of by-products create unnecessary hassle, as local hoodlums are involved in the buying of by-products of RMG.

BABYLON GARMENTS LTD.

Babylon Garments produces woven products (for male and female), i.e., full shirt, half shirt, short shirt etc. By products of the company are small pieces of wastage fabrics, cartons, pp bags, leftovers and stock lots. Contribution of these by-products from 2006 to 2010 to recover cost is shown in the following table.

TABLE 2: CONTRIBUTION OF BY PRODUCTS OF BABYLON GARMENTS LTD. TO RECOVER COST

Year	Total cost of production /Month (App.)	Earnings from by products/Month (App.)	Cost recovery from by products (%)
2010	9300000	799800	8.6%
2009	7500000	727500	9.7%
2008	7060000	500000	7.1%
2007	6750000	483000	7.2%
2006	6400000	455000	7.1%

Revenue from by-products ranged from 7.1% to 9.7% of the total revenue for this firm. The study found that recently the management have identified by-products as a source of significant gains for the firm. One obvious reason behind this realization is that the firm is earning close to 10% of its revenue from by-products marketing. The other reason is that the firm has found some intelligent uses of by-products that are giving the firm a better foothold in the community. Some of the by-products are directly sold in the market, i.e., leftover and stock lots; some of the by-products are used for forward linkage, i.e., small pieces of wastage fabrics and cartoons; and some of the by products are given to the workers at free of cost (social marketing), i.e., pp bags. So, by-product marketing of this company is somewhat established and giving the firm an additional strategic gain of community outreach along with revenue gain.

SQUARE FASHION LTD.

Square Fashion produces knit products (for male and female), i.e., t-shirts, polo shirts, tank tops, pajamas, sport wears, under garments, men and ladies fashion wear, kids-wear etc. By products of the company are similar to the by-products of Babylon Garments. Contribution of these by-products to recover cost is shown in the following table.

TABLE 3: CONTRIBUTION OF BY PRODUCTS OF SQUARE FASHION LIMITED TO RECOVER COST

Year	Total cost of production/ Month (App.)	Earnings from by products/Month (App.)	Cost recovery from by products (%)
2010	10700000	781100	7.3%
2009	11000000	660000	6%
2008	9000000	747000	8.3%
2007	8960000	730000	8.1%
2006	8650000	700000	8.1%

Cost recovery from by-products ranged between 6% to 8.3%. This study found that higher authority of the company considers by-products as an additional source of revenue and understands the importance of by-product marketing. This company also has found uses for by-products that similar to the marketing practices at Babylon Garments. Thus it can be said that by-product marketing is giving the company strategic gains in terms of added revenue.

ISLAM FASHIONS LTD.

S. Islam Fashions Limited is a 100% export oriented RMG producing company. It produces knit products, i.e., t-shirt, polo shirt, sweat shirt, fleece jacket etc. By-products of the company are small pieces of wastage fabrics, cartons, pp bags, leftovers and stock lots. Contribution of these by-products to recover cost is shown in the following table. The data presented here is in terms of dollar value per piece, i.e., ranged between 21% to 25%. This study found that the management of the company thinks seriously about by-products and understands the importance of by-product marketing.

TABLE 6: CONTRIBUTION OF BY PRODUCTS OF ISLAM FASHIONS LIMITED TO RECOVER COST

Year	Total cost of production /Piece	Earnings from By products/Piece	Cost recovery from by products (%)
2010	154	40	26.0%
2009	135	35	25.9%
2008	130	30	23.1%
2007	125	28	22.4%
2006	122	24	19.7%

The higher percentage of cost recovery of this firm is due to the fact that the waste fabrics of the firm is recycled and sold to buyers of bulk fibers who use it in mattress production.

CONCLUDING REMARKS OF THE STUDY

This research focused on the state of by-product marketing in Bangladesh. The study tried to find out whether firms in the RMG sector are gaining any strategic advantage by intelligent uses of by-products. By using by-products companies become more efficient and profitable. But this study finds that most firms are unaware of the potential of by-product marketing. Though some of the firms have taken initiative to leverage this potential asset, the majority of the firms in the industry are still not adapting the practice. Appropriate linkage between different industries should be established so that either of the party can produce and consume by-products in comfortable manner. In this respect government and different related bodies should take proper initiatives to train employees of the companies to use by-products efficiently. It can be said that if above mentioned initiatives and measures are taken, the production of by-products will increase by great extent, as a result the marketing of small pieces of wastage fabrics, cartons, pp bags, leftovers, stock lots etc. will stand on sound footing playing positive role in the overall economic development of the country.

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THE EFFECT OF CURRENCY DEVALUATION ON THE ETHIOPIAN ECONOMY'S TRADE BALANCE: A TIME SERIOUS ANALAYSIS

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ABSTRACT

Numbers of studies have shown that devaluation of host economy currency improves trade balance of that economy. The study focused on analyzing the effect of Birr devaluation on trade balance of Ethiopian economy using 30 years of time serious data. Results were based on secondary data collected from national macroeconomic institutions. Descriptive statistics and regression analysis were employed as analytical tools. The descriptive method dealt to glance the trend and structure of Ethiopian imports and exports before and after currency devaluation and result typified that trade balance had been deficit consistently. The regression analysis was used to look at the determinants of trade balance (proxy current account balance). Accordingly, real GDP and Real Effective Exchange Rate Index were positively correlated with the nation's trade balance while currency devaluation was negatively correlated with trade balance. The recommendations raised from the study were that there was a need to introduce import substitutions and export oriented strategy of industrialization scheme so as to improve the country's competitiveness on the external world. More so, there should be provision of infrastructural facilities and subsidies to the export sector of the economy particularly to agriculture.

KEYWORDS

Trade Balance, Currency Devaluation, OLS, Ethiopia.

INTRODUCTION

The global economy had passed through different macroeconomic instabilities which have hindered the pace of economic development. In such problems, most nations have been facing a problem of unfortunate decision to embark upon the existed economic problem(Berg, 2001).Moreover, LDCs typically Africa also had suffered from those macroeconomic problems and the situation has been horrific for the last four-five decades. The continuing macroeconomic crisis has several dimensions running from negative economic growth, serious reduction in Bop and fiscal policy problems, sluggish agricultural performance and foreign exchange performance which have been triggered for currency devaluation. Likewise, Ethiopia's macroeconomic performance also undermined and seriously affected by these instabilities.

In this occasion, like most SSA countries, Ethiopia's economy was subjected to external sector which comprises both import and export sectors. During the military regime, Ethiopia's external sector enormously affected by current account deficit due to stagnant export earnings and rising imports(World Bank,1990). From the year 1988/89 up to 1990/91 export earnings were declined from Birr 902.8 million to Birr 616.4 million, while import expenditure rosé from Birr 2110.4 million to 2130.4 Birr million (NBE, 2003/04). As most findings pointed out that, one of the causes for this problem was the exchange rate policy, i.e,. Overvaluation of the domestic currency taken by the military government. In those periods, Birr had been pegged to the US Dollar at a constant exchange rate, $1= 2.07 Birr. Unlike to the Derg regime, Transitional Government of Ethiopia (TGE) has undertaken an economic reform program by designing new economic policies and map out economic development strategies for stimulating external balance. The devaluation of Birr was one of the corrective measures for combating current account .On 1992; TGE had devalued Birr by 58.6% i.e. from Birr 2.07 to 5.00 per .

On the top of this, the country's economic performance was ignited and had tried to register better outcomes on the external economy (trade balance). Ethiopian economy basically on trade balance has been discussed in an attempt to show whether the post devaluation situation has exhibited healthy external sector and trade balance. More specifically, the paper tried to answer the fundamental issues like to examine the impact of devaluation on the Ethiopian import, export and trade balance.

CONCEPTUAL FRAME WORK

Currency devaluation is defined as a deliberate decision made by the government to reduce the value of its own currency in relation to the currencies of other countries (Newman, 1999).In most cases, currency devaluation was often used interchangeably with depreciation but they are quite different. As stated above, devaluation is a deliberate action taken by the concerned authority and it is mostly practiced in fixed exchange rate regime. While, depreciation is a gradual decrement in the price of domestic currency in relation to foreign currency determined by the market forces and it can be practiced by any exchange rate regime (Krugman, 2006).According to the 'Orthodox economic theory' devaluation is expected to have an expenditure switching from foreign to domestic goods and an expenditure reducing on foreign products. Both effects work to improve the current account position of a country by making imports relatively more expensive and exports cheap. In addition, supplementary export sales provided an injection of spending in to the economy which encouraged additional production and reduced the level of unemployment. However, devaluation may create some inflationary pressures in the host country by decreasing the purchasing power of the currency.

Currency devaluation was often associated with developing countries that do not allow their currency prices to float on the open market. And the stabilization or adjustment policies usually advocated by the IMF for LDCs, BOP instability occurrence because of a sharp fall in terms of trade. Therefore, vast LDCs governments have devalued their currency for promoting the external sector and reducing trade deficit. Unfortunately, even if there is some advancement in the volume of trade, particularly SSAs cannot alter their trade balance rather the situation was aggravated (Ghatak, 1994). For these reason, international institutions like IMF and World Bank are attracted by this issue and continuously give affirmative action and policy reformations. The paper has organized as fellow. The first part signaled about the introduction of the overall study pertaining to the subject matter. Secondly, dealt about the conceptual frame work. Thirdly it amplified the methodologies that the study has employed to give a scientific analysis and stressed on results of the study and its discussion. Final, the paper has made conclusion and point out some possible recommendations.

MATERIALS AND METHODS

DATA SOURCE

The paper employed secondary time series data which were collected from the National Bank of Ethiopia (NBE), Ministry of Economic Development and Corporation (MEDAC) of 30 conomic years.

MODEL SPECIFICATION

So as to show the impact of currency devaluation on Ethiopian trade balance, OLS method of estimation was employed as fellow. Trade balance was considered as dependent variable influenced by set of explanatory variables like RGDP, REERI, and Currency Devaluation i.e. the policy dummy and the error term.

$$TB_t = \alpha_0 + \beta_1 Currdeval_t + \beta_2 RGDP_t + \beta_3 REERI_t + Ut \qquad (1)$$

Where:

TBt	=	Trade Balance
Curdevalt	=	Currency Devaluation
	=	0 Pre devaluation
	=	1 Post devaluation
RGDPt	=	Real Gross Domestic Product
REERIt	=	Real Effective Exchange Rate Index
U_t	=	Random disturbance (error) term

DEFINTION OF VARIABLES

TRADE BALANCE: is the difference between the value of merchandize export and value of merchandize import per time.

REAL GROSS DOMESTIC PRODUCT: is the monetary value of country's domestic production usually in a calendar year which is adjusted for inflation.

CURRENCY DEVALUATION: is a kind of policy measure which makes the domestic currency to have lower value in relative to foreign currency in order to forward possible advancements to the external sector.

REAL EFFECTIVE EXCHANGE RATE INDEX: is an index which is obtained by deflating the nominal effective exchange rate (a measure of the value of currency against a weighted average of several foreign currencies) by suitable effective deflator.

DATA DESCRIPTION, RESULTS AND DISCUSSION

DESCRIPTIVE ANALYSIS

In this sub section, the paper tried to look the trend and structure of Ethiopian imports and exports descriptively. In accordance with the objective of the study, it would be showed in two time horizons vis-à-vis pre-devaluation and post-devaluation periods. Ethiopian foreign trade had been travelled on the road of trade deficit. Even if there are various reasons behind the chronic deficit, currency overvaluation was the dominant one. During the military regime Birr was pegged to 2.07 per USD which could be characterized as overvalued exchange rate. Thus, to overcome the deficit, in the late 1992 EPRDF had devalued the exchange rate to Birr 5 per USD which was intended to boost exports and discourage imports.

Ethiopian merchandize external sector has been doing much more transactions. Some of them are part of generating revenue, exports, and they are regarded as expenditures, imports. So, the trend of these two macroeconomic variables showed different connotations as a result of the policy measures taken by the government. Table 1 shown below comprised the trend of value of imports and exports.

TABLE 1: THE VALUE OF IMPORTS AND EXPORTS AND THEIR GROWTH RATES *(in millions birr)*

Year G.C.	*Export (A)*	*Imports (B)*	*Growth rate of A (%)*	*Growth rate of B (%)*
1988/89	902.8	2110.4	---	---
1989/90	736.8	1832.3	-18.4	-13.1
1990/91	614.4	2130.4	-16.6	16.2
1991/92	318.4	1810.9	-48.3	-14.9
1992/93	949.0	3618.8	19.8	99.8
1993/94	1419.5	4740.3	49.5	31.0
1994/95	2835.2	6546.3	99.7	38.1

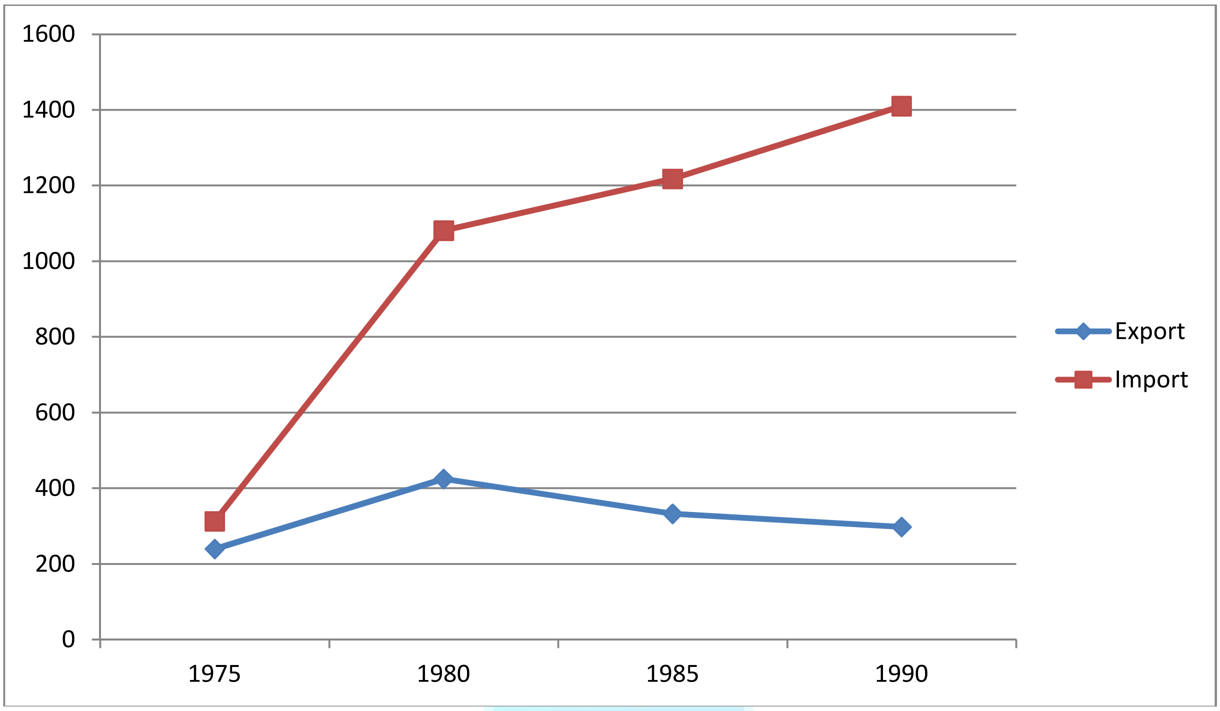
Source: NBE, 2003/04

As shown in the above Table 1, on the one hand, during the years before devaluation (1992) the growth rate of exports was negative i.e. declining trend. There are many factors that affected this declining performance of Ethiopian exports. Firstly, the exchange rate was overvalued which made the country's export relatively very expensive induced low export earnings. Secondly, the emergency of parallel exchange market due to misalignment exchange rate which has stimulated the smuggling exports. It was more profitable for exporters to exchange foreign by domestic currency in the parallel market which paid high premium

After the devaluation of Birr in 1992, the foreign earnings from export started to increase. As indicated in the above Table 1., by the year of 1992/93 the growth rate of exports had reached 19.8% and this trend has continued to the years 1993/94 and 1994/95 with a 49.5% and 99.7% growth rates respectively. As a result of currency devaluation, the commodities which priory had subjected to domestic consumption could be re-channeled to international market through exports and accelerate the export earnings of the country.

Pre devaluation period, the major exports of Ethiopia were agricultural products like coffee, hide and skins, chat and live animals have contributed large shares even though coffee was the dominant one. Notwithstanding the exports, the country mainly imported raw materials, semi finished goods, fuel, capital and consumer goods. Generally speaking, before devaluation of Birr, Ethiopia's import outweighs its exports by far distant as shown in figure below.

FIGURE 1: TREND OF ETHIOPIAN FOREIGN TRADE



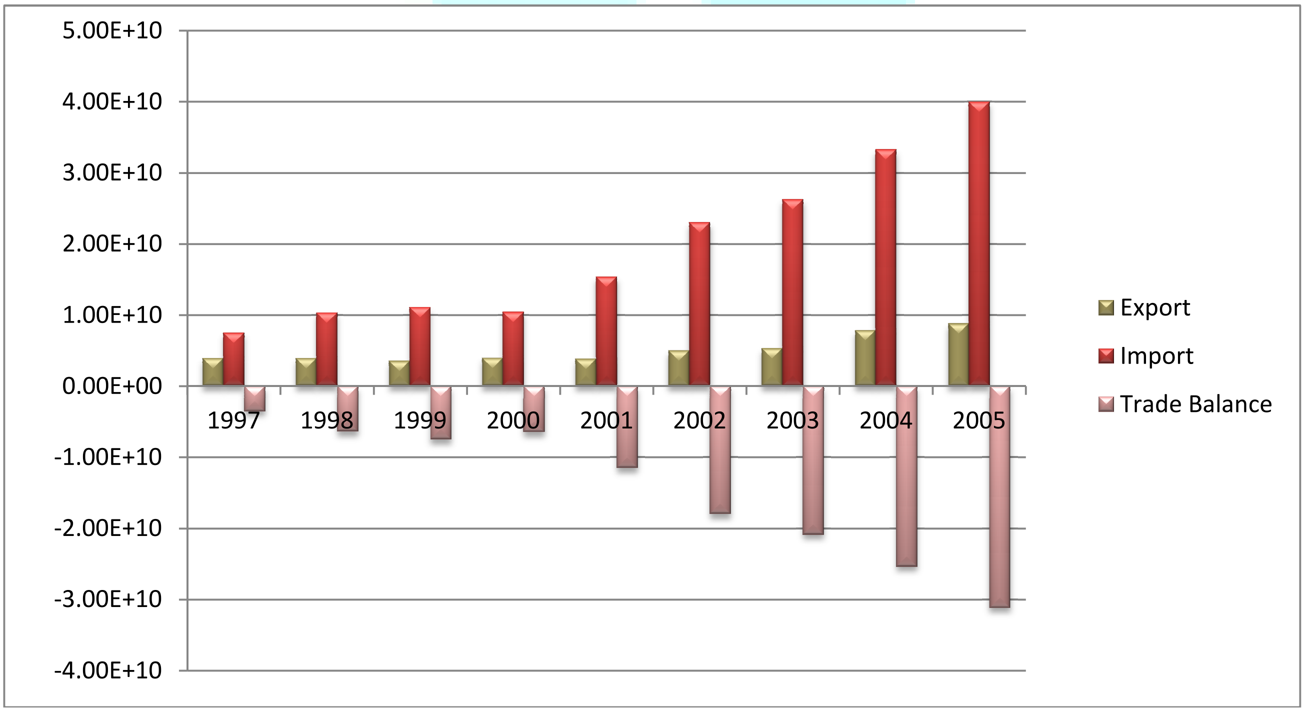
Source: IMF, International Financial Statistics Year Book, 1999.

As shown in the above Figure 1 , the value of exports had increased sharply between the years 1975-1980 .While, after 1980the value of exports became declining. As a result of inappropriate monetary policy and rigid economic system, the gap between imports and exports continuously increased, and confined with chronic trade deficit.

Like the pre-devaluation periods, the leading export products of the country after devaluation were coffee, oil seeds, pulses and spices, chat, hides and skins; and in very recent years horticulture products and gold. During the 1994/95, the share of the biggest contributors to the export earnings of the country was as follows: coffee (63%), oil seeds (2%), hides and skins (13%), pulses (4%), chat (6%) and gold (4%). One can also observe from the Table 2 that the values of exports were very low at the beginning of the reform year, 1992/93. Since the reform period, there has been an imperative improvement in the export composition. Even though the sector was still dominated by a few primary products and coffee has taken the biggest foreign exchange source, its percentage contribution to export earnings has gradually declined from 59% on average during the1992/93-95/96 period to 33% between the years 2005/06-08/09. This phenomenon was occurred not only due to the value of the coffee earning has declined but also other sectors' products to export earnings have increased.

Similarly, the import structure has also effectively increased in relative terms. In fact, imports have increased in value more than the value of exports, which contributed to the worsening of trade balance. Ethiopia has experienced a chronic trade deficit although it devalued its currency which aimed to bolster the merchandize export above import. The following figure showed the merchandize trade and its balance in the post-devaluation periods.

FIGURE 2: MERCHANDIZE TRADE AND ITS BALANCE



Source: Ethiopian Customs Authority, 2006.

In a nutshell, the diagram revealed that after the devaluation periods merchandize export earnings have still fallen short of covering even half of the import bill. Generally speaking, like in the case of the pre-devaluation period, here in the post devaluation periods the trade balances could not be improved rather the situation became worsen.

ECONOMETRIC ANALYSIS

Multivariate econometric analysis helps us to identify factors influencing the extent of trade balance. To that end, we exploit OLS model. But a head of discussion, we invest much on the post estimation robustness checking. Problem of non -stationary was tested using unit root test of stationarity via Augmented Dickey-Fuller (ADF) as the nature of the data is time serious which could have a problem of economic and statistical implication. For that end, the results described that all the selected variables at all level of significance were non stationary. In a sense that, their computed ADF value of each variables greater than the critical values at 1% and 5%. This implied that the probability distribution of those variables didn't change in the specified time path. To overcome the problem of heteroskedasticity, robust standard estimation method was adopted. Simple correlation coefficient matrix was done in order to test whether multicollinearity was present or not among the explanatory variables. For that matter correlation matrix results were less than 0.8 and Variation Inflation Factor (VIF) was less than 10 .Tests for autocorrelation have applied and, Durbin- Watson first order serial correlation test was employed and result was laid with 4-dL (2.988) was greater than du (1.74, and 1.63) at 10%, and 5% level of significance respectively. The P- value assured the tail probability for the two tail test for rejecting of the null hypothesis over the level of significance (i.e., 95% CI) of slope coefficients of each variable. The F-value, 96.56, showed that the overall model for the estimates of the OLS regression as a good fit. The fit of the model was good with R-square 0.96.

DISCUSSION

Largely in all cases, the statistical significance of the various parameters differs widely across variables and the signs of the estimated variables are as anticipated with reasonable relative magnitudes. As it can be seen from the results of the regression model, the Ordinary Least Square regression result which included estimation of the parameters for the linear-linear relationships of the variables:

TB= -36082.14 - 4610.133Curdeval + 0.682RGDP + 38.21191REERI

(4688.173)* (1439.108) (0.0554165) (13.89788)

R^2= 0.9644 n=30 F(3, 26) = 96.56 Pr> F = 0.0000

The proportion of variation of the dependent variable was well explained by those three independent variables. The explanatory variables, RGDP and REERI, affected the trade balance positively. The marginal effect of the variable RGDP indicated that RGDP increased by one million Birr, the value of trade balance would has increased by .68 million Birr *citrus Paribas*. Similarly, when REERI increased by one percent, the value of trade balance of tends to increase by 38.21 million Birr. In contrast, currency devaluation affected the trade balance negatively. The marginal effect revealed that when the host country adopted the policy measure, devaluation of Birr, it would widen the gap between export and import and aggravated trade deficit. This result was quite consistent with the study made by Girma (2005) revealed that currency devaluation inhibited the balance of trade of Ethiopia even though it could enable the export sector to increase by volume and value.

SUMMARY OF MAJOR FINDINGS

This study focused on examining the effect of currency devaluation Ethiopian trade balance using 1989-2008 data. On an overall, the findings of this study revealed that:

The finding has figured out that in Ethiopia currency devaluation balance of trade. The intension for implementing currency devaluation policy was to boost the merchandize export over merchandize import even though the trade balance had deteriorated after devaluation. This was mainly due to the high demand elasticity for imported items with supply inelasticity of Ethiopia's export goods. The econometric result of this study indicated that although there was significant positive relationship between trade balance and RGDP and REERI, currency devaluation has a significant inverse relationship with that of trade balance. In a sense, devaluation failed to improve Ethiopia's balance of trade. Furthermore, in common parlance, the study found out that though the value of exports had been increased in the years after devaluation of Birr, it was insufficient to offset the tremendous increment of imports.

RECOMMENDATIONS

1. From the foregoing discussion, in a plain language, Ethiopian trade balance was influenced by the four macro variables. It may safely to recommend that Ethiopian trade balance was in a good position for all positive value of the variables except the dummy devaluation. Therefore**,** supporting the export oriented sectors so as to improve earning from the export and in turn to improve trade balance.
2. Even though the current trade balance is deficit from the outweigh of import to export, still then best alternative to overcome the deficit is through continuous devaluation domestic currency(Birr) in the long run may be effective enough to support the trade balance.
3. Promote import substitution strategy by subsidies to or lessening the tax rate paid by the domestic industries to substitute their imported inputs.

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MUTUAL FUNDS IN INDIA: AN ANALYSIS OF INVESTORS PERCEPTIONS

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ABSTRACT
The Indian capital market has been growing tremendously with the reforms of the industrial policy, reforms of public sector and financial sector and new economic policies of liberalization, deregulation and restructuring. The Indian economy has opened up and many developments have been taking place in the Indian capital market and money market. It is found that a majority of the investors are investing their funds in Open-Ended Schemes than compared to the other schemes. A majority of the investors prefer to invest in Growth Schemes and Tax Schemes than compared to the other schemes. There is no association between the satisfaction relating to the Services offered and disclosure of Information by the Mutual Funds and the Sector offering the Mutual Funds due to the fact that both, Public Sector and Private Sector Mutual Funds are offering the similar type of services. There is a healthy competition between the two Sectors and they are offering their best to the investors. Indian MFs industry has been growing exceptionally well on the back of country's booming economy but still further, MFs need to create more lucrative solutions to suit investor's expectations.

KEYWORDS
Mutual Funds, NAVs, Open Ended Schemes, Risk, Return.

INTRODUCTION
The Indian capital market has been growing tremendously with the reforms of the industrial policy, reforms of public sector and financial sector and new economic policies of liberalization, deregulation and restructuring. The Indian economy has opened up and many developments have been taking place in the Indian capital market and money market. One such development is the Mutual Fund (MF), a financial intermediary, which has played a significant role in the development and growth of capital markets.

MFs are recognized as a mechanism of pooling together the investment of unsophisticated investors and put them in the hands of professionally managed Fund Managers for consistent return along-with capital appreciation. MF products are now tailor made to suit the specific needs of investors. Intensified competition and involvement of private players in the race of MFs have forced professional managers to bring innovation in MFs. Thus, MFs industry has moved from offering a handful of schemes like equity, debt or balanced funds to liquid, money market, Sector specific funds, Index funds and Gilt edged funds. Besides this, recently, MFs have also introduced some special specific funds like children plans, education plans, insurance linked plans, and exchange traded funds. The result is that, over the time, Indian investors have started shifting towards MFs instead of traditional financial avenues.

Indian MFs industry has been growing exceptionally well on the back of country's booming economy but still further, MFs need to create more lucrative solutions to suit investor's expectations. In this context, the study is undertaken to analyze the perceptions of the investors towards MFs.

REVIEW OF LITERATURE
Many studies have been made on MFs but a very few studies are available focusing on investor's objectives and risk orientation.

Daniel Kahneman and Amos Tversky (1979)[1] originally described "Prospect Theory" and found that individuals were much more distressed by prospective losses than they were happy by equivalent gains. Some economists have concluded that investors typically consider the loss of $1 twice as painful as the pleasure received from a $ gain. Individuals will respond differently to equivalent situations depending on whether it is presented in the context of losses or gains.

Kaplan and Garrick (1981)[2] demonstrated that risk involves a factor of uncertainty and potential loss that might be incurred. Investors are generally more careful while making investment decision and presence of rationality in every investor demands higher return at minimum risk but when markets are efficient it is not possible to gain abnormal returns.

Bernstein (1996)[3] risk averse behavior of investor reflects the choice of investor to avid risk or take negligible risk that means whenever an individual investor is given option to go for guaranteed return with probability one which are comparatively less than gambling return with probability one which are comparatively less than gambling return with probability less than one, chances are that he may go for guaranteed return.

Harrison (2000) [4] found that majority of investors who invest in MF themselves are not clear with the objective and constraints of their investment but in addition to this most important critical gap that exist in this process is lack of awareness about presence of risk elements in MF investment. The new marketing philosophy and strategies place special emphasis on recognition of customer needs in an effort to provide high level of quality services.

Elmiger and Kim (2003) [5] elucidate risk as the trade-off that every investor has to make between the higher rewards that potentially come with the opportunity and the higher risk that has to be borne as a consequence of the danger.

Laukkanen (2006)[6] explains that varied attributes present in a product or service facilitate customer's achievement of desired end-state and the indicative facts of study show that electronic services create value for customers in service consumption.

Kavitha. R. (2007)[7] analyzed the fund selection behavior of individual investors toward MF in Mumbai city during the period July 2004- December 2004. It was found that there is a fair opportunity to mutual investment in Future.

NEED FOR THE STUDY
The investor satisfaction is gaining importance for every MF organization because, in addition to its contribution in a dominating way to the overall success of these organizations, it also shows them the roadmap to retain and grow their business. Investor's satisfaction in case of MFs depends upon the amount of trust and dependence that an investor places with AMC and in turn the benefits that are actually delivered to them. The study focuses on the perceptions of the Investors about MF Schemes in both Private and Public Sector MFs.

OBJECTIVES OF THE STUDY

The objectives of the study are to:

- To identify the factors attracting the investors to invest in MFs
- To analyze the perceptions of the investors regarding the Public sector and Private sector MFs Schemes.
- To compare the sector-wise satisfaction level of the investors about the MFs Schemes.

HYPOTHESES

1. **Ho:** There is no association between the satisfaction relating to the services offered by the MFs and the Sector offering the MFs.
2. **Ho:** There is no association between the length of the service of the MF Company and the satisfaction levels of the investors.

RESEARCH METHODOLOGY

The methodology of the study is as follows:

SOURCES OF DATA

The study is based on both the Primary data and Secondary data. The primary data is collected by administering a Questionnaire to the investors. The secondary sources include Annual reports of MFs, brochures, journals, SEBI manuals, Publications, AMFI reports and websites, etc.

SAMPLE SIZE

There are 41 MF companies functioning in India, out of which, 5 are in Public sector (including UTI) and 36 MF companies are in private sector. Within the private sector, 22 companies are Indian Private Sector and 14 are Foreign Private Sector MFs companies. A sample of 20 Percent is selected from each sector, i.e., Public Sector, Indian Private Sector and Foreign Private Sector MF companies, thus totaling 8 companies out of 41 MF Companies functioning in India. However, in case of Public sector, 20 per cent accounts to only one company, but for the purpose of comparison, two are selected.

A sample of 25 investors is taken from each of 8 select companies, thus totaling 200 investors for the purpose of analyzing the perceptions of the investors.

The parameters for evaluating the performance are preference for investment, Fund related qualities, Sponsor related qualities, perception about the services offered by the MFs and satisfaction level etc.

TECHNIQUES

Data are analyzed with the help of the statistical tools like Percentages, Likert Ranking Scale and Chi-square test.

PERCEPTIONS OF THE INVESTORS

The perceptions of the investors is analyzed with regard to the purpose of savings, awareness about the MFs, preference for a particular scheme, MF Scheme related qualities, MFs sponsors related qualities, MF Services, MF features and the overall satisfaction level of the investors.

The total number of respondents does not tally with the sample size as the responses may be for more than one feature/service/scheme.

PURPOSE OF SAVINGS

The main objective of investor is to earn some return or to meet contingencies. The table below gives the details relating to the purpose of the saving of the investor.

DISCUSSION

TABLE – 1: PURPOSE OF SAVINGS

Purpose of Savings	No. of Respondents	Rank
To Provide for Retirement	61	1
Tax Reduction	53	2
Meet Contingencies	52	4
Children Education	30	6
Purchase of Assets	36	5
Earn Return	56	3
Total	288	

Source: Compiled from the Questionnaires

It is observed that the investors are using MFs for retirement benefits. Most of the salaried employees view MFs as tax reduction source and a way to earn return. The investors do not have much knowledge about capital markets and MFs have professional expertise for investment decisions. Only 30 respondents invested for their children education.

ANNUAL SAVINGS

The annual savings of the investors play a key role in their investment decisions. The table below gives the details relating to the saving of the investors.

TABLE-2: ANNUAL SAVINGS

Annual Savings	No. of Respondents
Upto Rs.25,000	34
Rs.25,001-50,000	87
Rs.50,001-1,00,000	43
Above Rs.1,00,001	36
Total	**200**

Source: Compiled from the Questionnaires

It is found that a majority of the investors i.e.87 are in the saving group of between Rs.25,001-Rs.50,000 and they invest a part of their saving in MFs. 43 respondents are between the saving group of Rs.50,001 – Rs.1,00,000.

MFs: AWARENESS

The investors are having knowledge about the investment opportunities in the market before taking investment decision. There is a need to know the mode of source to awareness of the investors about the MFs. The table below gives the details relating to the mode of awareness of theg investors relating to the MFs.

TABLE-3: MFs: AWARENESS

Mode of Awareness	No. of Respondents
Magazines/News Papers	64
Brokers / Agents	55
Friends / Relatives	81
Television / Radio	10
Total	210

Source: Compiled from the Questionnaires

It is found that a majority of the investors learnt about the MFs through their friends/ relatives (81) followed by Magazines / News Papers (64). A very few investors (10) are aware about MFs though Radio / TVs.

INVESTMENT IN OTHER AVENUES

Investors are a dime a dozen, and there are countless ways to invest money into thousands of different markets. Successful investors are knowledgeable in multiple markets, generally specializing in more than one, so as not to keep all their money in one place. The tables below give the details relating to other investment avenues.

TABLE – 4: INVESTMENT IN OTHER AVENUES

Alternative Investment	No. of Respondents
Yes	169
No	31
Total	200

Source: Compiled from the Questionnaires

TABLE – 5: INVESTMENT AVENUES: INVESTORS PREFERENCE

Source of Investment	No. of Respondents	Rank
Shares	120	1
Bonds / Debentures	29	4
Govt. Securities	5	6
Deposits in Banks	56	2
Gold	54	3
Real Estate	21	5
Total	**285**	

Source: Compiled from the Questionnaires

It observed that investors may invest in other avenues apart from the MFs. They are giving more preference to Equity Shares and Bank Deposits followed by Gold and Bonds. The investors are giving least preference to the Real Estate and Government Securities as these two are on the extreme risk side viz., Highly risky and Risk free coupled with high returns and low returns respectively. This shows that the investors would like to neither invest in highly risky assets nor in fully risk free assets.

ANNUAL INCOME: SCHEME PREFERENCE

The annual income of investors will determine the scheme selection and the amount of investment in the select schemes. Some of the investors are investing in more than one type of scheme and as a result the total may not be 200. The Table-6 shows the details relating to Annual income and the type of Scheme selected.

TABLE – 6: ANNUAL INCOME: SCHEME PREFERENCE (No. of Respondents)

Annual Income	Open ended Schemes	Close ended Schemes	Interval Schemes	All	Total
Up to Rs.1,00,000	1	-	-	-	**1**
Rs.1,00,001-Rs.3,00,000	91	11	5	-	**107**
Rs.3,00,001-Rs.5,00,000	50	29	-	2	**81**
> Rs.5,00,001	21	-	-	-	**21**
Grand Total	**163**	**40**	**5**	**2**	**210**

Source: Compiled from the Questionnaires

From the table, it is found that a majority of the investors (107) are between the income group of Rs.1,00,001-Rs.3,00,000 followed by the income group of Rs.3,00,001-Rs5,00,000. The investors are giving more preference to Open Ended Scheme compared to the other schemes and a very few investors are investing in Interval Schemes.

Out of 107 investors who are between the income group of Rs.1,00,001-3,00,000, 91 investors have invested their funds in Open Ended Schemes followed by the other schemes. Thus, it can be stated that open ended schemes are more popular.

OCCUPATION: SCHEME PREFERENCE

Based on occupation, the investors are classified as Professional, Business, Salaried and Retired Employees; the schemes are classified based on their investment objective. A majority of the investors prefer to invest their funds in Growth Schemes (175) followed by the Tax, Balanced, Income and Money Market Schemes. The investors are investing in more than one Scheme and therefore the total number of respondents is more than 200. The table below gives the details relating to occupation and the scheme preference by the investors.

TABLE – 7: OCCUPATION: SCHEME PREFERENCE (No. of Respondents)

Occupation /Scheme	Growth Schemes	Tax Schemes	Balanced Schemes	Income Schemes	Money Market Schemes	Index Schemes	Total Schemes
Professional	20	11	0	6	0	0	**37**
Business	32	0	0	3	0	0	**35**
Salaried	110	61	46	8	9	0	**234**
Retired employee	13	1	6	6	0	0	**26**
Grand Total	**175**	**73**	**52**	**23**	**9**	**0**	**332**

Source: Compiled from the Questionnaires

It is observed that the investment of salaried employees is very high i.e., 70.18 percent as compared to the other investors. They prefer to invest in growth and tax schemes followed by the other schemes. It is found that the investors have also invested in Money Market Schemes though very less but no investor has invested in the Index Schemes reflecting the lack of awareness about the Index Schemes.

FEATURES OF MFs: INVESTORS PREFERENCE

The MFs Schemes have different features and no single scheme is suitable for all the investors. The investors have ranked the features of the MF Schemes as per their preference. The Table-8 gives the details relating to their preferences.

TABLE – 8: FEATURES OF MFS: INVESTORS PREFERENCE

Rank/ Feature	Rank - 1	Rank- 2	Rank- 3	Rank- 4	Rank- 5	Rank- 6	Rank - 7	Rank - 8
Safety	**54**	11	6	31	9	38	5	41
Flexibility	22	13	13	28	31	**45**	36	22
Capital Appreciation	28	**53**	25	4	19	43	15	15
Tax Benefits	16	33	40	12	**57**	13	18	7
Liquidity	15	27	39	**42**	47	5	20	17
Good Return	9	25	**44**	35	18	16	13	26
Professional Management	15	22	23	11	13	39	**60**	17
Diversification Benefits	41	16	10	37	6	1	33	**55**
TOTAL	**200**	**200**	**200**	**200**	**200**	**200**	**200**	**200**

Source: Compiled from the Questionnaires

The analysis is done by taking the majority of the investors rank for a particular feature. From the table, it can be observed that, safety is the most preferred feature of the MFs followed by capital appreciation, Good Return, Liquidity, Tax Benefits, Flexibility, Professional Management and Diversification Benefits. The purpose of investing in MFs is to have their funds Safe and also earn Capital Appreciation and Good Return.

MF SCHEME RELATED QUALITIES: INVESTORS PREFERENCE

There are various factors that would influence the investors' selection of the MF Scheme. These factors are classified on the basis of their investment decision. The table shows the importance of the scheme related qualities. The importance of each scheme related qualities is measured on a 5 Point scale viz., highly Important, Important, Average, Not Very Important and Not at all Important and the weights are given as 5,4,3,2 and 1 respectively. The number of investors for each scale is multiplied with the weights assigned and then totaled and ranked.

TABLE – 9: MF SCHEME RELATED QUALITIES: INVESTORS PREFERENCE Weight Points)

Scheme Related Quality	Highly Important	Important	Neutral	Not Important	Not at all Important	Total	Rank
Fund Performance Record	565	276	48	4	0	893	**1**
Funds Reputation	305	296	177	12	0	790	**6**
Scheme's Expense Ratio	230	268	246	10	0	754	**8**
Scheme's Portfolio of Investment	505	284	72	8	0	869	**2**
Reputation of the Fund Manager	350	308	153	4	0	815	**5**
Withdrawal Facilities	255	504	51	12	0	822	**3**
Credit Rating Grade	345	352	105	16	0	818	**4**
Innovativeness of the Scheme	240	296	186	32	0	754	**8**
Products with Tax Benefits	230	360	138	36	0	764	**7**
Entry & Exit Load	95	348	177	70	0	690	**10**

Source: Compiled from the Questionnaires

It is observed that, the investors take into consideration the Scheme related qualities before making their investment decision. But, the importance / preference of each quality vary from the investor to the investor. It is found that a majority of the investors are giving high importance to the Fund Performance Record and the Scheme's Portfolio of Investment. The investors were neutral in Scheme's Expenses Ratio and were more concerned about the Withdrawal Facilities availability in a particular scheme. The investors have given the least preference to the Innovativeness of the scheme and the Entry and Exit load charges.

MF SPONSOR RELATED QUALITIES - INVESTORS PREFERENCE

The performance of the Fund depends upon the performance of the Sponsor/Company. There is a need to know if an investor considers the Sponsor related qualities before their investment decision. The below table gives the details relating to the Fund Sponsor related qualities and their ranks.

TABLE – 10: MF SPONSOR RELATED QUALITIES - INVESTORS PREFERENCE (Weight Points)

Sponsor Related Quality	Highly Important	Important	Neutral	Not Important	Not at all Important	Total	Rank
Reputation of Sponsoring Firm	420	320	102	4	0	846	**2**
Developed Agency & Net work	370	300	135	12	0	817	**4**
Expertise in Managing Money	530	208	120	4	0	862	**1**
Well Developed Research & Infrastructure	260	392	132	4	4	792	**5**
Past performance in terms of Risk and Return	290	420	105	4	0	819	**3**

Source: Compiled from the Questionnaires

It is found that all the MF investors consider the Sponsor related qualities before making their investment decisions. The investors are giving high importance to the Sponsors expertise in managing the money and the reputation of the sponsoring firm which ranked first and second respectively. The least preference was given to the Sponsors well developed research and infrastructure.

DISCLOSURE PRACTICES OF MFs: INVESTORS PERCEPTIONS

The investors have different perceptions regarding the disclosure practices of the MF Companies. The perception level of investors towards the disclosure practices are analyzed using 5 Point scale viz., Extremely Satisfied, Satisfied, Neutral, Dissatisfied and Highly Dissatisfied. The weighted points towards each service are presented in the Table- 11.

TABLE – 11: COMPANY WISE DISCLOSURES PRACTICES – INVESTORS PERCEPTIONS

Service		Disclosure of Investment Objective	Information in the Advertisement	Periodicity of Sales & Repurchases	Information of Daily NAV	Deviation from Investment Objective	Grievance Redressal Machinery	Fringe Benefits	Timely Annual Reports	Redressal Grievances Procedure	Total Points	Rank
UTI	Points	98	94	92	98	97	87	82	95	84	**827**	**8**
	Rank	1	5	6	1	3	9	4	3	8		
SBI	Points	98	94	91	93	96	88	82	95	90	**827**	**8**
	Rank	1	4	6	5	2	8	9	3	7		
Reliance	Points	109	102	98	102	103	91	88	97	96	**886**	**1**
	Rank	1	3	5	3	2	8	9	6	7		
HDFC	Points	106	102	99	95	103	88	79	102	92	**866**	**3**
	Rank	1	3	5	6	2	8	9	3	7		
ICICI	Points	110	100	100	93	96	89	77	103	90	**858**	**4**
	Rank	1	3	3	6	5	8	9	2	6		
Birla Sun Life	Points	102	98	98	93	97	83	80	97	87	**835**	**6**
	Rank	1	2	2	6	4	8	9	4	7		
Franklin	Points	100	91	84	90	90	88	89	107	104	**843**	**5**
	Rank	3	4	9	5	5	8	7	1	2		
HSBC	Points	100	97	109	100	91	88	83	113	92	**873**	**2**
	Rank	3	5	2	3	7	8	9	1	6		
Total	Points	**823**	**778**	**771**	**764**	**773**	**702**	**660**	**809**	**735**		
	Rank	**1**	**3**	**5**	**6**	**4**	**8**	**9**	**2**	**7**		

Source: Compiled from the questionnaires

The above table shows that, the investors on an average are very satisfied with the disclosure of the Investment Objective in all the firms and it ranked First followed by the Timely Annual Reports, Information in the Advertisement, Disclosure of deviation from the Investment Objective, Disclosure of Periodicity of Sales and Repurchases Information in the offer document, Disclosure of Daily NAV on every day, Redressal Grievance Procedure, Grievance Redressal Mechanism and Fringe Benefits.

The weighted points of Reliance MF Company are very high compared to the other MFs indicating higher level of satisfaction with regard to its Disclosure Practices. Next in rank are HSBC, HDFC, ICICI, Franklin MF Company and Birla Sun Life. The last in rank are UTI and SBI.

COMPLAINTS AGAINST MFs

The MF Companies have to focus on investor's expectations and uncover the unidentified parameters that account for their dissatisfaction. The complaints against the MF Companies were very low. The table below gives the number of investors who complain against the MFs.

TABLE-12: COMPLAINTS AGAINST MFs

Complaints against MFs	No. of Investors
Yes	11
No	189
Total	**200**

Source: Compiled from the Questionnaire

It is found that a very few investors have made complaints against the MFs and their complaints against the MFs are more in Public Sector MFs. The complaints mainly related to redressal mechanism and disclosure of MF performance.

MFs: OVERALL SATISFACTION

The investors invest their funds in MFs after taking into consideration various factors. The overall satisfaction level of investors with regard to various parameters is presented in the Table 13.

TABLE – 13: MFS: OVERALL SATISFACTION

S. No	Service		Services offered	Rate of Return	Payment of Dividend	Time period to settlement	Entry & Exit Load	Availability of Units	Disclosure Of Information	Availability of New products	Expenses Ratio	Total	Rank
1	A: UTI	Weights	94	87	97	86	87	92	94	85	81	**803**	**8**
		Rank	2	5	1	7	5	4	2	8	9		
2	SBI	Weights	101	89	91	89	87	98	94	95	89	**833**	**6**
		Rank	1	6	5	6	9	2	4	3	6		
3	B: RELIANCE	Weights	106	102	102	106	91	107	99	105	87	**905**	**2**
		Rank	2	5	5	2	8	1	7	4	9		
4	HDFC	Weights	112	106	101	99	95	104	105	94	90	**906**	**1**
		Rank	1	2	5	6	7	4	3	8	9		
5	ICICI	Weights	98	98	98	93	88	88	92	89	90	**834**	**5**
		Rank	1	1	1	4	8	8	5	7	6		
6	BIRLA	Weights	100	82	89	93	80	98	98	101	87	**828**	**7**
		Rank	2	8	6	5	9	3	3	1	7		
7	C: FRANKLIN	Weights	106	94	99	104	94	106	100	101	92	**896**	**3**
		Rank	1	7	6	3	7	1	5	4	9		
8	HSBC	Weights	104	88	100	101	96	104	104	100	87	**884**	**4**
		Rank	1	8	5	4	7	1	1	5	9		
TOTAL		Weights	821	746	777	771	718	797	786	770	703		
		Rank	**1**	**7**	**4**	**5**	**8**	**2**	**3**	**6**	**9**		

Source: Compiled from the Questionnaires

A: Public Sector MFs; B: Private Sector Indian MFs; C: Private Sector Foreign MFs

It is observed from the Table 13 that, the overall satisfaction level of the Private Sector Indian MFs is very high compared to the Public Sector and Private Sector Foreign MFs. The SBI MF investors were more satisfied than compared to UTI MF in the Public Sector and the satisfaction level is very low in the UTI MF than compared to all other MFs.

Among the Private Sector Indian MFs, the HDFC MF and Reliance MFs investors were extremely satisfied with the Overall performance of the company followed by ICICI MF and Birla MF.

The Private Sector Foreign MFs viz., Franklin and HSBC ranked third and fourth positions in respect of the overall satisfaction.

Most of the investors are extremely satisfied with the services offered by all the MF Companies. With the entry of the Private Sector MFs, a wide variety of MF Schemes are available to the investors and they are very satisfied with the availability of the units and the disclosure of the Fund information.

The investors are less satisfied with the entry and exit load charges and the expenses ratio and they were ranked as eighth and ninth on the basis of their weight points. On an average, the investors of all the MF Companies were satisfied with the services offered by the MF Companies.

OVERALL SATISFACTION VS. MF SECTOR

A further analysis is made to test if there is any association between the various services offered by the MF Companies and the Sector of the MF Company.

Ho: There is no association between the satisfaction relating to the services offered by the MFs and the Sector offering the MFs.

Ho: There is no association between the length of the service of the MF Company and the satisfaction levels of the investors.

The above hypotheses are tested by using the Chi-square test at a level of 5 per cent significance. The Table-14 gives the details relating to the results of the Chi-square test.

TABLE – 14: OVERALL SATISFACTION VS. MF SECTOR

S. No	Services	X^2	TV	Ho Accept	Ha Accept
1	Services Offered	4.94	5.99	**Yes**	-
2	Rate of Return	14.67	5.99	-	**Yes**
3	Payment of Dividend	0	5.99	**Yes**	-
4	Time period to settle	18.56	5.99	-	**Yes**
5	Entry & Exit Load	7.15	5.99	-	**Yes**
6	Availability of Units	6.19	5.99	-	**Yes**
7	Disclosure of Information	3.36	5.99	**Yes**	-
8	Availability of Innovative Products	6.19	5.99	-	**Yes**
9	Expenses Ratio	6.19	5.99	-	**Yes**

Source: Compiled from the Questionnaires

It is found that the calculated value of the Services Offered by the MFs, Payment of Dividend and Disclosure of Information are less than the table value. Hence, the Null Hypothesis is accepted. It means that there is no association between the satisfaction relating to the Services Offered and Disclosure of Information by the MFs and the Sector offering the MFs. This is due to the fact that both, Public Sector and Private Sector MFs are offering the similar type of services. There is a healthy competition between the two Sectors and they are offering their best to the investors.

It is observed that the calculated value is more compared to the Table value for the services of Rate of Return, Time period to settle the transactions, Entry and Exit load charges compared to return earned, Availability of Units, Availability of Innovative Products and Expenses Ratio. Therefore, Null Hypothesis is rejected with regard to these aspects. Hence, there is an association between the satisfaction relating to the various services offered by the MFs and the MFs Sector.

The MF Companies were established in different years. There is a belief that the performance of the company and the satisfaction level of investors are determined by the length of the service in the field. On testing, it is found that there is no association between the satisfaction level of the investors and the length of service of the MF Company as the calculated value 2.86 is less than the table value.

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FINANCES OF CENTRE FOR DISTANCE EDUCATION, OSMANIA UNIVERSITY, HYDERABAD, ANDHRA PRADESH: AN ANALYTICAL STUDY

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ABSTRACT

The distance and open learning has witnessed a tremendous progress in the recent past in India. The Directorate of Distance Education, Osmania University, Hyderabad, is one of the third biggest Universities of Andhra Pradesh. The Osmania University established in 1919, is the seventh oldest in the country, third oldest in South India and the first to be established in the princely State of Hyderabad. One of the basic ideals of Osmania University is to achieve an intellectual synthesis of oriental and occidental learning of the best that has been thought of and said, both in the East and in the West. Further, it aims at a cultural synthesis (as reflected in its architectural variety), the development of a national ethos and the creation of an academic and social environment in which 'National Integration' is not a nebulous idea but a tangible reality. The Vision of the University is to generate and disseminate knowledge through a harmonious blend of ancient and modern wisdom, and to serve the society by developing in students heightened intellectual, cultural, ethical and humane sensitivities to foster a scientific temper, and to promote professional and technological expertise. Central to this vision is a commitment to regional and national development in consonance with our culture, heritage and environment. The advantage of CDE of OU is location in the state capital and increased job potential due to number of industries, organizations, Universities, and institutions of state and national level. But owing to establishment of DECs of other Universities in Hyderabad, the enrolment has been gradually decreasing. In CDE of OU, the mean value of consolidated income is registered at high magnitude. Yearly variations in consolidated income are wild and wide but the growth rate in income is moderate. The average income from examination and 'others' is moderate. While average income from University is low, it reported high in the case of income from courses. The yearly variations in income are more pronounced in the case of courses and examinations while moderate trend is noticed in the case of income from University and 'others'. Study material waste should be minimized. Study material shall get printed optimally. In other words, the study material shall be printed on demand-wise and need basis. An appropriate organization model at DEC level shall be developed. The suggested model is that under Director, there shall be two Deputy Directors and four Assistant Directors representing key areas of the administration.

KEYWORDS
finance, distance education, osmania university.

INTRODUCTION

The distance and open learning has witnessed a tremendous progress in the recent past in India. The Directorate of Distance Education, Osmania University, Hyderabad, is one of the third biggest Universities of Andhra Pradesh. The Osmania University established in 1919, is the seventh oldest in the country, third oldest in South India and the first to be established in the princely State of Hyderabad. One of the basic ideals of Osmania University is to achieve an intellectual synthesis of oriental and occidental learning of the best that has been thought of and said, both in the East and in the West. Further, it aims at a cultural synthesis (as reflected in its architectural variety), the development of a national ethos and the creation of an academic and social environment in which 'National Integration' is not a nebulous idea but a tangible reality. The Vision of the University is to generate and disseminate knowledge through a harmonious blend of ancient and modern wisdom, and to serve the society by developing in students heightened intellectual, cultural, ethical and humane sensitivities to foster a scientific temper, and to promote professional and technological expertise. Central to this vision is a commitment to regional and national development in consonance with our culture, heritage and environment.

The enrolment in graduation was highest at 9874 in 2007-08 and lowest at 7639 in 2001-02 with an average of 8618.20. Post-graduate are highest at 34231 in 2002-03 and lowest at 25600 in 2008-09 with in average of 31086. The enrolment for diploma courses in Osmania University was lowest at 143 in 1999-2000 and highest at 667 in 2004-05 with an average of 1068.50. The income from graduate level courses varied from Rs.41.16 lakhs in 1999-2000 to Rs.326.72 lakhs in 2008-09 with the range of Rs.285.58 lakhs. Income from post-graduate level ranged from Rs.25.54 lakhs in 1999-2000 to Rs.65.92 lakhs in 2008-09. The range of income is Rs.40.38. The income from diploma courses was minimum at Rs.7.41 lakhs in 2000-01 and maximum at Rs.42.53 lakhs in 2008-09. Mean expenditure values are Rs.86.00 lakhs, Rs.40.59 lakhs and Rs.16.52 lakhs for graduate, post graduate and diploma courses respectively. The financial position of CDE, OU, Hyderabad is good, sound and healthy due to high enrollment, high income and comparatively low expenditure.

FINANCES OF CDE, OSMANIA UNIVERSITY

The sources of finances, income, expenditure and financial position of the CDE, Osmania University, Hyderabad. Andhra Pradesh area analyzed. The sources of finances are exclusive based on the enrollment of the students.

TOTAL ENROLMENT OF STUDENTS IN CDE

The total enrollment of CDE, OU, Hyderabad during 1999-2009 has been presented in the Table 1.

TABLE 1: TOTAL ENROLMENT OF STUDENTS IN CDE OF OSMANIA UNIVERSITIE

Year	OU			
	Graduation	Post Graduation	Diploma	Total
1999-2k	9671 (21.22)	34171 (74.96)	1743 (3.82)	45585 (100)
2000-01	8767 (20.03)	33344 (76.17)	1665 (3.80)	43776 (100)
2001-02	7639 (18.96)	32535 (80.75)	1115 (0.29)	41289 (100)
2002-03	6983 (16.60)	34231 (81.37)	856 (2.03)	42070 (100)
2003-04	8767 (20.07)	34169 (78.21)	750 (1.72)	43686 (100)
2004-05	9712 (23.56)	30836 (74.82)	667 (1.62)	41215 (100)
2005-06	7841 (20.20)	30293 (77.96)	713 (1.84)	38847 (100)
2006-07	7697 (20.01)	29647 (77.08)	1121 (2.91)	38467 (100)
2007-08	9894 (26.74)	26034 (70.35)	1076 (2.91)	37004 (100)
2008-09	9211 (25.73)	25609 (71.54)	979 (2.73)	35799 (100)
Mean	**8618**	**31086**	**1068**	
C.V	**11.87**	**10.42**	**34.99**	
C.G.R	**-0.005**	**-0.028**	**-0.056**	
t. cal	**26.648***	**30.355***	**9.038***	

Source: Records of DEC of select University

*Notes: (i) * Indicates significant at five per cent level*

(ii) Figures in parentheses indicate the percentage to total

The enrolment in graduation was highest at 9874 in 2007-08 and lowest at 7639 in 2001-02 with an average of 8618.20. The post-graduates enrolment is rather gig-zag with maximum fluctuations. The CV is 11.87. The CGR is -0.005, indicating decline in enrolment. The 't' value is 26.648 and significant at one per cent level, showing significant increase in enrolment. Post-graduate are highest at 34231 in 2002-03 and lowest at 25600 in 2008-09 with in average of 31086. The CV is 10.42 and CGR is – 0.028 indicating negative growth rate. The 't' value is 9.038 and significant at one per cent level indicating significant increase in the enrolment.The enrolment for diploma courses in Osmania University was lowest at 143 in 1999-2000 and highest at 667 in 2004-05 with an average of 1068.50. The CV is 34.99 and CGR is -0.056 showing negative growth. The 't' value is 9.038 and significant at 1 per cent level showing significant increase in enrolment. The Mean enrolment in graduation was highest at 51914 in AU followed by 8618.20 in Osmania University and mere 4249 in SVU. Post-graduates were registered highest at 31086 in OU followed by 20499 in AU and bare 5689 on an average in SVU. The Mean enrolment of diploma courses registered highest at 3451 in AU followed by OU at 1068. The Mean figure was recorded at barely 379.

INCOME FROM VARIOUS COURSES

Income from various levels of courses of OU is presented in Table 2. It is obvious that the income from graduate level courses varied from Rs.41.16 lakhs in 1999-2000 to Rs.326.72 lakhs in 2008-09 with the range of Rs.285.58 lakhs. The income is low in the first two years. Thereafter, the income reported a rise. Income from post-graduate level ranged from Rs.25.54 lakhs in 1999-2000 to Rs.65.92 lakhs in 2008-09. The range of income is Rs.40.38. The income from post-graduate level continuously increased from 1999-2000 to 2008-09 except in 2003-04 wherein a decline in income is observed. The increased income is due to rise in enrolment apart from tuition fee and examination fee.

TABLE 2: LEVEL OF EDUCATION-WISE CATEGORIZATION OF INCOME OF CDE OF OU (Rs. in lakhs)

Year	Income at Constant Prices			
	Graduation Courses	Post-graduation Courses	Diploma Courses	Total
1	2	3	4	5 (2+3+4)
1999-2K	41.16 (54.72)	25.54 (33.95)	8.52 (11.33)	75.22 (100)
2000-01	35.38 (50.23)	27.65 (39.25)	7.41 (10.52)	70.44 (100)
2001-02	80.42 (66.74)	30.52 (25.33)	9.56 (7.93)	120.50 (100)
2002-03	79.27 (60.27)	40.36 (30.69)	11.89 (9.04)	131.52 (100)
2003-04	80.26 (61.55)	38.61 (29.61)	11.53 (8.84)	130.04 (100)
2004-05	89.29 (61.49)	43.24 (29.78)	12.68 (8.73)	145.21 (100)
2005-06	90.48 (60.18)	45.36 (30.17)	14.52 (9.66)	150.36 (100)
2006-07	185.61 (74.24)	47.53 (19.01)	16.86 (6.74)	250.00 (100)
2007-08	267.76 (76.50)	53.82 (15.38)	28.45 (8.13)	350.03 (100)
2008-09	326.74 (75.08)	65.92 (15.15)	42.53 (9.77)	435.19 (100)
Mean	127.64	41.86	16.40	
CV	77.60	29.56	66.79	
CGR	25.52*	10.09*	18.08*	
t-cal	7.99	12.78	7.06	

Source: Budget Books of DEC of select University

*Notes: (i) * Indicates significant at five per cent level*

(ii) Figures in parentheses indicate the percentage to total

The income from diploma courses was minimum at Rs.7.41 lakhs in 2000-01 and maximum at Rs.42.53 lakhs in 2008-09.An ever increasing trend in income from diploma courses is observed from 1999-2K to 2008-09 except in 2000-01 wherein a decrease is observed. The rising trend is due to increase in enrolment and hike in admission and examination fees as well. It may be observed that the average income from various courses differs with each other. The similar trend is also noticed in the case of variations in income and growth in income.

SEGREGATION OF INCOME AT GRADUATE LEVEL

Segregation of income from various sources such as sale of application, registration and admission, tuition fee, examination fee and entrance fee is presented in Table 3.

TABLE 3: SEGREGATION OF INCOME AT GRADUATE LEVEL

Year	Item wise income at constant prices					
	Sale of applications	Registration & admission	Tuition fee	Exam fee	Entrance	Total
1	2	3	4	5	6	7 (2+3+4+5+6)
1999-2k	8.96	20.79	2.89	3.96	4.56	41.16
	(21.77)	(50.51)	(7.02)	(9.62)	(11.08)	(100)
2000-01	7.62	17.25	2.76	4.21	3.56	315.4
	(21.53)	(48.73)	(7.80)	(11.89)	(10.06)	(100)
2001-02	12.65	48.56	4.62	8.35	6.24	8C.42
	(15.73)	(60.38)	(5.74)	(10.38)	(7.76)	(100)
2002-03	13.52	42.88	7.82	9.56	5.49	79.27
	(17.06)	(54.09)	(9.87)	(12.06)	(6.93)	(100)
2003-04	14.83	40.1	6.56	11.56	7.21	80.26
	(15.45)	(49.96)	(8.17)	(14.40)	(8.98)	(100)
2004-05	16.73	50.91	9.12	12.46	8.53	97.75
	(17.12)	(52.08)	(9.33)	(12.75)	(8-73)	0100)
2005-06	18.69	38.08	10.63	13.45	9.63	90.48
	(20.66)	(42.09)	(11.75)	(14.87)	(10.64)	(100)
2006-07	20.56	131.39	11.43	12.69	9.56	185.63
	(11.08)	(70.78)	(6.16)	(6,84)	(5.15)	(100)
2007-08	22.69	207.98	12.57	13.89	10.63	267.76
	(8.47)	(77.67)	(4.69)	(5.19)	(3.97)	(100)
2008-09	27.89	258.78	13.69	14.65	11.73	326.74
	(8.51)	(79.20)	(4.19)	(4.48)	(3.59)	(1.00)
Mean	16.41	85.67	8.21	10.48	7.17	
CV	38.07	98.94	48.02	36.97	35.36	
CGR	13.83*	31.34*	20.22*	15.18*	12.99*	
t-cal	11.04	5.96	8.49	5.44	8.05	

Source: Budget Books of DEC of select University

*Notes: (i) * Indicates significant at five per cent level*

(ii) Figures in parentheses indicate the percentage to total

The table expounds that the income from sale of applications varied from Rs.7.62 lakhs in 2000-01 to Rs. 27.89 lakhs in 2008-09. The income, except in 2000-01, continuously increased from 1999-2000 to 2008-09. The increasing trend in income from sale of applications is due to increase in enrolment and cost of application. The income from registration and admission ranged from Rs.17.25 lakhs in 2000-01 to Rs.258.78 lakhs in 2008-09. Except in 2000-01, the income increased throughout the study period being low in the beginning due to low admission and registration fee and very rapid in the latter stage due to hike in registration as well admission fee.

The income from tuition fee was minimum at Rs.2.76 lakhs in 2000-01 and maximum at Rs. 13.69 lakhs in 2008-09. The income gradually increased from 1999-2K to 2008-09 except in 2009-10 wherein a decline is observed. Moreover, the income is less than Rs. 10 lakhs up to 2004-05 and later it is more than Rs.10 lakhs. The increasing income results in increased tuition fee. The income from examination fee was lowest at Rs.3.96 lakhs in 1999-2000 and highest at Rs.14.65 lakhs in 2008-09. The income trend reported an up and down fashion. The reason is that the examination fee was recorded at low level in the earlier years of the study. The entrance examination income varied from Rs.3.56 lakhs in 2000-01 to Rs.11.73 lakhs in 2008-09. The quantum of income was low in the beginning due to less competition. The income was very high in later part of the study period. The reason is traced to cut-throat competition for entrance examination. It may be found that income from registration and admission fee at graduate level appear to be high, while that of other sources either depict a moderate or low magnitude of income similar trend is noticed in the case of yearly variations.

LEVEL OF EDUCATION-WISE EXPENDITURE

Table 4 is drawn to cast data regarding education level-wise expenditure of CDE of OU at constant and current prices. Mean expenditure values are Rs.86.00 lakhs, Rs.40.59 lakhs and Rs.16.52 lakhs for graduate, post graduate and diploma courses respectively. Taking into considerations CV values in yearly expenditure was highest at 31.98 per cent for post graduation course, 28.68 per cent for diploma courses, 26.82 per cent for graduation courses. In percentage terms, the share of graduate courses in total expenditure has been above 50 per cent in all the years under study.

The percentage share of expenditure in total expenditure for post-graduation courses varied between the lowest of 22.30 and the highest of 34.64 while that of diploma courses reported a oscillation between 8.94 per cent and 15.31 per cent over the study period. CGRs registered for these levels of expenditure sequence at 6.83 per cent, 11.72 per cent and 4.83 per cent of which former two courses are significant at one per cent level.

TABLE 4: LEVEL OF EDUCATION-WISE CATEGORIZATION OF EXPENDITURE OF CDE OF OU (Rs. in lakhs)

Year	Expenditure at constant prices on			
	Graduation courses	Post -graduation courses	Diploma courses	Total
(1)	(2)	(3)	(4)	(5) (2+3+4)
1999-2k	49.64	19.97	12.53	82.14
2000-01	(60.43)	(24.31)	(15.25)	(100)
2001-02	60.49	27.63	14.43	102.55
2002-03	(58.99)	(26.94)	(14.07)	(100)
2003-04	77.32	29.47	15.72	122.51
2004-05	(63.11)	(24.06)	(12.83)	(100)
2005-06	104.87	34.72	16.13	155.72
2006-07	(67.35)	(22.30)	(10.36)	(100)
2007-08	114.44	42.68	15.43	172.55
2008-09	(66.32)	(24.73)	(8.94)	(100)
	66.9	39.82	15.83	122.55
	(54.59)	(32.49)	(12.92)	(100)
	77.51	42.84	13.72	134.07
	(57.81)	(31.95)	(10.23)	(100)
	114.52	53.47	17.43	185.42
	(61.76)	(28.84)	(9.40)	(100)
	90.93	55.89	14.53	161.35
	(56.36)	(34.64)	(9.01)	(100)
	103.38	59.43	29.43	192.24
	(53.78)	(30.91)	(15.31)	(100)
Mean	86.0	40.59	16.52	
C.V	26.82	31.98	28.68	
CGR	6.23*	11.72*	4.83 NS	
't'-cal	2.35	10.90	2.22	

Source: Budget Books of DEC of select University

*Notes: (i) * Indicates significant at five per cent level*
(ii) NS: Not significant
(iii) Figures in parentheses indicate the percentage to total

ITEM-WISE SEGREGATION OF EXPENDITURE

Table 5 shows item-wise expenditure of CDE of OU at constant and current prices for the ten year period. It is with regard to yearly expenditure at constant prices, the share of general charges in total expenditure ranged from 24.37 per cent in 2003-04 to 80.30 per cent in 2002-03. Development fund expenditure as percentage of total expenditure fluctuated from 10.14 per cent in 2003-04 to 57.42 per cent in 2003-04. 'Others' as a percentage share of total expenditure varied from lowest of 5.94 per cent in 2006-07 to the highest of 30.61 per cent in 1999-2K. Similar pattern is observed with regard to relative share of three expenditure items in total expenditure. Annul Mean expenditure is highest at Rs.74.48 lakhs, on general charges followed by Rs.39.10 lakhs on development fund, Rs.29.16 lakhs on other items.

TABLE 5: ITEM-WISE SEGREGATION OF EXPENDITURE

Year	Expenditure at constant prices			
	General charges	Development fund	Others	Total
(1)	(2)	(3)	(4)	(5) (2+3+4)
1999-2k	42.15	14.85	25.14	82.14
2000-01	(51.31)	(18.08)	(30.61)	(100)
2001-02	60.02	15.34	27.19	102.55
2002-03	(58.53)	(14.96)	(26.51)	(100)
2003-04	89.25	17.63	15.62	122.50
2004-05	(72.86)	(14.39)	(12.75)	(100)
2005-06	180.44	22.74	21.54	224.72
2006-07	(80.30)	(10.12)	(9.59)	(100)
2007-08	29.62	69.79	22.14	121.55)
2008-09	(24.37)	(57.42)	(18.21)	(100)
	42.24	46.97	33.34	122.55
	(34.47)	(38.33)	(27.21)	(100)
	48.54	54.90	28.63	132.07
	(36.75)	(41.57)	(21.68)	(100)
	93.12	25.10	7.47	125.69
	(74.09)	(19.97)	(5.94)	(100)
	52.96	76.25	32.13	161.34
	(32.83)	(47.26)	(19.91)	(100)
	106.44	47.38	38.42	192.24
	(55.37)	(24.65)	(19.99)	(100)
Mean	74.48	39.10	25.16	
CV	60.47	58.94	35.88	
CGR	2.51 NS	16.84 NS	1.56 NS	
't' cal	0.40	3.15	0.28	

Source: Budget Books of DEC of select University

Notes: (i) NS: Not significant
(ii) Figures in parentheses indicate the percentage to total

Year to year variations in items of expenditure are wide as CV values are 60.47, 58.94 and 35.88 per cent for general charges, development fund and other expenditure respectively. CGRs of general charges, development fund and other expenditure are 2.51, 6.84 and 1.56 per cent respectively. All of these are statistically non-significant at five per cent level.

CONCLUSIONS

The enrolment in graduation was highest at 9874 in 2007-08 and lowest at 7639 in 2001-02 with an average of 8618.20. Post-graduate are highest at 34231 in 2002-03 and lowest at 25600 in 2008-09 with in average of 31086. The enrolment for diploma courses in Osmania University was lowest at 143 in 1999-2000 and highest at 667 in 2004-05 with an average of 1068.50. The income from graduate level courses varied from Rs.41.16 lakhs in 1999-2000 to Rs.326.72 lakhs in 2008-09 with the range of Rs.285.58 lakhs. Income from post-graduate level ranged from Rs.25.54 lakhs in 1999-2000 to Rs.65.92 lakhs in 2008-09. The range of income is Rs.40.38. The income from diploma courses was minimum at Rs.7.41 lakhs in 2000-01 and maximum at Rs.42.53 lakhs in 2008-09. Mean expenditure values are Rs.86.00 lakhs, Rs.40.59 lakhs and Rs.16.52 lakhs for graduate, post graduate and diploma courses respectively. It may be found that income from registration and admission fee at graduate level appear to be high, while that of other sources either depict a moderate or low magnitude of income similar trend is noticed in the case of yearly variations. The financial position of CDE, OU, Hyderabad is good, sound and healthy due to high enrollment, high income and comparatively low expenditure.

In CDE of OU, the mean value of consolidated income is registered at high magnitude. Yearly variations in consolidated income are wild and wide but the growth rate in income is moderate. The average income from examination and 'others' is moderate. While average income from University is low, it reported high in the case of income from courses. The yearly variations in income are more pronounced in the case of courses and examinations while moderate trend is noticed in the case of income from University and 'others'. Study material waste should be minimized. Study material shall get printed optimally. In other words, the study material shall be printed on demand-wise and need basis. An appropriate organization model at DEC level shall be developed. The suggested model is that under Director, there shall be two Deputy Directors and four Assistant Directors representing key areas of the administration.

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THE INFLUENCE OF MARKETING ON CONSUMER ATTITUDE FUNCTIONS FOR KITCHENWARE, A STUDY WITH SPECIAL REFERENCE TO KOCHI METRO

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ABSTRACT

This paper investigates the relationship between Marketing Mix Strategy and Consumer Attitude function for domestic kitchenware. Regression analysis was conducted to test the relationship between the 4P's and consumer attitude functions. The findings show that only the pricing strategy has a positive impact on consumer attitude function, while the promotion strategy has a significant negative impact on consumer attitude function. The product and place strategies do not influence consumer attitude functions. These findings suggest that consumers do not look for product characteristics and store location when buying kitchenware.

KEYWORDS

Consumer Attitude, Attitude functions, Marketing Mix, Consumer behavior.

INTRODUCTION

A larger consumer interest in home ware/kitchenware has emerged over the past few years, as the media gives more attention to home furnishings (Anonymous,2001).Consumers may have functional utilitarian needs and also spend an increasing amount of time indoors, have become more aware of their interior surroundings and are more interested in current home furnishings and in home decorating as well (Rodemann,1999; Anonymous,2001).Characteristic aspects of consumers such as lifestyle, the individual's personality, temperament and cultural exposure, influence the selection of home ware designs (Rodemann, 1999).Despite these influences on consumers' home ware decisions, individual differences and situational factors make it difficult to predict consumer decisions beforehand (Sonnenberg and Erasmus,2005),while the taste of the consumers is wide-ranging and constantly changing (Elsasser,2004).These changes may influence consumer's decision making regarding purchase of home ware/kitchen appliances. Erasmus *et al.* (2001) warned against the generalization of consumer decision-making models and suggested that it should be studied in a context-specific and product-specific manner. Furthermore, it was argued that a prediction of consumers' home ware decisions is difficult (Sonnenberg and Erasmus, 2005), while the final purchasing decision of the consumer will differ between individuals (Du Plessis and Rousseau, 2003).Thus, existing decision-making models, decision styles and profiles cannot be directly applied to unique purchasing situations where consumer's level of involvement varies (Du Preez, 2003), such as home ware. The home ware reflect the aesthetic taste of consumers and forms an extension of their lifestyle (Anonymous, 2001; Elsasser,2004).This lifestyle can be described in terms of shared values or tastes, which manifests in consumers' needs, preferences and the specific type of purchasing behavior (Arnould *et al*, 2004; Sonnenberg and Erasmus, 2005).Similarly, the purchasing decision made by the consumer can alter or reinforce their lifestyle(Arnould *eal*,2004).Individuals are free to select products that reinforce their definitions of self and their unique lifestyle in a modern society (Solomon,2004) to acquire satisfaction in life and express self concept (Richins and Dawson,1992; Griffin *et al*,2002).Consumers may perceive products and possessions as an extension of their personalities, hence the deliberate product choice that matches some aspect of the self and communicates a desired image (Solomon,2004; Sonnenberg and Erasmus, 2005).Research provides evidence that materialistic individuals view possessions as the most appropriate symbol to use in the process of symbolic self-completion (Yurchisin and Johnson,2004).The latter is the process that people engage in when they acquire material symbols to compensate for perceived inadequacies in their self-concept (Dittmar *et al.*,1996; cited in Wicklund and Gollwitzer,1982).Conclusively, it can be said that consumers attach symbolic meaning to home ware in order to define themselves. The situational-market factors are most predominant in modern mileau with the launch of new innovative products in the home ware or kitchen appliances market in Kerala. Thus the attitude functions involved in the current purchase behavior of consumers is explored herein correlating with the market factor/market mix variables.

OBJECTIVES OF STUDY

The objective of this research is to examine whether there is a significant relationship between marketing mix strategies and consumer attitude function toward the purchase of kitchenware products among middle class urban households. The area of study conducted is the Kochi metro, the fastest growing metro in India and leading commercial center in Kerala, wherein the sales of kitchenware have reached a sales peaks over the past decade, outsmarting leading metros of India, thus necessitating a study on the marketing factor blending with the fabric of consumer attitude and purchase behavior.

LITERATURE REVIEW

CONSUMER ATTITUDE FUNCTIONS

An **attitude** is a hypothetical construct that represents an individual's degree of like or dislike for an item. Attitudes are generally positive or negative views of a person, place, thing, or event-- this is often referred to as the attitude object. People can also be conflicted or ambivalent toward an object, meaning that they simultaneously possess both positive and negative attitudes toward the item in question.Two important theories in social psychology, the theory of reasoned action (TRA) (Fishbein and Ajzen,1975) and the theory of planned behavior (TPB) (Ajzen,1991), have shown that behavior is predicted by intention, which, in turn, is predicted by attitude.Attitude can be changed by changing the attitude function or Changing the Basic Motivational Function -Utilitarian/Ego-defensive/Value-expressive/Knowledge towards the attitude object(Katz functional theory).Also the TAM (Davis 1989) derived from TRA in the usage of technology products like home ware do influence the consumer's purchase attitude. According to Duncan (2005), Consumer attitude function is defined as "internal impulses that when simulated initiate some type of response". Consumers are continuously reacting to their internal impulses as well as the external environment. Since internal impulses and the external environment also interact, resulting in psychological motivations to fulfill needs and wants, Kim and Jin (2001) argue that consumer motives are known to be the drivers of behavior that bring consumers to the retail store. Based on past research, consumer motives can be categorized from four perspectives. Firstly, the social influences on consumer motives such as the culture, sub-culture, social class, reference groups and families (Peter & Donnell,2007).Secondly, the situational influences on consumer motives such as physical features, social features, time, task features and current conditions (Belk, 1975).Thirdly, psychological influences on consumer motives include product knowledge and product involvement (Peter & Olson, 2005).Finally, the marketing mix influences on consumer motives such as product, price, promotion and place (Peter & Donnell,2007).This study will only focus on marketing mix influences on consumer motives. Other research espouses a different approach, one that emphasizes peripheral cues which could enhance consumers' motivation to deeper information processing. Mooy & Henry (2002) theorize the defining motivation factor as "the arousal directed at the processing of brand-related information". According to Alreck & Robert (1999) a product or brand preference might be built through one or more of the theories behind the promotion strategies which motivate and stimulate consumer brand preference through the ideas of Maslow's hierarchy of needs. Simple brand preference building is an effective mechanism to present the product or brand name and a particular need through constant and simultaneous repetition.

Hence, through exposure to such conditioning, consumers will eventually learn to associate the brand with the need and motive since consistent repetition is important (Alreck,1990).This simple brand preference-building mode is still effective for creating brand name awareness today. According to Knowles (1993), this remains a popular consumer preference-building technique today. As a result of repeated, simultaneous presentation, consumers will closely associate with the brand or product. But rather than associating goods with needs, the mood association mechanism requires the brand to be associated with a particular form of pleasant condition such as relaxation, achievement, or a state which can impart pleasant moods and feelings through very brief, simple messages. Price is the main motive in buying as illustrated by Gitomer, J(2005).Morschett, D, et al(2005) show that the influence of shopping motive has a much more profound effect on the attitude towards retail stores than towards perception of store attributes. Product related considerations (e g. assortment and quality) and pricing appear to be the most critical aspects of consumer motives (Kim & Jin, 2001).Stem, Barbara. B (2001) indicates that knowledge is located between past achievements and future promise.

The idea that attitudes can serve different functions is not new(Katz,1960;Smith,Bruner and White,1956).Katz(1960)described people as motivated to attain a variety of goals, including maximizing concrete rewards, expressing values and the self, defending the self against threats and structuring the world. Attitudes exist to fulfill one or more of these goals .Both instrumental and symbolic functions of attitude have been well researched(Ennis and Zanna,2000;Abelson and Prentice,1989; Shavitt, Lowrey and Han,1991;Johar and sirgy,1991;Berger and Heath,2007).Consumers differ as per the attitude function traits adopted(Bazzinin and Shaffer,1995;DeBono,1987;Lavine and Snyder,1996;Petty and Wegener,1998) and association between the four attitude functions (Shavitt,1990; Shavitt, Lowrey and Han,1992).Knowledge of an attitude function predicts how best to change the attitude by adopting appropriate function matching persuasion appeals through Ads and mass media broadcasts or celebrity endorsements. These have been well documented though past studies (Bazzini and Shaffer, 1995; Clary etal.1994; Lavine and Snyder, 1996; Murray, Haddock and Zanna, 1996; Petty and Wegener, 1998).

Consumers purchase in response to a recognized needs (Solomon, 2004).Consumers would often reject home ware with mass appeal and prefer products that are tailored to reflect their specific needs (Elsasser, 2004). The respondents also illustrated the desire for a change in their current home ware, which occurs when they identify a significant difference for their current state of affairs or some desired or ideal state (Solomon, 2004).Two categories of purchasing behavior emerged under the theme of unplanned home ware purchases, namely, impulse purchases and browsing prompting purchases. Emotional purchasing behavior ('when I'm in the mood') and spontaneous purchasing behavior, as concepts were used to express the category of impulse purchases. Dittmar *et al* (1996) described these purchases as 'pure impulse' buying, indicating a breaking of the normal buying patterns or even irrational purchase. The diverse attitude functions like utilitarian, value expressiveness, ego defensiveness or epistemic constructs in combination drive the consumer in the purchase of kitchenware. The purchasing decision of the consumer is an individual one (Du Plessis and Rousseau, 2003) and the complexity of the decision depends on the consumer's degree of information search, the evaluation of alternatives and the choice of products (Du Preez, 2003).The consumer decision-making process is a sequential and repetitive series of psychological and physical activities ranging from problem recognition to post-purchase behavior (Brijball, 2003). Market-dominated variables (such as the environment and advertising) and consumer-dominated variables (such as needs, motives, personality and perception) simultaneously interact to influence the consumer's purchasing decision (Brijball, 2003; Du Preez and Visser, 2003). In order to develop accurate consumer profiles, consumers' characteristics and the cognitive factors influencing their decision making process need to be determined (Radder *et al*, 2006).Brand preference is also driven by attitude functions. Brands in utilitarian categories like the home ware may build symbolic associations (Aaker, 1997; Biel, 1993; Levy, 1959) and vice versa. Branded products may loose or gain associations with the dominant attitude function related to the product category. Attitude functions undergo changes with the branding and appeals. Consumer characteristics are widely used to segment and profile consumers as they are objective, standardized, measurable and generalized (Rowley,1999).Therefore, it is reasonable to speculate that consumers can be profiled according to their decision-making process as each consumer's decision-making process is unique. The attitude function served in each consumer ultimately triggers the consumer decision making on purchase kitchen appliance products. This being the salient active dependent variable predominantly deciding the purchase equation of the consumer, while a host of other independent variables as deliberated above, influences the consumer attitude, among them the most cardinal is the market factors studied herein as 4P's.

MARKETING MIX STRATEGIES (4 P's)

The market factor or marketing mix is defined as 4P's namely the product, price, promotion and place (Kotler & Armstrong, 2006).They are often designed to influence consumer decision-making and lead to profitable exchanges. Each element of the marketing mix can affect consumers in many ways (Peter &Donnelly, 2007).The marketing mix is the set of marketing tools a firm utilizes to pursue its marketing objectives in the target market (Borden, 1984).When a store markets its products, it needs to create a successful mix of the right product, sold at the right price, in the right place and using the most suitable promotion.

PRODUCT SPECIFICS

Kotler & Armstrong (2006) define a product as anything that can be offered to a market for attention, acquisition, use, or consumption that might satisfy a want or need. They further define a consumer product as the product bought by the final consumer for personal consumption. Consumers buy products frequently, with careful planning, and by comparing brands based on price, quality and style. According to Ferrell (2005), the product is the core of the marketing mix strategy in which retailers can offer consumers symbolic and experiential attributes to differentiate products from competitors. However, it is also concerned with what the product means to the consumer. Product is about quality, design, features, brand name and sizes (Borden, 1984).Many attributes of a company's products, including brand name, quality, newness, and complexity, can affect consumer behavior. The physical appearance of the product, packaging, and labeling information can also influence whether consumers notice a product in-store, examine it, and purchase it. One of the key tasks of marketers is to differentiate their products from those of their competitors and create consumer perceptions that the product is worth purchasing (Peter & Donnally, 2007). Brand equity reflects consumers' belief that the brand is looking out for them, will do whatever it takes to make them satisfied, and is responsive to their needs (Hess, 2005). The ability of a product to perform its functions includes the product's overall durability, reliability, precision, ease of operation and repair, and other valued attributes (Kotler & Armstrong, 2006).Brand trust is affect-based, referring to a feeling that is the outcome of a communal relationship with a brand. According to Duncan (2005) brand trust is created through brand messages that provide the benefits promised. Kim and Jon (2007) report that the affective response overrides the cognitive under all experimental conditions in forming product-trial attitude. Croft (2003) found that control practices and information systems influence consumer motives. Miquel (2002) proposes that individuals show as much interest in the product type as the brand and actively seek out information in their decision-making. Shugan and Ramarao (2001) reveal that rapid changes in technology have a significant effect on consumer purchases. Thus, past researchers have clearly suggested that product influences have a significant impact on consumer motives. Product image refers to attributes associated with a given product or service (Sirgy,1983).Just like people, product is assumed to have a personality or image, which is determined not just by physical characteristics, but also by other factors such as packaging, advertising, price and channels of distribution. Product image or brand image could serve as a symbol of the buyer's personality (Martineau, 1957). For example, buyers of sports cars are always associated with certain personalities such as sexy, attractive, young and socially outgoing (Sirgy, 1982; Solomon, 1983).Consumption of certain product is sometimes referred as an extended-self image of product user, that is, "the extents to which people view themselves as being a certain kind of individual because they use or own certain product/service" (Wright, Claiborne & Sirgy, 1992, p. 312). Product image has been found to be especially important for those products that are not significantly differentiated from its competitors, in the mature stage of the product life, and socially visible (consumed publicly), such as beer, cigarette, and clothing products (Johar & Sirgy, 1991). Product image can result from direct experience, word-of-mouth or commercial information including advertising and other means of marketing communications (Eriksen, 1996). In self-congruity research, the concept of product image is focused on brand image, not product category, which itself could also be capable of assuming a unique personality.

PRICING DILEMMA

Pricing is one of the 4 P's outlined in the marketing mix strategy of a company. The price of products and services often influences whether consumers will purchase them at all and, if so, which competitive offering is selected. For some offerings, higher prices may not deter purchase because consumers believe that the products or services are of higher quality or are more prestigious. However, many of today's value-conscious consumers may buy products more on the basis of price than other attributes (Peter & Donnely,2007).Among retail stores, the pricing strategy has become the pivotal point as they need to compete in terms of pricing to lure more customers. Berman (1996) reports that among the pricing policies which are of major concern to retail store outlets are the 'High-Low Pricing' and Every Day Low Pricing (EDLP) strategies. The concept outlines that buyers tend to associate a higher price with a premium quality and thus there are certain circumstances where they might purchase a higher priced product as an indicator and assurance of higher quality. According to Skoras (2005) this association has been investigated extensively through a number of empirical studies that tend to provide mixed results. Wulf et.al. (2005) found that private label products can offer even better quality than national brands but at a lower price. The domestic competitor reacts to the intensifying price competition by engaging in selective price changes (Uusitalo, O and Maija, R,2007), Cataluna, Francisco. J. R(2004) shows that there is no difference in the price and promotional selling variations for non-durable goods in Spain. The differences in product quality do not significantly affect the brand preference as shown in the research by Wood, Lias, M and Barry, J.P(2006).A review of the major literature shows that significant attention has been given to consumer perceptions about the price and quality of private labels since these factors have been identified as two of the important reasons for purchasing private label goods(Jin,2005).The dimensions of price are list price, discounts, allowances, payment term and credit terms (Borden,1984). Hence, the literature confirms that pricing has a significant effect on consumer attitude functions.

PROMOTION STRATEGY

Promotion is defined as sales promotion, advertising, personal selling, public relations and direct marketing (Borden, 1984). According to Duncan (2005), promotion is the key to the market exchange process that communicates with present and potential stakeholders, and the general public. Every firm or store must cast itself into the role of communicator and promoter. Hakansson (2005) reports that promotion appears as an issue of how to create an optimal mix of marketing communication tools in order to get a product's message and brand from the producer to the consumer. Advertising, sales promotions, personal selling and publicity can influence what consumers think about products, what emotions they experience in purchasing and using them, and what behavior they perform, including shopping in particular stores and purchasing specific brands. Since consumers receive so much information from marketers and screen out a good deal of it, it is important for marketers to devise communications that (1) offer consistent messages about their products and (2) are placed in media that consumers in the target market are likely to use. Marketing communications play a critical role in informing consumers about products and services, including where they can be purchased and in creating favorable images and perceptions. Promotions pertaining to price offers are important tactics used to influence consumer behavior in retailing both with regard to retailer and manufacturers' brands. According to Grunert (2006), several empirical studies have shown that price information is important for the consumer decision making process, and these consumers are very price conscious. Ferle and Steven (2006) find that the effectiveness of product advertisement in television is still doubtful. Ailawadi, et. al (2006), find that the net impact of promotions is still negative. In another research, Gendek, K. and Scott (1999) report that in-store price promotions are associated with negative purchase event feedback compared to non-promotion purchases. Promotions such as price discounts and buy one get one free are effective promotional tools for encouraging consumers to buy more (Shi, Ka-Man and Gerald, 2005).Hung, Le Hong (2005) recommends that plans for promotions should be top-down strategy built plans with tactical bottom-up purchase analysis and that they should be monitored frequently. Steinberg, Jules (2001) points out that a successful promotion often comes from a good imagination. There are mixed findings from past research that promotion considerations either have an impact or no impact on customer attitude functions in retail store purchases.

PLACE ENIGMA (MARKET OR RETAILOR STORE)

Kotler and Armstrong (2006), define place or distribution as a set of interdependent organizations involved in the process of making a product available for use or consumption by consumers. Place strategy calls for effective distribution of products among the marketing channels such as the wholesalers or retailers (Berman, 1996).Place strategy in retail stores includes more than the question of how consumers access the stores, it also includes the availability of products in such stores (Kotler, 2003).A store can position or reposition a product by locating that product within a store. Products with high traffic volume are placed near the payment counters and low-traffic volume products at distant locations. Warnaby and Dominic (2004) highlight the advantages of shopping in urban centers. Beverages are not just soft drinks, water, isotonic and milk but include emerging categories(Feil,2003).The dimensions of place are channels, coverage, assortment, location, inventory, and transport (Borden, 1984).Thus, the above studies imply that place or distribution considerations play a major role in influencing consumer motives. A marketer's strategy for distributing products can influence consumers in several ways. First, the products that are convenient to buy in a variety of stores increase the chances of consumers finding and buying them. When consumers are seeking low-involvement products, they are unlikely to engage in an extensive search, so ready availability is important. Second, the products sold in exclusive outlets may be perceived by consumers as having a higher quality .In fact, one of the ways marketers create brand equity - that is favorable consumer perceptions of brands - is by selling them in prestigious outlets. Third, the offering products by non store methods, such as on the Internet or in catalogues, can create the consumer perception that the products are innovative, exclusive, or tailored for specific target markets. In the case of durable products, customer satisfaction may develop over time, having been determined by product performance or perceived quality rather than initial expectation. Customers require experience with a product to determine how satisfied they are with it (Anderson, Fornell and Lehmann, 1994).Therefore, customer satisfaction is defined as attribute satisfaction, i.e., the customer's satisfaction with the usage of the product or service purchased from a supplier. In the case of construction products, satisfaction that a customer has with the product and service provided by a contractor or firm has direct influence on the customers' loyalty to select that contractor (Maloney, 2003).Similarly, if a customer is satisfied with the service and product of the firm, then they will have higher behavioral loyalty. The patronage benefits derived from the retailor do influence purchase.

FORMULATION OF HYPOTHESIS

H01: There is a significant positive relationship between price consideration and consumer attitude function in the purchase of kitchen ware.
H02: There is a significant positive relationship between product consideration and consumer attitude function in the purchase of kitchen ware.
H03: There is a significant positive relationship between place and consumer attitude function in the purchase of kitchen ware.
H04: There is a significant positive relationship between promotion and consumer attitude function in the purchase of kitchen ware.

RESEARCH METHODOLOGY

This research examines the degree of application of marketing mix strategy as independent variables on the dependent variable of Attitude function/motive of the consumer and their relationship. The questionnaires were distributed to housewives of middle class families of Kochi. A total of 522 respondents participated in this research out of the 750 families visited for primary data collection using the combined tools of questionnaire and interview schedule. For this research, the Stratified random sampling technique was used based on geographical areas and middle class income on a proportionate basis. The measurement used is the Likert 5 point Scale Method of summated ratings on statements where respondents indicate their degree of agreement or disagreement on a five-point scale -Strongly Disagree, Disagree, No comments, Agree, and Strongly Agree. With the population size if 1.1 Lakh families in Kochi in the urban areas the focus of the study was targeted at the couples of urban households, the largest market segment for domestic kitchen ware market at Kochi. Since the literacy level and purchasing power of the urban population in the sample frame has been very high, responses were cogent but personal visits became a necessity in the data collection from the market. A cross verification survey with the 58 numbers of leading sales outlets of kitchenware was not ventured as part of the study, due to time limitation, but the prominent brands/company offices were covered in the market survey in understanding the marketing strategies adopted by them for Kochi.

FINDINGS

The demographic variables used in this study were 'age', gender, 'monthly household income', 'monthly household savings', and 'education background'. Based on the demographics and other personal background information obtained, we can deduce that for gender of the respondents is males (21.4%) and females (78.6%), Age – the majority of respondents were within the ranges of 20-30 (58.3%) and 31-40 (22.1%) years, 41-50 (17.1%) and 51above (2.4%).For family size, the majority fell in 2-4 members per HH (41.9%),followed by 5-6members(30.7%) and greater than 6 members (26.1%) with the lowest Less than 2 members(1.3%).The Educational background–the majority of respondents were qualified with a Post graduate/professional degree (59.5%) followed by diploma/graduation holders (38.9%) and SSLC/ITI holders (1.2%) and PhD holders(0.3%).Hence, a huge majority of customers were professionals with higher educational qualification. The occupation for the respondents were most in private sector (54.6%),followed by others (20.7%),Government sector (14.3%), self employed (9.1%) and housewife(1.3%).In terms of average monthly household income, the survey indicated that the majority fall in the true middle class social strata of upward mobility, viz., majority in the income bracket of Rs.60K-90K(33.2%),closely followed by Rs.30K-60K(24.4%) and Rs.90K-120K(19.9%),Rs.150K-180K(10.7%),Rs.120K-150K(9.1%) and less than Rs.30K(2.6%).The purchase of home ware has been for actual domestic use(42%),while the majority has been for gifting(47%)purpose. The monthly expenditure on domestic appliances/home ware indicates that majority of respondents do spend on domestic wares in a big way (83.5%) from savings and the rest do avail soft loans/credit for high value items. Almost 57.3 % families prefer to shop only during the festivals like Easter-Vishu, Onam - Bakrid, Diwali, Christmas periods on home appliances purchases.84.3% of the respondents have high awareness of the marketing, while 15.7% are passive to product marketing initiatives. However, there is higher advertisement appeal (71.6%) with the CTV and Internet as the most popular media followed by Print/Hoardings/Handouts and FM radio. The relative influence of factors on the respondent are Marketing (48%) followed by Social factor (27%), Personal factor (21%) and others (4%).Refer table below for portrayal of the figures in a snapshot.

TABLE 1

SOCIOECONOMIC PROFILE OF RESPONDENTS			
S. No	HH Respondent's Characteristics		Percent of sample (N=522nos.) %
1	Gender	Male	21.4
		Female	78.6
2	Age(Years)	20-30	58.3
		31-40	22.1
		41-50	17.1
		51+	2.4
3	HH Size(nos.)	< 2	1.3
		2-4	41.9
		5.6	30.7
		>6	26.1
4	Education level	ITI/SSLC	1.2
		Diploma/Graduate	38.9
		PG/Professional	59.5
		PhD	0.3
5	Occupation	Government sector/PSU	14.3
		Private sector/IT	54.6
		Self employed/Business	9.1
		Housewife	1.3
		Others/NRI	20.7
6	Average monthly income of HH(Rs.)	Below INR 30K	2.6
		30K-60K	24.4
		60K-90K	33.2
		90K-120K	19.9
		120K-150K	9.1
		150K-180K	10.7

FACTOR ANALYSIS

From the factor analyses of the variables, five factors were generated. Factor one is named Consumer Motives (dependent variable) with 6 items carrying a factor loading of more than 0.6.Factor two is named Product Consideration with all five tested items loading more than 0.6.Factor three is called Place Consideration with four items having a factor loading of more than 0.6.Factor four is named Price Consideration with three items higher than 0.6 loading. Promotion Consideration did not become a factor since it had only one item that loaded higher than 0.6 and this is considered weak for this study.

RELIABILITY TESTING

Although pilot survey & testing of the questionnaires on 50families was done in 2011 to enhance reliability, this was done again for the entire survey on 522families, the collected data were keyed in and the reliability Cronbach's Alpha was calculated. With values at an acceptable level of significance for Alpha being 0.76 (Huck and Cormier, 1996), we can conclude that the field survey is reliable.

Rotated Component Matrix

TABLE 2

	Factor 1	Factor 2	Factor 3	Factor 4	Factor 5
Attitude function1	.796				
Attitude function2	.852				
Attitude function3	.798				
Attitude function4	.861				
Product 1		.768			
Product 2		.736			
Product 3		.837			
Product 4		.752			
Product		.684			
Price 1			.842		
Price 2			.741		
Price 3			.717		
Price 4			.697		
Price 5			.796		
Promotion 1				.608	
Promotion 2				.652	
Promotion 3				.629	
Promotion 4				.635	
Promotion 5				.681	
Place 1					.785
Place 2					.813
Place 3					.806
Place 4					.698
Place 5					802

F1 F2 F3 F4 F5
Extraction Method used is Principal Component Analysis and Rotation Method chosen is Varimax with Kaiser Normalization. Rotation converged in 10 iterations.
Factors reliability- Cronbach's Alpha**:**
Attitude function 0.879 / Product 0.854 /Price 0.787 /Promotion 0.711 /Place 0.814.
Retailers will promote local brands in order to lower costs and pass on the saved cost to the consumers.
Pearson Correlation:
Correlation Coefficients among Variables: N=522; Sig (2 tailed)

TABLE 3

		Attitude function	Product	Price	Promotion	Place
Attitude function		1		**	**	
Product	Corr.	-0.095	1	-0.193*	**	**
	Sig	0.321		0.036		
Price	Corr.	0.423**	*	1	**	
	Sig.	0.000				
Promotion	Corr.	-0.281**	0.572**	-0.342**	1	0.280**
	Sig.	0.02	0.000	0.000		0.00
Place	Corr.	0.078	0.274**	0.013	**	1
	Sig.	0.413	0.002	0.873		

Correlation is significant at the 0.01 **. level (2-tailed); and Correlation is significant at the 0.05* level (2-tailed).
The correlation coefficients among the variables such as pricing consideration, kitchenware product consideration, place consideration, promotion consideration and consumer attitude function are shown above. The results above reveal that there are significant correlations existing between Marketing Mix Variables and Consumer attitude function/motives. The correlation between Promotion and Consumer attitude function shows a negative coefficient of 1%.This implies that, as promotion increases consumer attitude function served decreases. This coefficient is significant, which means that we can conclude beyond doubt that relationship exists between them. There is a strong positive correlation found between Price Consideration and Consumer attitude function at the1 % level. This indicates that as price increases, consumer attitude function served also increases. This coefficient is significant which means there is a strong positive relationship. Higher priced product variants are at premium inviting stronger attitude. The results show there is a negative correlation between Product Consideration and Consumer attitude function served, but which is a weak relationship and statistically not significant. The relationship between Place Consideration and Consumer attitude function is positive but which is a weak relationship and statistically not significant.

REGRESSION ANALYSIS

The regression coefficients and their associated 't' values are given in the following table. Among all four independent variables, pricing consideration comes first as the most significant factor. There is a significant relationship between Price Consideration and Consumer attitude function at 1%.This implies that the pricing consideration is an important variable which motivates consumers to purchase consumer products like kitchen wares at the retailor outlets. Promotion Consideration is the next significant variable to predict consumer attitude function. There is a significant relationship between Promotion Consideration and Consumer attitude function served at 5%. But, this relationship is negative which implies that consumers are not motivated to purchase local brands of consumer products on kitchen ware, even if they are promoted by the retailers.

TABLE 4

Regression model	Non standardized Coefficients		Standardized Coefficients	t	Sig.	5%Confidence Interval	
	B	Stand Error	Beta			Lower	Upper
Constant	3.152	0.531		4.008	0.001	1.052	3.112
Product	0.073	0.100	0.071	0.687	0.495	-0.132	0.273
Price	0.351	0.092	0.345	3.881	0.000	0.170	0.530
Promotion	-0.152	0.072	-0.221	-2.072	0.040	-0.296	-0.008
Place	0.126	0.100	0.111	1.252	0.213	-0.071	0.325

95% Confidence Interval for B; Dependent Variable: Attitude function
The above results also reveal that there is no relationship between product and place considerations with consumer attitude function. This implies that product and place considerations do not motivate consumers to purchase branded consumer home ware products at retail sales outlets.

HYPOTHESIS VARIABLES TEST OF SIGNIFICANCE

1 Price and Consumer Attitude function: Multiple Regression Test is Significant
2 Product and Consumer Attitude function: Multiple Regression Test is not Significant
3 Placement and Consumer Attitude function: Multiple Regression Test is not Significant
4 Promotion and Consumer Attitude function: Multiple Regression Test is Significant

DISCUSSION

The Kitchenware covers packed Cook wares like non stick ware , induction cooktops, Kadai, Tawa, Pans, Dinner sets, Soccer cup sets, melamine plates/utensils, MWO Wares, Polycarbonate wares, Dinner sets, Cutlery, Ceramic/composite utensil sets, Melamine Chineese dish wares, etc. in various size/diameter/color shades, for day to day use in every household. The study indicates that price consideration has a significant positive impact on the purchase of kitchenware products at retailor outlets. This is because many consumers are motivated to buy products at lower prices. The customer base in the lower price segment in the consumer market is substantially large. These consumers in the low-cost segment always look for products that offer value for money. This study also revealed that product consideration does not influence consumer attitude function served. This may be because customers buy consumer kitchenware products frequently and immediately with minimum comparison and buying effort. Consumer may have low involvement in product attributes evaluation and information search in pre purchase stages.
Place consideration is seen to be another factor not having an impact on consumer attitude function served. This may be because many consumers may be of the view that most urban outlets in Kochi metro are already located in their neighborhoods, and the issue of location and accessibility is not a major concern to them. The relationship between promotion consideration and consumer attitude function served is significant, but the relationship is negative. This may be due to the consumer perception that heavily promoted products could be problematic products – of poor quality, with substitute local brand/makes at cheaper price, and from old clearance stocks. Consumers may also perceive that heavier promotions also mean that the products are sold at higher prices, which will turn-off consumers who are in the low-cost segment of the consumer market.

LIMITATIONS OF RESEARCH

The sampling for the study was limited to Kochi metro only-urban market segments. Rural markets were not envisaged in the current study due to time limitations. Urban consumers have a higher bargaining power, higher literacy level and higher access to shops, yet uneven buying behavior evidenced compared to rural consumers. Out of the 522 nos. of responses received, the attitude indicated vide combined questionnaire and interview need not reflect the actual or a true indicative prediction of consumer's actual motive/attitude towards the purchase of consumer products like the unavoidable kitchen appliances essential in each household. An elaborate cross checking survey on the actual behavior of consumers at retailers was also beyond the scope of this study due to time constraints.

SUGGESTIONS FOR FUTURE RESEARCH

It is recommended that for future research the rural market also may be included in the study to contrast with the urban segments and to position the product appropriately catering to the changing attitude functions of the modern day consumer of Kochi. This can then be generalized for all durables and for the state of Kerala. The study may embrace the dealers/retailors also to assess the actual motives exhibited by the consumer in real purchases, made in the market.

CONCLUSION

The results show that except for pricing, product and place do not influence consumer attitude functions served towards the purchase of Kitchenware products at Kochi metro retail outlets. Promotion is negatively correlated with the kitchenware products. The findings suggest that consumers do not look for product characteristics and store placement when buying kitchenware products, rather, the Consumers are motivated to purchase consumer products solely based on low pricing in view of wider availability of several brands and the higher incidence of breakage rates/damages in usage. Though the price tag of kitchenware products is relatively low, price sensitivity of the consumer is seen very salient in their purchase behavior towards kitchenware. The market mix strategy for the 4P's will have to be product based matching solution to consumer needs/attitude functions, price conscious for value, promotional edge for information dissemination, and lastly placement advantage like retail store locations/ convenience/ easy access/availability for the consumer. As the shopping malls are on the increase in Kochi and that modular Kitchen with all modern gadgets and home ware are accorded top priority than the drawing room in the current urban HHs, the demand for kitchenware shall continue to grow at a higher pace with the diffusion of innovative products at relatively lower prices in the future, than ever before.

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BEHAVIOURAL FINANCE: A NEW PERSPECTIVE FOR INVESTMENT IN FINANCIAL MARKET

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ABSTRACT

Despite the intentions of many market participants to behave rationally, the outcome of their decisions often falls short of what could be considered optimal. These mistakes are repeated which results in emotions and affect rational thinking. Behavioural finance is a new subject, which merges concepts from the field of financial economics and psychology to understand the human behaviour in financial markets. Lot of research work has been carried out in this field since one and half decades to build a model of human behaviour in relation to investment strategies. Behavioural finance studies how emotional biases that are individual or collective create anomalies in financial markets. This discipline will therefore not only help improve one's own decision making, but will also contribute to a comprehensive understanding of actual behaviour on the part of market participants. This paper reviews the significance of behavioural finance; explain Decision-making irrationalities according to behavioural finance and its impact on market performance.

KEYWORDS

Behavioural Finance, Heuristics, Mental Accounting. Prospect Theory, Traditional Finance.

INTRODUCTION

The term behavioural finance covers a new branch of capital market analysis born some years ago in USA. Here, the disciplines of economics and psychology meet. It is conceded by many investors in the past that psychology plays a key role in determining the behaviour of markets. But in the recent times a series of formal studies have been undertaken in this field of study. The earliest paper of Paul Slovic (1972) on individual' misperceptions about risk and Amos Tversky and Daniel Kahneman's paper on "Judgement under Uncertainty: Heuristics and Biases", (1974), and decision frames (1979) played a determining role. Tony Brabazon (2000), remarks that these studies were at variance with rational, self-interested decision maker posited by traditional finance and economic theory.

There are several definitions on behavioural finance, which agree with each other. Decision making related with behavioral finance, can be defined as the process of choosing a particular investment alternative from a number of alternatives. It is an activity that follows after proper evaluation of all the alternatives (Mathews, 2005).

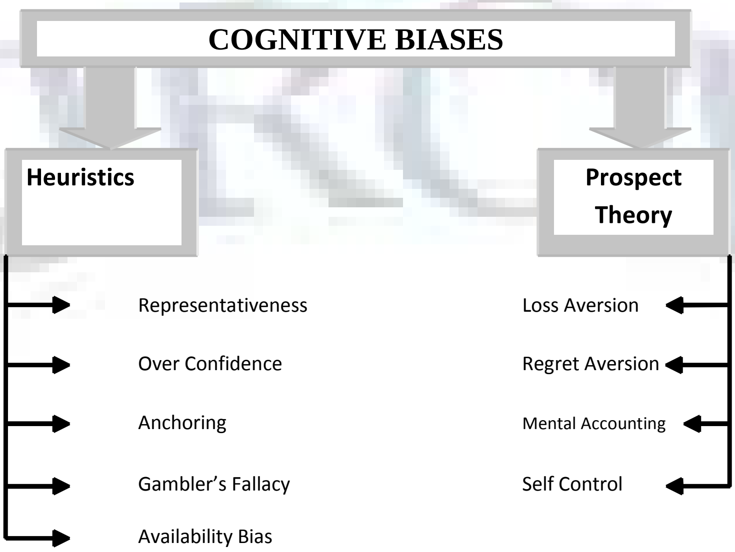
Lintner (1998) defines behavioural finance as "the study of how humans interpret and act on information to make informed investment decisions". Thaler (1993) defines behavioural finance as 'simply open-minded finance' claiming that 'sometimes in order to find the solutions to an (financial) empirical puzzle it is necessary to entertain the possibility that some of the agents in the economy behave less than fully rationally some of the time'.

Olsen (1998) asserts that 'behavioural finance does not try to define 'rational' behaviour or label decision making as biased or faulty; it seeks to understand and predict systematic financial market implications of psychological decision processes'. Behavioural finance in essence simply recognises that human beings, individually and collectively, behave as humans with their natural psychological qualities. The quintessence of behavioural finance studies is that behavioural tendencies of investors and their decisions making is likely to have a considerable impact on financial market behaviour.

WHETHER INVESTORS ARE RATIONAL?

The most important objective of an investment being making money and creating wealth, various strategies are adopted to meet this objective. For years, under traditional financial economics, we have learnt about asset pricing models, which heavily believe on the assumption that investors are *rational* and *utility maximising*. However, the evidence of the stock market performance and experiments by behavioural theorists over the past few years have proved that investors are less than rational and ordinary human beings. In addition, the studies made in the field of behavioural finance prove that there are several other factors that determine decisions of investors. Peter L. Bernstein in "Against the Gods" states that the evidences available from various studies reveals repeated patterns of irrationality, inconsistency, and incompetence in the ways human beings arrive at decisions and choices when faced with uncertainty. Cognitive psychologists have compiled the experimental evidences of investor psychology and call it as cognitive biases, which may be due to heuristics. These can be grouped into two classifications cognitive biases due to heuristic decision processes and biases caused by the adoption of mental frames, as noted in prospect theory (Figure 1).

FIG. 1: COGNITIVE BIASES



Source: Author

HEURISTIC DECISION PROCESSES

Heuristics refer to rules of thumb which humans use to make decisions in complex, uncertain environments (Tony Brabazon 2000). The decision making process is not strictly a rational one where all relevant information is collected and objectively evaluated, rather the decision maker takes mental 'short cuts' in the process (Kahneman and Tversky 1974). There may be good practical reasons for adopting a heuristic decision process, particularly when time available for decision-making is limited. Various studies made under behavioral finance have concluded that, the heuristics decision processes may result in poorer decision outcomes. Typical examples of biases resulting from the use of heuristics include:

Representativeness
Overconfidence
Anchoring
Gambler's fallacy
Availability bias

REPRESENTATIVENESS: It refers to the tendency of decision makers to make decisions based on stereotypes that are to see patterns where perhaps none exist. An example of representativeness is called by Amos Tversky and Kahneman as the 'law of small numbers'. Smaller the sample, the result will be a chance rather than meaningful. Investors tend to assume that recent events will continue in the future also and seek to buy hot stocks and to avoid stocks, which have performed poorly in the recent past. This behaviour could provide an explanation for investor overreaction, an effect that was suggested by DeBondt and Thaler (1985). This characteristic of some investors in the selection of stocks is termed as a tendency to rely on stereotypes when making investment decisions.

OVERCONFIDENCE: It may be termed as unwarranted faith in one's intuitive reasoning, judgements, and cognitive abilities. The concept of overconfidence derives from a large body of cognitive psychological experiments and surveys in which investors overestimate both their own predictive skills and the accuracy of information they have with them. Odean and Brad Barber (2001) found that overconfident investors overestimate the probability that their personal assessment of a security's value is more accurate than the assessments offered by others. Overconfident investors trade excessively as a result of their belief that they possess special knowledge compared to others in the market. Overconfident investors underestimate their downside risks. Finally they end up in the poor performance of their portfolio.

ANCHORING: It is the tendency of the investors to fix or anchor to a default number on the basis of their own recent observations. This can lead investors to expect a share to continue to trade in a defined range or to expect a company's earnings to be in line with historical trends, leading to a possible under reaction to trend changes.

GAMBLER'S FALLACY: Arises when people inappropriately predict that a trend will reverse. For example, if a fair coin is tossed repeatedly and tails comes up a larger number of times than is expected, a gambler may incorrectly believe that this means that heads is more likely in future tosses (Colman, Andrew 2001). This fallacy of the investors may force them to take decisions which are contrary to their own expectations.

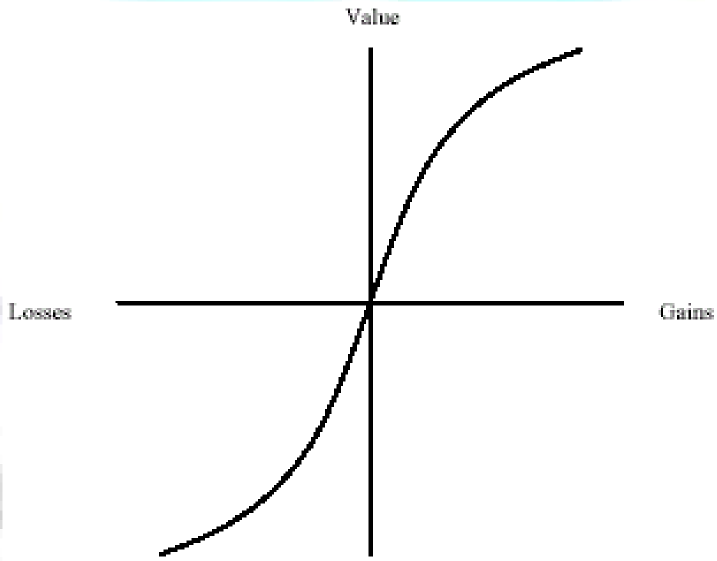
AVAILABILITY BIAS: It emerges when people place undue weight on available information in making a decision. Availability is used to estimate "frequency or probability by the ease with which instances or associations come to mind" (Tversky & Kahneman, 1973). Humans estimate the probability of an outcome based on how easy that outcome is to imagine by them. Availability bias causes investors to over-react to market conditions whether they are positive or negative.

Though the above examples of cognitive biases are widely observed, behavioural finance does not claim that all investors will suffer from the same illusion simultaneously. Investors are susceptible to such biases based on other variables such as their experience in the field of investment.

PROSPECT THEORY

The second set of biases that impact on investment decisions of investors are grouped under prospect Theory, which was developed by Kahneman and Tversky *(1979)*. In its original form, it is concerned with behaviour of decision makers who face a choice between two alternatives. The definition given by the authors is: "decision making under risk can be viewed as a choice between prospects or gambles." Decisions subject to risk are deemed to signify a choice between alternative actions, which are associated with particular probabilities (prospects) or gambles. The most central element of the prospect theory is the S-shaped value function depicted in Figure 2.

FIG. 2: PROSPECT THEORY



Source: Prospect Theory of Kahneman & Tversky

The shape of the function is concave in the region of gains and convex in the loss region, reflecting risk aversion in the domain of gains and risk seeking in the domain of losses. An interesting property of the value function is that it is steepest at the reference point. This implies that a given change in gains or losses has a smaller effect on the value experienced by an investor when the distance to the reference point is large.

This theory describes several states of mind that can be expected to influence an individual's decision-making processes. The key concepts under prospect theory include:

Loss aversion
Regret aversion
Mental accounting
Self control

LOSS AVERSION: People generally feel a stronger impulse to avoid losses than to acquire gains. According to Kahneman and Tversky, people weigh all potential gains and losses in relation to some benchmark reference point. The value function that passes through this point is asymmetric; and its profile implies, given the same variation in absolute value, a bigger impact of losses than of gains. The result is that risk-seeking behaviour prevails in the domain of losses, while risk-averse behaviour prevails in the domain of gains. This depicts the tendency of people to show greater sensitivity to losses than gains. Even when the amount of gain and loss are of the same size, the mental penalty associated with the loss is more than the mental reward associated with the gain. This phenomenon is termed as loss aversion.

REGRET AVERSION*:* This aversion is the desire of the people to avoid the feeling of the pain of regret due to their poor investment decisions or for losing a good investment opportunity. Regret averse people try to avoid two types of mistakes a) errors of commission (misguided actions) and b) errors of omission (opportunities foregone). An investor, who experiences a loss, regrets for his investment decision. An investor who missed an opportunity to invest in something, that later appreciated in value, regrets for his failure to invest and gain profits. The notion of regret aversion may encourage investors' herding behaviour and making them to invest in 'respected companies' as these investments carry implicit insurance against regret (Koening 1999).

MENTAL ACCOUNTING: Mental accounting describes people's tendency to code, categorise, and evaluate economic outcomes by grouping their assets into any number of non-interchangeable mental accounts. Individuals organises their world into separate mental accounts. Investors tend to treat each element of their investment portfolio separately. This can lead to inefficient decision-making. The main idea underlying mental accounting is that decision makers tend to separate the different types of gambles they face into separate acts, and then apply prospect theoretic decision rules to each account by ignoring possible interaction between the accounts.

SELF CONTROL: It requires for all the investors to avoid the losses and protect the investments. As noted by Thaler and shefrin investors are subject to temptation and they look for tools to improve self control. By mentally separating their financial resources into capital and 'available for expenditure' pools, investors can control their urge to over consume.

IMPLICATIONS OF BEHAVIOURAL FINANCE FOR FINANCIAL MARKETS

There are evidences generated by empirical researchers that the behavioural finance can be effectively applied to understand the patterns of behaviour adopted by the investors. Shefrin (2000) opines from his studies that 'heuristic driven and framing effects cause market prices to deviate from fundamental values'. Olsen (1998) suggests that behavioural finance offer an explanation for empirical evidence, which casts doubts on existing financial models.

Market behaviour of investors if tainted by the behavioural biases result in over or under reaction to price changes or news, frequent trading of stocks, lack of proper collection and analysis of information, build more focus on good and popular stocks. This may further give rise to anomalies in stock market. It is imperative to develop new models of investment theory incorporating concepts of behavioural finance.

CONCLUSION

Despite the argument against the propositions of behavioural finance, it provides solid theoretical and empirical foundations for the study of irregularities found in the financial markets. Behavioural patterns that have traditionally been ignored by proponents of rational decisions are made transparent with the aid of prospect theory.

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THE EFFECT OF MERGER AND ACQUISITIONS ON THE SHAREHOLDERS' WEALTH: EVIDENCE FROM THE FOOD INDUSTRY IN INDIA

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ABSTRACT
The objective of this paper is to investigate the impact of merger & acquisition (M&As) deals while acquiring firms in the food industry in India, on shareholders' wealth. A sample of 10 firms involved in M&A deals during 2007 is considered for analysis. The analysis is based on descriptive statistics, correlation matrix, multiple regression, chow breakpoint test, and chow test. The results reveal that for the acquisition of firms in the food industry, the post-merger impact as M&A on the mean variables decreases when compared with the Market Value Added (MVA). The overall shareholders' wealth efficiency ratios increased after the merger for four out of eight corporate firms. The critical value of F (df; 7, 29) is $2.346_{0.05}$, $3.330_{0.01}$ at 5% and 1% level of significance respectively, the fact of which shows that the test statistics – post merger ($6.969_{0.01}$) is greater than the 99% critical value (3.330) of the F-test, leading to a rejection of the null hypothesis. The structural breakpoint test of the F- values for liquidity and financial risk has a positive significance positively with the MVA at 1% and 5% level and this reveals that there is good relationship between the independent and dependent variables taken for analysis. The cost of utilisation, management efficiency, profit, earnings, and growth do not have a significant impact on MVA. The chow F-value ($3.58_{0.01}$) is greater than the table value (df; 8, 44) $2.94_{0.01}$ at the 1% level, and hence, it is significant to state that there is a significant shift (change) in the output (shareholders' wealth) due to the merger during the post-merger study period 2008 - 2010, which supports a good, positively significant impact of M&A of the acquisition firms in the food industry in India after the merger.

KEYWORDS
acquisition; business restructuring; business risk; corporate restructuring; merger.

JEL CLASSIFICATION
G34; L25; M40

INTRODUCTION AND CONCEPTUAL FRAMEWORK
Merger and acquisitions (**M&A**) is a common term used in business in these days. ***M&A*** refers to that aspect of corporate strategy, corporate finance, and management dealing with buying, selling and the combating of different firms that can aid, finance, or help a growing firm in a given industry to grow rapidly without having to create another business entity. All corporate firms that are interested in ***M&A*** have a specific objective behind this process like a *combined economy can often reduce its fixed cost by removing duplicate departments or operation, lowering the cost of revenue, thus increasing profit margins; increased market shares; and cross selling.*

DEFINITION OF MARKET VALUE ADDED
Value-based management and shareholder value analysis were well-known concepts in the 1980s, but there is now a renewed interest in them and also in newer related concepts, such as, market value added (**MVA**). A corporate firm's total market value is equal to the sum of the market value of its equity and the market value of its debt. The ***MVA*** is the difference between the total market value and the book value of the firm. From an investor's point of view, ***MVA*** is the best external measure of a corporate firm's performance. **Stewart (1991)**[1] stated that ***MVA*** is a cumulative measure of corporate performance and that it represents the stock market's assessment from a particular time onwards of the net present value (**NPV**) of all a corporate firm's past and projected capital projects. The ***MVA*** is calculated at a given moment, but in order to assess performance over time, the difference or change in ***MVA*** from one date to the next can be determined to see whether value has been created or destroyed. According to **Nikhil Chandra Shil (2009)**[2] and **Finnegan (1991)**[3] ***MVA*** is identical in meaning to market-to-book ratio. The difference is only that ***MVA*** is an absolute measure and the market-to-book ratio is a relative measure. If ***MVA*** is positive, that means, that the market-to-book ratio is more than one. A negative ***MVA*** means the market-to-book ratio is less than one. If a firm's rate of return exceeds its cost of capital, the firm will sell on the stock markets with a premium compared to the original capital (has positive ***MVA***). On the other hand, firms that have a rate of return smaller than their cost of capital sell with a discount compared to the original capital invested in the firm. Whether a firm has positive or negative ***MVA*** depends on the level of rate of return compared to the cost of capital.

REVIEW OF LITERATURE
The process of ***M&A*** aims at achieving greater efficiency, diversification, and market power. The synergistic gains by ***M&A*** activity may argue from more efficient management, economies of scale and scope, improved production techniques, a combination of complementary resources, redeployment of assets to more profitable uses, and the exploitation of market power. It is argued that ***M&A*** are indispensable strategic tools for expanding product portfolios, entering new markets, acquiring new technology, and building a new generation organization with power and resources, to compete on a global basis.
Azhagaiah and **Sathish Kumar (2011)**[4], in their study *"Corporate restructuring and firms' performance: An empirical analysis of selected firms of across corporate sectors in India"* tested two hypotheses concerning whether there have been significant improvements in the corporate performance of Indian manufacturing corporate firms following the merger event, and for their study, they used a two sample paired t-test. The study findings indicate that Indian corporate firms involved in ***M&A*** have achieved an increase in the liquidity position, operating performance, profitability, and reduce financial and operating risk.
Azhagaiah and **Sathish Kumar (2011)**[5], in a study titled *"Mergers and Acquisitions: An Empirical Study on the Short-term Post- merger Performance of Corporate Firms in India"* examined a sample consisting of 20 acquiring firms during the period 2007. The study used ratio analysis and two sample paired t test for

compare the operating performance of the sample acquirer firms in the pre- and post-merger period. The study findings indicate that merging corporate firms in India appear to have performed better financially after the merger, as compared to their performance in the pre-merger period.

Azhagaiah and **Sathish Kumar (2011)**[6], in a study titled *"A study on the short-run profitability of acquirer firms in India"* enquired into the impact of business restructuring on the profitability of the chemical industry in India with a sample of 10 acquiring firms in the same industry during 2007. The study used gross profit ratio (**GPR**), operating profit ratio (**OPR**), and net profit ratio (**NPR**) to compare the pre- and post-merger operating performance of the selected acquiring firms in India, with two sample paired 't' test during the study period of three years before and three years after the period of ***M&A***. The study findings indicate that there has been a significant increase in short-run post-merger ***OPR*** of four acquirer firms, ***GPR*** of five acquirer firms, and ***NPR*** of five acquirer firms although there has been an increase in ***OPR***, ***GPR***, and ***NPR***. The study finally indicates that there is a significant positive impact of ***M&A*** on the short-run post-merger profitability of acquirer firms of the chemical industry in India.

Antony Akhil (2011)[7], in an analysis *"Post-merger profitability of selected banks in India"* examined the impact of the banks merged in India from 1999 to 2011. Between 1999 and 2011, around 18 ***M&A*** took place in the Indian banking sector. The study samples were six acquirer banks selected, three of them were public sector banks and three were private sector banks. The study used two sample paired t-test. The study findings indicate that there is a significant difference in the profitability ratios, like (growth of total assets ratio, growth of net profit ratio, return on assets ratio, return on equity ratio, and net interest margin ratio) of banks in the post-merger scenario.

Malabika Deo and **Mohammad Aasif Shah (2011)**[8], in a work entitled *"Shareholder wealth effects to merger announcements in Indian industry"* addressed the financial implications of the acquirer and target shareholders wealth in the Indian information technology industry (**IT**) that occurred from January 2000 to June 2010. The study which consisted of a sample of 28 merger announcements both by independent and controlling bidder firms, applied a constant market model to evaluate acquirer and target shareholders wealth. The study findings indicate that merger announcements in the ***IT*** sector have no significant impact on the bidder portfolio. ***M&A*** create significant positive abnormal returns for target shareholders only.

Madan Mohan Dutta and **Suman Kumar Dawn (2012)**[9], in a paper *"Merger and acquisitions in Indian banks after liberalisation: An analysis"* attempted to examine the Indian banking industry post liberalization and critically examined the reasons for the ***M&A***, and analyzed whether these ***M&A*** can be considered as successful or not. The study investigates the performance of merged banks in terms of its growth of total assets, profits, revenue, deposits, and number of employees. The performance of merged banks is compared taking four years of prior-merger and four years of post-merger. The study findings indicate that the post-merger periods were successful and saw a significant increase in total assets, profits, revenue, deposits, and in the number of employees of the acquiring firms of the banking industry in India. Most of the past studies also attempted, in the same way, to evaluate shareholders wealth in pre- and post-merger periods, but the present study is an attempt to overcome the limitations of the previous studies, and a fair answer will be found with the help of modern statistical tools. This paper aims to fill this gap.

RESEARCH METHODS

STATEMENT OF THE PROBLEMS AND SCOPE OF THE STUDY

When a firm gets merged with another or is acquired by the profit-making firm, it benefits both the firms; hence, it is the order of the day that all firms are interested in resorting to corporate restructuring in the form of ***M&A***. However, the question often arises whether all the firms that are merged / acquired are ending up with increase in shareholders value? Because in some firms, the operating performance gets reduced after ***M&A,*** therefore, the present study is an attempt to seek answers to the question by analysing the impact of ***M&A*** on the sample of 10 firms in the food industry out of the 11 firms listed in one of the leading Indian stock exchanges in India, namely, the ***Bombay Stock Exchange*** which have undergone ***M&A*** in the same (*related merger*) industry during the period 2007, and attempted to study the shareholders wealth of the acquirer firms in the food industry in India in the short run, that is, during the period of three years before merger and three years after the merger, that is from 2004 to 2006, and 2008 to 2010, hence, the period of the study is six years (from 2004 to 2010, merger year (2007) is not included).

OBJECTIVES OF THE STUDY AND HYPOTHESES DEVELOPMENT

Considering the scope of research on ***M&A*** in the food industry in India, the present study has been aimed at estimating the shareholders' wealth of acquiring firms in the post-merger period. The study has further attempted to investigate and test if there is any significant change in the results achieved by the firms due to ***M&A***.

Based on the objectives the following hypotheses are developed:

Ho#1- There is no significant improvement on the cost of utilization of acquiring firms in the food industry in India after the *M&As*.

Ho#2- There is no significant improvement on the management efficiency of acquiring firms in the food industry in India after the *M&As*.

Ho#3- There is no significant improvement on the profitability of acquiring firms in the food industry in India after the M&As.

Ho#4- There is no significant improvement on the earnings of acquiring firms in the food industry in India after the M&As.

Ho#5- There is no significant improvement on the liquidity of acquirer firms in the food industry in India after *M&As*.

Ho#6- There is no significant improvement on the growth of acquiring firms in the food industry in India after *M&As*.

Ho#7- There is no significant improvement on the financial risk of acquiring firms in the food industry in India after *M&As*.

RESEARCH METHODOLOGY

The study used secondary sources of data, which are collected from the capital market database called ***Centre for Monitoring Indian Economy Private Limited (Prowess CMIE)***. Data on shareholders' wealth ratios for a period of three years prior to the merger and a three years period after the ***M&A*** year for each acquiring firm were collected.

SOURCE OF DATA AND PERIOD OF STUDY

The sample units (firms) drawn are based on the list of firms that ventured into the ***M&A*** process with the help of the comprehensive list provided by the Prowess database of CMIE package.The study period is restricted to 2004 - 2010. The firms, which had gone into ***M&A*** process during the period of 2007, are only considered for the study for want of analysing short run impact of ***M&A***.

SAMPLING DESIGN

Multi-stage sampling technique is used and the different the stages followed are stated below:

Stage 1: 11 firms of the food industry, which had gone into the ***M&A*** processes during the period of 2007, are considered as the base.

Stage 2: The final sample unit consists of 10 firms of the food industry in India, which have complete data pertaining to the period of the study (*see table 1*).

DATA ANALYSIS

Shareholders' wealth ratios were computed for both pre- and post-merger periods for the entire set of sample firms, which have gone through ***M&A*** during the year 2007. The average pre- and post-merger financial performance ratios were compared to study if there was any statistically significant shift (*change*) in shareholders' wealth of the firms due to ***M&A***.

TABLE 1: SAMPLE UNITS OF THE FOOD INDUSTRY IN INDIA (BASED ON THE CALENDAR YEAR 2007)

Sl. No.	Acquirer Firms	Target Firms
1.	Bannari Amman Sugars Ltd.	Maheswara Sugars Ltd.
2.	Dabur India Ltd. (DIL)	Dabur foods Ltd. (DFL)
3.	GL Hotels Ltd.	Mayfair Banquets (P) Ltd.
4.	Indian Hotels Company Ltd.	Hotel Campton Place Ltd.
5.	Mcleod Russel India Ltd.	Moran Tea Co. (India) Ltd.
6.	Siel Ltd.	Mawana Sugars Ltd.
7.	Tata Global Beverage Ltd.	Tezpore Tea Co. Ltd.
8.	United Spirits Ltd.	Whyte and Mackay Ltd
9.	VIP Industries Ltd.	Blow Plast Ltd.
10	Virat Crane Industries Ltd.	Durga Dairy Ltd.

Source: Compiled & edited from the financial statements of selected firms listed-CMIE-prowess package.

RESEARCH METHODS

The study used "descriptive statistics, correlation matrix, multiple regression analysis, chow breakpoint test, and the chow test". Descriptive statistics, such as, mean and standard deviation is extensively used to deactivate the variation in the value of the independent and dependent variables. Correlation co-efficient is used to analyse the one-to-one relationship between the selected variables. Factor analysis is also used to identify underlying variables, or factors, that explain the pattern of correlations within a set of observed variables. *Table 2* shows the factor analysis undertaken on the whole period merger (pre- and post-merger periods) variables. The variables are rotated through the *Varimax with Kaiser Normalization* method and extracted using principal component analysis; thereby 7 factors are evolved through this factor analysis in this study.

Multiple regression analysis has been used for the purpose of estimating as to which part of the increase the merger had impact, by use of various ratios for finding out the shareholders' wealth of the firms of the food industry in India. The Chow test is used for the purpose of studying the shift in the structure of the cost of utilisation, management efficiency, profit, earnings, liquidity, growth, and financial risk etc., due to ***M&A***.

REGRESSION EQUATION ANALYSIS

The regression equation to analyze the determinants of shareholders' wealth includes the following dependent (explaining) variable and independent (explanatory) variables.

DEPENDENT VARIABLE

MVA is the dependent variable, which is the difference between the total market value and book value of the acquirer firms. From an investor's point of view, ***MVA*** is the best external measure of an acquirer firms' performance. ***MVA*** is the cumulative measure of corporate performance and it represents the stock market's assessment from a particular time onwards of the net present value (**NPV**) of all of a firm's past and projected capital projects. The ***MVA*** is calculated at a given moment, but in order to assess performance over time, the difference or change in ***MVA*** from one date to the next can be determined to see whether value has been created or destroyed, **Stewart** (**1991**). ***MVA*** is identical in meaning to market-to-book ratio. The difference is only that ***MVA*** is an absolute measure and market-to-book ratio is a relative measure. The *positive* ***MVA*** means market-to-book ratio more than one. The *negative* ***MVA*** means market-to-book ratio less than one. If a firm's rate of return exceeds its cost of capital, the firm will sell on the stock markets with a premium compared to the original capital (has positive ***MVA***). On the other hand, firms that have a rate of return smaller than their cost of capital sell with a discount compared to the original capital invested in the firm. Whether a firm has positive or negative ***MVA*** depends on the level of rate of return compared to the cost of capital, **Nikhil Chandra Shil (2009)**. The present study makes an attempt to discover whether value has created or destroyed the percentage change in ***MVA*** due to the ***M&A*** in the post-merger period.

The *MVA* is calculated by
MVA = Market value – Total common equity
Market value = No. of shares outstanding * Market stock price (As on 31st march)
Common equity = Equity + Reserves and surplus

INDEPENDENT VARIABLES

The independent variables are cost of utilisation (***CU***), management efficiency (***ME***), profit (***P***), earnings (***E***), liquidity (***L***), growth (***G***) and financial risk (***FR***).

Equation

$$MVA = \alpha + \beta 1\ CU + \beta 2\ ME + \beta 3\ P + \beta 4\ E + \beta 5\ L + \beta 6\ G + \beta 7\ FR + E$$

RESULTS AND DISCUSSION

Financial literature suggests that a merger decision may be the result of one or more of the following motives: *synergy, agency, and aggressive*. The synergy motive implies that acquiring firms expect synergetic gains that result by acquiring the resources of the two firms. There is a lot of research work evidencing that merged firms show significant improvements in post-merger cash flows. The performance of the selected acquiring firms of the food industry in India in respect of their ***CU***, ***ME***, ***P***, ***E***, ***L***, ***G***, and ***FR*** after the merger have been compared to that of before the merger. Descriptive statistics, correlation matrix, multiple regression analysis, chow breakpoint test analysis, and chow test are used for the purpose of studying the shift in the structure upon ***M&A***. The results of the study are presented from Tables 2 to 8.

TABLE 2: FACTORS OF FACTOR ANALYSIS ON THE IMPACT OF MERGER AND ACQUISITIONS ON THE SHAREHOLDERS' WEALTH PERFORMANCE IN THE FOOD INDUSTRIES IN INDIA

Factors	Eigen value	Variable convergence	Factor loadings
Factor 1 Cost of Utilization (CU)	6.059	Selling and Admi. Expense to Net Sales Ratio	0.993
		Total Expenses to Net Sales Ratio	0.996
		Employee Cost to Net Sales Ratio	0.991
		Raw Materials to Net Sales Ratio	0.994
		Power and Fuel Cost to Net Sales Ratio	0.956
		Other Manufacturing Expenses to Net Sales Ratio	0.914
Factor 2 Management Efficiency (ME)	4.066	Investments Turnover Ratio	0.950
		Inventory Turnover Ratio	0.916
		Fixed Assets Turnover Ratio	0.706
Factor 3 Profit (P)	2.752	Net Profit Ratio	0.850
		NWC to Total Sales Ratio	0.654
		Gross Profit Ratio	0.647
Factor 4 Earnings (E)	1.885	Dividend Yield Ratio	0.812
		Dividend Per Share Ratio	0.647
		Dividend Pay-out Ratio	0.788
		Total Debt to Total Assets Ratio	0.644
Factor 5 Liquidity (L)	1.844	Current Ratio	0.890
		Quick Ratio	0.896
		Operating Profit Per Share	0.668
Factor 6 Growth (G)	1.323	Growth on Sales Ratio	0.868
		Growth on EBDIT Ratio	0.924
Factor 7 Financial Risk (FR)	1.179	Debt Equity Ratio	0.818
		Interest Cover Ratio	0.588

Source: Compiled & edited from the financial statements of selected firms listed-CMIE-prowess package.

From the factor analysis (*see Table 2*) on the pre- and post-merger shareholders' wealth performance in the food industry in India, it is found that 7 major factors are identified and they are interlinked. In the ***first factor*** (*selling and administration expense to net sales ratio, total expenses to net sales ratio, employee cost to net sales ratio, raw materials to net sales ratio, power and fuel cost to net sales ratio, and other manufacturing expenses to net sales ratio*) is denoted as ***CU***. The ***second factor*** (*investments turnover ratio, inventory turnover ratio, and fixed assets turnover ratio*) is termed as ***ME***. The ***third factor*** (*net profit ratio, NWC to total sales ratio, and gross profit ratio*) is denoted as ***P***. The ***fourth factor*** (*dividend yield ratio, dividend per share ratio, dividend pay-out ratio, and total debt to total assets ratio*) treated as ***E***. The ***fifth factor*** (*current ratio, quick ratio, and operating profit per share ratio*) is described as ***L***. The ***sixth factor*** (*growth on sales ratio and growth on EBDIT ratio*) is denoted as ***G***. And the seventh and last factor (*debt equity ratio and interest cover ratio*) is treated as ***FR***.

To summarize the factors, the variables are appropriately combined together and clearly indicate which variables should be closely monitored. Independent variables, such as, ***CU***, ***ME***, ***P***, ***E***, ***L***, ***G***, and ***FR***, which are grouped together, are found to be highly significant variables identified through factor analysis. So, the firms in the food industry in India that tend to go in for a merger have to carefully analyze those variables before and after merger, since they are closely associated with the performance of acquiring firms.

TABLE 3: DESCRIPTIVE STATISTICS OF BASIC MEASURES OF IMPACT OF MERGER AND ACQUISITIONS ON SHAREHOLDERS' WEALTH OF ACQUIRING FIRMS IN THE FOOD INDUSTRY IN INDIA

Sl. No.	Variables	Pre-Merger		Post-Merger		Impact
		Mean	SD	Mean	SD	
1.	MVA	1.11	1.65	2.10	4.15	+
2.	Cost of Utilization	-0.17	0.16	0.17	1.39	+
3.	Management Efficiency	0.15	0.87	-0.15	1.10	-
4.	Profitability	-0.13	0.71	0.13	1.21	+
5.	Earnings	0.01	0.52	-0.01	1.32	-
6.	Liquidity	-0.14	0.98	0.14	1.00	+
7.	Growth	0.17	1.28	-0.17	0.55	-
8.	Financial Risk	0.23	1.05	-0.23	0.89	-

Source: Compiled & edited from the financial statements of selected firms listed-CMIE-prowess package.

Table 3 shows the descriptive statistics of measures of shareholders' wealth efficiency of acquiring firms in the food industry in India. It is evident that shareholders' wealth measured in terms of ***MVA*** has the maximum mean value and its standard deviation is also higher when compared to that of the other independent variables. The post-merger independent mean value is increased only for ***P***, ***L***, and ***FR*** and the post-merger independent mean value decreases for ***CU***, ***ME***, ***E***, and ***G***. The overall shareholders' wealth efficiency ratios increase after the merger for four out of eight measures.

TABLE 4: MULTIPLE REGRESSIONS ON FACTORS ON SHAREHOLDERS' WEALTH PERFORMANCE OF FIRMS OF FOOD INDUSTRY IN INDIA FOR PRE AND POST-MERGER PERIODS

Sl. No.	Variable	Un-Standardized Coefficients Beta Value					
		Pre-Merger			Post-Merger		
		B	t-Value	P-Value	B	t-Value	P-Value
1.	(Constant) MVA	0.717	0.620	0.542	2.688	4.673	0.000
2.	Cost of Utilization	-1.135	-0.209	0.836	-0.165	-0.456	0.653
3.	Management Efficiency	0.654	1.263	0.220	0.577	1.117	0.276
4.	Profitability	-0.197	-0.327	0.747	-0.812	-1.763	0.092
5.	Earnings	0.447	0.574	0.572	0.475	1.227	0.233
6.	Liquidity	0.144	0.343	0.735	2.719	4.799	**0.000****
7.	Growth	0.006	0.015	0.988	1.324	1.185	0.249
8.	Financial Risk	0.312	0.557	0.583	2.098	3.338	**0.003****
R- Square			0.142			0.689	
Adjusted R- Square			-0.130			0.590	
F- Value			0.522			6.969**	
Degrees of Freedom			7,29			7,29	
Number of Observations			30			30	

Source: Compiled & edited from the financial statements of selected firms listed-CMIE-prowess package.

Figures in the parentheses indicate degrees of freedom.

** Significant at 1 per cent level. * Significant at 5 per cent level.

The regression analysis (*see table 4*) shows that the factor ***L*** has a significant positive beta coefficient ($2.719_{0.01}$) with ***MVA*** at 1% level. The acquiring firms have the capacity to meet short-term liability in the post-merger periods and the acquiring firms have the capacity to pay debts as they come due. The acquiring firms are having ability to earn maximum profit from the maximum use of available resources. The ***P*** reflects the final result of a business operation; therefore, the ***P*** is the main base for liquidity as well as solvency.

The factor ***FR*** has a significant positive beta coefficient ($2.098_{0.01}$) with ***MVA*** at 1% level in the post-merger period only. These measures are often used by creditors to determine the ability of the business to repay loans. Debt ratios can be used to determine the overall level of financial risk of a firm. In general, the greater the amount of debt held by a firm the greater the financial risk of bankruptcy. The ratio expresses the relationship between capital contributed by creditors and that contributed by owners. The higher the ratio, the greater the risk being assumed by creditors. A lower ratio generally indicates greater long-term financial safety. A firm with a low debt-to-equity ratio usually has greater flexibility to borrow in the future. A more highly leveraged firm has a more limited debt capacity. Therefore, the study concludes that acquiring firms in the food industry have a positive significant impact in ***L*** and ***FR*** in the post-merger period.

The ***R***- square and adjusted ***R***-square in the pre and post-merger periods is 0.142, and 0.689; and -0.130, and 0.590 respectively. The critical values of F (df, 7, 29) are $2.346_{0.05}$, $3.330_{0.01}$ respectively at 5% and 1% level of significance, which implies that the test statistic for post-merger ($6.969_{0.01}$) is greater than the 99% critical value (3.330) of F-test, hence it is possible to reject the null hypothesis. ***F*** –values, being significant at 1% level, the study indicates that there is a good relationship between the dependent and independent variables taken for the analysis. This is a good significant positive impact of ***M&A*** of the acquiring firms in the food industry after merger.

The regression equation is as follows:

DEPENDENT VARIABLE - SHAREHOLDERS' WEALTH PERFORMANCE = MARKET VALUE ADDED

MVA (Pre-merger)* = 0.717 + -1.135 *CU* + 0.654 *ME* + -0.197 *P* + 0.447 *E* + 0.144 *L* + 0.006 *G* + 0.312 *FR* + *E
The regression equation infers that there is a negative impact of CU, ME, P, E, L, G, and FR on *MVA*.

MVA (Post-merger)* = 2.688 + -0.165 *CU* + 1.117 *ME* + -0.812 *P* + 0.475 *E* + 2.719 *L* + 1.324 *G* + 2.098 *FR* + *E
The regression equation infers that there is a positive impact of *L* and FR on MVA; negative impact of *CU*, *ME*, *P*, *E*, and *G* on *MVA*

TABLE 5: CORRELATION MATRIX OF FACTORS OF SHAREHOLDERS WEALTH FOR PRE-MERGER PERIOD (2004-2006) OF FIRMS OF FOOD INDUSTRY IN INDIA

	(Constant) MVA	CU	ME	P	E	L	G	FR
(Constant) MVA	1							
CU	0.071 (0.708)	1						
ME	0.254 (0.176)	**0.382*** **(0.037)**	1					
P	-0.069 (0.716)	**0.432*** **(0.017)**	**0.371*** **(0.044)**	1				
E	0.169 (0.372)	**-0.406*** **(0.026)**	-0.134 (0.479)	**-0.421*** **(0.021)**	1			
L	0.165 (0.382)	**0.452*** **(0.012)**	**0.432*** **(0.017)**	0.302 (0.105)	-0.039 0.838	1		
G	-0.048 (0.801)	**0.561**** **(0.001)**	0.066 (0.729)	0.204 (0.279)	-0.172 (0.363)	0.101 (0.595)	1	
FR	0.094 (0.620)	**0.523**** **(0.003)**	-0.181 (0.338)	-0.155 (0.415)	-0.017 (0.928)	0.057 (0.767)	0.105 (0.582)	1

Source: Complied & edited from the financial statements of selected firms listed-CMIE-prowess package.

Figures in the parentheses indicate degrees of freedom.

** Significant at 1 per cent level. * Significant at 5 per cent level.

The correlation matrix of factors of shareholders' wealth for the pre-merger period (*see table 5*) shows factors that like ***CU***, ***ME***, ***P***, ***E***, ***L***, ***G***, and ***FR*** do not have a significant relationship with ***MVA***. The factors ***ME***, ***P***, and ***L*** have a positive significant relationship with ***CU*** ($0.382_{0.05}$, $0.432_{0.05}$, and $0.452_{0.05}$) at a 5% level. The factor ***E*** has a negative significant relationship with ***CU*** ($-0.406_{0.05}$) at 5% level. The factors ***G*** and ***FR*** have a positive significant relationship with ***CU*** ($0.561_{0.01}$, $0.523_{0.01}$) at a 1% level. The ***P*** and ***L*** have a positive significant relationship with ***ME*** ($0.371_{0.05}$, $0.432_{0.05}$) at a 5% level. The ***E*** has a negative significant relationship with ***P*** ($-0.421_{0.05}$) at a 5% level.

The correlation matrix of factors of shareholders' wealth for the post-merger period (*see table 6*) shows a significant positive ***L*** which has a positive significant relationship with ***MVA*** ($0.655_{0.01}$) at a 1% level, while the factors like ***CU***, ***ME***, ***P***, ***E***, ***G***, and ***FR*** do not have a significant relationship with ***MVA***. The ***FR*** has a negative significant relationship with ***G*** ($-0.463_{0.05}$) at a 5% level.

TABLE 6: CORRELATION MATRIX OF FACTORS OF SHAREHOLDERS WEALTH FOR POST-MERGER PERIOD (2008-2010) OF FIRMS IN THE FOOD INDUSTRY IN INDIA

	(Constant) MVA	CU	ME	P	E	L	G	FR
(Constant) MVA	1							
CU	-0.109	1						
	(0.566)							
ME	0.002	0.002	1					
	(0.991)	(0.991)						
P	-0.338	-0.059	-0.141	1				
	(0.068)	(0.758)	.457					
E	0.171	0.023	0.037	0.101	1			
	(0.367)	(0.906)	(0.844)	(0.594)				
L	**0.655****	-0.089	-0.292	-0.207	0.019	1		
	(0.000)	(0.639)	(0.117)	(0.273)	(0.919)			
G	-0.076	-0.066	-0.214	-0.205	0.146	-0.132	1	
	(0.688)	(0.727)	(0.255)	(0.276)	(0.440)	(0.485)		
FR	0.352	-0.002	0.091	0.169	0.000	0.014	-**0.463***	1
	(0.057)	90.992)	(0.633)	(0.373)	(1.000)	(0.943)	**(0.010)**	

Source: Compiled & edited from the financial statements of selected firms listed-CMIE-prowess package.

Figures in the parentheses indicate degrees of freedom.

** Significant at 1 per cent level. * Significant at 5 per cent level.

TABLE 7: CHOW TEST ON REGRESSION OF MEASURES OF SHAREHOLDERS WEALTH OF ACQUIRING FIRMS IN THE FOOD INDUSTRY IN INDIA (CHOW BREAKPOINT FOR 2004 TO 2010 WITH EXCEPTION FOR 2007)

Variables	Pre-merger						Post-merger					
	2004		2005		2006		2008		2009		2010	
	F-value	P-value	F-value	P-value	F-value	P-value	F-value	P-value	F-value	P-value	F-value	P-value
CU	0.42	0.65	0.34	0.71	0.65	0.52	0.77	0.46	0.21	0.80	0.25	0.77
ME	0.44	0.64	0.46	0.62	0.68	0.51	0.93	0.39	1.26	0.29	0.24	0.78
P	1.10	0.33	1.66	0.19	1.54	0.22	1.65	0.20	0.63	0.53	0.27	0.76
E	0.41	0.66	0.29	0.74	0.54	0.58	0.96	0.38	0.55	0.57	0.32	0.72
L	0.96	0.38	1.67	0.19	6.44	**0.00**	6.45	**0.00**	4.53	**0.01**	0.26	0.76
G	0.33	0.71	0.24	0.78	0.58	0.56	0.61	0.54	0.25	0.77	0.28	0.75
FR	1.12	0.33	2.03	0.14	2.53	**0.05**	5.18	**0.00**	2.89	**0.05**	0.24	0.78

Source: Compiled & edited from the financial statements of selected firms listed-CMIE-prowess package.

Figures in the parentheses indicate degrees of freedom.

** Significant at 1 per cent level. * Significant at 5 per cent level.

The Chow breakeven test result on the regressions of the variables, ***CU***, ***ME***, ***P***, ***E***, ***L***, ***G***, and ***FR*** are shown in Table 7. The impact of variables of ***M&A*** on shareholders' wealth is significant (*chow breakpoint*): ***L*** has a significant positive for 2006 and 2008 ($6.4417_{0.01}$ and $6.4506_{0.01}$) and for 2009 ($4.5370_{0.05}$) with the ***MVA*** at a 1% and a 5% level, respectively. The ***FR*** has a significant positive for 2008 ($5.1814_{0.01}$) with the ***MVA*** at a 1% level. The ***FR*** has a significant positive for 2006 and 2009 ($2.5384_{0.05}$ and $2.8993_{0.05}$) with the ***MVA*** at 5% level. Factors such as ***CU***, ***ME***, ***P***, ***E***, and ***G*** do not have a significant relationship with ***MVA.*** Thus, there was a structural breakpoint in the series in 2006, 2008, 2009, and 2010. The structural breakpoint test with ***F***- values for ***L*** and ***FR*** have a significant positive with ***MVA*** at a 1% and 5% level. Therefore, it is found that there is a significant shift in the shareholders' wealth of acquiring firms of food industry in India.

APPLICATION OF CHOW TEST

The *chow test* (**Chow**, **1960**) was originally designed to analyze the same variables obtained in two different data sets to determine if they were similar enough to be pooled together. The method, however, could be used to determine if two regression lines are different from one another (**Howard B**. **Lee**, **2008**).[10] The impact of ***M&A*** on the shareholders' wealth of acquiring firms in the food industry in India can be seen through its structural changes and its impact on the acquiring firms of food industry. For this purpose, the period of study has been divided into two sub periods like pre-merger period from 2004-2006 and post-merger period from 2008-2010. For the purpose of analysing the impact of structural changes in the acquisition of firms in the food industry, the most useful tool is the "chow test".

PROCEDURE FOR APPLYING CHOW TEST

If when the both samples have enough observations to compute a regression equation, i.e., the number of observations exceeds the number of regression parameters estimated, and then the steps of the Chow Test would be

Step 1: To the first n_1 observations, fit the least squares equation:

$Y_1=X_1\,\beta_1+e_1$

Step 2: Compute the residual sum of squares, RSS_g

Step 3: To the second n_2 observations, fit the least squares equation:

$Y_2=X_2\,\beta_2+e_2$

Step 4: Compute the residual sum of squares, $\mathbf{RSS_J}$

Step 5: Pool the $n_1 + n_2$ sample observations to give ***Y*** and ***X*** and fit the least squares regression:

$Y= X\beta+e$

Step 6: Compute the residual sum of squares, $\mathbf{RSS_W}$.

Step 7: The test of the null hypothesis that the n_2 additional observations obey the same relation as the first is given by:

The test statistic is as follows:

$$F = \frac{\{RSS_w - (RSS_g + RSS_j)\} / K}{\{(RSS_g + RSS_j) / (N_1 + N_2 - 2K)\}}$$

This is distributed as F with k and $n_1 + n_2 - 2k$ degrees of freedom.
Where F* is the test statistic
RSS_w = residual sum of squares for the whole sample (restricted model)
RSS_g = residual sum of squares for the pre-merger sub-sample
RSS_j = residual sum of squares for the post-merger sub-sample
N = number of observations
K = number of regressors (including the intercept term) in each unrestricted sub- sample regression
2K = number of regressors in both unrestricted sub sample regressions (whole sample).
Using the above said procedure, the results of the calculated equation is presented in *table 8*.
The chow test for parameter stability confirms that there was a structural change in the estimating equation. The chow test models clearly indicate that for all series under examination, the null hypothesis of more than one structural break time can be rejected, **Bigramo *et al*. (2011).**[11]

Ho#8- There is no significant improvement in the shareholders' wealth of acquiring firms in the food industry in India after *M&As*.

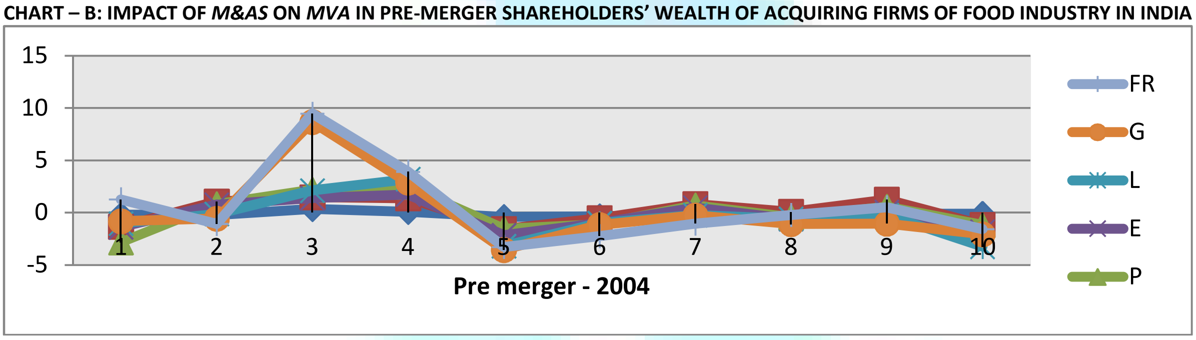
TABLE 8: RESULTS OF CHOW TEST FOR STRUCTURAL SHIFT BETWEEN PRE AND POST-MERGER PERIODS IN INDIAN FOOD INDUSTRY

Sum of Square Residuals			Number of Parameters Estimated	Number of Observations	F-Value	DF	F-Limit
Whole sample	Pre-merger	Post-merger					
369.814	67.934	155.866	8	60	3.588369	8,44	$F_{0.01}$ 2.946 $F_{0.05}$ 2.157 (for V_1=8; V_2=44)

Source: Compiled & edited from the financial statements of selected firms listed-CMIE-prowess package.

The chow test analysis (*see table 8*) reveals that the F-value ($3.58_{0.01}$) is greater than the table value (2.946) at a 1% level for df. 8 & 44, And hence, it is significant to assert that there is a significant change in the impact (shareholders' wealth) due to the merger during the study period (2004-2010). Hence, the null hypothesis is rejected. Hence, the study inferred that there has been a significant shift (increase) in ratios (measures) of shareholders' wealth **ME**, **P**, **E**, **L**, and **G** of acquiring firms in the food industry in India, and they show a growing trend over the period after the merger period.

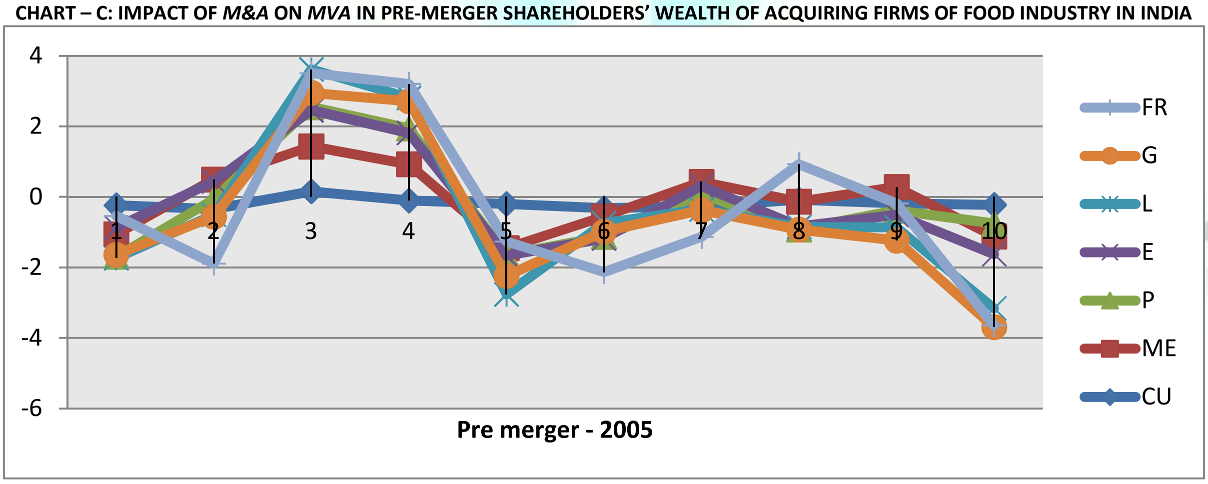
CHART – B: IMPACT OF *M&AS* ON *MVA* IN PRE-MERGER SHAREHOLDERS' WEALTH OF ACQUIRING FIRMS OF FOOD INDUSTRY IN INDIA



Source: Compiled & edited from the financial statements of selected firms listed-CMIE-prowess package.

Chart B reveal that there has been a significant shift (increase) in ratios of shareholders' wealth ***G*** of acquiring firms of food industry in India and the factors that like ***FR***, ***L***, ***E***, ***P***, ***ME***, and ***CU*** do not have a significant shift (increase) in the ratios of shareholders' wealth over the period 2004.

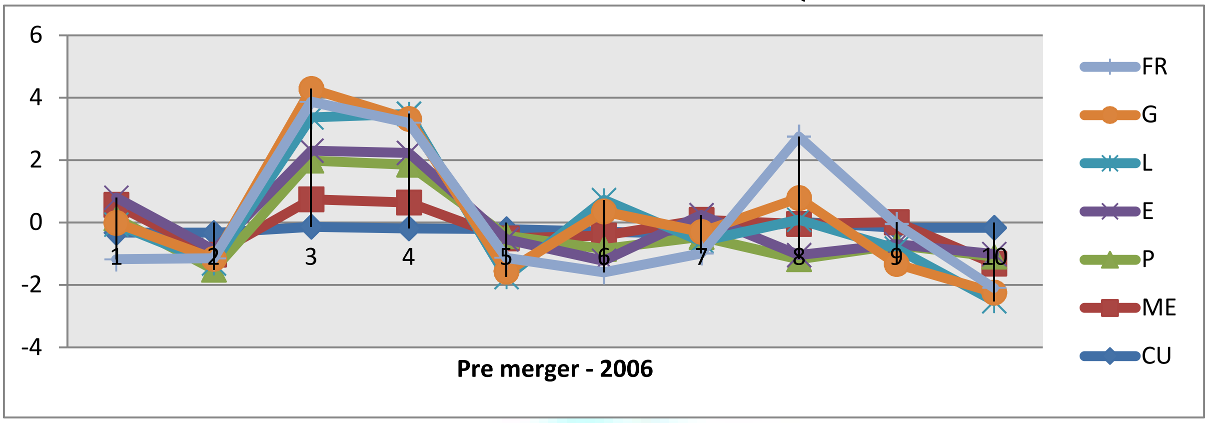
CHART – C: IMPACT OF *M&A* ON *MVA* IN PRE-MERGER SHAREHOLDERS' WEALTH OF ACQUIRING FIRMS OF FOOD INDUSTRY IN INDIA



Source: Compiled & edited from the financial statements of selected firms listed-CMIE-prowess package.

Chart C reveals that there has been a significant shift (increase) in the ratios of shareholders' wealth ***G***, ***L***, ***E***, ***P***, ***CU***, and ***ME*** of acquiring firms in the food industry in India. The chart shows a growing trend over the period of 2005, but the factors like ***FR*** do not have a significant shift (decrease) in the ratio of shareholders' wealth over the period 2005.

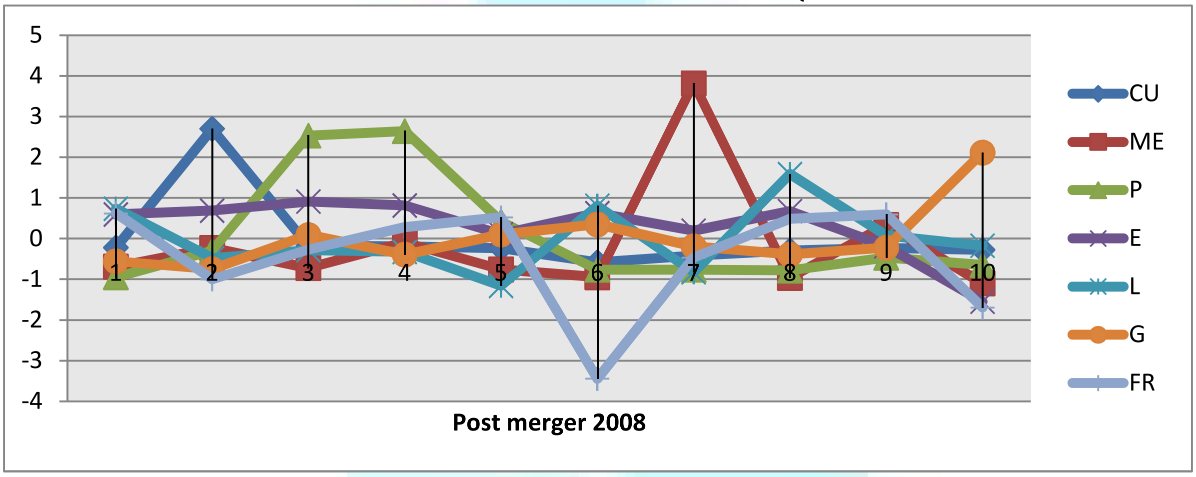
CHART – D: IMPACT OF *M&A* ON *MVA* IN PRE-MERGER SHAREHOLDERS' WEALTH OF ACQUIRING FIRMS OF FOOD INDUSTRY IN INDIA



Source: Compiled & edited from the financial statements of selected firms listed-CMIE-prowess package.

Chart D reveals that there has been a significant increase in the ratios of shareholders' wealth ***G***, ***L***, ***E***, and ***P*** of acquiring firms in the food industry in India. The chart shows a growing trend over the period of 2006, but factors like ***CU*** and ***FR*** do not have a significant shift (decrease) in the ratio of shareholders wealth over the period 2006.

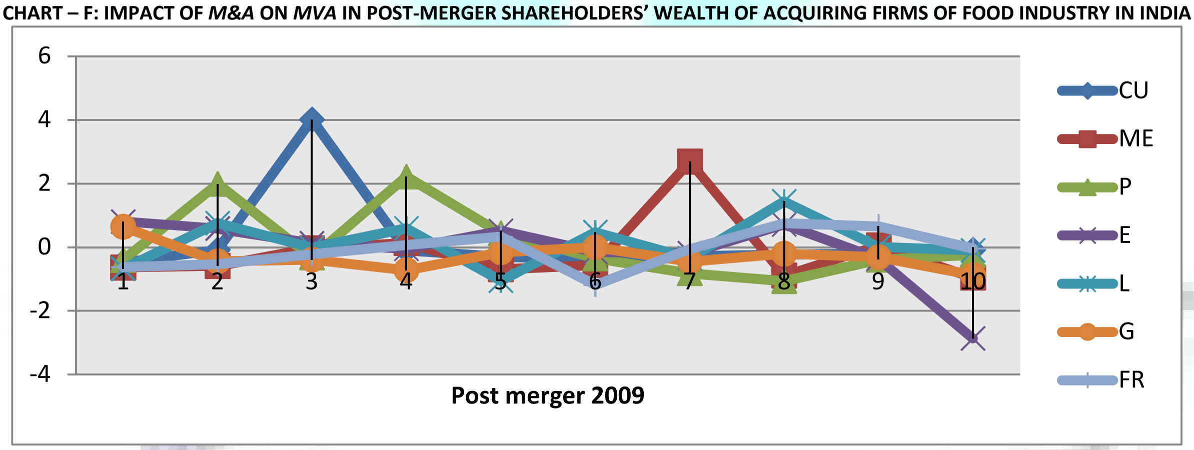
CHART – E: IMPACT OF *M&A* ON *MVA* IN POST-MERGER SHAREHOLDERS' WEALTH OF ACQUIRING FIRMS OF FOOD INDUSTRY IN INDIA



Source: Compiled & edited from the financial statements of selected firms listed-CMIE-prowess package.

Chart-E reveals that there has been a significant increase in the ratios of shareholders' wealth ***ME***, ***P***, ***G***, and ***FR*** of acquiring firms in the food industry in India. The chart shows a growing trend over the period of 2008, but the factors like ***L*** and ***E*** do not have a significant shift (increase) in the ratios of shareholders wealth over the period 2008.

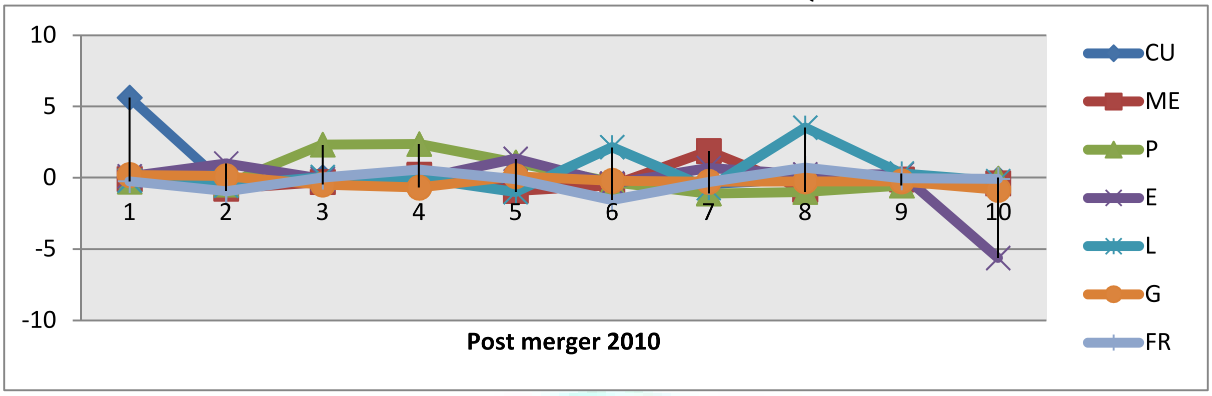
CHART – F: IMPACT OF *M&A* ON *MVA* IN POST-MERGER SHAREHOLDERS' WEALTH OF ACQUIRING FIRMS OF FOOD INDUSTRY IN INDIA



Source: Compiled & edited from the financial statements of selected firms listed-CMIE-prowess package.

Chart F reveal that there has been a significant increase in the ratios of shareholders' wealth ***ME***, ***P***, and ***L*** of acquiring firms in the food industry in India The chart shows a growing trend over the period of 2009, but the factors like ***E*** and ***G*** do not have a significant shift (increase) in the ratios of shareholders' wealth over the period 2009.

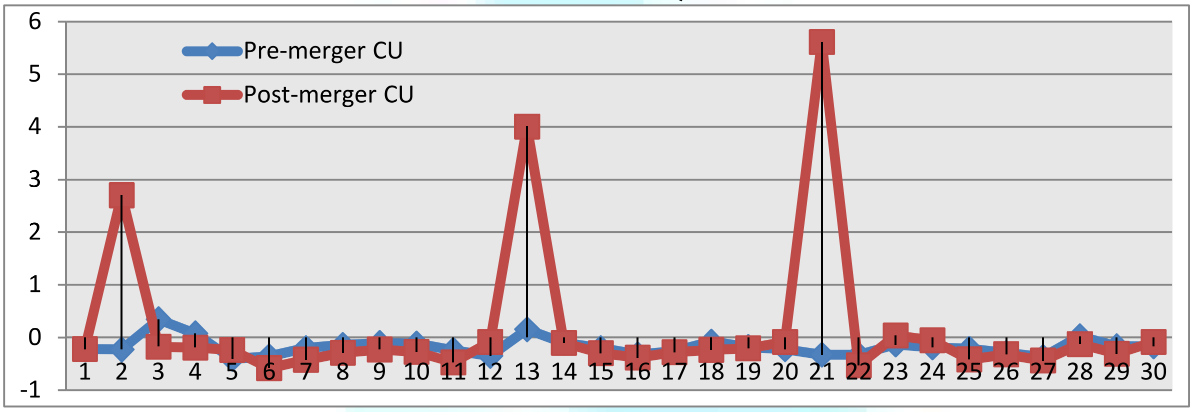
CHART – G: IMPACT OF *M&A* ON *MVA* IN POST-MERGER SHAREHOLDERS' WEALTH OF ACQUIRING FIRMS OF FOOD INDUSTRY IN INDIA



Source: Compiled & edited from the financial statements of selected firms listed-CMIE-prowess package.

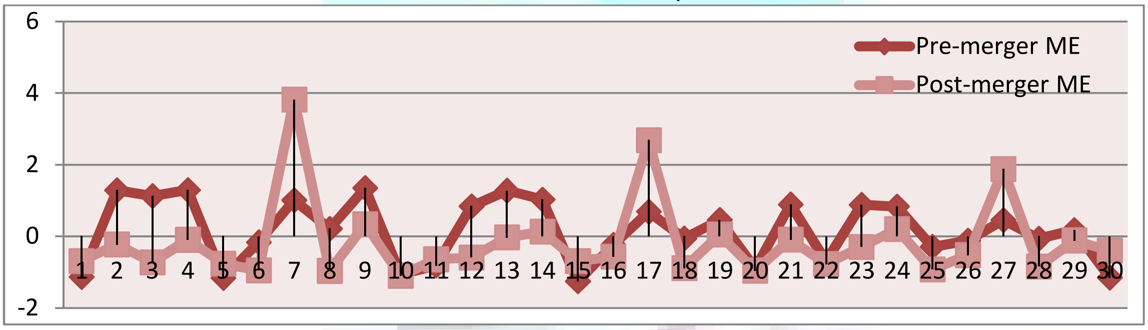
Chart G reveals that there has been a significant increase in the ratios of shareholders' wealth ***P*** and ***L*** of acquiring firms in the food industry India. The chart shows a growing trend over the period of 2010, but the factors like ***ME***, ***E***, and ***G*** do not have a significant shift (increase) in the ratios of shareholders' wealth during the period 2010.

CHART – H: IMPACT OF *M&A* ON COST OF UTILIZATION OF ACQUIRING FIRMS OF FOOD INDUSTRY IN INDIA



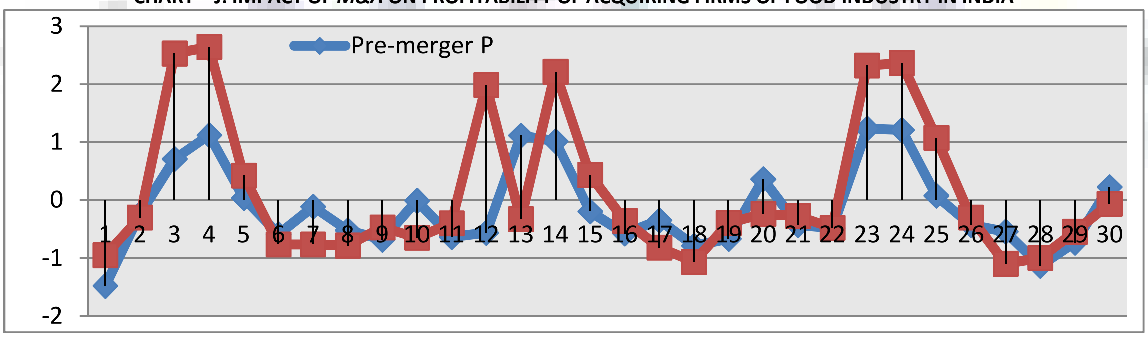
Source: Compiled & edited from the financial statements of selected firms listed-CMIE-prowess package.

CHART – I: IMPACT OF *M&A* ON MANAGEMENT EFFICIENCY OF ACQUIRING FIRMS OF FOOD INDUSTRY IN INDIA



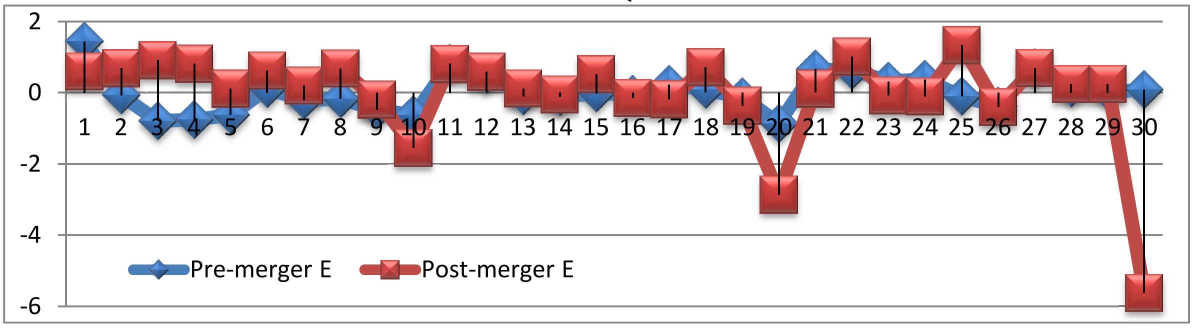
Source: Compiled & edited from the financial statements of selected firms listed-CMIE-prowess package.

CHART – J: IMPACT OF *M&A* ON PROFITABILITY OF ACQUIRING FIRMS OF FOOD INDUSTRY IN INDIA



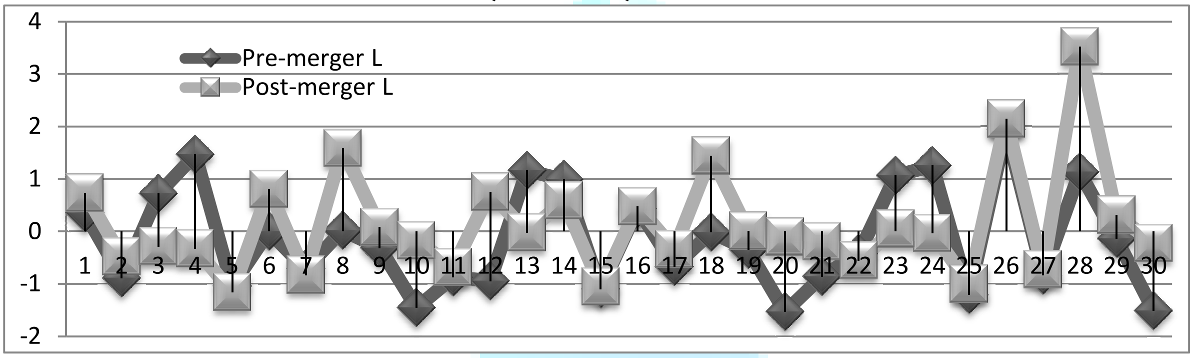
Source: Compiled & edited from the financial statements of selected firms listed-CMIE-prowess package.

CHART – K: IMPACT OF *M&A* ON EARNINGS OF ACQUIRING FIRMS OF FOOD INDUSTRY IN INDIA



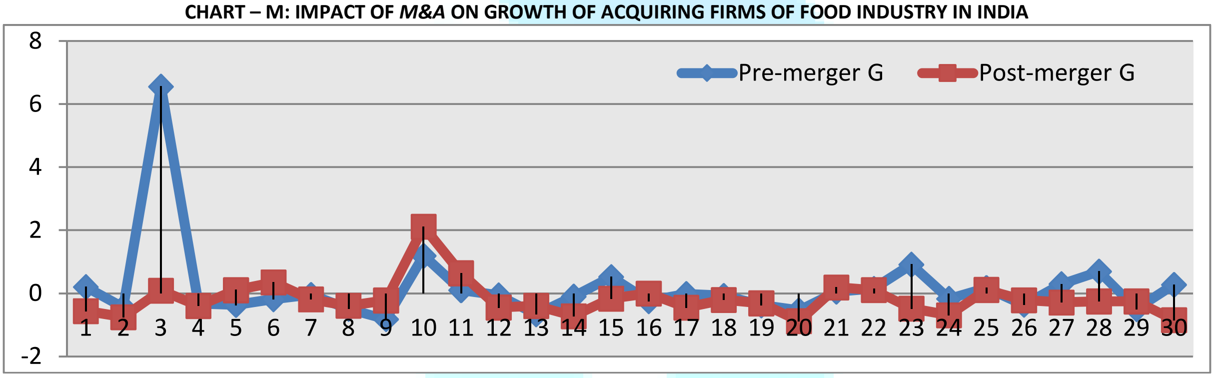
Source: Compiled & edited from the financial statements of selected firms listed-CMIE-prowess package.

CHART – L: IMPACT OF *M&A* ON LIQUIDITY OF ACQUIRING FIRMS OF FOOD INDUSTRY IN INDIA



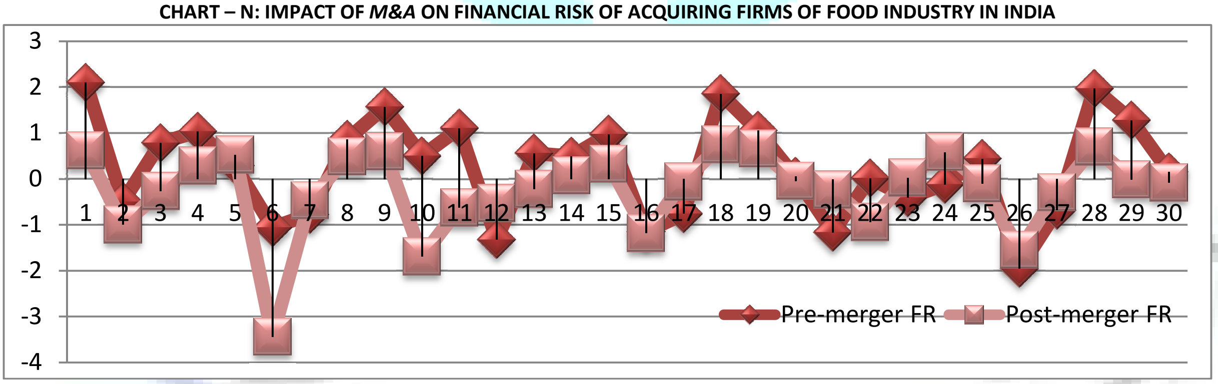
Source: Compiled & edited from the financial statements of selected firms listed-CMIE-prowess package.

CHART – M: IMPACT OF *M&A* ON GROWTH OF ACQUIRING FIRMS OF FOOD INDUSTRY IN INDIA



Source: Compiled & edited from the financial statements of selected firms listed-CMIE-prowess package.

CHART – N: IMPACT OF *M&A* ON FINANCIAL RISK OF ACQUIRING FIRMS OF FOOD INDUSTRY IN INDIA



Source: Compiled & edited from the financial statements of selected firms listed-CMIE-prowess package.

Charts H to *N* reveal that there have been significant increases in ratios of shareholders' wealth ***ME***, ***P***, ***L***, ***G***, and ***FR*** of acquiring firms in the food industry in India and it shows a growing trend over the post-merger periods.

CONCLUDING REMARKS

The study examines the shareholders' wealth of acquiring firms in the food industry in India, using descriptive statistics, correlation matrix, multiple regression, factor analysis, chow breakpoint test, and chow test to study if there is a significant shift in the shareholders' wealth of acquiring firms in the food industry in India in the post-merger period of ***M&A*** with the base of annual financial data spanning the years from 2004 through 2010. The acquisitions of firms in the food industry have been subject to a twofold shareholders' wealth change by the ***M&A*** process during the study period.

The post-merger ***independent mean*** value is increased only for ***P***, ***L***, and ***FR***, and the post-merger ***independent mean*** value is decreased for ***CU***, ***ME***, ***E***, and ***G***, thereby one can infer that four out of eight overall post-merger shareholders' wealth ratios (measures) are increased. The ***multiple regressions*** provide empirical evidences in support of the positive relation between the dependent and independent variables. Thus, H_o^5 and H_o^7 have been rejected in case of ***L*** and

FR of acquiring firms of food industry, which fact shows a significant positive correlation between the dependent and independent variables. Thus, H_o^1; H_o^2; H_o^3; H_o^4; and H_o^6 have been accepted in case of ***CU***, ***ME***, ***P***, ***E***, and ***G***, which shows a negative correlation between the dependent and independent variables.

The critical values of ***F*** (DF; 7, 29) are $2.346_{0.05}$, $3.330_{0.01}$, respectively at a 5% and 1% level of significance. This implies that the test statistics for the post-merger periods ($6.969_{0.01}$) is greater than a 99% critical value (3.330) of the F-test; hence it is possible to reject the null hypothesis. The ***F***- values, being significant at a 1% level, reveal that there is a good relationship between the dependent and independent variables considered for the analysis. This is a good significant positive impact of ***M&A*** on shareholders' wealth of the acquiring firms in the food industry over the study period after merger.

The impact of variables of ***M&A*** on shareholders' wealth is significant (chow breakpoint). ***L*** has a significant positive for 2006 and 2008 ($6.4417_{0.01}$ and $6.4506_{0.01}$) and for 2009 ($4.5370_{0.05}$) with an ***MVA*** at a 1% and 5% level respectively. The ***FR*** has a significant positive for 2008 ($5.1814_{0.01}$) with an ***MVA*** at 1% level. The ***FR*** has a significant positive for 2006 and 2009 ($2.5384_{0.05}$ and $2.8993_{0.05}$) with ***MVA*** at 5% level. Factors like ***CU***, ***ME***, ***P***, ***E***, and ***G*** do not have a significant relationship with ***MVA.*** Thus, there was a structural breakpoint in the series in 2006, 2008, 2009, and 2010. The structural breakpoint test with ***F***- values for ***L*** and ***FR*** have a significant positive with ***MVA*** at a 1% and 5% level. Therefore, it is found that there is a significant shift in the shareholders' wealth of acquiring firms in the food industry in India.

The ***chow F-value*** (3.58) is greater than the table value ($2.94_{0.01}$) at a 1% level for df. (8& 44), and hence it is significant asserting that there is a significant change in the output (shareholders' wealth) due to ***M&A*** during the study period (2004-2010). Hence, the null hypothesis is rejected. The study finally concludes that the there is a good relationship between the dependent and independent variables taken for analysis. This is a good significant positive impact of ***M&A*** of the acquiring firms in the food industry in India after merger.

LIMITATIONS AND SCOPE FOR FURTHER STUDIES

- This study is based on secondary data source; the data are collected from CMIE prowess package. Therefore, the quality of the study depends upon the accuracy, reliability, and quality of secondary data source**.**
- The study period is limited to six years only (three years before and three years after the merger period of the year) for want of studying the short-run impact of ***M&A*** on shareholders' wealth; hence the long-run impact could not be estimated.
- The study is limited to only 10 acquiring firms of food industry in India, which had gone into ***M&A*** process during the year 2007, therefore the results of analysis of other industries may vary if undertaken.
- The study has been restricted to acquiring firms of food industry only. The same method of analysis can vary well be extended to other industries too.
- This study have analysed the impact of few variables like ***CU***, ***ME***, ***P***, ***E***, ***L***, ***G***, and ***FR*** on ***MVA***. Further studies could be done considering the shareholders' wealth based on other measures of shareholders' wealth like Economic Value Added (**EVA**) for measuring the impact of ***M&A*** on shareholders' wealth.
- ✓ Studies can also be carried out on the operating performance and shareholders' wealth by comparing the pre and post-merger periods across industries in India; also across countries of the same industry or across industries as well.

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APPENDIX

APPENDIX A – "MULTIPLE REGRESSION" VALUE OF IMPACT OF *M&AS* ON INDEPENDENT VARIABLES OF ACQUIRING FIRMS OF FOOD INDUSTRY IN INDIA

Sl. No.	Variables	Pre-Merger	Post-Merger
1.	Cost of Utilization	NS	NS
2.	Management Efficiency	NS	NS
3.	Profitability	NS	NS
4.	Earnings	NS	NS
5.	Liquidity	NS	**
6.	Growth	NS	NS
7.	Financial risk	NS	**
	F- value	NS	**

Figures in the parentheses indicate degrees of freedom.
** Significant at 1 per cent level. * Significant at 5 per cent level.

APPENDIX - B - LIST OF DEALS ANNOUNCED IN FOOD INDUSTRY IN INDIA DURING THE CALENDAR YEAR 2007

Sl. No.	Acquirer Firms	Target Firms
1.	Bannari Amman Sugars Ltd.	Maheswara Sugars Ltd.
2.	Dabur India Ltd. (DIL)	Dabur foods Ltd. (DFL)
3.	Dhunseri Petrochem and Tea Industries Ltd.	Tezpore Tea Company Ltd.
4.	GL Hotels Ltd.	Mayfair Banquets (P) Ltd.
5.	Indian Hotels Company Ltd.	Hotel Campton Place Ltd.
6.	Mcleod Russel India Ltd.	Moran Tea Co. (India) Ltd.
7.	Siel Ltd.	Mawana Sugars Ltd.
8.	Tata Global Beverage Ltd.	Tezpore Tea Co. Ltd.
9.	United Spirits Ltd.	Whyte and Mackay Ltd
10	VIP Industries Ltd.	Blow Plast Ltd.
11	Virat Crane Industries Ltd.	Durga Dairy Ltd.

Source: Compiled & edited from the financial statements of selected firms listed-CMIE-prowess package.

APPENDIX C - DESCRIPTION OF VARIOUS MEASURES USED FOR ANALYSIS

Sl. No.	Ratios	Measure	Description
1.	Selling and administrative expense ratio	Selling and administrative expense x 100 / Net Sales	This ratios relation between selling and administrative expenses to net sales.
2.	Total expenses ratio	Total expenses x 100 / Net Sales	This ratios relation between total expenses to net sales.
3.	Employee cost ratio	Employee cost x 100 Net sales	This ratios relation between employee cost to net sales.
4.	Raw materials expenses ratio	Raw materials x 100 / Net sales	This ratios relation between raw materials expenses to net sales.
5.	Power and fuel cost ratio	Power and fuel cost x 100 / Net Sales	This ratios relation between power and fuel cost to net sales.
6.	Manufacturing ratio	Manufacturing expenses x 100 / Net sales	This ratios relation between manufacturing expenses to net sales.
7.	Investments turnover ratio	Cost of goods sold or sales / Investment	This ratios relation between cost of goods sold or sales to investment.
8.	Inventory turnover ratio	Cost of goods sold or sales / Inventory	This ratios relation between cost of goods sold or sales to inventory.
9.	Fixed assets turnover ratio	Cost of goods sold or sales / fixed assets	This ratios relation between cost of goods sold or sales to fixed assets.
10.	Net profit ratio	Net profit x 100 / Net sales	This ratios relation between net profits to net sales.
11.	NWC to total sales ratio	NWC x 100 / Net sales	This ratios relation between NWC to net sales.
12.	Gross profit ratio	Gross profit x 100 / Net sales	This ratios relation between gross profits to net sales.
13.	Dividend yield ratio	Dividend per equity share x 100 / Market price per share	This ratios relation between dividends per equity share to market price per share.
14.	Dividend per share ratio	Dividend / Number of shares	This ratios relation between dividends to number of shares.
15.	Dividend pay-out ratio	Dividend per equity share x 100 / Earnings per equity share	This ratios relation between dividends per equity share to earnings per equity share.
16.	Total debt to total assets ratio	Total debt x 100 / Total assets	This ratios relation between total debts to total assets.
17.	Current ratio	Current assets / Current liabilities	This ratios relation between current assets to current liabilities.
18.	Quick ratio	Quick assets / Quick liabilities	This ratios relation between quick assets to quick liabilities.
19.	Operating profit per share	Operating profit x 100 / Number of shares	This ratios relation between operating profit to number of shares.
20.	Growth on sales ratio	Current year sales – Previous year sales / Previous sales	This ratios relation between current year sales to previous sales.
21.	Growth on EBDIT ratio	Current year EBDIT – Previous year EBDIT / Previous year EBDIT	This ratios relation between Current years EBDIT to previous year EBDIT.
22.	Debt equity ratio	Debt / Equity	This ratios relation between total debts to total equity.
23.	Interest Cover Ratio	NPBIT /interest on fixed loans or debentures	This ratios relation between NPBIT to interest on fixed loans or debentures.

WHETHER DIFFERENCES MAKE DIFFERENCES? A NEW PARADIGM ON WORKFORCE DIVERSITY

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ABSTRACT
Growth in workforce diversity has been a serious discussion in India on account of the gap between the employees and the employers. In the organization diversity has to be taken in the goodwill, but they often end up with full of tensions and misunderstanding. This paper focuses on how does the management make differences in celebrating the differences effectively in workplace, is differences make difference in adopting the new environment in the workplace which includes the demographic factors such as age, gender, experience, family background, etc. Since, Success in the business were depends on the greater part, which is very predominant factor on the smooth relationships among employees and their clients. This paper explores the importance of workforce diversity in an organization, to understand the differences and to create and enhance the conditions that foster the benefit of the organization for achieving towards their goals and objectives.

KEYWORDS
Information Technology, Making Differences Effectiveness, Workforce Diversity, Working Environment.

INTRODUCTION
"[I]t's not where you're from or what you like; It's how much you care and how good you are at your job."

Hugo Parades

DIVERSITY in the workforce has become a top priority in corporate sector. Beyond HR challenges, managing employees with diverse workforce has become a prominent topic in the society over the past decade. In today's fiercely competitive world with a diverse workforce, competence counts more. Diversity is an issue of paramount importance to individuals, organizations, government and society. A primary source of diversity in organizations is the increasing globalization of organizations and management. Globally economic changes have increased the pressures on organizations and managers need to recognize that employees from different backgrounds are similar in some respects and different in others. Diversity in the workforce has the greater potential to develop the team as well as the organizational performance. In India, business and the workforce in organizations are becoming increasingly global and diverse. These developments affect our lives as workers and managers and pose numerous challenges in order to achieve the corporate goals.

WORKFORCE DIVERSITY & DIVERSITY MANAGEMENT - DEFINED
The workforce diversity focuses on the similarities and differences among the potential employees in particular characteristics such as age, gender, ethnic heritage, physical abilities and disabilities, race, sexual orientation, country of origin, level of education, family status, personal ambition, wealth needed for retirement, and corporate loyalty. More broadly, the term refers to a mixture of items, objects or people that are characterized by similarities and differences. The similarities can be as important as the differences. Before getting into the implement process of diverse workforce, managers need to have a lot of knowledge about diversity management and the change of the organizational thinking in handling the similarities and differences that exist among the people in the organization.

NEED FOR THE STUDY
India is the world's largest democratic country and home for more than a billion populations. Due to the exponential growth of the information technology and information technology enabled services India is the fast emerging as a leader in the field of software and web – knowledge based services. Though in the competitive economy growth, sustaining a firm is more complicated for a longer period. In addition, workforce diversity is the major component in the changing business environment which made the management of diversity as an important issue in the business concern. The importance of the workforce diversity is to meet the competitive pressures that the organizations currently face. Hence there is a need for evaluating the role of workforce diversity on Information Technology sector for its sustainable growth and success.

STATEMENT OF THE PROBLEM
This study is to identify the reason about the role of workforce diversity on promoting the business profitably in Information Technology sector. In a shaky economy, information technology is the fastest growing sector among the other industries. Demographic factors have been given primary importance because demographic changes coupled with typical work pressure pertaining to a position in a particular organization makes achievement of workforce diversity a critical issue to be attended with vital interest. Especially, the organizations recruit the knowledge workers to establish their firm globally, whether or not diversity is a business advantage, where managers need to make it priority focus towards the firms' growth. In the working environment there may be differences among one another. It may be the differences of knowledge, culture, age, experience, socio-cultural, religion, level of education, family status, personal ambition, wealth needed for retirement, corporate loyalty, etc. Thus in an industry where the differences take place, there exists diversity.
In this context, the following questions were raised:

1. How far the demographic/socio-economic factors influence the workforce diversity in IT sector?
2. How far they are satisfied with the existing workplace diversity?
3. What steps are taken to overcome the workforce diversity?

OBJECTIVES FOR THE STUDY
- To study whether the demographic factors influencing the workforce diversity.
- To understand the impact of workforce diversity on achieving the goals and objectives.

HYPOTHESIS

- There is a significant relationship influencing on age and workforce culture.
- There is a significant relationship influencing on gender and workforce culture.
- There is a significant relationship influencing on experience and workforce culture.

METHODOLOGY

The study is used to find out the behavior and attitude of the employees towards workforce diversity in the organization. The sample selected for the survey comprised of 50 male and female employees who were in different categories such as experience, age, education, language, etc. The questionnaire included ten questions, with a selection of pre-formulated answers. The response to each answer was expressed in a scale from one to five, with one indicating 'highly agree' and five indicating 'disagree'. The aim of the questionnaire was to put the respondent in the hypothetical situation of finding the influence of workforce diversity in the Information Technology sector. The answers were received in January 2012; the results and analysis are presented in the Appendix (Tables 1-4).

RELATED LITERATURE

In all of the above studies surveyed, one thing is common is that the studies were conducted at the aggregate level. In examining how diversity may help or hinder organizations, Researchers have proposed that the type of diversity can determine whether or not diversity will be useful or harmful to an organization (Jehn, et.al (2001)[1]. Richard and Johnson (2001)[2] address the theoretical abyss in their study entitled "Understanding the impact of Human Resource Diversity Practices on Firm performance". This article develops a model that illustrates the complexities of diversity initiative in the strategic human resource management. Finally, the researcher developed a framework for examining diversity with internal and external contingencies. Kochan, et al. (2003)[3] uses a model which suggests the relationship between race and gender diversity and business performance may depend on the organizational context in which work takes place. In this study entitled "The Effects of Diversity on Business Performance: Report of the Diversity Research Network" focuses on few positive and negative direct effects of diversity on performance relationships. Pitts and Wise (2009)[4] in their study entitled 'Workforce Diversity in the New Millennium: Prospects for Research" highlighted the management challenges that stem from workforce diversity. The empirical work on diversity and insufficient attention to empirical connections between diversity and organizational results shows that the control of human resource policies or practicing managers is less useful to the practitioners. Mousumi and Nilanjan (2011)[5] in their study entitled "HRM for Sustainable Workforce" highlighted the need for sustainable workforce diversity through human resource management. This article makes an attempt by the researcher to discuss about the rapid technological advancement, globalization and competitive demands from customers issues and practices adopted by the **Indian companies**.

HUMAN RESOURCE CHALLENCES

Today, the growth of the company depends upon two major things: How it innovates to the changing times, and how the company thinks faster than others. This is the fact that challenges before for the Human Resource professionals. Beyond the Human Resource challenges, managing with diverse workforce is not an easy task. Thus a HR manager needs to be thoughtful and make use of "Think global, act local" approach in most circumstances. In fact, the effectiveness of work force diversity management depends on the skillful balancing act of the HR manager[6] and still some organizations are lacking in overcoming the workforce diversity. The leaders of the organization should embrace diversity more strategically in order to help their companies to grow.

IMPACT OF WORKFORCE DIVERSITY ON INFORMATION TECHNOLOGY

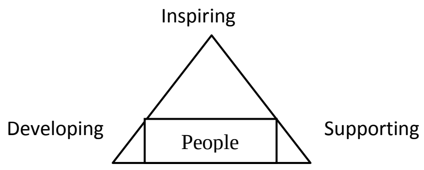
Indian firms have globally diverse workforce. It is obvious that a diverse workforce can generate diverse, and may be superior, ideas for competitive advantage. An increasingly significant factor that companies face in today's environment is the increased globalization of industries – the blurring of country boundaries in business activities. Many companies are actively competing on an international level setting up the production or service facilities in other countries or establishing international joint ventures and partnerships. Companies that still operate primarily in domestic markets often find themselves competing with international companies. Globalization and outsourcing expand a company's options for finding workers but also potentially expand the competition for the organization. Companies expand and contract their workforces more often and more readily, thereby churning the labor pool. To some extent, all companies operate in a global arena, which creates challenges and opportunities in terms of managing employees with workforce diversity. "Now **Indian companies** started to believe in diversity of workforce especially in the field of Information technology and information technology enabled services such as Wipro Technologies, Tata Consultancy Services, Mphasis, KPMG groups' etc"[7]. The scope of diversity in the company includes not just as gender but also extends to persons with disabilities, nationality and people from various backgrounds, different cultures, and different generations and so on. Today women were getting into the workforce into a wider industry wide policy of diversity in keeping global standards. "Today in terms of gender, the industry is doing well with about 35% of the BPO industry comprising of women and 22% of the IT industry," says senior director of Nasscom Sucharita Eashwar[8.]

IMPACT OF DEMOGRAPHIC FACTORS ON WORKFORCE DIVERSITY

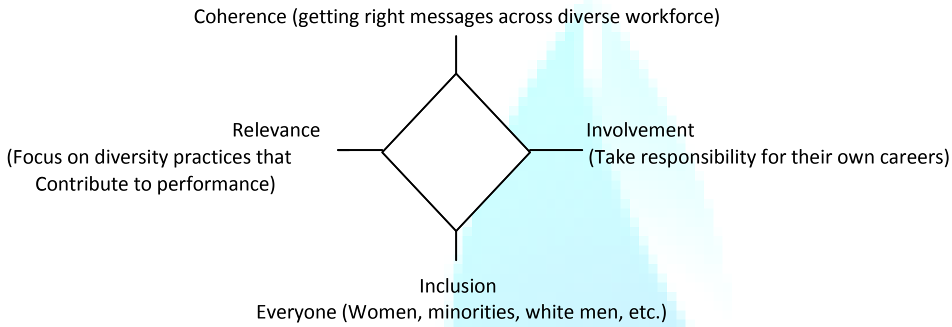
An important reason to control over the demographic factors such as age, gender, experience which has more influence on workforce diversity and also to find out the factor which has to be implement for the betterment of the business growth and success to attain its goals.

WORKFORCE DIVERSITY – NEW PARADIGM

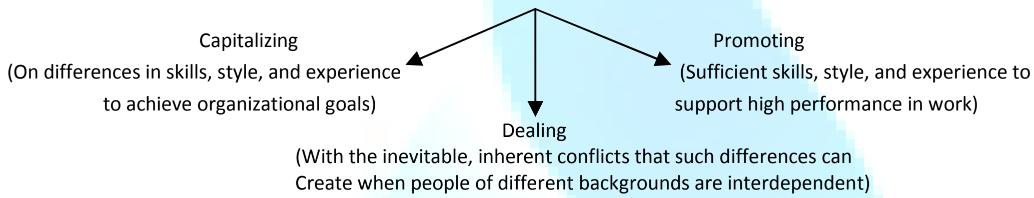
Diversity management



Principals of Management



Managing Diversity



Source: Computed from Primary Data

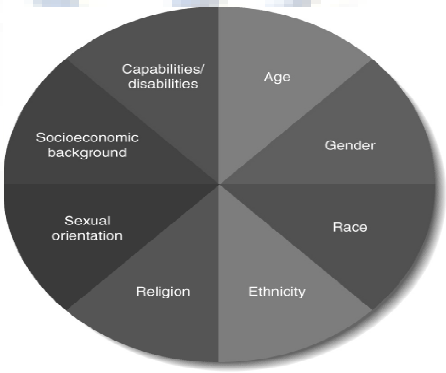
THE ROLE OF DIVERSITY - AS A GROWTH PROMOTER

Aiming towards future, the organizations should better understand about the diversity management of its roles, responsibilities and functions to promote the business a success. Today Information Technology is considered as a profit centered sector among the other organizations. As Glover notes, ""Diversity is a critical leadership success factor at IBM. Globally diverse leaders are maximizing the effectiveness of our teams. IBM has recognized the importance of building teams across the company from different countries. It's not just about leadership, but capability. Diversity is fundamentally focused on talent! Those differences create real opportunities for those who learn to master them and a disaster for those who do not."[9]

BENEFITS OF MANAGING DIVERSITY

Diversity as a tool used in the business to increase the competitiveness and organizational effectiveness by innovating talent and creating a friendly workplace in the working environment. Diversity management is a strategy to promote the business growth and maintain a positive workplace environment. An effective diversity increases the profit level, market share, horizontal relationship among employees, employers and clients, enhance recruitment and retention, smooth transitions in mergers and acquisitions, improve morale and productivity, and compete globally, etc.

DIMENSIONS OF WORKFORCE DIVERSITY



Primary and Secondary Dimensions of workforce diversity

Source: *Adapted from M.Loden, Implementing Diversity (Chicago: Irwin, 1996); S.Bradford,"Fourteen Dimensions of Diversity: Understanding and Appreciating Differences in the workplace," in J.W. Pfeiffer (Ed.), 1996 Annual: Volume @ Consulting (SanDiego: Pfeiffer and Associates, 19960, pp.9-17.*

TABLE 1: SHOWING THAT AGE, GENDER AND EXPERIENCE INFLUENCING WORKFORCE DIVERSITY

Age Wise Classification of Respondents			
Serial No:	**Age**	**No of Respondents**	**Percentage %**
1	Below 30	15	30
2	30-40	13	26
3	40-50	12	24
4	Above 50	10	20
	Total	50	100
Gender wise classification of Respondents			
Serial No:	**Gender**	**No of Respondents**	**Percentage %**
1	Female	24	48
2	Male	26	52
	Total	50	100
Experience of Respondents			
Serial No:	**Experience**	**No of Respondents**	**Percentage %**
1	Less than 4 years	10	20
2	4-6 years	15	30
3	7-9 years	12	24
4.	Above 10 years	13	26
	Total	50	100

Source: Computed from prmary data

TABLE – 2: SHOWING INFLUENCE OF GENDER ON WORKFORCE DIVERSITY

Groups	**Disagree**	**Neutral**	**Agree**		**Total**
	10-20	**20-30**	**30-40**	**40-50**	
Male	4	8	20	2	34
Female	3	7	5	1	16
Total	7	15	25	3	50

Source: Computed from primary data

From the above table the calculated value of ($\chi 2$) is 10.08, Degree of freedom =1, which is higher than the table value 3.83 at the significant level of 5%. Thus Ho is rejected. Hence there is an association between gender and workforce diversity.

TABLE – 3: SHOWING INFLUENCE ON AGE AND WORKFORCE DIVERSITY

Groups	**Disagree**	**Neutral**	**Agree**		**Total**
	10-20	**20-30**	**30-40**	**40-50**	
Below 30	1	3	9	2	**15**
30-40	2	3	8	0	**13**
40-50	2	4	6	0	**12**
Above 50	5	3	2	0	**10**
Total	**10**	**13**	**25**	**2**	**50**

Source: Computed from primary data

From the above table the calculated value of ($\chi 2$) is 13.81, Degree of freedom =3, which is higher than the table value 7.81 at the significant level of 5%. Thus Ho is rejected. Hence there is an association between age and workforce diversity.

TABLE – 3: SHOWING INFLUENCE ON EXPERIENCE AND DIVERSITY

Groups	**Disagree**	**Neutral**	**Agree**		**Total**
	10-20	**20-30**	**30-40**	**40-50**	
Less than 4 yrs	2	5	3	0	**10**
4 – 6 years	2	6	5	2	**15**
7 – 9 years	4	3	4	1	**12**
Above 10 years	2	6	3	2	**13**
Total	**10**	**20**	**15**	**5**	**50**

Source: Computed from primary data

From the above table the calculated value of ($\chi 2$) is 6.78, Degree of freedom =3, which is less than the table value 7.81 at the significant level of 5%. Thus Ho is accepted. Hence we can conclude that the distribution is made between the experience of respondents and the level of diversity has an agreement in the expectation.

SOME STEPS TO SUCCESSFUL CHANGE

- Improving job security and need training to overcome diversity.
- Motivation for workplace flexibility
- Make the workplace should be fun and should treat that all are equal in policies and provisions.
- Giving importance for their values and expectations.
- Considering that there is no difference from one another and creating an environment that is open to people to share their views, ideas and thoughts, etc.
- Supportive work environment
- Rewards and Recognition
- Celebrate success
- Continuing Effective Communication and Development
- Hiring diversity practices

CONCLUSION

This paper has set out to find out the level of workforce diversity which has influence in the Information Technology sector. The impact of workforce diversity depends on the effectiveness of misunderstanding, non cooperation, openness, etc. From the table it is seen that, the difference exists among the experience and the fresher's in the organization. Where the difference exists, there the businesses will affect the organization and it lacks in promoting its growth. Thus in the era of globalization, the organization should focus on promoting the workforce diversity and ultimately, what is needed is implementing and developing the skills will generate diverse culture and it laid a platform for its successful growth in the present and its future.

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ANNNEXURE

QUESTIONNAIRE

DEMOGRAPHIC FACTORS

1.	Age	:	☐ 21 – 30	☐ 31 – 40	☐ 41 – 50	☐ > 50	
2.	Gender	:	☐ Male	☐ Female			
3.	Educational Level	:	☐ Diploma	☐ Graduate	☐ Post Graduate	☐ Others	
4.	Length of service	:	☐ upto 5 yrs	☐ 6 - 10 yrs	☐11 - 15 yrs.	☐ 16 - 20yrs	☐ > 20yrs

WORKFORCE DIVERSITY

5. Does experience has influence on the work environment?
   ☐ Highly Agree ☐Agree ☐Neutral ☐Disagree☐Highly Disagree
6. Have your organization implement the diversity programs in the workplace?
   ☐ Highly Agree ☐Agree ☐Neutral ☐Disagree☐Highly Disagree
7. Does any of your co-workers has mistreated to you in the workplace?
   ☐ Highly Agree ☐Agree ☐Neutral ☐Disagree☐Highly Disagree
8. Does your organization employ a diverse range of people?
   ☐ Highly Agree ☐Agree ☐Neutral ☐Disagree☐Highly Disagree
9. Have your organization allow celebrating the holidays/ festivals, etc.
   ☐ Highly Agree ☐Agree ☐Neutral ☐Disagree☐Highly Disagree
10. Have your organization provide equal opportunities to all the employees?
   ☐ Highly Agree ☐Agree ☐Neutral ☐Disagree☐Highly Disagree
11. Does your organization treat all the employees equally?
   ☐ Highly Agree ☐Agree ☐Neutral ☐Disagree☐Highly Disagree
12. Does your organization treat the one kind / quality of the person?
   ☐ Highly Agree ☐Agree ☐Neutral ☐Disagree☐Highly Disagree
13. Does age is the factor which influence on diversity in the workplace?
   ☐ Highly Agree ☐Agree ☐Neutral ☐Disagree☐Highly Disagree

CORPORATE SOCIAL ENGAGEMENT: NEW BASE LINE TO CORPORATE SOCIAL RESPONSIBILITY

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ABSTRACT

The present paper is meant to offer a glance over the need of business engagement in society in the present and it is being realised as businesses are constantly growing conscious of their presence in the societal and environmental spaces. The paper makes an effort to understand the scope of corporate social engagement, which involves the environmental and social elements, all the stakeholders and customers. Social and environmental challenges, Government activism, Challenges from NGO's, internet and passionate customers were identified as major drivers which incline corporate towards engaging in society. The benefits such as reputation capital, signalling effect, authenticity, green washing and long term achievement that an organization enjoys from getting engaged in society are highlighted. It focuses on various approaches to corporate social engagement .strategic corporate philanthropy is identified as a way to put together social engagement and business interests. A new and powerful framework of social engagement that is cross- sector partnership has been acknowledged to be the next step of corporate social engagement.

KEYWORDS

Corporate social engagement, Strategic philanthropy, Strategic corporate social responsibility, Social partnership.

INTRODUCTION

FROM CORPORATE SOCIAL RESPONSIBILITY TO CORPORATE SOCIAL ENGAGEMENT

Business tangibles such as 'high-quality products and services' were the dominant factor to consider a company responsible a few years ago. Today, a range of other factors on how a business conducts itself as a member of society are also part of the mix. With generating reasonable profits; however, there is also a strong requirement for companies to make real, measurable contributions to the community in order to be considered 'good and responsible'. Business over the past two decades has been learning how to operate in a more environmentally and socially sustainable manner. The outgrowth of this profound transformation is the corporate social responsibility movement. CSR has now become the new baseline for corporate citizenship. But as times change, the role of corporate citizenship must change as well.

"The clear definition of CSR is that, the Community is not just another stakeholder in our business but the very purpose of our existence"- Jamshedji Tata

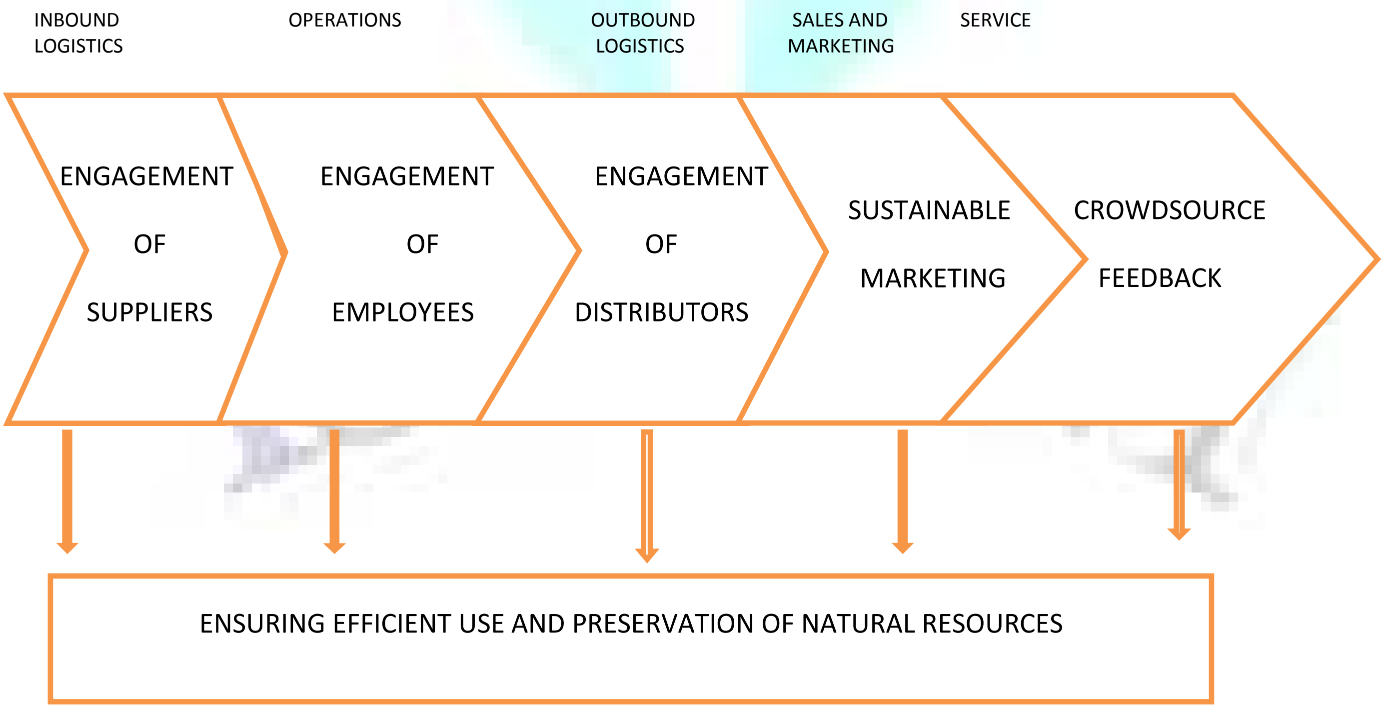
Effort to reduce their footprint on the environment and increase the same on society is visible throughout the globe by their small and big efforts.

With the moral imperative, business must now raise its level of play and move beyond corporate social responsibility – "I minimize the harm that I do" to corporate social engagement – "I maximize the good that I do." To step into this new paradigm, business must become proficient in furthering transformative social change. It must use this moral authority to encourage its multiple stakeholders to do the same – corporate social engagement. These stakeholders include its employees, communities, customers and supply chain.

DEFINITION AND MEANING OF CORPORATE SOCIAL ENGAGEMENT

Simply put, Corporate Social Engagement is a business entity's engagement in its society, environment and community for achieving results that are beyond its scope of profit.

According **to Wikipedia**, Corporate Social Responsibility/Engagement policy is defined as functions which are built-in, self-regulating mechanism whereby business would monitor and ensure its support to law, ethical standards, and international norms.



Corporate Social Engagement, this entails an open and honest discussion about social and environmental issues with stakeholders at every point in the value chain – suppliers, employees, investors, NGOs, government and, increasingly, customers. Implicit in this approach is the need to listen to their views and address their concern.(as shown in diagram above)
Social Engagement seeks to create an environment where a company can effectively engage diverse stakeholder groups, manage and communicate its social and environmental impacts and formulate locally-relevant initiatives through meaningful multi-channel, transparent and real-time dialogues.

SCOPE OF CORPORATE SOCIAL ENGAGEMENT
Specifically, Social Engagement involves:
- Addressing social and environmental issues through business-aligned CSR initiatives and communications;
- Engaging and partnering with stakeholder groups (NGOs and local governments) at the grassroots level; &
- Aligning brands with growing passionate consumer interests to jointly address social and environmental causes.

WHY SHOULD CORPORATE ENGAGE IN SOCIETY
By the mid-1970s, most scholars came to agree that business companies are important – if not crucial – social actors, and therefore have an obligation to deal with non-economic factors and forces related to the social environment.
In order to respond to social changes, business enterprises have to become socially engaged in a more proactive fashion: the concept of *responsiveness* introduced by Sethi (1975) refers to this new approach. One of the most interesting elements introduced by this new conceptualization of corporate engagement in society is a long-term vision of the relationship between business and social environment and a more proactive approach aimed at obtaining actual social improvement.
Three aspects can be mentioned among the most interesting traits of this new vision of the role of corporations towards society, as Frederick(1994) sees it: first, the re-evaluation, and consequently reduction, of the moral component of CSR; secondly, the focus on more tangible aspects of the relationship between social actors and business firms; and, thirdly, the institutionalization of the approach to social issues in terms of organizational innovation within the company in order to effectively achieve results.

DRIVERS OF CSE
In our research we have identified five major drivers that are reshaping stakeholder expectations and impacting corporate responsibility in the region:
SOCIAL AND ENVIRONMENTAL CHALLENGES
Social and environmental pressures are forcing companies to find more efficient means of consuming and using resources, and to better manage the social impact of their business, including taking care of employees and managing the social performance of suppliers.
They are inspiring ever-greater activism among influential stakeholders and raising the bar for companies entering into social contracts. This is due to an increased understanding of how business in general contributes to these pressures and declining trust in governments' ability to find solutions to the social challenges facing them
The mounting concern with sustainable growth and climate change has spawned a new breed of ethical investors. They are urging companies to report on the environmental and social costs of their operations and improve corporate governance. Investors are growing a conscience via ethical funds and sustainable indices and a string of environmental violations by companies is thrusting ethical growth on to the agenda.
GOVERNMENT ACTIVISM
Governments across the region are taking an increasingly active role in enforcing change in the corporate sector by enacting legislation on social and environmental performance. Within this changing regulatory landscape, companies that voluntarily manage their social and environmental impacts will be better adapted for the future and thus more competitive in the long term. Another way governments are demonstrating their concern for the social well-being of their citizens is through the enactment of more stringent labour laws and guidelines.
For example in India Corporate social responsibility is redefined under new guidelines that aim to encourage ethical practices in all spheres of business operations, ultimately shifting the focus away from merely shelling out cash on social causes.
The new guidelines, now being referred to as business responsibility norms, will replace the ministry of corporate affairs' voluntary directions on CSR introduced years before.
The new norms require a company to be responsible in its handling of issues related to environment and society where it functions. Apart from prescribing best practices on how a company should address concerns on human rights violations, the guidelines will suggest ways in which India Inc should interact and lobby with the government.
While the norms would still be kept voluntary, a strict process of reporting has been devised that would be periodically reviewed by regulators. An independent evaluation mechanism of how a business is performing is also being devised through rating agencies.
The business responsibility framework has been jointly prepared by the Indian Institute of Corporate Affairs, a think tank under the ministry, and Germany-based international enterprise GIZ as part of a bilateral co-operation effort.
Companies will be asked to report their activities in their annual reports. While larger companies will be required to report as per the global reporting initiative (GRI) format, which is an internationally recognized format on sustainability reporting, smaller companies will have an option of just declaring their in-principle acceptance of these norms.
Rating firms have already started ranking companies based on their performance on environment social norms. Crisil had launched its Environment, Social and Governance (ESG) index, which measures company performance on voluntary disclosures on governance and environment issues rather than financial performance.
The index ranks India's top 500 listed firms, using publicly available information to measure their performance. "Since June 2009 the ESG index has outperformed the Nifty 50, as said by Sunil Sinha, senior economist and the person in charge of creating the index. This shows that investing in environment friendly companies with good corporate governance will yield good return too.
India has already made some progress on the responsible investment front. Companies such as Yes Bank, Tata Steel, IDFC and ONGC have incorporated sustainability and, according to the Global Reporting Initiative (GRI), about 56 Indian companies include some ESG data in their annual reports or sustainability reports. The government has also introduced guidelines on corporate governance and corporate social responsibility. But industry experts say the focus of the latter is philanthropy rather than sustainability. Bloomberg collects ESG data on 3,500 companies globally including 580 Indian companies, making India the second largest participant. Similarly, India has a sustainability index, S&P's ESG index on the National Stock Exchange, which measures and ranks large-cap listed companies on their ESG performance.
With many of such government activities and companies considering the fear of losing credibility and goodwill is way bigger than money spent; corporate social responsibility is in vogue.
GROWING INFLUENCE OF NGOs
As NGO networks become more organized, larger international and domestic NGOs are cooperating with smaller local NGOs and community groups in rural areas to help build capacity and increase influence. Domestic NGOs monitoring corporate activity on the ground are now able to reach larger organizations, which can then bring issues to light on the national and international stage. Moreover, the media, NGOs and locals are highlighting the negative repercussions of business activity with regard to industrial pollution, deforestation, land grabbing and displacement of tribals and farmers. In turn, domestic businesses are realising the need to increase their acceptability to the public. Last year, the government banned Vedanta resources listed on the London Stock Exchange, from mining bauxite in the Niyamgiri Hills of eastern Orissa state and halted the, Lavasa city project in Maharashtra both for flouting environmental laws. "Businesses

are starting to understand that natural resources like land, coal, water need to be shared and are not freely available and that acquisition needs to happen in a structured manner," says Seema Arora, head of the Confederation of Indian Industry's ITC Centre for Sustainable Development.

INTERNET AND MOBILE COMMUNICATIONS

Through blogs, online petitions, videos of environmental destruction or websites created to protest the labour practices of a specific company, stakeholders are increasingly speaking their minds locally with global impact. Moreover, their views are being regarded as credible, giving them the means to damage (or elevate) corporate reputation to a greater extent than ever before.

PASSIONATE CONSUMERS AND EMPLOYEES

The rise of the Internet and the increasing availability of information is empowering consumers and employees as never before, helping them become more vocal and more audible. Information about a company or organization provided by an employee or fellow consumer is significantly more personal than information obtained directly from the organization itself.

BENEFITS

The benefits that will accrue to a company from becoming a engaged in society are many. They include increasing customer loyalty, attracting and retaining employees, developing employee morale to help drive and sustain a company-wide corporate responsibility strategy, developing employee leadership skills, building strong partnerships with local government, community organizations and other businesses, and strengthening community visibility and goodwill. Others would include

Positive impact on reputational capital: Scholars suggest that corporate engagement in society bolsters a firm's reputational or moral capital, which in turn serves as a form of insurance.

Signalling effect: CSE activity can sometimes indicate a firm's credibility. In industries with high competition and advertising intensity, corporate giving and profits are positively related; conversely, in industries with low competition and advertising intensity, the relationship is negative.

Perception of authenticity: CSE activity increases the authencity of organisations.

Commercial Benefit: Increased visibility among consumers and employees

Green Washing: Focusing the attention of consumers on certain actions only. This would help to reposition the company's image in the market.

Political-social relationships: To enjoy certain social and political benefits.

The long Term Achievement : Companies with motives to really help the society, gain more than just mere good marketing. They gain a long term reputation and trust of people at large which seeps into their employees too.

APPROACHES TO CSE

Corporate social responsibility and corporate giving should be strategically aligned with the organization's core competencies in order to benefit society as well as generate return for the company.

As the world is increasingly getting conscious about the energy and environment sustainability, corporate houses are getting more focused on their efforts to mainstream CSE. Business entities are taking responsibility for the impact of their activities on environment as well as the customers, suppliers, employees, shareholders, communities and other stakeholders. These responsible acts have many methods and approaches.

According to Porter and Kramer an organization can involve in society at three levels: generic, value chain and competitive context. (as shown in the diagram below)

At generic level, it would involve supporting and funding the events (which is completely outside of what people associate with the company) for the welfare of society. In value chain context, each of the elements should take care of as not to harm the society or environment. In order to fit within competitive context (i.e. be strategic), then a company must understand its brand equity. For example Volvo, stands for safety while Toyota represents environmental friendliness. Once companies understand their brand equity, then finding relevant, strategic social causes that offer differentiation with competitors will not seem a far-fetched notion.

CORPORATE INVOLEMENT IN SOCIETY: APPROACHES

• GENERIC SOCIAL IMPACT	• VALUE CHAIN SOCIAL IMPACTS	• SOCIAL DIMENSION OF COMPETITIVE CONTEXT
• GOOD CITIZENSHIP	• MITIGATE HARM FROM VALUE CHAIN ACTIVITIES	• STRATEGIC PHILANTHROPY THAT LEVERAGES CAPABILITIES TO IMPROVE SALIENT AREAS OF COMPETITIVE CONTEXT
• **RESPONSIVE CSR**	• TRANSFORM VALUE CHAIN ACTIVITIES TO BENEFIT SOCIETY WHILE REINFORCING STRATEGY	• **STRATEGIC CSR**

Three main approaches which are commonly adopted by companies are discussed here. These approaches are:

STRATEGIC CORPORATE SOCIAL ENGAGEMENT

INCORPORATE THE CSE STRATEGY DIRECTLY INTO THE BUSINESS STRATEGY OF AN ORGANIZATION

In recent times, to achieve a more integrated approach to Corporate Social Engagement, business houses have started incorporating social missions. For example, social mission of Bharti Airtel is to get cell phones into the hands of the hundreds of millions of people in India who otherwise have no way to communicate with each other. Tata Motors has a similar goal with respect to providing low-cost transportation in the form of the Nano. The social mission of the pharmaceutical and healthcare company, Dr. Reddy's, is to address the unmet medical needs of the poor in India as well as around the world. Hindustan Unilever's "Project Shakti" uses microfinance principles to create a sales force in the poorest regions of the country.

While corporates are realizing that CSE is more than a mere voluntary act, some countries have turned it to a legislative requirement.

In the annual general meeting of CII in 2007, Prime Minister Manmohan Singh had addressed in his speech about the CSR as "corporate social responsibility must not be defined by tax planning strategies alone. Rather, it should be defined within the framework of a corporate philosophy which factors the needs of the community and the regions in which a corporate entity functions."

CORPORATE STRATEGIC PHILANTHROPY

Traditionally, corporations have donated, in average, rather small amounts of money to a quite great number of social causes or non-profit organizations, thus affecting the effectiveness of the donation. Moreover, only very seldom did the corporation have the chance or the will to verify how the recipient organization carried out the program for which it received the grant.

The connection between donor and grantee was, in those cases, limited to the transfer of money from an institution to another institution, leaving no room to establish a deeper and more productive relationship. During the 1980s, the concept of *enlightened self-interest* starts to become central in the debate on the social role of business. The rationale that underlies this new vision is of great importance for companies: in this view, business philanthropic engagement is intended to be a means to produce actual social value in the very interest of the corporation. As Peter Drucker states, "in the next decade it will become increasingly important to stress that business can discharge its 'social responsibilities' only if it converts them into 'self-interest,' that is, into business opportunities" (Drucker, 1984, p. 59).

The idea that social engagement, and philanthropy, should be linked to the corporations' bottom line opens the path to a new vision of the relationship between private sector and society. Craig Smith (1994) describes what he refers to as "the new corporate philanthropy" as a new opportunity for business to strategically make use of their resources for philanthropic purposes. In other terms, Smith (1994) is convinced that corporations could make much more profitable use of their resources if they would reconsider philanthropy in terms of strategy.

Since the early 1990s corporate strategic philanthropy has represented a new way for business to approach social issues. In times of economic and financial troubles for companies, the only way for them to continue to contribute to social improvement seemed to be the alignment of philanthropic initiatives to business strategic goals, particularly because "the strategic use of philanthropy has begun to give companies a powerful competitive edge" (Smith, 1994, p. 105).

Craig Smith, in his 1994 *Harvard Business Review* article, was among the first to announce that this "new corporate philanthropy" was being carried out successfully by industry giants such as IBM, AT&T, Reebok, and several others. By linking charitable giving to corporate strategy, these companies were "corporate citizens" who had found ways to align "a broad view of self-interest" with a commitment to the greater good (1994:107). As a result of this approach, these companies manage to "increase their name recognition among consumers, boost employee productivity, reduce R&D costs, overcome regulatory obstacles, and foster synergy among business units"

EMPLOYEE VOLUNTEERING

An increasingly important form of corporate giving involves time and expertise, in the form of employee volunteering. Several companies have adopted employee volunteer programs (EVPs), in which companies sponsor employees to spend time volunteering, typically in partnership with local non-profit organizations. Certain companies dedicate a "day of service" every year; others loan out employees to do fulltime paid volunteer work; others offer travel service sabbaticals and structured skills based volunteering.

Strategic philanthropy is presented as distinct from other approaches to charitable giving. Bruch and Walter (2005) provide one such typology, which describes four types of philanthropy.

1. Dispersed philanthropy, which consists of mostly uncoordinated, disparate charitable initiatives without clear decision-criteria. This is typically the approach used in corporate donations and tends to be based on personal preferences of managers or board members rather than a strategic assessment of stakeholder needs and core competencies. As a result, such initiatives run the risk of being misunderstood by directors, management, and employees, and of being ineffective to beneficiaries in the long run.
2. Peripheral philanthropy, which is highly oriented towards external demands and expectations and can improve company reputation, customer demand, and attractiveness to employees. But, not being tied to the company's core competencies, these activities can seem irrelevant or superficial and are unsustainable in the long-term.
3. Constricted philanthropy, which bases philanthropic activity on the company's core competencies but neglects to address the needs and expectations of key stakeholders. Thus, it runs the risk of being seen as irrelevant or superfluous.
4. Strategic philanthropy, which they consider the most effective approach, integrates a concern for external stakeholder and market expectations while paying attention to the company's internal core competencies. This approach can arguably generate sustainable social benefits while also improving employee motivation and corporate reputation.

Based on Bruch and Walter (2005) typology, a matrix can be developed- MATRIX OF PHILANTHROPY. As inferred from Bruch and Walter (2005) typologies, the philanthropic approach can have two orientation i.e. charity orientation (the concept of traditional giving) the sense of giving can come either because of

INTERNAL FOCUS - personal preferences of managers or board members without any external demands

EXTERNAL FOCUS – focuses due to external demands and expectations which are necessary to improve company reputation, customer demand, and attractiveness to employees

And the Strategic orientation (the concept of institutionalization of concept of giving in the core competency of the organization) which would include two dimensions-

EXCLUSIVE - neglects to address the needs and expectations of key stakeholders, while concentrating on core competency

INCLUSIVE – takes into consideration the needs and expectations of key stakeholders, while concentrating on core competency

MATRIX OF PHILANTHROPY

CHARITY ORIENTATION

		INTERNAL FOCUS	**EXTERNAL FOCUS**
STRATEGIC ORIENTATION	**EXCLUSIVE**	• Dispersed philanthropy	• Peripheral philanthropy
	INCLUSIVE	• Constricted philanthropy	• Strategic philanthropy

SOCIAL PARTNERSHIP

Corporate strategic philanthropy, as described above, can be seen as a one-sided process. The corporation identifies an area of interest and sets up a philanthropic program investing its own resources, with no – or little – consultation with external actors. During the last twenty years a new model of social engagement has been developed. This approach can be referred to as strategic alliances or partnerships between corporations and non-profit organizations.

The establishment of strategic alliances is a well-known process in the for-profit sector. As Kanter (1994) points out, the creation of alliances between corporations in order to acquire collaborative advantages has become more important as a strategic tool since the 1990s. The idea behind this type of mutual engagement is to create more value together than the value that can be created by acting alone.

According to Kanter (1994), the key to successfully implement an alliance mainly rely on the mutual commitment of both organizations: collaboration is the key-word. This means that both parts have to actively contribute to the cause by adding their own value in order to achieve results.

Another key-factor is represented by interpersonal connections between professionals who actually undertake and carry out the collaboration. In other terms, a strong and well organized framework alone does not guarantee the success of the partnership: it is necessary that key-persons from both organizations stay in contact and work together, thus establishing a link that will eventually become a catalyst for value creation.

The process of creating a link between different sectors requires the constant investment of time and resources, forcing the organizations to carefully consider the goals that they want to achieve. The main purpose for establishing cross-sector partnerships is the creation of social value: this is the goal that partner organizations have in common the deep commitment to the cause of those two corporations is demonstrated by the great amount of executives' time and other corporate resources that have been invested in the non-profit organization

CONCLUSION

In the era of globalization and in today's knowledge economy, there is the need to realise that it is required to move a step ahead corporate social responsibility i.e. towards corporate social engagement, for the success of organization and the welfare of society. For the survival in the competitive and changing environment it is important to get engaged in society at each level, while making it a part of their strategy and focusing on their core competency.

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GREEN MARKETING

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ABSTRACT

There is a growing interest among the consumers all over the world regarding protection of the environment. Worldwide evidence indicates that people are concerned about the environment which is triggering a change in their behavior. As a result of this, the green marketing concept has emerged, which speaks for the growing market for sustainable and socially responsible products and services. Green Marketing is one of the initiatives towards environment protection, which is gaining popularity. Green marketing is a phenomenon which has developed a particular significance in the modern market. People generally want to do the right things, so the challenge and opportunity for the green marketer is to make it easy for the people to do so. When all other factors are equal – quality, price, performance and availability, environmental benefit will most likely tip the balance in favor of the product. Environmental sustainability is not simply a matter of compliance or risk management. Business is increasingly recognizing the various competitive advantages and opportunities to be gained from eco-sustainability and green marketing. Green marketing subsumes greening the products as well as greening the firms , in addition to manipulating the 4Ps (product, price, place and promotion) of the traditional marketing mix. The author explains the concept and principles of green marketing. This paper also explains the challenges and opportunities for green marketers. This paper focuses primarily on the green marketing strategies and models. This paper overviews the green marketing strategy matrix. The author surveys the marketers and consumers to understand their opinions about green products and attempts to suggest innovative strategies of green marketing to the marketers.

KEYWORDS

Competitive Advantage, Green Marketing Model, Green Marketing Strategies, Green Marketing matrix.

NEW DIMENSIONS IN MARKETING: GREEN MARKETING

The best way to predict the future is to create it."

- Peter Drucker

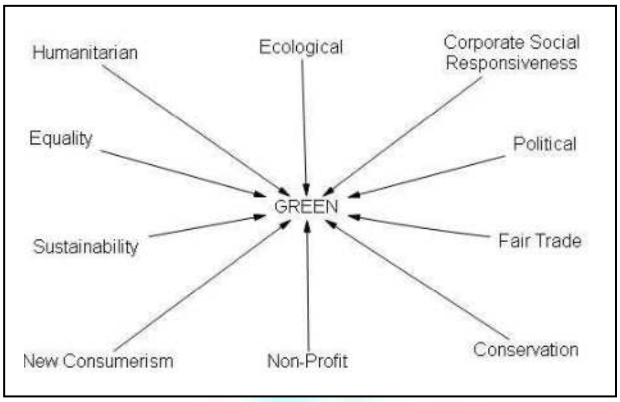
Green marketing was given prominence in the late 1980s and 1990s after the proceedings of the first workshop on Ecological marketing held in Austin, Texas (US), in 1975. Several books on green marketing began to be published thereafter. According to the Joel Makower (a writer, speaker and strategist on clean technology and green marketing), green marketing faces a lot of challenges because of lack of standards and public consensus to what constitutes "Green". The green marketing has evolved over a period of time. According to Peattie (2001), the evolution of green marketing has three phases. First phase was termed as "Ecological" green marketing, and during this period all marketing activities were concerned to help environment problems and provide remedies for environmental problems. Second phase was "Environmental" green marketing and the focus shifted on clean technology that involved designing of innovative new products, which take care of pollution and waste issues. Third phase was "Sustainable" green marketing. It came into prominence in the late 1990s and early 2000.

REVIEW OF LITERATURE

As there are over 100 definitions of sustainability in academia, there are many more meanings of green to consumers. They all seem to be related however with the desire to change the world for a better place. In general green marketing is a much broader concept, one that can be applied to consumer goods, industrial goods and even services.

Thus green marketing incorporates a broad range of activities, including product modification, changes to the production process, packaging changes, as well as modifying advertising. Yet defining green marketing is not a simple task. Indeed the terminology used in this area has varied, it includes: Green Marketing, Environmental Marketing and Ecological Marketing.

FIG 1: THE MEANINGS OF GREEN TO CONSUMERS



A green consumer is defined as "a person who, in his or her consumption behavior consciously attempts to have a neutral or positive effect on the earth, its environment and its inhabitants." Up to one point this definition may work for a green investor as well, as they also seek out other goals for their investments, than just the financial ones. However the difference lies in the utility. While both take their utility from doing good things towards the Earth green investors are also seeking utility through their capital gains.

This early definition has three key components:
1) it is a subset of the overall marketing activity.
2) It examines both the positive and negative activities; and
3) a narrow range of environmental issues are examined.

While this definition is a useful starting point, to be comprehensive green marketing needs to be more broadly defined. The broad definition is: Green or Environmental Marketing consists of all activities designed to generate and facilitate any exchanges intended to satisfy human needs or wants, such that the satisfaction of these needs and wants occurs, with minimal detrimental impact on the natural environment. [Polonsky 1994b, 2]

Therefore it ensures that the interests of the organization and all its consumers are protected, as voluntary exchange will not take place unless both the buyer and seller mutually benefit. The above definition also includes the protection of the natural environment, by attempting to minimize the detrimental impact this exchange has on the environment. The second point is important, for human consumption by its very nature is destructive to the natural environment. Thus green marketing should look at minimizing environmental harm, not necessarily eliminating it.

4 P'S AND 4 C'S OF GREEN MARKETING

A. GREEN MARKETING MIX

(a) **Green Product**: Green products are the ones that incorporate recycled content , are energy efficient and saving, durable, and have low maintenance requirements.

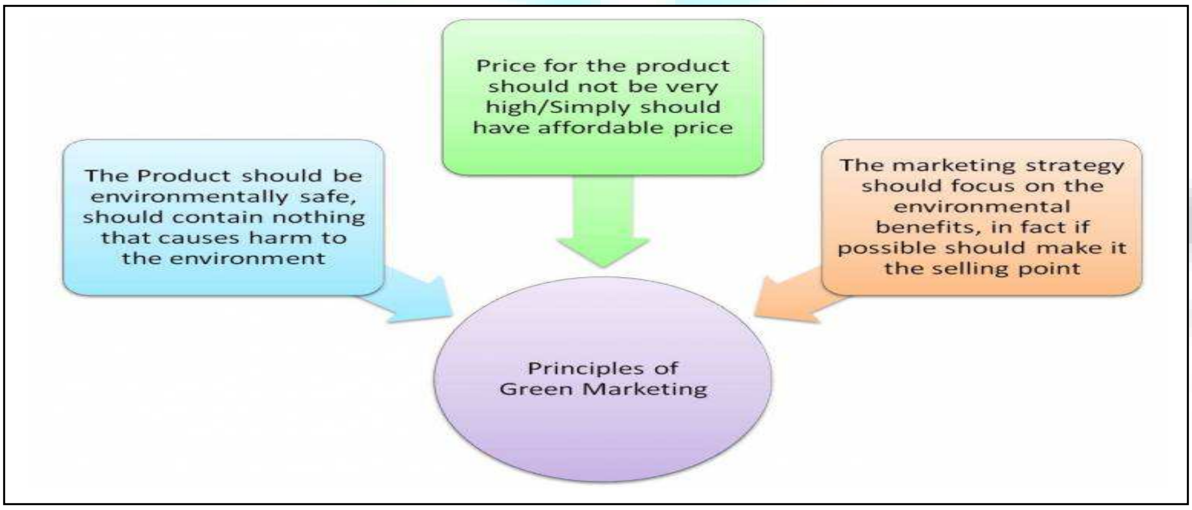
(b) **Green Price:** Consumers are often ready to pay a premium price if they perceive the value in a product. The products that prove to be less detrimental to the environment are often less costly when product life cycle costs are considered.

(c) **Green Place:** Green place involves efficient management of logistics and the entire supply chain to reduce its impact on the environment. This would involve mass-transportation, containerization, unit trains and other goods-handling technologies. Reverse channel systems have been developed for recycling of products whereby the empty bottles at the retailers end are brought back to the factories so that they can be reused.

(d) **Green Promotion**: Green Promotion involves creating awareness for the green products in the marketplace. Green promotion also involves the use of promotional tools that save energy like internet. Many companies have now started the paperless office concept by using blogs, e-mails and social networking sites to promote their products, as these acts are cost and energy saving initiatives.

PRINCIPLES OF GREEN MARKETING

FIG. 2: PRINCIPLES OF GREEN MARKETING



Green marketing, put simply is the marketing of products that have a green tag to them and have been prepared using sustainable environmental practice and are considered environmentally safe.

One traditional problem associated with green marketing is that it sometimes asks consumers to forego something in order to do their bit for the environment. Consumers rarely like it when they have to give up something, so a green marketing approach that provides a sound, safer environmentally conscious product at not very high costs is likely to meet with larger success and acceptance.

This has led to a parallel shift between consumer and company approaches between money and environment relationship. Investing in green technologies by a company is more for cutting down costs on fuels or to earn credits while a consumer who chooses to buy an environmentally safe product makes a decision to spend his money for the larger environmental benefit. Sometimes the green practice may even become the signature selling point if the campaign is cleverly designed.

However, it is absolutely essential that the firm pays close attention to its environmental friendly practices as any claim if found to be fraudulent can spell disaster for the company and its products. Sometimes a firm may simply claim that a product is environmentally friendly or may claim adoption of cleaner practices when in reality they may not actually be doing anything for the environmental cause, such practices are labeled as **Greenwashing**.

Concerns have been raised over the lack of a universal framework over what classifies as green, the lack of a universally accepted standard also creates confusion in the minds of consumers. The ability to spearhead an environmental movement solely on consumer faith is limited as choices are decided often by the pricing and the paying ability of the consumer and the effectiveness of the product; the environmental benefit is the last thing on a shopper's mind. Development of labels such as 'Energy Star' and 'Eco mark' may go a long way to ensure people's faith and provide them with a simple measure of how environmental friendly a product is.

The Clean Development Mechanism (CDM) under the Kyoto Protocol is considered as one such example of a positive framework that can serve as a valuable source of funding to fuel sustainable projects in developing countries.

NEED/IMPORTANCE OF GREEN MARKETING

Since early 1990s, a major concern on the ecological impact of industrial houses on the environment has been surfaced on the marketplace. Not only the relation between human, organization and natural environment is being redefined, but the implications thereof are being interpreted. New perceptions are being formed or re-evaluated on issues like environmental friendly products, recyclability, waste-reduction, the cost associated with pollution and the price value relationship of environmentalism. Pressure from various stakeholders, Government, environmentalists, NGOs, consumers is placed on businesses, which in turn keeps them under constant and relentless watch in their daily operations. A direct result can be seen in developed and developing countries where the Government became stricter in imposing regulations to protect environment. The consumers of these countries are being more outspoken regarding their needs for environmentally friendly products. Questions remain on their willingness to pay a higher premium for such products. So in this era where consumers determine the fate of a company, green marketing imparts a proactive strategy for these companies to cater to the market by imparting nature friendly products/ services which otherwise reduce or minimize any detrimental impact on the environment.

A green marketing approach in the product area promotes the integration of environmental issues into all aspects of the corporate activities, from strategy formulation, planning, re-engineering in production process and dealing with consumers.

So to remain competitive within the challenge thrown by the environment protectionists, the companies will have to find answers through their marketing strategies, product& service redesign, customer handling etc. In this endeavor the companies may go for new technologies for handling waste, sewage and air pollution, it can go for product standardization to ensure environmentally safe products, by providing truly natural products.

In this regard, the companies should be concerned with what happens to a product during and after its useful life. Companies may manifest this concern through experimentation with ways to reassess and redesign the product life stages. Life cycle reassessment focuses on environmental consideration in product development and design, including energy and material inputs and outputs in production, consumption and disposal of products. It would be able to manage the life stages of a product in an environmental friendly and eco- efficient manner. Eco-efficient refers to the proper thinking for the use or consumption of natural resources so that nature is offered an opportunity to renew itself.

When looking through the literature there are several suggested reasons for firms' increased use of Green Marketing.

Five possible reasons cited are:

1. Organizations perceive environmental marketing to be an opportunity that can be used to achieve its objectives [Keller 1987, Shearer 1990].
2. Organizations believe they have a moral obligation to be more socially responsible [Davis 1992, Freeman and Liedtka 1991, Keller 1987, McIntosh 1990, Shearer 1990].
3. Governmental bodies are forcing firms to become more responsible [NAAG 1990].
4. Competitors' environmental activities pressure firms to change their environmental marketing activities [NAAG 1990].
5. Cost factors associated with waste disposal, or reductions in material usage forces firms to modify their behavior [Azzone and Manzini 1994].

STATEMENT OF THE PROBLEM

Need for Standardization: There is no standardization currently in place to certify a product as an organic. Unless some regulatory bodies are involved in providing the certifications, there will not be any verifiable means. A standard quality control board needs to be in place for such labeling and licensing.

New Concept: Indian literate and urban consumer is getting more aware about the merits of Green products. But it is still a new concept for the masses. The consumer needs to be educated and made aware of the environmental threats. The new green movements need to reach the masses and that will take a lot of time and effort.

Patience and Perseverance: The investors and corporate need to view the environment as a major long-term investment opportunity, the marketers need to look at the long-term benefits from this new green movement. It will require a lot of patience and no immediate results. Since it is a new concept and idea, it will have its own acceptance period.

Avoiding Green Myopia: The first rule of green marketing is focusing on customer benefits i.e. the primary reason why consumers buy certain products, and motivate consumers to switch brands or even pay a premium for the greener alternative. It is not going to help if a product is developed which is absolutely green in various aspects but does not pass the customer satisfaction criteria. This will lead to green myopia. Also if the green products are priced very high then again it will lose its market acceptability.

Consumer behavior: Consumers may express their preference to buy environmentally safe products, or claim to base their purchase decisions on environmental considerations but may not be willing to pay the extra cost associated with the green products. Thus, their purchase behavior varies from what they claim to buy.

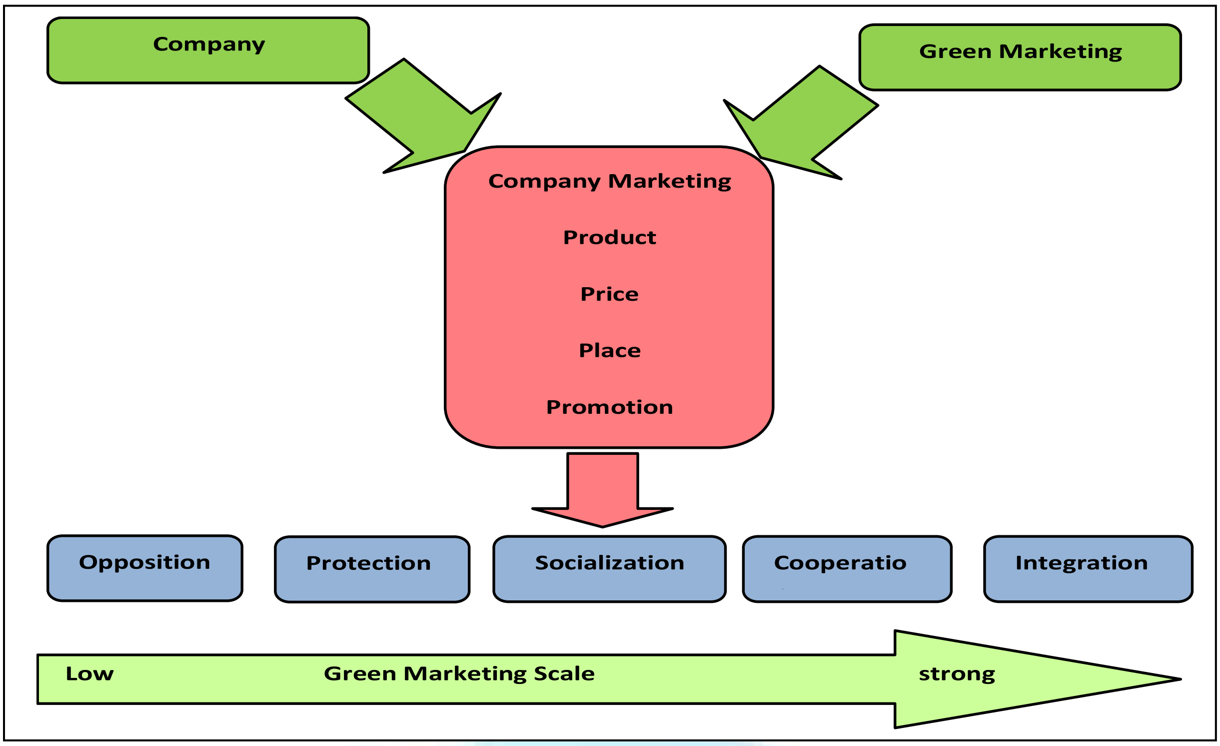
OBJECTIVES

1. To study the models, strategies and strategy matrix of Green Marketing.
2. To study the marketers and consumer opinions about green products.
3. To suggest the strategies for green marketing to the marketers.

GREEN MARKETING MIX MODEL

This model will allow an analysis of the current strategy of the companies and a comparison of this strategy with the green marketing mix.

FIG 3: GREEN MARKETING MIX MODEL



DIMENSIONS OF THE GREEN MARKETING MIX

This model allows an evaluation of how strong or low is the use of the green marketing in a company. These five dimensions will precisely measure the green marketing implication of all the companies:

Opposition: In this dimension, the leaders and managers reject the idea of the existence of any kind of environmental concerns. They do not think that there is a real problem for the society by polluting or adopting a bad behavior for the environment.

Protection: In this dimension, it is noticed that the company is more concerned about the environmental problems and the sustainable development but not in a positive way.

Socialization: The socialization is categorized by a company which recognizes social, environmental, ethical problems. However, the company prefers to let it outside its activity. It can be noticed that the first implication of the company appearing as a volunteer is to contribute for the general interest in order to get the image of a "good citizen".

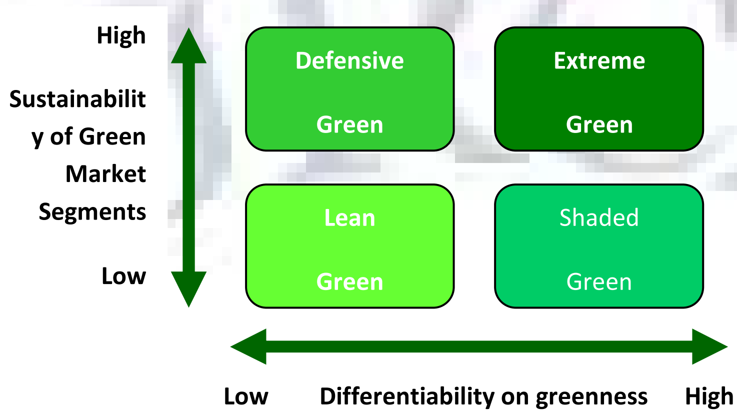
Cooperation: The managers consider the sustainable development issues as a professional concern and accept at least the idea of a social and environmental responsibility. However, they adopt at the same time a position of negotiation and a share of responsibilities with other actors like the state or the territorial collectivities.

Integration: The sustainable development issues are broached as stakes characterizing the state of a society and the structure of the markets. It means a particular effort from the company in planning the strategy and the adaptation of methods and processes. This strategy of integration is also important for the company in order to maintain its competition in the future.

THE GREEN MARKETING STRATEGY MATRIX

Ginsberg and Bloom (2004) have come to the conclusion that there is no single green marketing strategy that is right for all corporations. They have developed four strategies that range from relatively passive and silent "lean green" approach to a more visible and aggressive "extreme green" approach; in between are "defensive green" and "shaded green". Their Green Marketing matrix is illustrated in Figure below:

FIG. 4: THE GREEN MARKETING STRATEGY MATRIX



Source: "Choosing the Right Green Marketing Strategy" of Ginsberg. J. & Bloom, P., 2004, MIT Sloan Management Review 46(1), 79-84.

Ginsberg and Bloom (2004) say that these green marketing strategies should be derived from the likely size of the green market in their industry and the company's ability to differentiate their products based on greenness.

Lean Green: Companies with this strategy do not emphasize publicizing or marketing their green initiatives even though they make efforts in trying to be good corporate citizens. Their interest lies in reducing costs and improving efficiencies through pro-environmental activities, thus creating a lower-cost competitive advantage, not a green one. Instead, the main drive is to comply with regulations and finding pre-emptive solutions in the long-term. Concerned with being held to a higher standard which they cannot always live up to or differentiate themselves from competitors, Lean Greens are often hesitant to promote their green activities or green product attributes.

Defensive Green: This strategy uses green marketing in response to a crisis, as a precautionary measure, or a response to actions made by competitors. Defensive Greens have identified green market segments as important consumers that they cannot afford to alienate and will attempt to mitigate damage and enhance brand image. They do not spend resources on aggressive promotion of greenness as this would create expectations that they cannot meet, unless it would yield a sustainable competitive advantage.

Shaded Green: Shaded Greens make substantial financial and non-financial commitments by investing in long-term, system wide, environmentally friendly processes. These companies are capable of significantly differentiating themselves and gaining competitive advantages through greenness, but choose not to do so as they can make more money by highlighting other attributes. Environmental features are promoted as secondary benefits.

Extreme Green: These types of companies are based on holistic philosophies and values, fully integrating environmental issues into the business and product life-cycle. Greenness has often been the major driving force behind these companies from the very beginning. They engage in life-cycle pricing approaches, total-quality environmental management and manufacturing for the environment. Extreme Greens' products and services usually serve niche markets.

GREEN MARKETING STRATEGIES

The level of greening-strategic, quasi-strategic, or tactical dictates exactly what activities should be under-taken by a company. Strategic greening in one area may or may not be leveraged effectively in others. A firm could make substantial changes in production processes but opt not to leverage them by positioning itself as an environmental leader. So although strategic greening is not necessarily strategically integrated into all marketing activities, it is nevertheless strategic in the product area.

TABLE 1: GREEN MARKETING STRATEGIES

	Tactical Greening	**Quasi – Strategic Greening**	**Strategic Green**
Targeting	Ads mentioning green features are run in green focused media.	A firm developing a green brand in addition to its other brands.	A firm launches a new strategic Business Unit (SBU) aimed at the green market.
Green Design	A firm switches from one raw material supplier to another with more eco-friendly processes.	Life-cycle analysis is incorporated in to the eco-design process to minimize eco-harm.	E.g. Fuji Xerox Develops its Green Wrap paper to be more eco-friendly from the ground up.
Green Positioning	E.g. A mining company runs public relations (PR) to campaign its green aspects and practices.	E.g. British Petroleum (BP) AMOCO redesigns its logo to a sun based emblem to reflect its view to a hydrogen / solar based future of the energy industry.	E.g. The BODY SHOP Pursues environmental and social change improvements and encourages its consumers to do so as well.
Green Pricing	Cost –Savings due to existing energy – efficiency features are highlighted for a product.	E.g. Water company switches the pricing policy from a flat monthly rate to a per – unit – of - water –used basis.	A company rents its products rather than selling; consumers now pay only for use of the product.
Green logistic	A firm changes to a more concentrated degenerated logistical activities.	Packaging minimization is incorporated. Manufacturing review process.	A reverse logistics system is put into place by FUJI XEROX to reprocess and remanufacturing copies.
Marketing waste	A firm improves the efficiency of its manufacturing process, which lowers its waste output.	E.g. TELSTRA (A phone company) has internal processes so that old telephones directories (waste) are collected and turned into cat litter products by other companies.	E. g. A Queen stand surgar-cane facility is rebuilt to be cogeneration based, using sugar-cane waste to power the operation.
Green Promotion	An Oil company runs a PR campaign to highlight its green practices in order to counter an oil spill getting bad press coverage.	A company sets a policy that realistic product eco-benefits should always be mentioned in promotional material.	As a part of its philosophy the BODY SHOP co-promotes one or more social /eco campaigns each year with in shop and promotional materials.
	A company funds a competition (one-off basis) run by an environmental group to heighten community awareness on storm water quality issues.	E.g. SOUTHCORP (a wine producer form a long-term alliance with the Australian conservation foundation to help combat land-salinity issues.	A company invites a representative of an environmental group to directors.

Source: http://en.wikipedia.org/wiki/Green_marketing

IMPLEMENTATION OF GREEN MARKETING

The diffusion of innovation characteristics framework to test the effectiveness of B2B green marketing strategies and to help generate competitive advantages in an ecologically-sustainable way is mentioned below. Managerial implications are discussed below how organizations can achieve successful competitive advantage while contributing to environmental sustainability for the common good of the society and community at large.

TABLE 2: IMPLEMENTATION OF GREEN MARKETING STRATEGY

Marketing Research	Focus on sustainability to obtain on environmental issue from stakeholders on products, communications, pricing and distribution strategies. Diffusion characteristics: relative advantage, observability, complexity, triability.
Production	Change production and processes to be more environmentally sensitive. Diffusion characteristics: relative advantage, observability, complexity and trialbility
Product	Create green products with a differential advantage which are recyclable, biodegradable and are based on sustainable development and also extending these product lines. Substitute services or product rentals instead of ownership of physical goods. Diffusion characteristics: relative advantage, observability, compatibility complexity and trialbility.
Distribution / markets	Creating more circular market. Using multichannel distribution (or just via internet) for easy to find and buy products or services. Create new market or niche. Diffusion characteristics: relative advantage, observability, complexity and trialbility.
Price	Emphasize long term costs and ownership and use rather than short-term price (e.g. Energy Efficiency). Offer price incentive. Set prices of green innovations to meet or be lower than the competition.
Promotion	Marketing communication should use new media (internet mobile marketing) and promote green values and benefits compatible between organizational sellers and buyers. Offer sales promotion incentive to customers to try the product. Create reward/loyalty programs to reward repeat purchase. Education on green policies and strategies to various stakeholders. Emphasize long term cost of ownership/ use Diffusion characteristics : related to mainly observability but also related to compatibility, complexity and trailabilty and relative advantage
Partnership	Create "Eco-alliances" with stakeholders for input strategy and implementation. Diffusion Characteristics : relative advantage, observability and compatibility

Source: Valerie L. Vaccaro, (2009) "B2B green marketing and innovation theory for competitive advantage", Journal of Systems and Information Technology, Vol. 11 Issn: 4, pp.315 – 330

RESEARCH METHODOLOGY
The research study investigates the research objectives identified above and adopts a multi-phase research design incorporating both qualitative and quantitative research techniques. It is divided into two phases which are:-

a. Quantitative Study among Marketers.
b. Quantitative Study among Consumers

DATA COLLECTION
1. The research was conducted in **Pune** city.
2. **Random sampling** method was adopted and **100 consumers and 35 marketers** responded to the survey.

Besides secondary data, the **primary data** was collected using a structured questionnaire and the questions were close ended which were coded and cross-tabulated, keeping in view the context and objectives of the study.

CONTRIBUTION
It will add value to the excellent green marketing practices adopted by the marketers.

RESULTS AND DISCUSSIONS
As demands change, many firms see these changes as an opportunity to be exploited. It can be assumed that firms marketing goods with environmental characteristics will have a competitive advantage over firms marketing non-environmentally responsible alternatives. There are numerous examples of firms who have strived to become more environmentally responsible, in an attempt to better satisfy their consumer needs.

Example 1: McDonald's replaced its clam shell packaging with waxed paper because of increased consumer concern relating to polystyrene production and Ozone depletion.

Example 2: Xerox introduced a "high quality" recycled photocopier paper in an attempt to satisfy the demands of firms for less environmentally harmful products.

In some cases firms have misled consumers in an attempt to gain market share. In other cases firms have jumped on the green bandwagon without considering the accuracy of their behavior, their claims, or the effectiveness of their products. This lack of consideration of the true "greenness" of activities may result in firms making false or misleading green marketing claims.

Consumer demand for greener products and services creates opportunities for businesses to promote their greener offerings and introduce profitable new ones, all the while building their top-line sales, enhancing their image, and engaging the morale of employees newly engaged in a higher purpose.

Higher profits: Polls indicate that consumers are willing to pay a premium for green. However, empirical evidence is demanded by skeptical business people to justify the investments in new technology, special materials or ingredients, and high start-up costs of introducing new greener products.

To the extent that businesses can meet or exceed these new consumer expectations, they will enhance their products' image and ability to command a premium. According to the old rules, consumers didn't expect ecologically preferable products to work well. However today's greener products work far better than their predecessors, the current crop of greener products are perceived as healthier, less toxic, and capable of saving time and money, as well as contributing to a sustainable future.

Some greener products appeal to consumers for many reasons, suggesting the potential to win over more than one segment of the now enormous market for green products.

TABLE 3: GREEN PRODUCTS OFFER MAINSTREAM BENEFITS

Consumer benefits	Product category
CFL light bulbs	Save money, last longer
Hybrid cars	Quiet ride, fewer fill-ups, status
Natural cleaners	Safety, peace of mind
Organic produce	Safety , better taste
Recycled paper	Save money
Car sharing	Convenience, save money
Solar-powered cell phones	Extended use

Source: J. Ottman Consulting, Inc.

The consumers can expect the genuine value-added benefits of superior performance, convenience, cost savings, and increased health and safety to continue to propel the mass market for eco-inspired products in the years and decades ahead.

New source of innovation: Historically, going green helped to unearth efficiencies that beefed up a company's bottom line. Under the new rules, businesses are discovering the even more attractive eco-opportunity for innovation that boosts top-line revenues. That's because green means doing things differently. Proactive companies are inventing new greener technologies, new business models, and new designs that are capturing media attention, grabbing new customers, and establishing a competitive advantage – if not changing the rules of the game altogether.

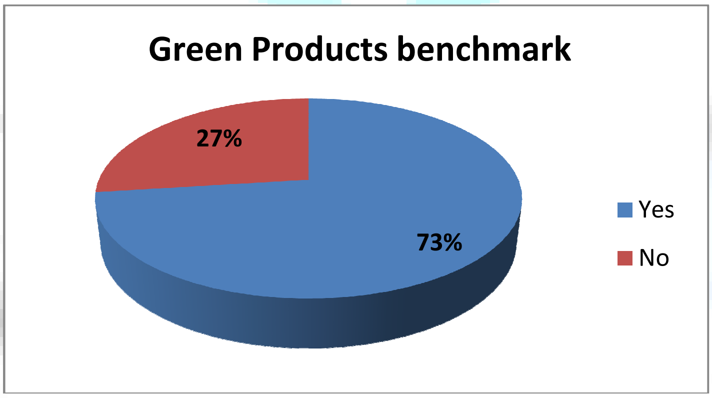
ANALYSIS AND FINDINGS

MARKETERS SURVEY

Question 1	Yes	No
Sustainability: Can Green-Marketing, create sustainability for marketers?	79%	21%
Competitive Advantage: Can Green Marketing lead to Competitive Advantage for marketers?	81%	19%

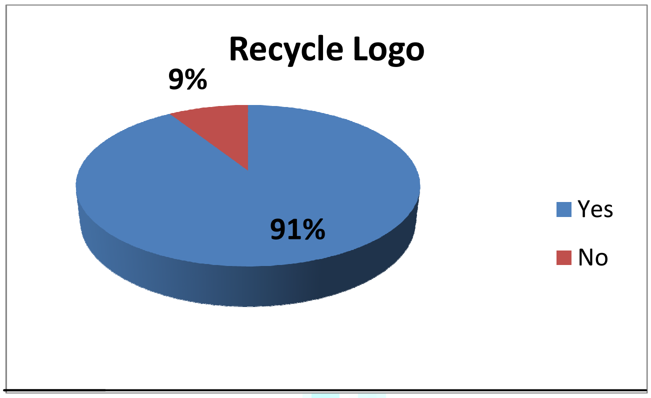
- 79% of the marketers mention that green marketing create sustainability and 21 % mention it does not.
- 81% of the marketers mention that green marketing leads to competitive advantage.

Question 2	Yes	No
Benchmark : Are Green Products benchmarked against traditional products with respect to quality and functionality?	73%	27%



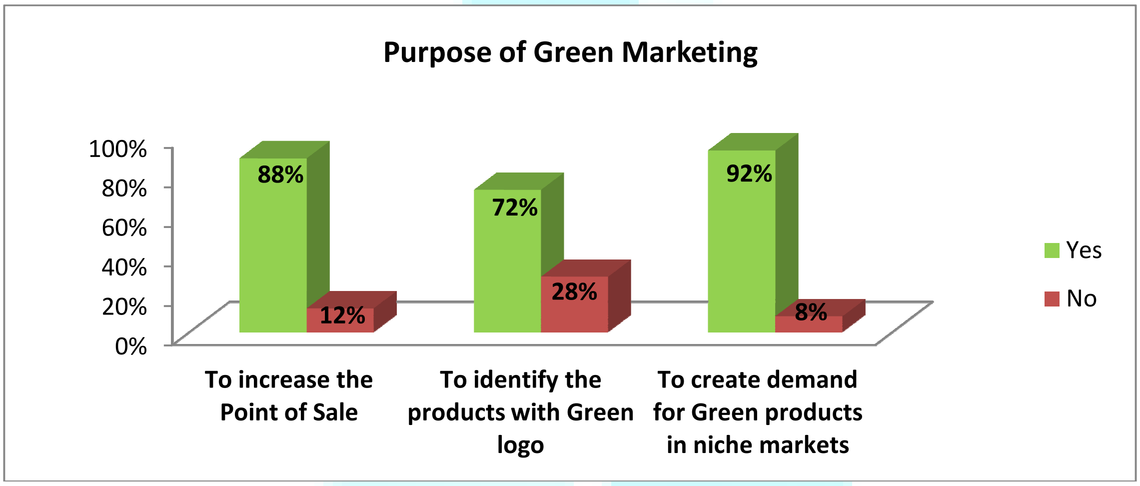
73% of the marketers mention that green products are benchmarked against traditional products with respect to quality and functionality.

Question 3	Yes	No
Recycle Logo: Should packaging of green products be created with recycled products and carry the recycle logo?	91%	9%



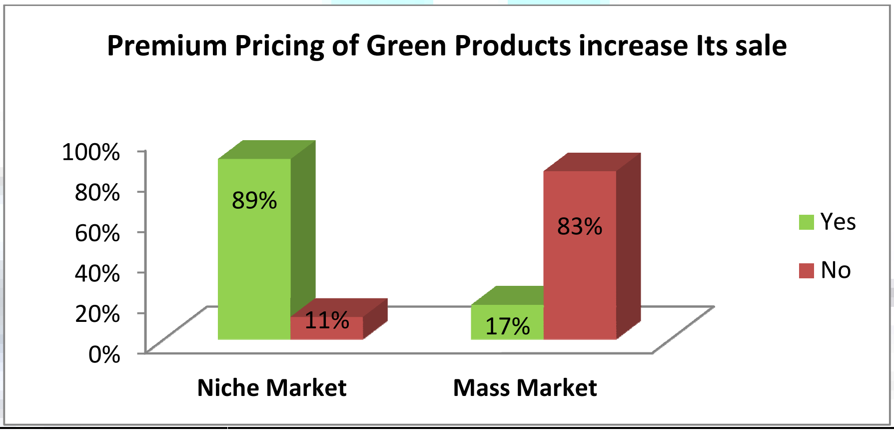
91% of the marketers mention that packaging of green products is created with recycled products and carry the recycle logo.

Q3 : What should be the purpose of green communication for the marketers?	Yes	No
To increase the Point of Sale.	88%	12%
To identify the products with Green logo.	72%	28%
To create demand for Green products in niche markets.	92%	8%



- 88% of the marketers mention that it increases the point of sale.
- 72% of the marketers mention that the purpose of green logo in green communication is to identify the product.
- 92% of the marketers mention that to create demand for green products in the niche market is the purpose of green communication.

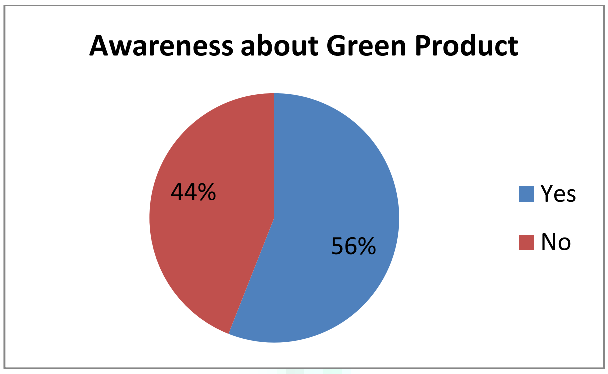
Question No. 4 Does Premium pricing of Green Product increase its sale?	**Yes**	**No**
Niche Market.	89%	11%
Mass Market.	17%	83%



- 89% of marketers mention that premium pricing in niche market increase the same and 11% of mention that it does not.
- 83% of marketers mention that premium pricing in mass market does not increase the same and 17 mention that it does.

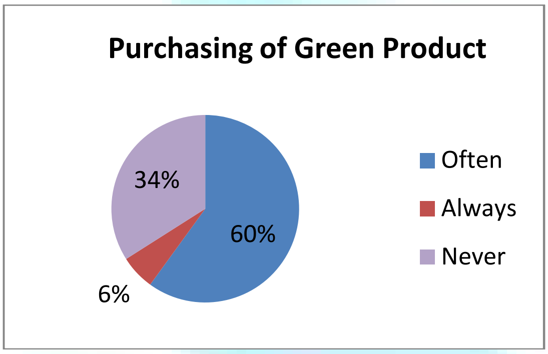
CUSTOMER SURVEY

Question 1	**Yes**	**No**
Awareness about Green Product	56 %	44 %



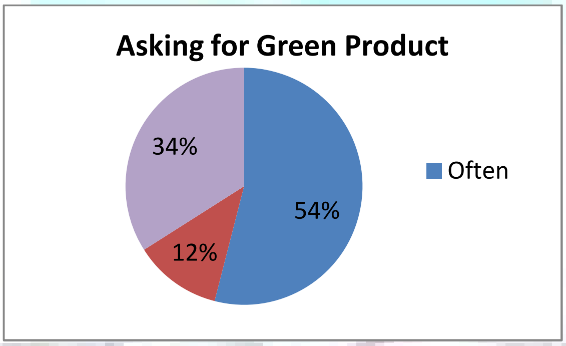
56% of the respondents are awareness about green product and 44% of the respondents are not aware about green product.

Questions 2	Often	Regularly	Never
Purchasing of Green Product	60%	6%	34%



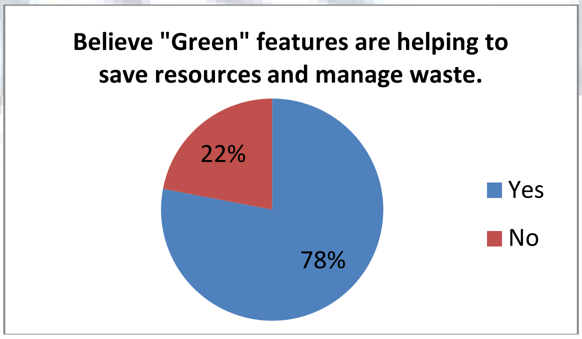
60% respondents often purchase green products, 34 % of the respondents never purchase the green products and only 6% of the respondents always purchase green products.

Question 3	Often	Regularly	Never
Asking for Green Product	54%	12%	34%



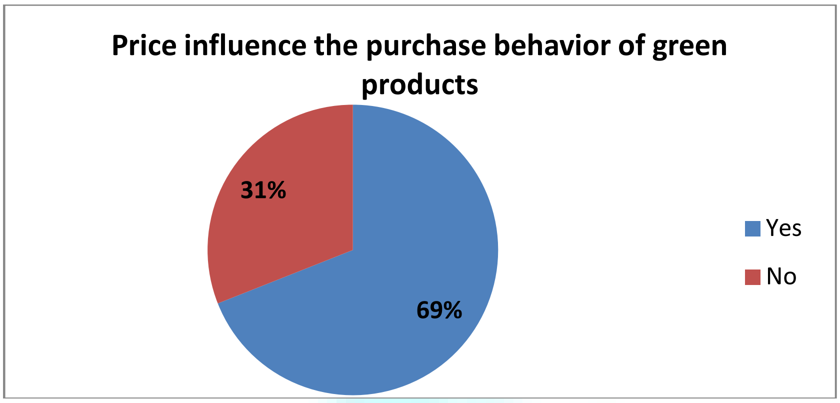
54% of the respondents often purchase green products and 12% regularly purchase green product. 34% of the respondents never purchase green products.

Question 4	Yes	No
Believe "Green" features are helping to save resources and manage waste.	78%	22%



78 % of the respondents believe "Green" features are helping to save resources and manage waste and 22% respondents do not believe "Green" features are helping to save resources and manage waste.

Question 5	Yes	No
Does price influence the purchase behavior of green products?	69%	31%



69% of respondents are mention that price influence their purchase behavior of green products and 31% of respondents mention that it does not.

SUGGESTIONS

- Target marketing and communications strategies to take advantage of community and social dynamics.
- Communicate the effectiveness of individual action in protecting the environment.
- Develop comprehensive, company-wide environmental initiatives as a part of CSR to enhance the corporate image.
- Assure the customers that they can "Make a Difference" by increasing customer participation in green marketing programs.
- Establish credibility in the management and use of funds.
- Establish alliances with environmental groups and form customer advisory boards.
- Develop an industry-wide code of conduct and promote visible community-based projects with clear environmental benefits.
- Use green incentives: Motivate consumers by marketing about donations to environmentally friendly organizations.
- Use online marketing: Not only is online marketing a highly targeted and cost effective approach, it's also the greenest way to market your business. Online marketing doesn't use nearly as many resources and produce as much waste as print and even commercial marketing.

CONCLUSION

1. Marketers have adopted green marketing and are working towards sustainable models due to Opportunity, Social Responsibility, Government Pressure, Competitive Pressure, and Cost Reduction.
2. Green marketing strategies should be derived from the likely size of the green market in their industry and the company's ability to differentiate their products based on greenness.
3. Consumers are aware of green products and often purchase green products for the extra cost for "Green" features.
4. Consumers also specially ask for green products as they believe that green products are helping to save resources and manage waste.
5. Consumers are expecting green brands to deliver on promised reductions in environmental impact thus green communication plays a major contribution to stimulate demand and increase the sale of green products.

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MARKET EFFICIENCY AND INTERNATIONAL BENCHMARKS IN THE SECURITIES MARKET OF INDIA – A STUDY

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ABSTRACT

The transformation catapulted all sectors of the economy leaving no stones unturned including the Indian capital and securities market. The change is aghast, vivid and irreversible. The sweep changes in the capital market put efficient players safely on the sea-shore and inefficient firms were immersed in the ocean due to hurricane and tsunami like waves and water current. The methodologies involved in the present study are both analytical & survey. The study is based on both primary and secondary data. The findings are that on the basis of analysis of the first objective, it is inferred that average closing price is highly volatile, when compared to average opening price and to know whether market prices of the stocks are random in nature the study used runs test. The numbers of runs for BSE and NSE are 8 and 5 respectively. The BSE and NSE Stock prices in relation to Sensex and Nifty as well as external factors, the amount of randomness were determined by using runs test. As per the findings of the year 2005, it is concluded that the available private and public information will have only partial influence on stock trading. Hence it is suggested that the company related matters like declaration of dividend, announcement of bonus shares, major changes in the top management, risk management strategies of the company, influence of political and economic parameters etc must be handled very carefully while communicating the same to the public about its effects on the company.

KEYWORDS

Securities market, Market efficiency, Sensex, International Benchmarks, Random walk, BSE, NIFTY.

INTRODUCTION

The greatest and engendering event in the Twenty first century is capital and financial market revolution and reformation especially for India. The sea-change in the global order dismantled the world rules of the game in every sphere of economic and human activity. The transformation catapulted all sectors of the economy leaving no stones unturned including the Indian capital and securities market. The change is aghast, vivid and irreversible. The sweep changes in the capital market put efficient players safely on the sea-shore and inefficient firms were immersed in the ocean due to hurricane and tsunami like waves and water current. The Indian capital market regained its true position after shaking the tree by winds of change wherein feeble and phony leaves like firms fell off. The players with vision forward and onward looking, vigor, proactive and pragmatic ones are ruling the roost in the new spectrum of the game with renewed vigor.

Indian capital markets have witnessed radical transformation during the last two years, wherein, the sensex catapulted to 20,000 mark. What Indian stock market cannot witnessed in the past sixty years has been achieved tremendously in the last two years in terms of value, volume, market capitalization, vitality and market growth. There is hardly any country in the world, which has witnessed such massive changes in its capital market during such a short period.

The Indian securities market is in transition. There have been changes over a period of time. In fact, on all almost all the operational and systemic risk management parameters, settlement system, disclosures, accounting standards, the Indian Securities Market is at par with the global standards, for instance, the anonymous order matching system adopted by NSE is perhaps one of the best in the world. The New York Stock Exchange (NYSE) for example, would has remained free from the bad name the floor specialists brought to NYSE had it adopted NSE's automated trading system. In terms of geographical reach of the real time trading facilities to the nooks and corners of the country, the Indian capital market is way ahead of most of the global capital markets. Investors can trade from close to 400 cities/towns across the length and breadth of the country on a real time basis

REVIEW OF LITERATURE

The perusal of past research programmes is very important in order to comprehend the concepts of stock market efficiency and international benchmarks. The literature survey phenomenon is morefully arrayed in this below.

Barua (1980)[1] **and Chaudhury (1991)**[2] in their research work identified three types of market efficiency. They have segmented the efficiency has information efficiency in the field of capital markets throughout the world. The informational efficiency are grouped into three categories namely weak, semi-strong and strong. According to the authors, the "weak efficiency" states that the current prices fully reflect all the information contained in the history of past prices and denies the utility of charting and technical analysis. They conclude that the uses and prepares accounting information in India do not believe that the market is efficient in any of its three forms.

Semi-strong form of efficiency deals with the speed with which publicly available information is assimilated by the market and incorporated market prices. The third of market efficiency is "strong form" that asserts that even inside information which is not publicly available is reflected in market prices very rapidly.

Pradeep Gupta (2000)[3] in his study on stock market efficiency in India fundamentally aims at enquiring into certain aspects to market efficiency with respect to the Indian stock market. The reference period of the study was 1986-1995. The natures of data are secondary. The yearly time series data have been used to verify semi-strong form and Efficient Market Hypothesis (EMH). The daily data have been used by the author for weak form EMH.

To test the weak form of EMH, short term data of dependent variables have been plotted to verify whether share prices depict any reversal effect. The findings of the research program are: dividend has a powerful and positive impact on the stock market share price. Profitability (as measured by earning after interest and taxes) has a positive influence on the market share prices. Leverage had no significant effect on market share prices.

R. Vaidyanathan and Kanti Kumar Gali (1994)[4] attempted at testing for weak form of efficiency of the Indian capital market. The test was based on the daily closing prices of ten shares actively traded on the Bombay Stock Exchange over four different periods of time, namely 1980, 1985, 1989 and 1990. In each year the period from April to November was covered so that at least 120 daily data point are available for each company. They used the runs test, serial correlation test and the filter test using daily data. For all these periods, the runs test provides supportive evidence for the weak-form of the Efficient Market Hypothesis (EMH).

1 Barua S.K.(1980) *Valuation of Securities and Influence of Value on Financial Decisions of a Firm.* Doctoral dissertation, Indian Institute of Management, Ahmedabad.

2 Chaudhury.S.K. (1991) *Short Run Behaviour of Industrial Share Price Indices: An Empirical Study of Returns, Volatility and Co-variance Structure,* Prajanan, Vol. XX, Apr-Jun No. 2, pp 99-133.

3 *A Study of Stock Market Efficiency in India*, Finance India Vol. XV No. 2, June, 2000 pp 665-673

4 R. Vaidyanathan and Kanti Kumar Gali, *Efficiency of the Indian Capital Market*, Indian Institute of Management, Bangalore, Library, E 7718, No2, 1994, PP 1-19.

Fama(1970)[5] summarises the early random walk literature, his own contributions and other studies of the information contained in the historical sequence of prices, and concludes that "the results are strongly in support" of the weak form of market efficiency. He then reviews a number of semi-strong and strong form tests and concludes that "in short, the evidence in support of the efficient markets model is extensive, and (somewhat uniquely in economics) contradictory evidence is sparse." He concedes, however, that "much remains to be done" and indeed Fama (1991) subsequently returned to the fray with a reinterpretation of the Efficient Markets Hypothesis in the light of subsequent research.

Paul Tetlock's (2006)[6] measures liquidity and expected returns for various securities, and show that the two are linked. In an efficient market, the benchmark is that all securities should have zero expected returns. The author finds that the liquid securities markets have (close to) zero expected returns, implying that these markets are efficient. But the liquid securities show certain mispricing patterns. The nature of these patters suggests that individuals' probability misperceptions are the cause of the mispricing in liquid securities.

Kathy Yuan (2005)[7] demonstrates that benchmarked Securities allow heterogeneously informed investors to create trading strategies that are perfectly aligned with their signals. Investors who are inform about security-specific risks but uninformed about systematic risks can take an offsetting position in benchmark securities to eliminate experts to adverse selection in systematic risks. He further shows that introduction of benchmark securities encourages more investors to acquire security-specific and systematic-factor information, while leads to increased liquidity price informativeness for all individual securities.

RESEARCH GAP

Several research works on efficient market hypothesis comprising weak form, semi-strong form and strong form have already conducted by the earlier researchers all over the globe including India.

Their research results are mind-boggling, intriguing and realistic. However, the present study was justified in narrowing down the research gap on the following grounds.

- In India the adoption of sophisticated information technology tools in trading and settlement (T+2) mechanisms helped to create a new international benchmarks.
- The National Stock Exchange has played an important role in the transformation of stock market that acted as a milestone for undertaking the present research programme.

STATEMENT OF THE PROBLEM

Stock market efficiency has received a new vigor and vitality in the Indian capital market. The burgeoning sensex is unstoppable, inexorable and ineffable. The new scale of 15,000 mark has astonished the *pundits*, stock brokers, finance ministry, foreign institutional investors, the regulator SEBI and of course the common man. The proliferation of sensex is quite intriguing and mind-boggling in that, it changed the rules of the game in the securities market of India, which was never expected and predicted.

The Indian securities market is in transition. There have been revolutionary changes over a period of time. In fact, on almost all the operational and systemic risk management parameters, settlement systems, disclosures, accounting standards, Indian Securities Market is at par with the global standards. Indeed, on a few paradigms, it is ahead of the global benchmarks. They are – T+2 settlement cycle, online monitoring of positions and margins and automatic disablement of terminals, Corporate governance index as a measure of wealth creation, management and distribution, central counterparty and commencement of Straight Through Processing.

OBJECTIVES OF THE STUDY

Among the other objectives, the study embarked upon the following

- To test the BSE and NSE stock market efficiency (in a semi-strong form) by investigating the relationship between aggregate stock returns and important macro variables.
- To test for weak-form of efficiency of the BSE and NSE between 2005 and 2007.
- To study the degree of random walk in daily prices for 20 Group 'A' stocks on the BSE from 1998 to 2007
- To analyse Indian international benchmarks such as transaction cost, settlement mechanisms, information technology, and corporate governance on the efficiency of stock markets.

HYPOTHESES

The present study relied on the following conjectures or the tentative statements, which form the hypotheses of the study.

Hypothesis – 1

H0: There is no relationship between stock prices and their intrinsic values to determine the market efficiency

H1: There is a strong relationship between stock prices and their intrinsic values to determine the nature of market efficiency

Hypothesis – 2

H0: The turbulence in stock prices due to extraneous factors is nothing to do with efficiency of the stock market.

H1: The turbulence in market prices of stocks due to extraneous variables influence stock market efficiency.

Hypothesis – 3

Indian international benchmarks are better than international stock market benchmark.

METHODOLOGY

The methodology involved in the present study is

- Analytical
- Survey

The study is also analytical one in that the researcher critical evaluated the market efficiency hypothesis macro-economic variables. By analyzing the attributes of sample, a generalization was drawn and the researcher portrays the fact about what has happened and what is happening in stock market in regard to informational efficiency and random walk theory.

RESULTS

The analysis and Interpretation in the following paragraphs is all about knowing whether BSE and NSE operated on Semi-strong or weak-form of market efficiency. The study revolves around 20 group 'A' stocks of BSE and 10 group 'A' Stock of NSE during the periods from 2005 to 2007. The entire gamut of analysis relies on rigorous statistical treatment with the use of descriptive statistical phenomenon, correlation, regression and ANOVA.

To measure the consistency in the price behavior between opening and closing prices, the statistical tool of co-efficient of variation was used. This mechanism highlights whether there exists consistency or otherwise in the price behavior of Stocks. Higher the percentage of variations, lower the consistency and vice-versa.

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5 Fama, Efficient Capital Markets: *A Review of Theory and Empirical work*, Journal of Finance, 25, 1970, PP 383-417,

6 Paul Tetlock's, *Does Liquidety Affect Securities Market Efficiency?* Midas oracle.ORG. 2006-11-XX at www.google.com.

7 Kathy Yuan, *The Liquidity Service Of Benchmark Securities*, Journal of Economic Association, SPARC, Vol. 3, No. 5, Sep 2005, PP 1156-1180.

ANOVA RESULTS

To test the conjecture or surmise in the form of null hypotheses that there is no relationship between stock prices and their intrinsic values in the determination of market efficiency, the ANOVA model was used. The results are shown in the following table

ANOVA AMONG VOLUME OF TRANSACTIONS OF AVERAGE OPENING AND CLOSING PRICES OF 30 GROUP 'A' STOCKS OF BSE AND NSE FOR THE YEAR 2005

Model	*Sum of Squares*	*df*	*Mean Square*	*F-Ratio*
Regression between Companies	75354845355444700.000	2	37677422677722370.000	.307
Residual Error Within Companies	3312021858960568000.000	27	122667476257798800.000	
Total	3387376704316012000.000	29		

Predictors: (constant) Close, Open

Dependable variable: Volume

SPEARMAN'S RANK CORRELATION

The Second null-hypotheses is in respect of market prices of the stocks and past and publicly available information of those stocks relationship. The second null-hypotheses prophecies the fact as follows.

Ho: The market prices of the stocks are not related to past and publicly available information.

The investors on BSE and NSE acted both on the past and publicly available information of 30 listed companies which are categorized group 'A' Stocks. The stringent norms of SEBI goaded the listed companies to publicise their privately held information so as to enable the investor community to act judiciously and not on the probability. The rise or the fall of the price influenced market capitalization value. The listed companies from time to time intimated the stock exchanges about their mergers, acquisitions, dividend declaration, right issue, acquisition of new technology, foreign collaborations so on the so forth.

To test the above hypotheses the stock used rank correlation co-efficient which are shown in the following table

THE TABLE SHOWS THE COMPUTATION OF SPEARMAN RANK CORRELATION CO-EFFICIENT FOR THE YEAR 2005

Sl.No	*Name of the Company*	*Ranks* R_1	R_2	$D^2 = (R_1 - R_2)$
1	ACC	28	21.5	42.25
2	Ambuja Cements Pvt Ltd	27	18	81
3	BHEL	13	21.5	72.25
4	Cipla	24	12	144
5	Grasim Industries Ltd	26	10.5	240.25
6	HDFC Bank	17	24	49
7	Hindalco Industries Limited	23	10.5	156.25
8	Hindustan Unilever Limited	09	06	09
9	ICICI Bank	05	19	196
10	Infosys technologies limited	4	4	0
11	ITC LTD	8	8	0
12	Jaiprakash Associates Limited	30	28.5	2.25
13	Larsen & Toubro	14	01	169
14	Maruti Suzuki India Limited	18	25.5	56.25
15	NTPC Limited	03	28.5	650.25
16	Oil and Natural Gas Corporation Limited	01	07	36
17	Ranbaxy Laboratories Limited	22	13	81
18	Reliance Industries Limited	02	16.5	210.25
19	Tata Steel Limited	12	14	04
20	Wipro Limited	06	09	09
21	Asea Brown Boveri Limited (ABB)	11	21.5	110.25
22	Bharti Airtel Limited	07	30	729
23	Bharat Petroleum Corporation Ltd	25	15	100
24	Dr. Reddy's Laboratories	29	16.5	156.25
25	GAIL (India) Limited	15	21.5	42.25
26	HCL Technologies Limited	19	05	196
27	Hero Honda Motors Ltd,	20	03	289
28	National Aluminium Company(NALCO),	21	25.5	20.5
29	Steel Authority of India Limited (SAIL)	16	27	121
30	Tata Consultancy Services	10	02	64
$\sum D^2$=				4036

(Source: Computed)

Since some of the companies are repeated more than one time we have to calculate the Adjustment Factor [AF] and is given by m (m²-1)/12. Here companies 24, 40, 100 and 200 are repeated twice and companies 80 repeated four times. Hence the value of A.F is 7

Rank correlation co-efficient is given by

$$1 - [\sum \frac{\{D^2 + AF\}}{n(n^2 + 1)}]$$

Rk=

= [6{4036+7}/30(900-1)]

= 1-0.89

= 0.11

Ho: The market prices of the stocks are not related to past and publicly available information

H1: The market prices of the stocks are related to past and publicly available information.

Sample size (n) = 30

Level of Significance (└) = 0.05

The table value or critical value of rs is ±0.3620 (accept)

The null hypotheses was tested the help of ANOVA results. The null hypothesis stated was that there existed no relationship between the stock prices and their intrinsic values. The results are exhibited at table.

ANOVA AMONG VOLUME OF TRANSACTIONS OF AVERAGE OPENING AND CLOSING PRICES OF 30 GROUP 'A' STOCKS OF BSE AND NSE FOR THE YEAR 2006

Model	*Sum of Squares*	*df*	*Mean Square*	*F-Ratio*
Regression between Companies	13725853113364990.000	2	6862926556682500.000	.041
Residual Error Within Companies	4547142102708300000.000	27	168412670470677800.000	
Total	4560867955821670000.000	29		

Predictors: (constant) Close, Open, Dependent variable: Volume

ANALYSIS

The above table shows that the F calculated value 0.041 and F table value is 3.01. Since calculated value is less than that table value, null hypotheses of no relationship between stock price and its intrinsic value is accepted. In the year 2006 too, there existed the significant relationship among average opening and Closing stock prices as well as the average volume of transactions of sample 30 group 'A' Stocks. The relationship between intrinsic value and Market efficiency of BSE and NSE are influenced by extraneous and outside factors as stated previously.

SPEARMAN'S RANK CORRELATION

The second null hypotheses of that the market prices of stocks are not related to past and publicly available information was tested with the help of Spearman Rank correlation co-efficient. The information is projected at table

THE TABLE SHOWS THE COMPUTATION OF SPEARMAN RANK CORRELATION CO-EFFICIENT FOR THE YEAR 2006

Sl.No	*Name of the Company*	*Ranks*		
		R_1	*R_2*	*$D^2=(R_1-R_2)$*
1	ACC	21	13	64
2	Ambuja Cements Pvt Ltd	19	12	49
3	BHEL	11	14	09
4	Cipla	30	18.5	132.25
5	Grasim Industries Ltd	17	08	81
6	HDFC Bank	15	23.5	72.25
7	Hindalco Industries Limited	23	10	169
8	Hindustan Unilever Limited	13	05	64
9	ICICI Bank	07	18.5	132.25
10	Infosys technologies limited	02	09	49
11	ITC LTD	10	06	16
12	Jaiprakash Associates Limited	25	27	04
13	Larsen & Toubro	22	02	400
14	Maruti Suzuki India Limited	16	23.5	56.25
15	NTPC Limited	06	26	400
16	Oil and Natural Gas Corporation Limited	03	06	09
17	Ranbaxy Laboratories Limited	26	11	225
18	Reliance Industries Limited	01	16	225
19	Tata Steel Limited	12	15	09
20	Wipro Limited	08	07	01
21	Asea Brown Boveri Limited (ABB)	09	18.5	90.25
22	Bharti Airtel Limited	05	30	625
23	Bharat Petroleum Corporation Ltd	29	28	01
24	Dr. Reddy's Laboratories	28	21	49
25	GAIL (India) Limited	18	18.5	0.25
26	HCL Technologies Limited	20	04	256
27	Hero Honda Motors Ltd,	24	03	441
28	National Aluminium Company(NALCO),	27	25	04
29	Steel Authority of India Limited (SAIL)	14	29	225
30	Tata Consultancy Services	04	01	09
	$\sum D^2=$			3867.5

(Source: Computed)

The null hypothesis was accepted at 5 percent level of significance. The t-Statistic critical value is ± 0.3620 for the sample size of 30 companies. The correlation co-efficient is 0.05. Since the acceptance region (95 percent), the null hypothesis is accepted. It can be inferred that, the market price of Stocks at any day is influenced by the nature of Industry, Corporate image, investors propensity to buy or sell flow of foreign money, economic environmental factors, technology, transaction cost, attitude and behaviour of investors, international economic phenomenon so on and so forth. It can be inferred that since the two stated hypotheses have been accepted, the BSE and NSE together is the year 2006 operated under semi-strong from of market efficiency.

To test the null hypotheses F-Statistic values using regression equations at 2, 27 degree of freedom, means squares values are used in ANOVA table. The figures are shown at table

ANOVA AMONG VOLUME OF TRANSACTIONS OF AVERAGE OPENING AND CLOSING PRICES OF 30 GROUP 'A' STOCKS OF BSE AND NSE FOR THE YEAR 2007

Model	*Sum of Squares*	*df*	*Mean Square*	*F-Ratio*
Regression between Companies	**29550601079647230.000**	**2**	**14775300539823620.000**	**.071**
Residual Error Within Companies	**5657003040803850000.000**	**27**	**209518631140883400.000**	
Total	**5686553641883500000.000**	**29**		

Predictors: (constant) Close, Open
Dependent variable: Volume

ANALYSIS

From the above ANOVA table, it can be seen that the F-Statistic value is 0.071, which is less that the F table value .071. Hence null hypotheses stating that there is no relationship between opening price, closing price and volume of transactions is accepted.

SPEARMAN'S RANK CORRELATION

To test the second null hypotheses that market prices of stocks are not related to past and publicly available information about companies in the year 2007, the Spearman Rank Correlation was used (See table below)

THE TABLE SHOWS THE COMPUTATION OF SPEARMAN RANK CORRELATION CO-EFFICIENT FOR THE YEAR 2007

Sl.No	*Name of the Company*	*Rank in Percentage*		
		R1	*R2*	*$D^2 = (R_1-R_2)$*
1	ACC	25	12	169
2	Ambuja Cements Pvt Ltd	23	13	100
3	BHEL	12	11	001
4	Cipla	27	21.5	30.25
5	Grasim Industries Ltd	18	9.5	72.25
6	HDFC Bank	13	11	121
7	Hindalco Industries Limited	22	14.5	53.25
8	Hindustan Unilever Limited	15	02	169
9	ICICI Bank	07	19.5	156.25
10	Infosys technologies limited	10	04	36
11	ITC LTD	01	07	36
12	Jaiprakash Associates Limited	14	27	169
13	Larsen & Toubro	08	05	9.0
14	Maruti Suzuki India Limited	21	23	4.0
15	NTPC Limited	05	28	529
16	Oil and Natural Gas Corporation Limited	03	08	25.0
17	Ranbaxy Laboratories Limited	28	14.5	182.25
18	Reliance Industries Limited	02	18	256
19	Tata Steel Limited	17	17	0
20	Wipro Limited	11	9.5	2.25
21	Asea Brown Boveri Limited (ABB)	19	19.5	0.25
22	Bharti Airtel Limited	06	30	576
23	Bharat Petroleum Corporation Ltd	26	16	100
24	Dr. Reddy's Laboratories	30	25.5	20.25
25	GAIL (India) Limited	16	21.5	30.25
26	HCL Technologies Limited	24	06	324
27	Hero Honda Motors Ltd,	29	03	676
28	National Aluminium Company (NALCO),	20	25.5	30.25
29	Steel Authority of India Limited (SAIL)	09	29	400
30	Tata Consultancy Services	04	01	9.0
			$\sum D^2=$	4289.0

(Source: Computed)

ANALYSIS

The level of Significance is at 5 percent. The t-statistic value is ±0.3620 for the sample size of 30 companies. The value of Spearman Rank Correlation co-efficient is 0.05. See the value of the correlation lies in the acceptance region, the null hypotheses is accepted. The investing Community in the BSE and NSE are happy with past and publicly available information of group 'A' stocks during the year 2007 because of the advanced technology used as a international benchmark in NSE and BSE. Therefore, at 5 percent level of t-table value the null hypotheses is accepted. From these it can be concluded the BSE and NSE operated under semi-strong from of Market efficiency in the year 2007. In the same year, the BSE Sensex was set to rise steeply and it happened.

ANALYSIS OF INTERNATIONAL BENCHMARKS IN GLOBAL SECURITIES MARKET INCLUDING INDIA

Global best practices practiced in the leading securities market of both developed and developing countries need to be looked at in the context of Indian securities markets scenario. Of late, it is interesting and intriguing to record the awesome achievements made by the securities market of our country which are guided and governed by both self regulation as well as the principles proactively provided by the regulator SEBI. The areas of best practices are – Information Technology (IT) intervention, settlement mechanisms, transaction cost, and corporate governance governing transparency and corporate disclosure and the like. The details are, morefully interacted in the following pages.

INFORMATION TECHNOLOGY

The deafening noise of an out-cry trading system has been replaced with a silence of a summer through the Electronic Consolidated Anonymous Limit Order Book, with price time priority matching being accessed through more than 10,000 terminals spread in over 400 cities and towns across the Indian sub-continent, something perhaps without a parallel in the world.

Information technology has been effectively utilized in the collection and dissemination of corporate disclosures on the lines of the EDGAR system in the United States.

Technological advancements and extended reach have catapulted Indian capital market in a different league altogether. The vast geographical network created by stock exchanges along with brokers and sub-brokers throughout India is unparalleled in the world. More than 1700 members of NSE covers total of 452 cities through a network of 4126 Very Small Aperture Terminals (VSATs) and about 1336 leased line connections.[8]

Electronic trading eliminates the need for physical trading floors. Brokers can trade from their offices, using fully automated screen-based processes. Their workstations are connected to a Stock Exchange's central computer via satellite using Very Small Aperture Terminals (VSATs). The orders placed by brokers reach the Exchange's central computer and are matched electronically.

The Stock Exchange, Mumbai (BSE) and the National Stock Exchange (NSE) are the country's two leading Exchanges. There are 20 other regional Exchanges, connected via the Inter-Connected Stock Exchange (ICSE). The BSE and NSE allow nationwide trading via their VSAT systems.

SETTLEMENT CYCLE

The accounting period for the securities traded on the Exchange. On the NSE, the cycle begins on Wednesday and ends on the following Tuesday, and on the BSE the cycle commences on Monday and ends on Friday. At the end of this period, the obligations of each broker are calculated and the brokers settle their respective obligations as per the rules, bye-laws and regulations of the Clearing Corporation. If a transaction is entered on the first day of the settlement, the same will be settled on the eighth working day excluding the day of transaction.[9] However, if the same is done on the last day of the settlement, it will be settled on the fourth working day excluding the day of transaction. Table shows the different settlement cycle prevailing in the major stock exchanges of the globe.

SETTLEMENT CYCLE PREVAILING IN THE MAJOR STOCK EXCHANGES OF THE GLOBE

Name of the Stock Exchange	Settlement Cycle
NSE	T+2
BSE	T+2
NYSE	T+3
Korean Stock Exchange	T+3
Tokyo Stock Exchange	T+3
Hong Kong Stock Exchange	T+2
Russian Stock Exchange	T+4

(Source: Greate Lake Herald, April, 2007, Volume 1)

ROLLING SETTLEMENT

The rolling settlement ensures that each day's trade is settled by keeping a fixed gap of a specified number of working days between a trade and its settlement. At present, this gap is five working days after the trading day[10]. The waiting period is uniform for all trades. In a rolling settlement, all trades outstanding at end of the day have to be settled, which means that the buyer has to make payments for securities purchased and seller has to deliver the securities sold. In India, for rolling settlement, the benchmark is T+5 settlement cycle, which means that a transaction entered into on Day 1 has to be settled on the day 1 + 5 working days, when funds pay in or securities pay out takes place.

CORPORATE GOVERNANCE

The three-legged corporate compliance stool - disclosure, accounting standards and board room practices has lifted India to the global pedestal in corporate governance. In a study titled "What works in Securities Laws? '' Professors Rafael La Porter, Florencio Lopez - de- Silanes and Andrei Shleifer have commented: "India scores 100 percent as far as disclosure standards are concerned". The Indian accounting standards are aligned with international accounting standards and are 'principle based'. In terms of consolidation, segmental reporting, deferred tax accounting and related party transactions, the gap between Indian and US GAAP is minimal.

On corporate governance it might be worthwhile to recall what the Economic Intelligence Unit 2003 study said: The Asian Experience incorporates - "Top of the Country class, as might be expected is Singapore followed by Hong Kong and somewhat surprisingly, India where overall disclosure standards have improved dramatically, accounting differences between local and US standards have been minimized and the number of companies with a majority of independent directors has risen significantly."

CLSA Emerging Markets Study on Corporate Governance gives India a score of 6.2, which is next only to 7.5 for Singapore and 6.7 for Hong Kong. None of the Indian companies listed on the NYSE or NASDAQ to the public knowledge has sought the benefit of transition time for the implementation of SOX requirements. What could possibly be more comforting is the CLSA – Emerging Market Study comment: "The Securities and Exchange Board of India (SEBI) continues to raise the bar for good corporate governance."

FINDINGS

The study is based on both primary and secondary data. The findings are enumerated below

- On the basis of analysis of the first objective, it is inferred that average closing price is highly volatile, when compared to average opening price.
- On the basis of analysis of the first objective, it is inferred that volume of transaction, average opening price and average closing price have negative correlation. Whereas, average opening and average closing price of group 'A' 30 stocks of BSE and NSE have positive relationship.
- On the basis of co-efficient of determination, the relationship of average opening price and volume of transaction is little higher than average opening closing prices of 30 stocks. Whereas, the co-efficient of determination between average opening and closing price is very high of 30 stocks of BSE and NSE.
- Combined Results of Correlation Co-efficient, Co-efficient of determination and their t-values of BSE and NSE Sample Stocks for the year 2005 were calculated.

For BSE the t-calculated value is 1.3825 and t-table value is 2.101. Similarly the t-calculated value for NSE is 2.101 and t-table value is 2.306. In both the cases the t-calculated values are less than t-table values. Therefore, the hypothesis that population correction is significant in respect of correlation co-efficient in accepted beyond doubt.

The stock prices are not only influenced by the past, present, public and private information but also due to changes in the macro economic variables. These results read along with corresponding runs test for BSE and NSE indicate that the former operated under semi- strong form and the latter under weak- form of market efficiency during the year 2005.

- On the basis of analysis for the year 2006 and 2007, it is inferred that average opening price less volatile and closing prices having highly volatile, when compared to average opening price.
- In the year 2006 and 2007, as per analysis of correlation co-efficient between the volume of transaction of average opening and closing price of group 'A'30 stocks of BSE and NSE. It shows that volume of transaction, average opening price and average closing price have negative correlation which is similar to the year 2005. Whereas, average opening and average closing price of group 'A' 30 stocks of BSE and NSE have positive relationship.
- To know whether market prices of the stocks are random in nature the study used runs test. The numbers of runs for BSE and NSE are 8 and 5 respectively.

Since observed number of runs falls within the acceptance region the null hypothesis is accepted that is the market prices of the 20 group 'A' Stocks of BSE for the year 2005 is randomly behaved.

Similarly in respect of NSE the market prices of 10 Stocks for the year 2005 were random in nature as per the data calculation.

8 Quoted in The Financial Express, Indian Capital Market-A Global Benchmark, July 06, 2003

9 Quoted in Business Line, Hindu, Sunday, Jan 05, 2003

- The BSE and NSE Stock prices in relation to Sensex and Nifty as well as external factors, the amount of randomness was determined by using runs test. The runs are 14 and 5 respectively for BSE and NSE. Since observed number of runs falls within the acceptance region, the null hypothesis that market prices of 20 stocks at BSE and 10 stocks of NSE are random in nature is accepted. In the year 2007, as per the runs test, it has been observed that, the behaviour of stock prices in BSE and NSE exhibited randomness.
- The autocorrelation results based on averages quarterly opening and closing stock prices of 20 select organizations under BSE for the period 1998 to 2000 reveals that the reliance industries limited and HDFC bank were extremely consistent (0.9999) while ONGC, Grasim industries and BHEL values ranged from 0.995 to 0.996. The degree of randomness does not exist in the stock prices of many select companies.
- International benchmarks in securities market are concerned, our country stands first as far as Information technology, transaction cost and settlement cycle (T+2). In respect of corporate governance–comprising disclosure, accounting standards and board room practices, we have to go a long way.
- The deafening noise of an out-cry trading system has been replaced with a silence of a summer through the Electronic Consolidated Anonymous Limit Order Book, with price time priority matching being accessed through more than 10,000 terminals spread in over 400 cities and towns across the Indian sub-continent, something perhaps without a parallel in the world.
- Electronic trading eliminates the need for physical trading floors. Brokers can trade from their offices, using fully automated screen-based processes. Their workstations are connected to a Stock Exchange's central computer via satellite using Very Small Aperture Terminals (VSATs). The orders placed by brokers reach the Exchange's central computer and are matched electronically.
- Another revolution which is taking place in the market is Straight-through-Processing (STP). It is a move to automate trade processes from initiation to execution to settlement. It involves electronically capturing and processing transactions in one pass.
- SEBI worked to establish the integrated source of company information, which would be accessible through SEBI's website on lines similar to that of Electronic Data Gathering, Analysis and Retrieval (EDGAR) system of the US Securities Exchange Commission. Because this the levels of disclosure in the Indian markets is at par in the US. At present, companies file various information with the stock exchanges as a part of the listing agreement.

SUGGESTIONS

The constructive suggestions incorporated below will go a long way in assisting the policy makers, investors, stock brokers, fund managers, general public, investment consultants and academicians. The suggestions are based on the intensive research on the topic – "Market efficiency and International Benchmarks in the securities market of India". The list of suggestions in inclusive but not the exhaustive.

- As per the findings of the year 2005, it is concluded that the available private and public information will have only partial influence on stock trading. Hence it is suggested that the company related matters like declaration of dividend, announcement of bonus shares, major changes in the top management, risk management strategies of the company, influence of political and economic parameters etc must be handled very carefully while communicating the same to the public about its effects on the company.
- As per the research findings, the average opening and closing prices of BSE and NSE are moving in the same direction. The statistical result reveals a negative correlation between the average opening and closing prices. Hence, it is suggested that the portfolio must be built by investing in variety of stocks belonging to different companies operating in different sectors.
- Statistical calculation reveals that the market efficiency of both NSE and BSE are similar, that is, semi-strong or high level semi strong. It is suggested that the investors must make use of the available information in market to invest in the other, so that the risk forecasting can be optimized.
- By using the t-test and ANOVA, it is suggested that, the available information in the securities market will have a direct bearing on the prices, accordingly the null hypothesis (H0) is accepted. However, it does not indicate the strength of the market hence it cannot be concluded as strong and efficient market. Whereas we can comfortably group 'A' stocks of BSE and NSE in high level semi-strong market during the year 2005.
- As per the results of the Run's test, the prices of the stocks are determined based on its own parameters. However, it is found that it is influencing the level of public and private information of certain companies to some extent. It is suggested that the investors must keep a close watch on prices of the stocks, so that they can make an informed choice.
- For year 2006 and 2007 statistical findings reveal that the available private and public information will have little influence on stock trading. Hence it is suggested that the company related matters like declaration of dividend, announcement of bonus shares, major changes in the top management, risk management strategies of the company, and exogenous factors like influence of political factors, micro and macroeconomic issues etc, must be handled carefully while communicating the same to the share holders about its effects on the company.
- Similar to the findings of the year 2005, the average opening and closing prices of BSE and NSE are moving in the same direction. The statistical calculation reveals that, a negative correlation exists between the average opening and closing prices. Hence, it is suggested that the portfolio must be built by investing in variety of stocks belonging to different companies operating in different sectors, so that the risk can be minimized.
- Research finding reveals that the market efficiency of both NSE and BSE are analogous, that is, semi-strong or high level semi strong. It is suggested that the people who are interested in the investment in stocks must make use of the trend in the one market to invest in the other markets, so that the returns on investment is maximized.
- By using the t-test and ANOVA for the year 2006 and 2007, it is found that, the available information in the securities market will have a direct bearing on the prices, accordingly the null hypothesis (H0) is accepted. Though, it does not indicate the strength of the market hence it cannot be concluded as strong and efficient market. Whereas we can comfortably group 'A' stocks of BSE and NSE in high level semi-strong market during the year 2005.
- Run's test reveals that the prices of the stocks are determined based on endogenous parameters. However, it is found that in certain cases it influences the level of public and private information to some extent. It is suggested that the investors should keenly study the price and volume trend of the stocks, so that they can minimize the risk of volatility and maximize the returns.
- Even in the random walk study of daily prices of 20 group 'A' stocks of Bombay Stock Exchange (BSE), it is suggested that the behavior of prices are randomly visible in the Bombay Stock Exchange. Thereby, not only null hypothesis but also high level semi-strong situation is witnessed.

Abnormal security performance prior to an announcement may – but does not necessarily – imply that the market is inefficient. The market would be considered to be inefficient if this apparent "anticipation" effect was the result of purchasers or sales by investors who have access to relevant information. The market would not be considered to be inefficient, however, if the apparent anticipation effect was the result of the previous announcements that are related to or correlated with the favorable or unfavorable news conveyed by a dividend announcement. The investors must act prudently to avoid abnormal security performance prior or after the announcement of the dividend.

CONCLUSIONS

The quantitative knowledge of market efficiency allows the past progress in financial development to be assayed, and gives direction on suitable national benchmarks for policymakers and others in the future. The policy outcomes of this analysis are less certain. This is because while market efficiency has been measured, no attempt has been made to link this with market breadth, depth and liquidity or with the underlying pace of deregulation and liberalization. However, depending upon the test employed, some markets are obviously more efficient than others and this provides useful benchmarks, both regionally and globally. Such benchmarks include Hungary in Europe, Egypt in Africa, Argentina in Latin America, Israel and Jordan in the Middle East and Malaysia and Korea in Asia. Closer examination of the developments in these markets is then warranted. One common feature is their relatively long tenure when compared to other emerging markets. This suggests that institutional maturity is an important determinant of market efficiency. These markets are also generally larger and this could also be linked with their efficiency.

Finally, at the level of the investor, frequent and wide stock market variations cause uncertainty about the value of an asset and affect the confidence of the investor. Risk averse and risk neutral investors may shy away from the market with frequent and sharp price movements. An understanding of the market efficiency is thus important from the regulatory policy perspective. When the total volatility of individual stock is decomposed into systematic volatility and idiosyncratic volatility, it is clearly evident that idiosyncratic volatility has trended up.

International benchmarks in securities market are concerned, our country stands first as far as Information technology, transaction cost and settlement cycle (T+2). In respect of corporate governance–comprising disclosure, accounting standards and board room practices, we have to go a long way.

DIRECTIONS FOR FUTURE STUDY

There are, of course, a number of ways in which this research could be extended. One possible extension would be to use the multiple variance ratio test procedure in conjunctions with intraday data. While the single variance ratio test is not robust and can be misleading in a high-frequency context, no such evidence concerns the more developed multiple variance ratio test. A second extension would be to examine more fully the relationship between the evolving characteristics of emerging stock markets and market efficiency. It is generally known that weak-form inefficiency is linked with the newer, small capitalization markets with low levels of liquidity and turnover but little is known about how quickly markets approach a random walk as they become more liquid and institutionally mature.

The topic “Market efficiency and International benchmarks in the securities market” is a fertile ground for young researchers to pursue furthermore. The topics suggested are-

- "A Global Comparison of Market Efficiency in Securities Market- A Study"
- "Animal instincts drive Stock Markets across the Globe- An Empirical study"
- "Primitive Emotions, Herd Mentality and Hormones Determine Investment Moves- An Exploratory Study"
- "Stock Market Efficiency and International Financial Reporting System – An Interface Study"
- "The randomness of individual scripts with respect to Market Index of BSE and NSE – An Empirical Study"

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CHALLENGE OF LIQUIDITY RISK AND CREDIT RISK IN INSURANCE COMPANIES WITH SPECIAL REFERENCE TO INDIAN PUBLIC SECTOR GENERAL INSURANCE COMPANIES

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ABSTRACT

The aim of this Article is to identify and discuss the challenge of Liquidity risk and Credit risk in Insurance companies with special reference to Indian Public sector General Insurance Companies. The insurance companies across the globe have learnt a strong lesson from collapse of AIG in last financial crisis. Though every insurance companies tries to maintain sound liquidity position, however, systemic risk factors may impact and have severe consequences on financial performance of any insurance company and in extreme cases it may even led to insolvency of the company. Therefore it is important to know how an insurance company may be at liquidity risk, so that appropriate steps are adopted to thwart the risk. Recently on 1st December 2011, Reserve Bank of India has introduced trading in Credit Default Swaps (CDS).These contracts have been used by banks and insurance companies since long for credit protection. The CDS helps in overall liquidity management of the companies, but CDS are double sided sword. Trading in CDS requires carefully guarding against systemic risk by limiting the build-up of risk positions; maintain necessary capital adequacy, and capping leverages.

KEYWORDS

Credit events, Credit risk, Liquidity risk, Solvency, Systemic risk.

INTRODUCTION

Liquidity risk for an insurance company is the risk that may incur losses in case the company finds difficult to secure the necessary funds or the company is forced to obtain funds at far higher interest rates than under normal conditions if there is a mismatch between the maturities of assets and liabilities.

Liquidity risk may be of type's; fund –liquidity risk and as market-liquidity risk. Fund –liquidity risk occurs if there had been an unexpected outflow of funds from the company and Market-liquidity risk happens if the company is unable to conduct market transactions or is forced to conduct transactions at far more unfavourable prices than under normal conditions due to a market crisis and the like. In both the cases, company is at losses.

Every institution needs levels of liquidity high enough to meet its payment obligations and low enough to take advantage of any investment opportunities. As sources of funding become ever more volatile and costly, active liquidity risk management enables institutions to keep ahead of the competition.

Insurance Industry may run into liquidity risk if they are fall short of funds. Though the scope of liquidity risk in the Insurance Industry is very limited, still some unexpected events such as massive decline in securities held by the companies, large claims, and other systematic risk generated in other parts of the financial sector may severely impact the funding capacity of the insurance industry.

Newton et.al. 2009 and Lorent 2008 mentioned that likeliness of the insurance companies to run into liquidity crisis is lesser when compared to banks. However, if a insurance company is impacted by any of the systemic risk factor, then it may have severe consequences on its financial performance and in extreme cases the impact may led into end up with insolvency of the company.

LIQUIDITY RISK MANAGEMENT SYSTEM IN BANKS AND INSURANCE COMPANIES

The business model of the insurance companies is different from the other financial institutions in the sector. While insurance is based on long term funding, but same may be not true with others .Advance premium payments are mode of funding upfront the insurers .Moreover the policy holders are prevented from making cash demand at will. However, non-core activities of short term funding through commercial papers, securities lending and mismanagement of the proceeds may put the insurance into danger zone of liquidity risk. The insurers may face the risk of clustered claim payments due to sudden natural catastrophe as happened recently in March 2011 Japanese earthquake. Other situations as well massive policy withdrawals and surrenders due to sudden change in interest rate may be vulnerable to insurance products.

Very often insurers align their assets and their investment activities are closely matched with expected payout schedule. Unlike bank, they are not at risk of asset liability mismatch and instability. However their asset may sometime face risk of being lesser liquid, in case if invested in real estate or in private placement. In this case, these are not liquid enough to cover the payouts and thus may cause insolvency of the insurers. Therefore, it becomes imperative for an insurer to manage this risk so that they may meet time bound liabilities.

Modern capital adequacy regulations stress to mitigate liquidity risk via increased capital requirement. In insurance companies, products are designed in such a way that these may effectively eliminate any exposure. There is general misconception that insurance companies are safer over liquidity issues, as these companies have no leveraging of loans as do banks, but this is not true. We have numerous examples in the past, which has proved that the insurance companies are also at bigger liquidity risk. Studies have shown that the reasons for the risk may be followings:

1. Insurance company has done investment into entities, but those are never actually held or those are not worth.
2. For policies, whose funds are locked into specific investment and which fail to perform well thus are not readily realisable.
3. Insurers may invest into a product of a company which are linked to loans that may default.
4. Insurance companies may pay high introductory commissions to insurance agents but later on new business could strain thus resulting into lack of funds to meet claims.
5. Other types of systematic liquidity problem which may appear due to drying up of credits and thus making insurers insolvents.

In a report given by The Bank for International Settlement in 2006, it is clearly mentioned that banks have comprehensive liquidity risk management system in place but same is not in insurance companies.

LIQUIDITY RISK AND CREDIT RISK MANAGEMENT IN INSURANCE COMPANIES WORLDWIDE

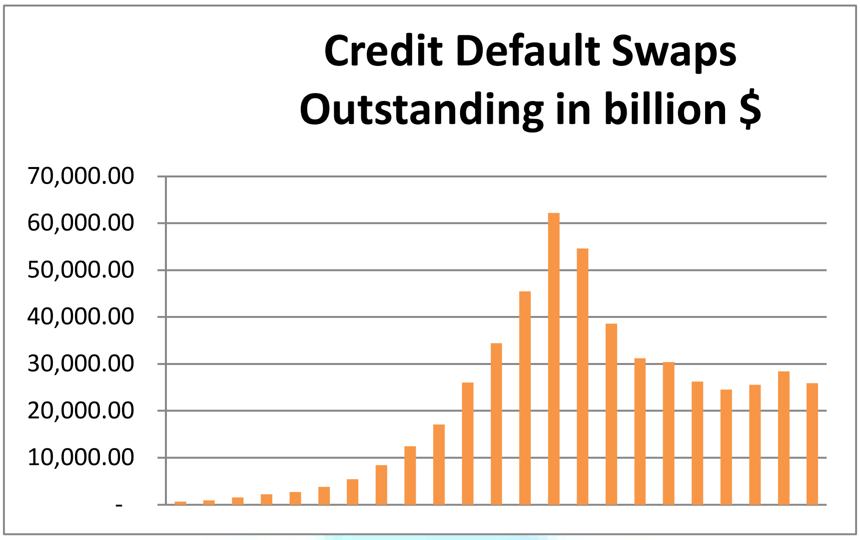
Insurance companies are large investors in International Financial market. Like any other investor, they have also added some investments in their portfolio which have caused exposure to credit risk and so like various entities in financial sector they too relied on transfer of the risk through financial instruments, mainly Credit Default Swap.

A Credit Default Swap (CDS) is a contract under which a seller agrees to make a payment to the buyer of the contract in the event of the referenced entity experiences one of the several events i.e. credit events, which may be either of default, bankruptcy or reorganization. Whenever any entity issues a paper e.g. bond to raise fund from the market, then there is occurrence of credit event. Under credit protection contract, the risk is transferred to the seller of the contract by the buyer. In exchange for this the protection seller receives a fee. Literally, the protection buyer “swaps” the risk of default with the protection seller and on occurrence of credit event, the swap contract provide the recovery of the loss.

In this context, CDS is similar to a standard insurance contract because CDS contract help the owner of the bond to manage the risk associated with bond investment by providing credit protection.

CDS market has seen a rapid growth because counterparties can buy or sell the CDS independent of the specific bond or other asset position on part of either of the party involved. Therefore the term "naked "and "covered" are used to distinguish the ownership position of the protection buyer in the contract swap. So the main point is that few types of CDS could be matched conceptually to insurance contract.

Evolution of CDS: Global Growth (2001~2012)

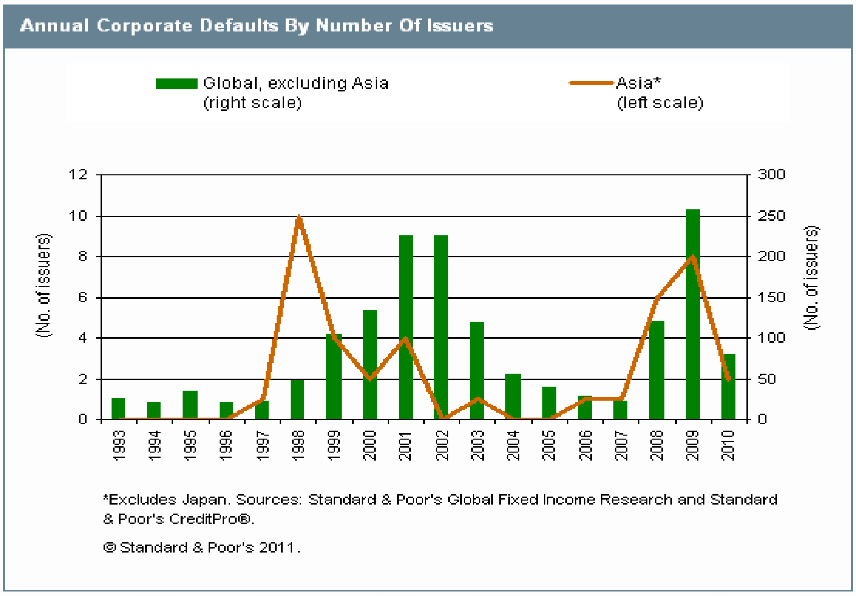


Source: ISDA Market Survey (2001~10), DTCC (2010~12)

The insurance and reinsurance companies are major investors in the capital market. Their investment portfolio may have exposure to the shares and debt securities of the companies under stress. During the period of slowdown, as the financial crisis worsens and economic activity deteriorate, at the same time valuation of these assets also come under pressure.

Losses become more apparent as mark to market valuation accounting rules are required to be followed by insurance companies.

Though insurance companies tries to protect themselves by maintaining widely diversified portfolios and investing in high quality securities, but when financial crisis is on larger scale then these financial assets may suffer significant loss. As the losses rose, the cost of hedging to limit the fall of equity contract also rose. Credit default swaps, is partly blamed for the credit crisis in US and the near sinking of insurer AIG. The company AIG had been a major seller of credit protection in US and its collapse in recent financial crisis has shown vulnerability of insurance companies on liquidity position.



(Asia in graph refers to Cambodia, China, Fiji, Hong Kong, India, Indonesia, Korea, Malaysia,Marshall Islands, Mongolia, Pakistan, Papua New Guinea, Philippines, Singapore, South Korea, Sri Lanka, Taiwan, Thailand, and Vietnam)

- 48 defaults in 17 years
- Japan: 3 CDS defaults since 2003

CREDIT DEFAULT SWAPS (CDS) IN INDIA

Recently on 1st December 2011, Reserve Bank of India has introduced trading in Credit Default Swaps (CDS) in order to attract investors to country's bond market.CDS contracts have been used by banks and insurance companies since long for credit protection.

Features of CDS in terms of RBI guidelines are-

1. Only banks, bond houses, finance companies, mutual funds, insurance companies, housing finance companies, provident funds, listed corporate and foreign institutional investors are allowed to buy protection.
2. CDS can be used to purchase protection against a debt obligation of a single Indian entity only.
3. In the case it is used to buy protection against default of bonds, the bonds have to be listed.
4. CDS cannot be freely traded in India.
5. Any user of the CDS can exit only by unwinding the contract with the original party.

6. Legal hassles and procedural delays due to unique rollover of loan repayments in the name of 'corporate debt restructuring' will also qualify as a credit event that will help the holder get insurance claim since it will be treated as default.
7. Only the market makers or commercial banks will be allowed to buy and sell credit default swaps while the 'users' can only buy credit protection, but will not be allowed to sell them.
8. Users may be insurance companies, housing finance companies, provident funds, listed corporate and foreign institutional investors.
9. The users cannot hold these contracts without having eligible underlying bonds, though the market makers can buy protection without having the underlying bond.
10. The users cannot buy CDS for amounts higher than the face value of the corporate bonds held by them.
11. All market makers have to report their CDS trades in corporate bonds within 30 minutes of the trade to the Clearing Corporation of India Ltd (CCIL) trade repository CCIL Online Reporting Engine (CORE)

Investors (here refer to Insurance companies) now have option to mitigate credit risk in their investment portfolio even in a tough macro-economic environment. Investors can also invest in higher-yield instruments, while ensuring minimal credit risk by buying CDS protection from top-rated counterparties.

Since the credit events, as defined in the CDS contract, include bankruptcy and restructuring approved by BIFR as well as CDR mechanism, therefore investors are also protected even in the event of any default or bankruptcy of the bond issuer.

The central bank RBI has taken stringent measures to ensure that these instruments cannot be used for speculation in India and has also created rules limiting the scope of the market.

SOURCES OF LIQUIDITY FOR INSURANCE COMPANIES

Insurance companies are required to maintain liquidity at three different levels:

a) On operative basis i.e. day to day cash management.
b) On organisation basis i.e. ongoing cash flow management for cash needs over a period of 1-2 years
c) On environmental basis i.e. stress liquidity management focusing on management of catastrophic risk

To meet outflow requirement, Insurance companies typically maintain their liquidity in flowing forms:

a) Bank Deposits:-The companies maintain balance with banks in current accounts, which may be linked to sweep in-sweep out facility to earn additional interest.
b) Treasury bills: T-bills are useful in managing short term liquidity. These are short term investment opportunities and are offered for a period generally up to one year. Government of India issues these types of treasury bills through auctions namely 91 days, 182 days and 364 days. These are issued at a discount and are redeemed at par.
c) Commercial Paper:- It is an unsecured money market instrument issued in the form of a promissory note. Corporate, Primary dealers (PDs) and the All-India Financial institutions (FIs) are eligible to issue CP and also they can issue CP for a maturity between minimum of 7 days to a maximum of one year from the date of issue. CP can be issued in denomination of Rs.500000 or in multiple of thereof.
d) Credit Facility: This is a important source of liquidity in form of line of credit from banks and other financial institutions. However, there are limitations on this facility, as in stress situation, there is risk that the counterparty may either refuse or dishonour the agreement.
e) Asset sale: Listed government and infrastructure bonds are easier to be sold, but the price depend on the market factors, type of security and the quantity sold. In a stress situation, it is difficult to realise their desired values.
f) Other Instruments: This includes investments in shares-equity and preference, mutual funds, derivative instruments, debentures, subsidiaries, real estate and other securities.

PUBLIC SECTOR GENERAL INSURANCE COMPANIES IN INDIA

After liberalisation of the Indian insurance sector and de-linking from general Insurance Corporation of India in the year 2000, there are four general insurance companies, which are functioning independently. These companies are

1) National Insurance Company limited
2) New India Assurance Company Limited
3) Oriental Insurance Company Limited
4) United India Insurance Company limited

These companies together have a network of 101 regional offices, 1395 divisional offices, 2880 branch offices in India and 43 overseas offices.
(Source: Ministry of Finance-Government of India)

LIQUIDITY RATIO

It expresses a company's ability to repay short term debt obligation. It is determined by dividing the liquid assets with total liabilities. If the value of this ratio is a greater than one, then it means that in emergency situation a company would be able to pay its all short term debts by most liquid assets.
The formulae is

$$\text{Liquidity Ratio} = \frac{\text{Liquid Assets}}{\text{Total Liabilities}}$$

DATA COLLECTION

To discuss the liquidity ratio of the four general insurance companies mentioned above, data has been collected from their website .This ration is part of the report submitted by companies in Form NL-30 on Analytical Ratios for Non-Life companies .A screenshot of the same is given below:

FORM NL-30 Analytical Ratios

Insurer:	NATIONAL INSURANCE COMPANY LTD.	Date:	30.06.2011		
		Ratios in %			
Analytical Ratios for Non-Life companies					
Sl.No.	**Particular**	**For the quarter**	**up to the Quarter 30.06.11**	**Correspodning quarter of the preceeding year**	**up to the Quarter of the prceeding year 30.06.11**
1	**Gross Premium Growth Rate**	28.2		28.87	
2	**Gross Premium to shareholders' fund ratio**	19.09		14.79	
3	**Growth rate of shareholders'fund**	-0.67		29.7	
4	**Net Retention Ratio**	88.86		86.2	
5	**Net Commission Ratio**	6.61		8.01	
6	**Expense of Management to Gross Direct Premium Ratio**	32.01		33.39	
7	**Combined Ratio**	86.55		-	
8	**Technical Reserves to net premium ratio**	502.43		521.8	
9	**Underwriting balance ratio**	-29.61		-24.76	
10	**Operationg Profit Ratio**	-10.7		-7.76	
11	**Liquid Assets to liabilities ratio**	**24.44**		**28.18**	
12	**Net earning ratio**	-3.2		-7.78	
13	**return on net worth ratio**	-0.54		-0.99	
14	**Available Solvency(Actual Solvency) to Required Solvency Margin Ratio**			1.61	
15	**NPA Ratio**				
	Gross NPA Ratio	3.27%		5	
	Net NPA Ratio	0.83%		1.13	
Equity Holding Pattern for Non-Life Insurers		*(Rs in Lakhs)*			
1	(a) No. of shares	10,00,00,000		10,00,00,000	
2	(b) Percentage of shareholding (Indian / Foreign)	100 / 0		100 / 0	
3	(c) %of Government holding (in case of public sector insurance companies)	100		100	
4	(a) Basic and diluted EPS before extraordinary items (net of tax expense) for the period (not to be annualized)	0		0	
5	(b) Basic and diluted EPS after extraordinary items (net of tax expense) for the period (not to be annualized)	0		0	
6	(iv) Book value per share (Rs)	160.48		148.54	

Source; www.nationalinsuranceindia.com/nicWeb/nic/fnclInfo.jsp

LIQUIDITY RATIO IN THE YEAR 2009-10

Quarter	**Indian Public sector General Companies**			
	National Insurance	The New India Assurance Co. Ltd	Oriental Insurance	United India Insurance
Q1(Apr-June)	14.36	34.82	32.42	55.56
Q2(July-Sep)	15.32	47.51	33.79	55.56
Q3(Oct-Dec)	19.51	136.31	26.26	55.56
Q4(Jan-Mar)	22.69	48.28	29.31	60.39

LIQUIDITY RATIO IN THE YEAR 2010-11

Quarter	**Indian Public sector General Companies**			
	National Insurance	The New India assurance Co. Ltd	Oriental Insurance	United India Insurance
Q1(Apr-June)	28.18	52.25	45.07	56.61
Q2(July-Sep)	27.78	60.58	30.89	54.54
Q3(Oct-Dec)	24.36	143.43	34.48	52.92
Q4(Jan-Mar)	21.59	49.07	29.32	48.26

LIQUIDITY RATIO IN THE YEAR 2011-12

Quarter	**Indian Public sector General Companies**			
	National Insurance	The New India assurance Co. Ltd	Oriental Insurance	United India Insurance
Q1(Apr-June)	24.44	41.6	31.15	46.84
Q2(July-Sep)	20.15	46.51	32.22	45.31
Q3(Oct-Dec)	18.39	59.35	--------	45.44
Q4(Jan-Mar)	--------	---------	--------	--------

CONCLUSION

Out of four Indian Public sector General Insurance Companies studied for liquidity ratio, we may easily estimate that among them the National Insurance have the lowest liquidity ratio and on other hand The New India Assurance Co. Ltd have the highest ratio, whereas other two are in middle range of the two. In summary we find that liabilities of these companies are well protected by liquid assets. Since it is very recent that CDS has been introduced, which insurance companies can buy for credit protection, hence it would require further study to analyse its impact on insurance companies.

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CONTEMPORARY ISSUE ON DEREGULATION OF SAVING ACCOUNT INTEREST RATE

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ABSTRACT

India pursued financial sector reforms as a part of structural reforms initiated in the early 1990s. A major component of the financial sector reform process was deregulation of a complex structure of deposit and lending interest rates. The administered interest rate structure proved to be inefficient. It, therefore, became necessary to reform the interest rate structure. As a part of financial sector reforms, the Reserve Bank has deregulated interest rates on deposits, other than savings bank deposits. The interest rate on savings bank deposits has remained unchanged at 3.5 per cent per annum since March 1, 2003. An attempt was made to deal with pros and cons of deregulating savings deposit interest rate and take on board the suggestions of various stakeholders for either maintaining the status quo or deregulating the saving deposit interest rate.

KEYWORDS
Annual policy, Deregulation, Interest rate, Reserve bank, saving bank deposits.

INTRODUCTION

Deregulation of interest rate means that interest will not be under control of RBI anymore. The interest rates will differ for each bank. The banks will decide the interest rates based on their financial condition and other factors. The deregulation puts more competition among the banks to attract more savings bank account holders.

The Reserve Bank of India (RBI) in its second quarter monetary policy review deregulated savings bank rates with immediate effect. A savings deposit is a hybrid product which combines the features of a current account and a term deposit account. A current account is mainly maintained by business houses whereas a savings account is used mostly by individuals. The amount maintained under a current account normally does not provide any rate of interest whereas interest is paid for a savings account. The overall interest rate scenario has changed drastically in the last two decades, but the interest rate on saving accounts has been changed only thrice since 1978.

Yet two months on, only a handful of India's banks have responded by raising interest rates and there's hardly been a headlong rush by depositors seeking higher returns. Those that have lifted rates are small, private lenders with limited branch networks hoping to grab a bigger share of India's retail banking market. In late December, Yes Bank pushed its savings deposit rate up to 7 per cent in an effort to grab depositors' attention. However, large banks that dominate the industry report negligible, if any, account migration. Numbers are hard to verify, but Yes Bank, Kotak Mahindra and Indus Bank claim to have scored quick success by marketing their savings accounts.

REVIEW OF LITERATURE

NEWS PAPERS COMMENTS ON SAVING BANK INTEREST RATE DEREGULATION

NEWYORK TIMES: WHETHER THE BANKS SEE IT AS GOOD OR BAD NEWS, THE CHANGE IS COMING

By tradition many Indians consider it auspicious to spend money during Diwali on things like clothes, jewelry and homes. This year, however, some Indians may be thinking about saving, instead. In a surprise move, India's central bank, the Reserve Bank of India, freed commercial banks to determine the interest rates on savings accounts for the first time in 34 years. Since 1977, a time that was the halcyon days of Indian socialism, the R.B.I. had determined the rates banks paid on savings deposits, last set at 4 percent earlier this year.

FINANCIAL TIMES: INDIA'S 'BIG BANG' WILL END LAZY BANKING

The winners and losers of India's 'big bang' savings deposits deregulation appeared to be clear within moments of its unheralded announcement in Mumbai. The share prices of nimble, private banks eager to expand their market share in retail banking climbed. Those expected to prosper amid greater competition included Yes Bank and Kotak Mahindra, alongside international banks such as HSBC, Citibank and Standard Chartered.

BUSINESS LINE

The deregulation of the SB interest rate will intensify competition among banks and provide depositors with wider banking options. It will also increase depositors' interest income by around Rs 9,000 crore, credit rating agency CRISIL said. The agency expects the average interest rate on savings accounts in the banking system to increase by 50 to 100 bps over the medium term. However, this means increased pressure on banks' cost of deposits and profitability.

INDIAN EXPRESS: NOW YOU WILL GET MORE ON YOUR SAVINGS BANK DEPOSITS

In one of the last few steps towards further deregulating the Indian banking system, the Reserve Bank of India (RBI) allowed banks to fix their own interest rates on savings bank (SB) accounts. While it may come as good news for savings account holders who currently get just 4 per cent returns, it may come as an extra burden on banks that may have to shell out large sums if interest rates rise. This is also expected to affect the health of public sector banks especially at a time when they are seeking as much as Rs 20,000 crore for recapitalization in the current fiscal.

IMPORTANTS OF THE STUDY

1. With the help of this research an investor can know which bank is providing how much interest on savings
2. With the help of this research bank can know what customers want from banks and what will be the effect of deregulation of interest rate on banks.
3. This study will be of great use to students who are interested in knowing the working pattern of banks after deregulation of interest rate.
4. This study will provide the base to the research scholars for the further study in the related area.

OBJECTIVES OF THE STUDY

The purpose of this research is:

1. To know what is deregulation of interest rate.
2. To understand what is the need of Deregulation.
3. To know what are the effects of deregulation on banks and investors.
4. To know what are the trend in savings bank deposits in India.
5. To understand what are the advantages and disadvantages of Deregulation of Savings Bank Deposits Interest Rate in India

RESEARCH METHODOLOGY

The paper is based on regulatory frame work provided by RBI regarding deregulation of deposit interest rates in India. The study is based on secondary data collected from different news papers, websites, journals and books. Then analysis was made of the advantages and disadvantages of deregulation of interest rates in India.

HYPOTHESIS

1. There may be significant relationship between savings bank deposit and interest rate.
2. There may be significant relationship between interest rate deregulation and growth policies of India.

RESULTS AND DISCUSSION

Deregulating may allow an organization to conduct more activities than it could before; for example, it may allow a bank to make more high risk investments. Deregulation is intended to increase efficiency in the market by letting the Invisible Hand guide the economy apart from government intervention. Opponents, however, argue that deregulation increases the likelihood of fraud and unfair practices such as insider trading. Many analysts agree that deregulation helps firms on solid financial footing and hurts those that are not.

Interest rate is the price for loanable funds. Like every other commodity price, interest rate is determined by the forces of demand and supply for loanble funds. Among the other factors that determine interest rates are savings, investment, inflation, government monetary policy, and taxation. Savings represents the major supply of credit while investment represents the demand for credit. Whenever savings falls, while investment remains constant, there is pressure on interest rate to rise. Similarly, a fall in investment with savings remaining constant usually pushes up interest rate. Inflation is another factor that influences interest rates. Expectation about inflation influence interest rates movements. Government monetary policy is another factor that influences interest rates. An expansionary monetary policy which increases credit in circulation would pull down interest rate while contractionary monetary policy usually pushes up interest rates.

Interest rates deregulation is an economic term used to refer to a situation where by forces of demand and supply are allowed to determine the value of interest rates rather than its value being administered directly by monetary authorities. Interest rates deregulation in seen as a deviation from financial repression. It has been advocated by many economists that interest rate deregulation helps to enhance savings, boost investment and consequently help to enhance economic growth.

WHAT ARE THE FACTORS THAT INTENDED DEREGULATION TO OCCUR?

Deregulation is needed to:

- Strengthen the competitive forces,
- Improve allocative efficiency of resources,
- Strengthen the transmission of monetary policy,
- Product innovation,
- Price discovery.

EFFECT OF DEREGULATION ON BANKS AND INVESTORS

- Increase in competition
- Increase in interest rate
- Reduction in Net Interest Margin if not balanced by increase in landing rates
- Large Public sector banks like Punjab National Bank are examining ways how to offset the increase in Savings Bank Account.
- The bank has SB deposits aggregating Rs 1 lakh crore.

IMPORTANT ASPECTS REGARDING DEREGULATION

- New banks can now offer a higher interest rate to persuade customers to move away from their old banks. But as can be visualized, the interest rates paid by all banks on their savings accounts will rise. This will adversely affect banks' profitability.
- The banks will compete with each other on savings account interest rates therefore, a customer will benefit in the form of higher interest rates.
- When banks had to pay just 3.5% as interest, they were able to give free chequebooks, allow free cash withdrawals and charge a nominal fee for other services.
- If banks have to remain profitable, they have two options. **First**, increase the lending rates to ensure the same profitability in spite of paying a higher savings account rate. **Second,** cut costs related to savings accounts.
- As can be seen, banks have increased interest rates to get more savings accounts. But at the same time, they will be forced to remain competitive by moves such as an increase in the minimum balance requirements, having a tiered interest rate structure (wherein better rates are offered to customers with a larger balance), imposing a charge for issue of cheque books and so on.

Initially, the banks which have hiked the interest rate are:

- Yes Bank
- Kotak Mahindra Bank
- IndusInd Bank

The reasons behind that are:

- Relatively new players
- Fewer savings accounts
- Do not have a strong retail portfolio

SBI SAYS NO IMMEDIATE HIKE IN SAVING DEPOSIT RATES

On the other hand, India's leading state-owned bank SBI has not yet hiked the savings deposit rates.

State Bank of India: The rate will be increased by up to 1.25%, thus making it 5.25%. The decision is not yet taken.

- In contrast to Yes Bank, SBI already has 34% of its total deposits in savings bank account – which is amongst the highest industry ratio in terms of holding low cost funds to total deposits. Thus, SBI is seen in no hurry to introduce the deposit hike in very near-term.
- The banks which have raised savings deposit rates lack reach.
- The bank is sitting on a huge deposit base and has no concern regarding cost of deposits going up due to the deregulation.
- The total deposits in SBI's savings accounts are to the tune of nearly Rs 3.5 lakh crore, and a hike of one per cent in interest would mean that it would cost the bank Rs 3,500 crore, which will have to be passed on to the customers
- Lakshmi Vilas Bank can decide to give its savings account holders 5% while ICICI may decide to give its account holders 4%.
- Vijaya Bank - Savings Bank - 4.00 % p.a (Effective from 03 - MAY 2011)
- Since the large banks like SBI, ICICI Bank, Punjab National Bank (PNB) and HDFC Bank have not made any changes in their interest rates, other smaller banks have not felt the need to change the status quo.

- The country's largest urban cooperative Saraswati Bank announced on November 29 that it would offer 6% interest on savings deposits which will be payable every quarter.
- Axis and Bank of Baroda offers Savings Account Deposit Interest Rate @ 4% (for all amounts).

BANKER'S POINT OF VIEW

- As an impact of the soaring inflation, the real rate of interest on savings is negative and hence deregulation seems inevitable. However, banks hold a mixed opinion on the same.
- While the state-owned banks are more in favour of the regulated savings deposit rate, the private banks are mostly in favour of deregulation.
- Many banks affirm that if interest rates are to be deregulated then RBI should also deregulate the maintenance charges.

TREND IN SAVINGS BANK DEPOSITS IN INDIA

- Savings deposits are an important component of bank deposits. The average annual growth of savings deposits, which decelerated in the 1990s as compared with that of the 1980s, accelerated sharply in the decade of the 2000s. In this decade, the average growth rate of savings deposits exceeded that of both demand deposits and term deposits, notwithstanding the growth in term deposits outpacing that of savings deposits during the period 2005-10 (Table 1).

TABLE 1: AVERAGE ANNUAL GROWTH RATES: AGGREGATE DEPOSITS AND COMPONENTS (Per cent)

Period	Demand Deposits	Savings Bank Deposits	Term Deposits	Aggregate Deposits
1	2	3	4	5
1981-1990	19.5	17.1	19.8	18.9
1991-2000	12.5	15.7	17.4	16.1
2001-2010	16.2	19.4	18.2	18.2
(a) 2000-05	12.8	18.8	14.8	15.4
(b) 2005-10	19.7	20.1	21.7	21.0

Source: Calculations based on data in Statistical Tables Relating to Banks in India, RBI, Various Issues.

- Savings account penetration (number of savings accounts for 100 persons), which remained broadly unchanged between March 1996 and March 2005, increased significantly by March 2009. Per capita savings bank deposits also increased from Rs. 1,067 in March 1996 to Rs. 7,767 for March 2009. However, in recent years, the growth in per capita savings deposits was lower than that of aggregate deposits as reflected in the decline in the ratio of per capita savings deposits and per capita aggregate deposits (Table 2).

TABLE 2: SAVINGS BANK DEPOSITS: NUMBER OF ACCOUNTS AND PER CAPITA SAVINGS BANK

Deposits Year	Savings Bank Deposits (Rs. crore)	No. of Accounts per 100 persons	Per Capita Savings Bank Deposits (Rs.)	Per Capita Aggregate Deposits (Rs.)	Ratio of Col.4 to Col.5 (Per cent)
1	2	3	4	5	6
End-March 96	99020	26.0	1067	4932	21.6
End-March 00	231956	23.9	2317	8994	25.8
End-March 05	440339	25.3	4044	16874	24.0
End-March 09	896301	36.2	7767	35210	22.1

Source: Basic Statistical Returns of Scheduled Commercial Banks in India and Handbook of Statistics on the Indian Economy, RBI, Various Issues.

- As expected, data on the ownership pattern of savings deposits during 1998-2009 reveal that savings deposits are predominantly held by the household sector (Table 3).

TABLE 3: OWNERSHIP PATTERN OF SAVINGS DEPOSITS (Per cent)

Sector	1998	2009
1	2	3
I. Household Sector	84.8	83.6
II. Government Sector	8.4	9.1
of which:		
State Government	3.3	5.3
Local Authorities	1.9	1.7
Public Sector Corporations and Companies	1.7	1.2
III. Foreign Sector	5.3	6.0
IV. Private Corporate Sector (Non-financial)	0.2	0.4
V. Financial sector	1.4	0.8
VI. Total	100	100

Source: Statistical Tables Relating to Banks in India, RBI, Various Issues.

- An analysis of distribution of savings deposits by population groups reveals that between 2000 and 2009, savings deposits held in rural and semi-urban areas declined sharply, while those held in metropolitan areas increased. In 2009, the share of savings deposits held in metropolitan areas was more than that held in rural and semi-urban areas (Table 4).

TABLE 4: SAVINGS BANK DEPOSITS – ACCORDING TO POPULATION GROUPS (Per cent)

Year	Rural and Semi-urban	Urban	Metropolitan	Total
1	2	3	4	5
1991	42.7	25.7	31.6	100
1995	39.3	24.4	36.3	100
2000	40.1	25.4	34.5	100
2005	39.2	26.1	34.6	100
2009	36.2	26.1	37.8	100

Source: Basic Statistical Returns of Scheduled Commercial Banks in India, RBI, Various Issues

- Savings deposits also constitute a significant share of financial assets of the household sector. Their share ranged between 10 and 16 per cent of financial assets of the household sector between 2000-01 and 2008-09 (Table 5).

TABLE 5: HOUSEHOLD SAVINGS: FINANCIAL AND PHYSICAL

(As per cent of GDP at current market prices)

Item	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
1	2	3	4	5	6	7	8	9	10
Gross Domestic Savings	23.7	23.5	26.3	29.8	32.2	33.1	34.4	36.4	32.5
Household Sector	21.6	22.1	22.9	24.1	23.3	23.2	22.9	22.6	22.6
Of which:									
1. Financial Assets	10.2	10.9	10.3	11.4	9.8	11.4	10.9	11.2	10.4
2. Physical Assets	11.4	11.3	12.6	12.7	13.5	11.8	11.9	11.5	12.2
Memo:									
Share of Bank Deposits in Household Financial Assets (per cent)	38.1	38.1	38.3	37.6	36.4	46.0	47.9	50.4	54.9
Share of Savings Bank Deposits in Household Financial Assets (per cent)	10.3	11.2	12.1	13.3	13.7	16.0	11.8	12.7	12.8
Share of Currency in Household Financial Assets (per cent)	6.3	9.5	8.9	11.3	8.5	8.9	10.2	11.4	12.5

Source: Reserve Bank of India

- To sum up, savings deposits are held largely by households. Savings deposits are a popular product and they constitute about 22 per cent of total deposits of scheduled commercial banks and about 13 per cent of financial savings of the household sector.

ADVANTAGES AND DISADVANTAGES OF DEREGULATION OF SAVINGS BANK DEPOSITS INTEREST RATE IN INDIA

ADVANTAGES

- To increase the share of savings account in total deposit: The savings rate was fixed at 3.50% from March 2003 to May 2011.
- However, during the period, the RBI changed both repo and reverse repo rates many times but the same was not reflected in the interest rates that the normal household gets. There was a huge gap between savings and term deposit rates and, hence, the ratio of savings deposit in total deposit fluctuated, mainly in rural areas. The deregulation would make such accounts more attractive in rural areas.
- RBI policies would become more effective: As savings accounts constitute around 22% of the total bank deposits, it provides a source of low-cost fund to banks. Even when the repo rate was hovering around 8.25%, the savings rate was fixed at 4% before deregulation.
- After deregulation, it is expected that savings rate would move in tandem with the RBI monetary policy, thus, making the policy more effective.
- Competition: Most banks would want to maximize their CASA ratio as it provides funds at low cost. Before deregulation there was hardly any competition in this segment. But after deregulation, it is expected that banks would try to lure customers by offering higher interest rates along with other innovations and flexibility to get as many accounts as possible.

DISADVANTAGES

- It might lead to asset-liability mismatches: As all banks offered similar rate of interest before deregulation, there was no incentive for customer to shift their savings from one bank to another and, hence, banks used such deposit to finance long-term loans. But, when the banks are free to set their own interest rates, it can wisely be assumed that banks with lower CASA ratio would offer attractive rate of interest to consumers, thus, leading to asset-liability mismatches.
- Could impact small households: When interest rates are deregulated, it could be on the downside as well. Banks would not be in a position to compensate savers properly if there is enough liquidity in the system. This would impact small savers and pensioners who depend only on savings rate interest for their livelihood.
- Unhealthy competition and systematic risk: Saving deposits offers low cost of funds and, hence, are very attractive for banks. To lure customers, each bank would try to offer higher rate of interest, thus, impacting their net interest margin. It would result in higher cost of funds for the bank which would ultimately be passed on to the borrower, leading to higher cost of borrowing. Deregulation of interest rates has its own pros and cons and it would be interesting to see what strategy banks adopt. It is expected that in a higher interest rate scenario they would be forced to provide much higher returns.

IMPACT ON LIQUID FUNDS

- Liquid funds are mutual funds that primarily invest in debt securities and offer higher post-tax returns as compared to savings deposits. They normally invest in commercial papers, certificate of deposits and treasury bills of maturities less than 91 days. Their mandate is to optimize returns while preserving capital.
- But with deregulation of interest rates in savings accounts, some investors might move their funds towards these as it offers higher liquidity and safety of the principal amount. The overall corpus might be impacted by reduced difference between yields of both options.
- However, liquid funds yield better returns if we take tax rate into account. It also provides a dividend option where only dividend distribution taxis deducted by fund houses before distribution. With deregulation, this category of mutual fund will definitely offer more innovation. Thus, one must spread his savings across liquid funds and savings account to get the benefit of both
- While savings deposits are easier to access and offer some degree of protection, higher yield combined with liquidity and taxation benefits make liquid funds attractive.

FINDINGS

- Prior to this change, banks must pay the 4.0% interest for all their savings bank customers. This is same for all the banks. It means that interest rates for the savings bank accounts are regulated by the Reserve Bank of India (RBI) and banks must follow that. This change happened only less than a year.
- The interest rate for the savings bank account was 3.5% for long time and recently only it has been increased to the 4.0%. Also, there were changes in the how the interest rates are calculated. First 10 days of the balance will not be taken for the calculation, also in the remaining days only the minimum balance will be taken for the interest rates calculation. This would result in very less benefit to the customers.
- Prior to making 4.0%, RBI has changed to the daily balance calculation for interest rates of 3.5%.
- Effective 25 October, RBI has explicitly sent notification to the banks for changing their savings bank interest rates. Simply, banks are free t0 set their interest rates for their customers. Till now they are compulsory to pay 4.0%.
- The RBI has told banks to pay a uniform rate to all customers having savings account balance of up to Rs 1 lakh. For balances above Rs 1 lakh, banks are free to choose interest rate bands.
- This would benefit the salary bank account holders who maintain the lump sum amount in the saving bank account.
- However, not all the banks would increase the interest rates immediately. India's largest bank State bank of India (SBI) has announced that they would not revise the interest rates immediately and it would affect the profitability of the bank. The following are the few banks that have revised the interest rates:
- Kodak Mahindra Bank, Yes Bank and IndusInd Bank have set the interest rates as 6% per annum for balances above R1 lakh and 5.5% for deposits less than Rs 1 lakh.

CONCLUSION

- In the run-up to the deregulation of SB deposit interest rates, the central bank had directed banks to pay interest on these deposits on a daily product basis with effect from April 1, 2010. Banks currently pay 4 per cent interest on SB deposits.

- The RBI said, henceforth, each bank will have to offer a uniform interest rate on SB deposits up to Rs 1 lakh. In the case of SB deposits over Rs 1 lakh, banks may provide differential rates of interest.
- Yes Bank responded to the RBI deregulation move by increasing the interest rate on all SB deposits by 200 basis points (1 per cent change is equal to 100 basis points) to 6 per cent. The bank also upped the Base Rate (the minimum lending rate) by 25 basis points to 10.5 per cent.
- “Most banks are not in a hurry to hike the interest rates on SB deposits as liquidity is comfortable. So they would not be very keen or desperate to raise the rates and lose the cost advantage. In any case, depositors looking for higher yields have moved into fixed deposits or into liquid mutual funds,” said Mr Pratip Chaudhuri, Chairman, State Bank of India.
- The deregulation of the SB interest rate will intensify competition among banks and provide depositors with wider banking options. It will also increase depositors' interest income by around Rs 9,000 crore, credit rating agency CRISIL said.
- As SB rate deregulation is introduced in India in the present tight liquidity conditions, there is a possibility of an unhealthy rate war among banks, giving way to heightened volatility in their resource profile.
- As can be seen, banks have increased interest rates to get more savings accounts. But at the same time, they will be forced to remain competitive by moves such as an increase in the minimum balance requirements, having a tiered interest rate structure (wherein better rates are offered to customers with a larger balance), imposing a charge for issue of cheque books and so on.
- It is good move by RBI to benefit the customers. Another problem would arise is, banks would start feeling the more expenses and would increase the fees for other services. As per the record, thousands of crores are lying on the savings bank account, now banks has to pay the extra interest for that money. It would result in the more expenses for the bank. However, it is good for the customers to choose the bank which is offering the good interest rates.

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A STUDY ON THE EFFECT OF FOOD ADVERTISEMENTS ON CHILDREN AND THEIR INFLUENCE ON PARENTS BUYING DECISION

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ABSTRACT

In today's scenario children are considered as an important target in the market segment from a marketing perspective. A tremendous change has taken place in advertisements; children are targeted not only for child oriented products but also for other products. The role that children play in making purchase decisions concerning the entire family unit has driven in doing a research towards the study of food advertisement influence on children and in turn their influence on parents buying decisions with reference to India. Indian society vastly differs from the West in terms of family composition and structure, values, norms, and behaviour, which affect the role that children play in purchase decision making in families. Hence, the aim of this paper is to study whether children falling in age groups between 13yrs-15yrs have influence on parents' buying decision in food products and also aims in identifying which gender and age groups of children have more influence. The study was conducted in Bangalore with the help of a questionnaire aimed to a sample size of 180 children and 180 parents (father or mother) of the same children.

KEYWORDS
Children, food, food advertisements, parents.

INTRODUCTION

Advertising is a mode of communication used by the marketers which results in persuading the audiences to take some action like buying of products, ideas or services. The main objective of advertisements is to drive customers towards commercial offerings. Advertising messages communicated to the customers are paid for by sponsors and viewed through different media such as newspaper, magazines, television commercials, radio, outdoor or direct mail or new media such as websites and text messages. Every company to survive in market has to advertise their products or services. Today where ever people go they see some type of advertisements. People are bombarded with advertisements everywhere. The advertisement has become so intense and its influence is very common in everybody's life including children and adults.

Advertisements pattern has changed tremendously in today's scenario, earlier advertising children oriented products such as toys or food products are always shown and messages conveyed are only to parents. There were hardly any children oriented advertisements, because advertisements were limited to display in store, a newspaper advertisements or a television advertisements as there was no much competitors in markets. Children today spend more time watching televisions than children did in the early days, this to a great extent contributed to the change in pattern of advertisements made. Also children of now are so technology oriented than parents where they spend hours together online where advertising is prevalent as well. Therefore advertising messages that are conveyed are more sophisticated, pervasive and are targeted directly at children at a very early age.

From a study by Law 2003, it was found Advertisers spent $105.97 billion in 1980. This number more than doubled in 2001 when it reached $230 billion. In the year 2000, the Census reported 105 million households in America, meaning advertisers spend an average of $2,190 on one household per year. Advertisers spend this much money because of television. The average child sees an estimate of more than 20,000 commercials every year - that works out to at least 55 commercials per day. Children will insist their parents purchase what they see or hear on television. As a result, advertising pattern focuses on children as the main target and this lead to a drastic change in the role of children in family purchase decisions.

REVEIEW OF LITERATURE

Halan, 2002; Singh, 1998 it was determined that children forms a major consumer market, with direct purchasing power for snacks and sweets, and indirect purchase influence while shopping for big-ticket items

Bhushan (2002) found Indian children have recently attracted considerable attention from marketers because the market for children's products offers tremendous potential (pegged at Rs. 5000 crore/$1110mn) and is rapidly growing. According to available industry data, the chocolate and confectionary market is estimated at Rs. 1300 crore/$290mn, the apparel market at Rs. 480 crore/$110mn and kids footwear at Rs. 1000 crore/$220mn

There are many studies done in foreign countries on children influence on parents purchase decision and from the review done it was reported that children have lot of influence in purchase decisions for children products such as snacks (**Ahuja and Stinson, 1993**); toys **(Burns and Harrison, 1985; Jensen, 1995; Williams and Veeck, 1998);** children's wear **(Foxman and Tansuhaj, 1988; Holdert and Antonides, 1997);** and cereals **(Belch et al., 1985; Berey and Pollay, 1968).** Children have been observed to influence decisions for family products also, such as holiday/vacations **(Ahuja and Stinson, 1993; Belch et al., 1985; Dunne, 1999; Holdert and Antonides, 1997; Jenkins, 1979);** and eating at particular restaurants or even decision making for the family to eat out **(Filiatrault and Ritchie, 1980; Williams and Veeck, 1998).**

With respect to demographic variables of children there was many studies were done in many of the foreign countries and following were some findings of the researches. According to many researchers such as **Ward and Wackman (1972), Jenkins (1979) & Moschis and Mitchell (1986)** it was found childrens' age constitute as an important factor which affects childrens' influence in family decision making.

Ward and Wackman (1972) found that young children aged between 5 to 7 tend to have more influence for game and toy purchases, while older children aged between 11 to 12 found to have more influence attempts for clothing and record albums. In another study by **Ward and Wackman, 1972; Mangleburg, 1990** it was found that when compared to younger children, older children have more knowledge and experience of the products and they are more customers socialized.

NEED OF THE STUDY

Children are emerging as strong consumer segment which has a high influence on the parents buying decision with respect to items of own consumptions and also items for common consumption of the family. Marketers are striving to attract this segment through various advertising media. It was found from the literature review, that children's influence on family decision making has been well documented in western countries, where most of the research done had several variations affecting the degree of children's influence, including product category, decision stage, children's resource, family structure and socio-economics. However, there are only few researches done on children's influence on family decision making in India. This study aims to investigate the influence of food advertisements on children in India and their influence on parents buying decision making and also to find out which gender & age groups of children has more influences on parents buying decisions.

OBJECTIVES

a) To find out the childrens' & parents' attitude towards TV advertisements.
b) To identify the most attractive advertisement media for children
c) To recognize the important aspect that attracts children in food advertisements
d) To identify which food product children have higher influence on parents buying decision
e) To analyze whether gender of child has impact on parents' buying Decision
f) To recommend strategies to marketers for higher effectiveness

HYPOTHESIS

H1: There is no significant difference between children's gender & their perception on attractive aspects in food advertisements
H2: There is no significant difference between children's age & their perception on attractive aspects in food advertisements
H3: There is no significant difference between children's gender & on their preferred TV shows
H4: There is no significant difference between children's age & on their preferred TV shows
H5: There is no significant difference between children's gender & their perception towards advertisements
H6: There is no significant difference between children's age & their perception towards advertisements

RESEARCH METHODOLOGY

The study was conducted for sample size of 180 children of various schools in Bangalore and 180 parents (either mother or father) of the same child. Sampling method adopted was convenience and stratified sampling as equal proportion of questionnaire was given to both gender, also between the three age groups 13yrs, 14yrs & 15yrr old children. The data was collected through a questionnaire which was validated by conducting a pilot study first for a sample size of 30. The validation was done with the help of reliability test and Cronbach's Alpha value was .707. Also Rossiter scale (1977) comprises 7 items on a five-point Likert scale was adopted for the study to measure parents' and childrens' attitude towards television advertisements. The statistical techniques used for analysis of data were Chi square test, ANOVA, Friedman rank test and Descriptive statistics.

OPERATIONAL DEFINTION

Food: In this study food refers to confectionery, snacks, juice, soft drinks, bread, jam & ketchup.
Food Advertisements: Refers to advertisements which promote food products through different media such TV, radio, magazines, pamphlets etc.

RESULTS & DISCUSSION

HYPOTHESIS BASED RESULTS & DISCUSSION

1.1 GENDER OF CHILDREN & THEIR PERCEPTION ON ATTRACTIVE ASPECTS IN FOOD ADVERTISEMENTS

1.1 Crosstab

			aspects attracts in food advertisements				
			celebrity	music	song	cartoon character	Total
Gender	male	Count	39	9	10	30	88
		% within Gender	44.3%	10.2%	11.4%	34.1%	100.0%
	female	Count	46	21	11	14	92
		% within Gender	50.0%	22.8%	12.0%	15.2%	100.0%
Total		Count	85	30	21	44	180
		% within Gender	47.2%	16.7%	11.7%	24.4%	100.0%

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	11.159[a]	3	.011
Likelihood Ratio	11.427	3	.010
Linear-by-Linear Association	5.299	1	.021
N of Valid Cases	180		

a. 0 cells (.0%) have expected count less than 5. The minimum expected count is 10.27.

INTERPRETATION: There were significant differences between boys and girls in their perception of attractive aspects in food advertisements. Boys had a higher preference for cartoon characters in advertisements than girls, while girls had a higher preference for music and celebrities in advertisements than boys. Therefore hypothesis 1(Null hypothesis) is rejected

1.2 AGE OF CHILDREN & THEIR PERCEPTION ON ATTRACTIVE ASPECTS IN FOOD ADVERTISEMENTS

Age * aspects attracts in food advertisements Cross tabulation

			1.2 aspects attracts in food advertisements				
			celebrity	music	song	cartoon character	Total
Age	13 yr.	Count	24	5	9	23	61
		% within Age	39.3%	8.2%	14.8%	37.7%	100.0%
	14 yr.	Count	24	15	6	15	60
		% within Age	40.0%	25.0%	10.0%	25.0%	100.0%
	15 yr.	Count	37	10	6	6	59
		% within Age	62.7%	16.9%	10.2%	10.2%	100.0%
Total		Count	85	30	21	44	180
		% within Age	47.2%	16.7%	11.7%	24.4%	100.0%

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	19.659[a]	6	.003
Likelihood Ratio	20.482	6	.002
Linear-by-Linear Association	13.236	1	.000
N of Valid Cases	180		

a. 0 cells (.0%) have expected count less than 5. The minimum expected count is 6.88.

INTERPRETATION: There were significant differences across age groups in their perception of attractive aspects in food advertisements. 13-yr.-olds had a higher preference for cartoon characters in advertisements than other age groups, 14-yr.-olds had a higher preference for music in advertisements than other age groups, and 15-yr.-olds had a higher preference for celebrities in advertisements than other age groups. Therefore hypothesis 2 (Null hypothesis) is rejected

1.3 CHILDREN'S PREFERENCES FOR TV SHOWS: FRIEDMAN TEST WITH RESPECT TO GENDER

Ranks

	Mean Rank
extent of preferences for movies	3.13
extent of preferences for reality shows	2.59
extent of preferences for adventure Shows	3.11
extent of preferences for comedy progrm	3.18
extent of preferences for cartoon	2.99

Test Statistics [a]

N	180
Chi-Square	20.454
df	4
Asymp. Sig.	.000

a. Friedman Test

Mean

	Gender		
	male	female	Total
extent of preferences for movies	3.18	3.05	3.12
extent of preferences for reality shows	2.65	2.72	2.68
extent of preferences for adventure Shows	3.11	2.92	3.02
extent of preferences for comedy progrm	3.13	3.17	3.15
extent of preferences for cartoon	2.90	2.96	2.93

INTERPRETATION: The most preferred TV shows according to the children's perceptions were reality shows, followed by cartoons, adventure shows, movies, and, lastly, comedy programmes. However, these preferences differed by gender and age: boys preferred comedy programmes to movies, while girls preferred adventure shows to cartoons; Therefore there is significant difference between gender factor of children & on their preferred TV shows therefore hypothesis 3 (Null hypothesis) is rejected.

1.4 CHILDREN'S PREFERENCES FOR TV SHOWS: FRIEDMAN TEST WITH RESPECT TO AGE

Ranks

	Mean Rank
extent of preferences for movies	3.13
extent of preferences for reality shows	2.59
extent of preferences for adventure Shows	3.11
extent of preferences for comedy progrm	3.18
extent of preferences for cartoon	2.99

	Ag			
	13	14	15	Tota
extent of preferences for movies	3.0	3.0	3.2	3.1
extent of preferences for reality shows	2.6	2.7	2.6	2.6
extent of preferences for adventure Shows	3.1	2.7	3.1	3.0
extent of preferences for comedy progrm	3.2	2.8	3.3	3.1
extent of preferences for cartoon	3.1	2.7	2.9	2.9

INTERPRETATION: The most preferred TV shows according to the children's perceptions were reality shows, followed by cartoons, adventure shows, movies, and, lastly, comedy programmes. 13-yr.-olds preferred movies to cartoons, 14-yr.-olds preferred cartoons to reality shows and adventure shows, while 15-yr.-

olds' preferences reflected the overall pattern. Therefore there is significant difference between age factor of children & on their preferred TV shows therefore hypothesis 4 (Null hypothesis) is rejected.

1.5 CHILDREN PERCEPTION TOWARDS TELEVISION ADVERTISEMENTS WITH RESPECT TO GENDER

Report

		Gender		
		male	female	Total
child perception_Television commercials tell the truth	Mean	3.44	3.55	3.50
	Std. Deviation	.859	.830	.844
child perception_Most television commercials are in poor taste and very annoying.	Mean	3.06	2.77	2.91
	Std. Deviation	.914	.866	.899
child perception_TV commercials tell only the good things about a product; they don't tell you the bad things.	Mean	3.69	3.72	3.71
	Std. Deviation	1.281	1.295	1.285
child perception_I like most television commercials	Mean	2.93	2.85	2.89
	Std. Deviation	1.059	.925	.991
child perception_Television commercials try to make people buy things they don't really need.	Mean	3.52	3.42	3.47
	Std. Deviation	1.222	1.008	1.116
child perception_You can always believe what the people in commercials say or do	Mean	3.85	3.60	3.72
	Std. Deviation	.781	.826	.812
child perception_The products advertised the most on TV are always the best to buy.	Mean	3.56	3.12	3.33
	Std. Deviation	.933	.924	.951

		Sum of squares	df	Means square	F	sig.
Child perception_Television commercials tell the truth* Gender	between the groups (combined)	.618	1	.618	.867	.353
	within group	126.131	177	.713		
	total	126.749	178			
child perception_Most television commercials are in poor taste and very annoying.* Gender	between the group(combined)	3.655	1	3.655	4.617	.033
	within group	140.922	178	.792		
	total	144.578	179			
child perception_TV commercials tell only the good things about a product; they don't tell you the bad things.* Gender	between the group(combined)	.026	1	.026	.016	.900
	within group	295.368	178	1.659		
	total	295.394	179			
child perception_I like most television commercials* Gender	between the group(combined)	.317	1	.317	.016	.571
	within group	175.460	178	.986		
	total	175.778	179			
child perception_Television commercials try to make people buy things they don't really need. * Gender	between the group(combined)	.439	1	.439	.351	.554
	within group	222.422	178	1.250		
	total	222.861	179			
child perception_You can always believe what the people in commercials say or do * Gender	between the group(combined)	2.912	1	2.912	4.499	.035
	within group	115.199	178	.647		
	total	118.111	179			
child perception_The products advertised the most on TV are always the best to buy. * Gender	between the group(combined)	8.599	1	8.599	9.978	.002
	within group	153.401	178	.862		
	total	162.000	179			

INTERPRETATION: There were significant differences between boys and girls in their perception that most TV commercials were in poor taste/annoying, their perception that they could believe what the people in TV commercials said or did, and their perception that the products advertised on TV are the best to buy. Boys found most TV commercials in poor taste/annoying more than girls, while boys believed what people in TV commercials said or did and that the products advertised on TV were the best more than girls. Therefore there is significant difference between gender of children & their perception towards food advertisements therefore hypothesis 5 (Null hypothesis) is rejected

1.6 CHILDREN PERCEPTION TOWARDS TELEVISION ADVERTISEMENTS WITH RESPECT TO AGE

Report

		Age			
		13 yr.	14 yr.	15 yr.	Total
child perception_Television commercials tell the truth	Mean	3.48	3.42	3.59	3.50
	Std. Deviation	.965	.889	.646	.844
child perception_Most television commercials are in poor taste and very annoying.	Mean	3.00	2.95	2.78	2.91
	Std. Deviation	1.000	.852	.832	.899
child perception_TV commercials tell only the good things about a product; they don't tell you the bad things.	Mean	3.69	3.62	3.81	3.71
	Std. Deviation	1.397	1.209	1.252	1.285
child perception_I like most television commercials	Mean	2.92	3.12	2.63	2.89
	Std. Deviation	1.053	.940	.927	.991
child perception_Television commercials try to make people buy things they don't really need.	Mean	3.67	3.15	3.59	3.47
	Std. Deviation	1.106	1.219	.949	1.116
child perception_You can always believe what the people in commercials say or do	Mean	3.82	3.55	3.80	3.72
	Std. Deviation	.866	.852	.689	.812
child perception_The products advertised the most on TV are always the best to buy.	Mean	3.38	3.40	3.22	3.33
	Std. Deviation	.879	1.182	.744	.951

		Sum of squares	Df	Means square	F	sig.
Child perception_Television commercials tell the truth* Age	between the groups (combined)	. 945	2	.472	.661	.518
	within group	125.804	176	.715		
	total	126.749	178			
child perception_Most television commercials are in poor taste and very annoying.* Age	between the group(combined)	1.592	2	.796	.985	.375
	within group	142.986	177	.808		
	total	144.578	179			
child perception_TV commercials tell only the good things about a product; they don't tell you the bad things.* Age	between the group(combined)	1.180	2	.590	.355	.702
	within group	294.214	177	1.662		
	total	295.394	179			
child perception_I like most television commercials* Age	between the group(combined)	7.208	2	3.604	3.784	.025
	within group	168.570	177	.952		
	total	175.778	179			
child perception_Television commercials try to make people buy things they don't really need. * Age	between the group(combined)	9.531	2	4.766	3.954	.021
	within group	213.330	177	1.205		
	total	222.861	179			
child perception_You can always believe what the people in commercials say or do * Age	between the group(combined)	2.685	2	1.343	2.059	.131
	within group	115.426	177	.652		
	total	118.111	179			
child perception_The products advertised the most on TV are always the best to buy. * Age	between the group(combined)	1.137	2	.568	.625	.536
	within group	160.863	177	.909		
	total	162.000	179			

INTERPRETATION: There were significant differences across age groups in their liking of TV commercials and in their perception that TV commercials try to make people buy things they don't need. Liking for TV commercials was significantly higher for 14-yr.-olds than for other age groups, while the perception that TV commercials try to make people buy things they don't need was significantly lower for 14-yr.-olds than for other age groups. Therefore there is significant difference between age factor of children & their perception towards food advertisements therefore hypothesis 6 (Null hypothesis) is rejected.

OTHER FINDINGS AND RESULTS

Table 1.8 and 1.9 shows according to children's perception the most influential and attractive media about food products were televisions and the most attractive aspects in the advertisements was celebrity followed by cartoon characters and the least was song played in the advertisements. However the perception differed with respect to gender and age of children.

Table 1.10 and 1.11 shows children and parents' perception towards TV advertisements is same or different with help of a descriptive statistics. It showed that most of things they perceive are similar. Childrens' and parents' believed to a great extent that they could believe what people in commercials say or do, though they could almost equally perceive that TV commercials tell only good things about a product, not the bad things. And both of them believed to moderate extent TV commercials try to make people buy things they don't really need. And in case of liking of most TV commercials it was found that children expressed low extent of liking and parents expressed moderate extent of liking.

Both children and parents opinion were considered to find out whether children have any influence on food products in general, it was found in case of juice children have more say than parents followed by snacks, then confectionery and least influence on bread, jam & ketchup.

Table 1.12 & 1.13 shows gender of children both in childrens' and parents' opinion are same or different, and with the help of cross tab it was found in childrens' opinion that there was no significant difference between boys and girls in their participation in purchase of juice and soft drinks and bread, jam & ketchup. But in case of juice and soft drinks: boys had higher say than girls, and girls had higher say than boys in purchase of confectionery. In case of parents opinion it was found that there was no significant difference between boys and girls influence in purchase of juice, soft drinks, snacks, bread, jam, ketchup & confectionery.

Table 1.14 shows according to children opinion about the influence of food products in parents buying decision across the different age groups it was found that 15-yr.-olds had higher say than other age groups in purchase of juice and soft drinks and also in case of confectionery, and there is no significant differences between age groups in case of purchase of snacks and bread, jam, & ketchup.

Table 1.15 shows parents opinion about the influence of food products in parents buying decision across the different age groups of children and it was found that there is no significant difference in perception of children participating in purchase of juice and soft drinks, bread, jam, & ketchup but in case of snacks 14-yr.-olds tending to have more say than other age groups and 15-yr.-olds tending to have less say than other age groups for confectionery

RECOMMENDATIONS

Thus from the data analysis and interpretation done the marketers can consider the following suggestions for making the food advertisements on children more effectively.

The source which gives maximum information to children about the arrival of new food products is TV, followed by peer group references. Similarly the media which attract most is TV followed by pamphlets. And in TV advertisements the aspects that attract male children most are cartoon characters and in case female children higher preferences is celebrity and music. In case of age groups 13-yr.-olds had a higher preference for cartoon characters, 14-yr.-olds for music and 15-yr.-olds for celebrities in advertisements. Therefore while designing on the food advertisements for children the marketers can consider the above suggestion for making it more effective. The children most preferred program were reality shows, followed by cartoons, adventure shows, movies, and, lastly, comedy programmes However, these preferences differed by gender and age: boys preferred comedy programmes to movies, while girls preferred adventure shows to cartoons; 13-yr.-olds preferred movies to cartoons, 14-yr.-olds preferred cartoons to reality shows and adventure shows, while 15-yr.-olds' preferences reflected the overall pattern. As a result the advertising agencies can try incorporating more of food advertisements & even advertisements of products targeting children in between the programs that is most preferred because they can reach a large number of children. It also showed that children and parents having more of a positive attitude towards advertisements as they feel TV commercials tell only good things about a product, not the bad things. They believed to a moderate extent that TV commercials tell the truth & expressed low extent of liking of most TV commercials.

It was also proved that parents & children agree that children have more influence in parent's food buying decisions. It also proved that both male and female similarly different age groups 13th, 14th and 15th yr old children have almost same amount influence in parents buying decision without much significant difference. Therefore marketers have a good opportunity in promoting exiting and new food products if they are able to target these age groups including both male and female children more effectively. The frequency of shopping of children with parents is also another reason for influence in family decision making, In the study it revealed the most of parents take their children for buying food products atleast once a week, thus marketers can make use of this situation wherein they can make a direct promotion on the arrival of new food products when children comes for shopping along with parents, apart from other food products marketers can also develop and communicate healthy food products such as fruit and vegetables specially designed for children. Marketers can also create events or other child-related marketing activities in food shops to attract children's awareness.

To conclude marketers can target children both boys and girls equally falling into age groups between 13yrs-15yrs by designing advertisements more attractively according to their preferences which was found in the study. The food advertised to children should be products of high nutritional level and should not have a negative impact on health of children and also a negative influence on parents buying decision.

CONCLUSION

Children are to a great extent considered as a consumer and started playing a consumer role due to time pressures and income effects in dual career families. Similarly the children are exposed to a great extent to different mass media and also with the discussions with parents ensure that children are not only aware of the new brands avail-able, but also know how to evaluate them on various parameters. The findings of a study clearly revealed that children have to a great extent influence on parents buying decision because of the attractive advertisements that are made to children through different media

Children in India may not have the purchasing power comparable to their Western counterparts, but they are still the center of the universe in the Indian family system, and they can actually pull the parents to visit a place time and again. Children are an enormously powerful medium for relationship building in India. They not only influence markets in terms of the parental decision-making to buy certain kinds of products, they are also future consumers. Therefore marketers can look at this target group as an opportunity and target them more effectively.

SCOPE FOR FURTHER RESEARCH

This study concentrated on the influence of children falling in the age group between 13yrs-15yrs, younger age groups can be considered for further study by covering various other food products. Research can be done to see whether influence of children on parents buying decision of food products differ with respect to parents' education level and income level. Also a study can be extended to whether children have influence on other products apart from food products

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ANNEXURE

TABLE 1.8 SOURCES GIVING MAXIMUM INFORMATION AND ATTRACTIVE MEDIA

	TV	MAGAZINES	NEWSPAPER	IN STORE ADVERTISMENT	PEER GROUP REFERENCES	TOTAL
Percent	71.7	7.2	5	6.7	9.4	100
frequency	129	13	9	12	17	180

TABLE 1.9 ASPECTS THAT ATTRACT IN FOOD ADVERTISEMENTS

	celebrity	music	song	cartoon characters	Total
percentage	47.2	16.7	11.7	24.4	100
frequency	85	30	21	44	180

TABLE 1.10 CHILDREN'S PERCEPTIONS TOWARDS TV ADVERTISEMENTS

Descriptive Statistics

	Mean	Std. Deviation
child perception_Television commercials tell the truth	3.50	.844
child perception_Most television commercials are in poor taste and very annoying.	2.91	.899
child perception_TV commercials tell only the good things about a product; they don't tell you the bad things.	3.71	1.285
child perception_I like most television commercials	2.89	.991
child perception_Television commercials try to make people buy things they don't really need.	3.47	1.116
child perception_You can always believe what the people in commercials say or do	3.72	.812
child perception_The products advertised the most on TV are always the best to buy.	3.33	.951

TABLE 1.11 PARENTS' PERCEPTIONS TOWARDS TV ADVERTISEMENTS

Descriptive Statistics

	Mean	Std. Deviation
parents perception_Television commercials tell the truth	3.79	.963
parents perception_ Most television commercials are in poor taste and very annoying	3.12	1.001
parents perception_ TV commercials tell only good things about product, they don't tell you the bad things	3.68	1.112
parents perception_ I like most television commercials	3.53	1.038
parents perception_Television commercials try to make people buy things they don't really need.	3.33	1.123
parents perception_You can always believe what the people in commercials say or do	3.93	.885
parents perception_The products advertised the most on TV are always the best to buy.	3.63	.991

TABLE 1.12 CHILDRENS' OPINION IN THEIR PARTICIPATION OF PURCHASE FOR FOOD PRODCUTS WITH REFERENCE GENDER OF THE CHILD (Crosstabs wrt. Childrens' gender)

1.12a

Crosstab

			child opinion_ participating in purchase of juice and softe drinks					
			decisions are made only by me	I have more say than parents	I and my parents have equal say	my parents have more say than me	decisions made only by my parents	Total
Gender	male	Count	4	28	20	16	20	88
		% within Gender	4.5%	31.8%	22.7%	18.2%	22.7%	100.0%
	female	Count	8	32	22	12	18	92
		% within Gender	8.7%	34.8%	23.9%	13.0%	19.6%	100.0%
Total		Count	12	60	42	28	38	180
		% within Gender	6.7%	33.3%	23.3%	15.6%	21.1%	100.0%

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	2.284[a]	4	.684
Likelihood Ratio	2.311	4	.679
Linear-by-Linear Association	1.455	1	.228
N of Valid Cases	180		

a. 0 cells (.0%) have expected count less than 5. The minimum expected count is 5.87.

1.12b

Crosstab

			child opinion_ participating in purchase of snacks like chips, biscuts and other snacks					
			decisions are made only by me	I have more say than parents	I and my parents have equal say	my parents have more say than me	decisions made only by my parents	Total
Gender	male	Count	0	3	27	22	36	88
		% within Gender	.0%	3.4%	30.7%	25.0%	40.9%	100.0%
	female	Count	5	5	41	21	20	92
		% within Gender	5.4%	5.4%	44.6%	22.8%	21.7%	100.0%
Total		Count	5	8	68	43	56	180
		% within Gender	2.8%	4.4%	37.8%	23.9%	31.1%	100.0%

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	12.895[a]	4	.012
Likelihood Ratio	14.910	4	.005
Linear-by-Linear Association	12.041	1	.001
N of Valid Cases	180		

a. 4 cells (40.0%) have expected count less than 5. The minimum expected count is 2.44.

1.12c

Crosstab

			child opinion_ participating in purchase of bread, jam & ketchup					
			decisions are made only by me	I have more say than parents	I and my parents have equal say	my parents have more say than me	decisions made only by my parents	Total
Gender	male	Count	8	16	30	23	11	88
		% within Gender	9.1%	18.2%	34.1%	26.1%	12.5%	100.0%
	female	Count	11	10	31	29	11	92
		% within Gender	12.0%	10.9%	33.7%	31.5%	12.0%	100.0%
Total		Count	19	26	61	52	22	180
		% within Gender	10.6%	14.4%	33.9%	28.9%	12.2%	100.0%

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	2.479[a]	4	.648
Likelihood Ratio	2.494	4	.646
Linear-by-Linear Association	.118	1	.731
N of Valid Cases	180		

a. 0 cells (.0%) have expected count less than 5. The minimum expected count is 9.29.

1.12d

Crosstab

			child opinion _ participating in purchase of confectionery					
			decisions are made only by me	I have more say than parents	I and my parents have equal say	my parents have more say than me	decisions made only by my parents	Total
Gender	male	Count	9	1	10	31	37	88
		% within Gender	10.2%	1.1%	11.4%	35.2%	42.0%	100.0%
	female	Count	23	6	13	21	29	92
		% within Gender	25.0%	6.5%	14.1%	22.8%	31.5%	100.0%
Total		Count	32	7	23	52	66	180
		% within Gender	17.8%	3.9%	12.8%	28.9%	36.7%	100.0%

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	12.898[a]	4	.012
Likelihood Ratio	13.510	4	.009
Linear-by-Linear Association	9.905	1	.002
N of Valid Cases	180		

a. 2 cells (20.0%) have expected count less than 5. The minimum expected count is 3.42.

1.13 PARENTS OPINION IN CHILDREN PARTICIPATION IN PURCHASE OF FOOD PRODCUTS WITH REFERENCE GENDER OF THE CHILD (Cross tabs wrt. Childrens' gender)

1.13a

Crosstab

			parents opinion on child _ participating in purchase of juice and soft drinks					
			decisions are made only by me	I have more say than children	I and my children have equal say	my children have more say than me	decisions made only by my children	Total
Gender	male	Count	1	18	30	22	17	88
		% within Gender	1.1%	20.5%	34.1%	25.0%	19.3%	100.0%
	female	Count	2	30	28	18	14	92
		% within Gender	2.2%	32.6%	30.4%	19.6%	15.2%	100.0%
Total		Count	3	48	58	40	31	180
		% within Gender	1.7%	26.7%	32.2%	22.2%	17.2%	100.0%

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	4.006[a]	4	.405
Likelihood Ratio	4.043	4	.400
Linear-by-Linear Association	2.960	1	.085
N of Valid Cases	180		

a. 2 cells (20.0%) have expected count less than 5. The minimum expected count is 1.47.

1.13b

Crosstab

			ents opinion on child _ participating in purchase of sancks like chi biscuits and other snacks					
			decisions are made only by me	I have more say than children	I and my children have equal say	my children have more say than me	decisions made only by my children	Total
Gender	male	Count	0	7	20	38	23	88
		% within Gende	.0%	8.0%	22.7%	43.2%	26.1%	100.0%
	female	Count	4	4	21	40	23	92
		% within Gende	4.3%	4.3%	22.8%	43.5%	25.0%	100.0%
Total		Count	4	11	41	78	46	180
		% within Gende	2.2%	6.1%	22.8%	43.3%	25.6%	100.0%

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	4.807[a]	4	.308
Likelihood Ratio	6.361	4	.174
Linear-by-Linear Association	.248	1	.619
N of Valid Cases	180		

a. 2 cells (20.0%) have expected count less than 5. The minimum expected count is 1.96.

1.13c

Crosstab

			parents opinion on child _ participating in purchase of bread, jam & ketchup					
			decisions are made only by me	I have more say than children	I and my children have equal say	my children have more say than me	decisions made only by my children	Total
Gender	male	Count	7	12	36	15	18	88
		% within Gender	8.0%	13.6%	40.9%	17.0%	20.5%	100.0%
	female	Count	8	17	42	15	10	92
		% within Gender	8.7%	18.5%	45.7%	16.3%	10.9%	100.0%
Total		Count	15	29	78	30	28	180
		% within Gender	8.3%	16.1%	43.3%	16.7%	15.6%	100.0%

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	3.589[a]	4	.464
Likelihood Ratio	3.624	4	.459
Linear-by-Linear Association	2.442	1	.118
N of Valid Cases	180		

a. 0 cells (.0%) have expected count less than 5. The minimum expected count is 7.33.

1.13d

Crosstab

			parents opinion on child _ participating in purchase of confectionery					
			decisions are made only by me	I have more say than children	I and my children have equal say	my children have more say than me	decisions made only by my children	Total
Gender	male	Count	10	5	17	24	32	88
		% within Gender	11.4%	5.7%	19.3%	27.3%	36.4%	100.0%
	female	Count	24	6	12	24	26	92
		% within Gender	26.1%	6.5%	13.0%	26.1%	28.3%	100.0%
Total		Count	34	11	29	48	58	180
		% within Gender	18.9%	6.1%	16.1%	26.7%	32.2%	100.0%

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	7.253[a]	4	.123
Likelihood Ratio	7.430	4	.115
Linear-by-Linear Association	4.731	1	.030
N of Valid Cases	180		

a. 0 cells (.0%) have expected count less than 5. The minimum expected count is 5.38.

1.14 CHILDREN OPINION_IN PARTICIPATION OF PURCHASE OF FOOD PRODUCTS WITH REFERNCE TO CHILDREN AGE

1.14a

Crosstab

			child opinion_ participating in purchase of juice and softe dr					
			decisions are made only by me	I have more say than parents	I and my parents have equal say	my parents have more say than me	decisions made only by my parents	Total
Age	13 yr.	Count	1	20	14	10	16	61
		% within Age	1.6%	32.8%	23.0%	16.4%	26.2%	100.0%
	14 yr.	Count	8	12	14	12	14	60
		% within Age	13.3%	20.0%	23.3%	20.0%	23.3%	100.0%
	15 yr.	Count	3	28	14	6	8	59
		% within Age	5.1%	47.5%	23.7%	10.2%	13.6%	100.0%
Total		Count	12	60	42	28	38	180
		% within Age	6.7%	33.3%	23.3%	15.6%	21.1%	100.0%

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	17.659[a]	8	.024
Likelihood Ratio	18.176	8	.020
Linear-by-Linear Association	5.272	1	.022
N of Valid Cases	180		

a. 3 cells (20.0%) have expected count less than 5. The minimum expected count is 3.93.

1.14b

Crosstab

			child opinion_ participating in purchase of snacks like chips, biscuts a other snacks					
			decisions are made only by me	I have more say than parents	I and my parents have equal say	my parents have more say than me	decisions made only by my parents	Total
Age	13 yr.	Count	2	1	23	14	21	61
		% within Age	3.3%	1.6%	37.7%	23.0%	34.4%	100.0%
	14 yr.	Count	3	3	18	18	18	60
		% within Age	5.0%	5.0%	30.0%	30.0%	30.0%	100.0%
	15 yr.	Count	0	4	27	11	17	59
		% within Age	.0%	6.8%	45.8%	18.6%	28.8%	100.0%
Total		Count	5	8	68	43	56	180
		% within Age	2.8%	4.4%	37.8%	23.9%	31.1%	100.0%

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	8.542[a]	8	.382
Likelihood Ratio	10.207	8	.251
Linear-by-Linear Association	.562	1	.453
N of Valid Cases	180		

a. 6 cells (40.0%) have expected count less than 5. The minimum expected count is 1.64.

1.14c

Crosstab

			child opinion_ participating in purchase of bread, jam & ketcl					
			decisions are made only by me	I have more say than parents	I and my parents have equal say	my parents have more say than me	decisions made only by my parents	Total
Age	13 yr.	Count	5	9	17	22	8	61
		% within Age	8.2%	14.8%	27.9%	36.1%	13.1%	100.0%
	14 yr.	Count	12	7	23	10	8	60
		% within Age	20.0%	11.7%	38.3%	16.7%	13.3%	100.0%
	15 yr.	Count	2	10	21	20	6	59
		% within Age	3.4%	16.9%	35.6%	33.9%	10.2%	100.0%
Total		Count	19	26	61	52	22	180
		% within Age	10.6%	14.4%	33.9%	28.9%	12.2%	100.0%

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	14.902[a]	8	.061
Likelihood Ratio	15.407	8	.052
Linear-by-Linear Association	.003	1	.959
N of Valid Cases	180		

a. 0 cells (.0%) have expected count less than 5. The minimum expected count is 6.23.

1.14d

Crosstab

			child opinion_ participating in purchase of confectionery					
			decisions are made only by me	I have more say than parents	I and my parents have equal say	my parents have more say than me	decisions made only by my parents	Total
Age	13 yr.	Count	12	1	8	12	28	61
		% within Age	19.7%	1.6%	13.1%	19.7%	45.9%	100.0%
	14 yr.	Count	4	4	7	22	23	60
		% within Age	6.7%	6.7%	11.7%	36.7%	38.3%	100.0%
	15 yr.	Count	16	2	8	18	15	59
		% within Age	27.1%	3.4%	13.6%	30.5%	25.4%	100.0%
Total		Count	32	7	23	52	66	180
		% within Age	17.8%	3.9%	12.8%	28.9%	36.7%	100.0%

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	15.901[a]	8	.044
Likelihood Ratio	17.094	8	.029
Linear-by-Linear Association	3.022	1	.082
N of Valid Cases	180		

a. 3 cells (20.0%) have expected count less than 5. The minimum expected count is 2.29.

1.15 PARENTS OPINION_ IN CHILDREN PARTICIPATION OF PURCHASE OF FOOD PRODUCTS WITH REFERNCE TO CHILDREN AGE

1.15a

Crosstab

			parents opinion on child _ participating in purchase of juice and soft drink					
			decisions are made only by me	I have more say than children	I and my children have equal say	my children have more say than me	decisions made only by my children	Total
Age	13 yr.	Count	0	19	21	9	12	61
		% within Age	.0%	31.1%	34.4%	14.8%	19.7%	100.0%
	14 yr.	Count	2	11	15	19	13	60
		% within Age	3.3%	18.3%	25.0%	31.7%	21.7%	100.0%
	15 yr.	Count	1	18	22	12	6	59
		% within Age	1.7%	30.5%	37.3%	20.3%	10.2%	100.0%
Total		Count	3	48	58	40	31	180
		% within Age	1.7%	26.7%	32.2%	22.2%	17.2%	100.0%

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	12.537[a]	8	.129
Likelihood Ratio	13.701	8	.090
Linear-by-Linear Association	.633	1	.426
N of Valid Cases	180		

a. 3 cells (20.0%) have expected count less than 5. The minimum expected count is .98.

1.15b

Crosstab

			parents opinion on child _ participating in purchase of sancks like chips, biscuts and other snacks					
			decisions are made only by me	I have more say than children	I and my children have equal say	my children have more say than me	decisions made only by my children	Total
Age	13 yr.	Count	0	6	12	28	15	61
		% within Age	.0%	9.8%	19.7%	45.9%	24.6%	100.0%
	14 yr.	Count	3	3	21	14	19	60
		% within Age	5.0%	5.0%	35.0%	23.3%	31.7%	100.0%
	15 yr.	Count	1	2	8	36	12	59
		% within Age	1.7%	3.4%	13.6%	61.0%	20.3%	100.0%
Total		Count	4	11	41	78	46	180
		% within Age	2.2%	6.1%	22.8%	43.3%	25.6%	100.0%

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	23.545[a]	8	.003
Likelihood Ratio	24.743	8	.002
Linear-by-Linear Association	.296	1	.586
N of Valid Cases	180		

a. 6 cells (40.0%) have expected count less than 5. The minimum expected count is 1.31.

1.15c

Crosstab

			parents opinion on child _ participating in purchase of bread, jam & ketchu					
			decisions are made only by me	I have more say than children	I and my children have equal say	my children have more say than me	decisions made only by my children	Total
Age	13 yr.	Count	2	9	28	11	11	61
		% within Age	3.3%	14.8%	45.9%	18.0%	18.0%	100.0%
	14 yr.	Count	7	11	20	12	10	60
		% within Age	11.7%	18.3%	33.3%	20.0%	16.7%	100.0%
	15 yr.	Count	6	9	30	7	7	59
		% within Age	10.2%	15.3%	50.8%	11.9%	11.9%	100.0%
Total		Count	15	29	78	30	28	180
		% within Age	8.3%	16.1%	43.3%	16.7%	15.6%	100.0%

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	7.525[a]	8	.481
Likelihood Ratio	8.158	8	.418
Linear-by-Linear Association	2.551	1	.110
N of Valid Cases	180		

a. 1 cells (6.7%) have expected count less than 5. The minimum expected count is 4.92.

1.15d

Crosstab

			parents opinion on child _ participating in purchase of confectionery					
			decisions are made only by me	I have more say than children	I and my children have equal say	my children have more say than me	decisions made only by my children	Total
Age	13 yr.	Count	11	5	10	11	24	61
		% within Age	18.0%	8.2%	16.4%	18.0%	39.3%	100.0%
	14 yr.	Count	6	4	7	20	23	60
		% within Age	10.0%	6.7%	11.7%	33.3%	38.3%	100.0%
	15 yr.	Count	17	2	12	17	11	59
		% within Age	28.8%	3.4%	20.3%	28.8%	18.6%	100.0%
Total		Count	34	11	29	48	58	180
		% within Age	18.9%	6.1%	16.1%	26.7%	32.2%	100.0%

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	16.021[a]	8	.042
Likelihood Ratio	16.890	8	.031
Linear-by-Linear Association	3.036	1	.081
N of Valid Cases	180		

a. 3 cells (20.0%) have expected count less than 5. The minimum expected count is 3.61.

DETERMINANTS OF CORPORTATE DIVIDEND POLICY IN SELECT PRIVATE SECTOR CEMENT COMPANIES IN TAMIL NADU - AN EMPIRICAL ANALYSIS

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ABSTRACT

Dividend Policy is one of the hotly debated issues in finance. While shaping dividend payment a sensible management strikes a balance between shareholder's expectation and firm's long-term interest. Several questions related to dividend decisions remain perplexing because of diverse and conflicting theories and empirical results. This paper attempts to focus on the factors determining the corporate dividend policy and the conformity of these factors with the predictions drawn by the dividend theories using some known dividend models based on the multiple regression technique. The study considers four private sector cement companies for the period of ten years from 2001-2002 to 2010-2011. It is found from the analysis that previous dividend, earning after tax, depreciation and cash flow are the important factors affecting dividend decision of the selected cement companies.

KEYWORDS

Dividends, Determinants, Corporate Financial Management, Dividend Payout, Divided Policy and Retained Earnings.

INTRODUCTION

Dividend policy is one of the most important financial policies, not only from the viewpoint of the company, but also from that of the shareholders, the customers, the workers, regulatory bodies and the Government. Shareholders' wealth is represented in the market price of the company's common stock, which, in turn, is the function of the company's investment, financing and dividend decision. Shareholders would like to receive a higher dividend as it increases their current wealth. But, for the company, retention of profits would be desirable as it provides funds for financing the expansion and growth plans. Retained earnings are the most important internal source of finance. The dividend policy must strike a happy balance between distribution and retention. It should allocate the earnings between dividends and retained earnings in such a way that the value of the firm is maximized. Hence, dividend policy is a crucial area of financial management. The optimal dividend policy is the one that maximizes the company's stock price which leads to maximization of shareholders' wealth and thereby ensures more rapid corporate growth.

DIVIDEND

The term dividend refers to that part of the profits of a company which is distributed amongst its shareholders. It may, therefore, be defined as the return that a shareholder gets from the company, out of its profits, on his shareholdings. According to the Institute of Chartered Accountants of India, dividend is "a distribution to shareholders out of profits or reserves available for this purpose."

DIVIDEND POLICY

The term dividend policy refers to the policy concerning quantum of profits to be distributed as dividend. The concept of dividend policy implies that companies through their Board of Directors evolve a pattern of dividend payments which has a bearing on future action. Of course, in practice many companies do not have a dividend policy in this sense. They rather take each dividend decision independent of every other such decision. This is not a sound practice but the financial manager cannot do much about it since he works only in an advisory capacity and the power to recommend/declare dividends vests completely in the Board of Directors of the company.

STATEMENT OF THE PROBLEM

The objective of corporate management usually is the maximisation of the market value of the enterprise i.e., its wealth. The market value of common stock of a company is influenced by its policy regarding allocation of net earnings into `plough back' and `payout'. While maximising the market value of shares, the dividend policy should be as oriented as to satisfy the interests of the existing shareholders as well as to attract the potential investors. Thus, the aim should be to maximise the present value of future dividends and the appreciation in the market price of shares. Over time, numbers of factors have been identified in the literature as being important to be considered in taking dividend decisions. Academician and researchers have developed many theoretical models describing the factors that managers of the corporate firms should consider while taking dividend policy decision. Against this background, this study makes an attempt to identify the major determinants of dividend policy and their relative significance on the selected cement companies.

OBJECTIVES OF THE STUDY

The following are the main objectives of the study.

- To analyze the dividend policy of selected cement companies.
- To identity the factors determining the dividend decision of the select cement companies with the use of some known dividend models.

HYPOTHESES OF THE STUDY

In course of analysis, it is proposed to test the following hypotheses with the help of the sample data:

1. Dividend payout is a function of net current earnings after tax and dividends paid in the previous year.
2. Cash flow, rather than net current earnings after tax is a better measure of a company's capacity to pay dividend.
3. Decomposition of cash flow into earnings after tax and depreciation as separate variables help in explaining better, the dividend behavior of the companies.

METHODOLOGY

The study is based mainly on secondary data. The data has been sourced from Prowess database of CMIE. This study covers a period of ten years from 2000-2001 to 2009-2010. According to CMIE (Centre for Monitoring Indian Economy) data base there are 13 cement companies registered in Tamil Nadu of which one company belongs to the public sector and 12 are in the Private Sector. Hence, the study considers the private sector cement companies. The companies which were not in operation in any of the past 10 years or where data are not available for the continuous period of ten years have been excluded from the study. Accordingly, the following four companies constitute the sample set for the study:

- Chettinad Cements Ltd
- Dalmia Cements Ltd
- India Cements Ltd
- Madras Cements Ltd

The dividend determinants are estimated with the use of some known dividend models.

EMPIRICAL RESULTS

The dividend decision thus is a difficult one because of conflicting objectives and also because of lack of specific decision-making techniques. It is not easy to lay down an optimum dividend policy, which would maximise the long-run wealth of the shareholders. However, there is no gain saying that dividend decision involves sound judgments. There are certain factors that impinge upon the dividend decision and, therefore, should be taken into consideration while deciding a policy in this respect. There are some theories that consider dividend decisions to be an active variable in determining the value of a firm. The dividend decision is, therefore relevant. We critically examine below three theories representing this notion:

(i) Lintner's Model
(ii) Brittain's Cash Flow Model and
(iii) Brittain's Explicit Depreciation Model

LINTNER'S MODEL

In Lintner's model changes in current year's dividend is sought to be explained by current year's profit after tax and the dividend payments in the previous year. It is expressed as

D_t $= a_o + a_1 P_t + a_2 D_{t-1} + U_t$

Where,

D_t & D_{t-1} = Total equity dividend in period 't' and 't-1' respectively
P_t = Net profit, after tax in period 't'
U_t = Error term

The regression results of Lintner's dividend model are shown in Table No.1.

TABLE NO. 1: REGRESSION RESULTS OF LINTNER'S DIVIDEND MODEL

Company Groups	a_0	A_1	A_2	R^2	$\bar{R}^2$	F-Value	Dw stat
Dalmia Cement	5.159	0.169 (1.286)	-0.758 (-0.696)	52.1	38.4	3.810***	1.036
Madras Cement	10.087	0.100 (1.053)	-0.181 (-0.212)	61.3	50.2	5.537**	0.871
India Cement	7.000	0.0555* (4.713)	0.387* (2.121)	87.2	83.5	23.759*	1.329
Chettinad Cement	1.716	0.0554* (3.121)	0.916* (9.188)	95.7	94.5	78.687*	1.521

*Significant at 1 % level, ** Significant at 5% level, *** Significant at 10% Level.
Figures in parenthesis indicates 't' values

Table 1 discloses that the regression equations (Lintner's dividend equations) estimated for all the four sample companies seem to satisfy all the specifications. This is because the coefficient of determination adjusted for degrees of freedom is statistically significant in all the sample companies. The significant value of F proves that the relationship between the dividend pay out and exogenous variables last year dividend and current year net profit are linear. The regression co – efficient of the explanatory variables net current earnings after tax (P_t) and dividend paid in the previous year (D_{t-1}) are found statistically significant in determining the dividend policy in the case of India Cements Ltd and Chettinad Cements Ltd but these variables does not have significant impact on the dividend decision of Dalmia Cements Ltd and Madras Cements Ltd.

BRITTAIN'S CASH FLOW MODEL

Brittain's cash flow model used in this study is a variant of Lintner's model making use of cash flow, instead of profit after tax, as a measure of corporate income. It can be expressed as:

D_t $= a_0 + a_1 c_1 + a_2 D_{t-1} + U_t$

Where;

D_t & D_{t-1} = Total equity dividend in period 't' and 't-1' respectively
C_1 = Cash flow in period 't'
U_t = Error term

The regression results of Brittain's Cash Flow Model have been presented in Table No 2.

TABLE NO. 2: REGRESSION RESULTS OF BRITTAIN'S CASH FLOW MODEL

Company Groups	a_0	A_1	a_2	R^2	$\bar{R}^2$	F-Value	Dw stat
Dalmia Cement	3.549	0.565 (0.500)	0.110 (1.063)	49.0	34.5	3.367***	1.076
Madras Cement	31.901	0.555* (2.755)	0.419* (2.363)	78.3	72.1	12.644**	0.642
India Cement	3.036	0.322* (1.669)	0.0521 (.4621)	86.8	83.0	22.969*	1.264
Chettinad Cement	2.201	1.296* (7.090)	0.0248 (1.635)	92.6	90.5	43.999*	1.835

*Significant at 1 % level, ** Significant at 5% level, *** Significant at 10% Level.
Figures in parenthesis indicates't' values

It is found from the analysis that the value of adjusted R square of estimated regression equations is found to be statistically significant in all the selected sample companies as is depicted from their F – values. The result of the study also shows that there is positive significant association between previous dividend and dividend pay out ratio of Madras Cements Ltd, India Cements Ltd and Chettinad Cements Ltd. It indicates that previous dividend emerged as an important factor having positive impact on dividend policy of these firms. The regression results highlights the fact that though cash flow has positive association with dividend payment is not an important determinant of dividend payment of Cement Companies, however cash flow plays significant role in determining the dividend pay out of Madras Cements Ltd.

BRITTAIN'S EXPLICIT DEPRECIATION MODEL

The third model used in this study in Brittain's explicit depreciation model. This is a variant of Lintner's dividend model. This model incorporates depreciation as an additional explanatory variable in the Lintner's model.

D_t $= a_0 + a_1 P_t + a_2 D_{t-1} + a_3 A_t + U_t$

Where;

D_t & D_{t-1} = Total equity dividend in period 't' and 't-1' respectively
P_t = Net profit, after tax in period 't'
A_t = Amount of depreciation in period 't'
U_t = Error term

The regression results of Brittain's explicit depreciation model have been presented in Table No. 3.

TABLE NO. 3: REGRESSION RESULTS OF BRITTAIN'S EXPLICIT DEPRECIATION MODEL

Company Groups	a_0	a_1	a_2	a_3	R^2	$\bar{R}^2$	F-Value	Dw stat
Dalmia Cement	20.672	0.498* (2.021)	0.580 (0.577)	1.104 (1.529)	65.5	48.3	3.805***	1.287
Madras Cement	44.820	0.775* (4.893)	0.790* (4.482)	1.866* (2.934)	91.1	86.6	20.457*	1.933
India Cement	9.964	0.438 (1.371)	0.0575* (3.559)	0.0967 (0.474)	87.2	80.9	13.658**	1.390
Chettinad Cement	2.051	0.0133 (0.050)	1.307* (6.187)	0.0385 (0.144)	92.7	89.0	25.237*	1.769

*Significant at 1 % level, ** Significant at 5% level, *** Significant at 10% Level.
Figures in parenthesis indicates't' values

This model fits well in the sample firms signifying that the explanatory variables net current earnings after tax, lagged dividend and depreciation are explaining the dividend behavior of the sample firms. The constant term is showing positive relationship with dividend policy. All the estimated coefficients are statistically significant. It is observed from the analysis that the exogenous variables are determining more than 65.5 per cent of the variations in the dividend pay out of the sample firms. The F statistic also proves the validity of the estimated model. The explanatory variable Depreciation is having positive impact on dividend payments, which shows that company's ability to pay current dividends as per target payout ratio after charging depreciation from current earnings.

TEST OF HYPOTHESES

Ho1: ***Dividend payout is a function of net current earnings after tax and dividend paid in the previous year.***

This hypothesis was examined using linter's regression model. In the process of analyzing the regression results, it was found that, the co-efficient of determination (R^2) and adjusted R^2 is good for all the firms. The significant value of F proves that the relationship between the dividend pay out and independent variable net current earnings and previous year dividend are linear. Hence, the hypothesis Dividend payout is a function of net current earnings after tax and dividend paid in the previous year is valid.

Ho2: ***Cash flow rather than net current earnings after tax is a better measure of a company's capacity to pay dividend.***

This hypothesis was examined by using the Brittain's cash flow model. It was evident from the analysis that the cash flow is not a better measure of the company's capacity to pay dividend in the sample companies except Madras Cements Ltd. Thus this hypothesis stands invalid.

Ho3: ***Decomposition of cash flow into earnings after tax and depreciation as separate variables helps in explaining better the dividend behavior of the company's.***

This hypothesis was tested using Brittain's explicit depreciation model. It suggested that the decomposition of cash flow into earnings after tax and depreciation as separate variables, explain better the dividend behavior of Madras Cements Ltd whereas, in all other companies the results does not support the hypothesis.

CONCLUSIONS

Dividend policy continues to be an often-controversial area between financial economist and corporate managers. The theories and justifications that have emerged resulted in an enormous theoretical and empirical body of research with hundreds of papers. But the controversy over the subject motivates the conduct of research; where answers to many questions are still not clearly developed. However, this paper summarized the most important determinants of corporate dividend policy. It is found from the empirical results that lagged dividend, earnings after tax, cash flow and depreciation are the factors demonstrating significant effect over dividend decisions of the sample firms in Cement Industry. Lagged dividend and earnings after tax are positively linked to dividend decision but cash flow is showing mixed results. This paper may be used as a ready reference for further researches on the area under discussion. Further, for the policy makers of the Indian cement Industry, the study may prove to be valuable for re-drafting their dividend policy keeping in view the outcome of the study.

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THE ROLE OF 'FOLLOW THE NEIGHBOUR' STRATEGY AND FACTORS INFLUENCING INVESTMENT DECISION WITH REFERENCE TO NASIK CITY

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ABSTRACT
Everywhere people talk about money and investment. The investor makes an investment to yield high returns with minimum risk. The investment decisions which is seen as continuous process of interactions between the investor, investor's behaviour and the investment environment. This investment process is influenced by a number of variables and driven by peer influence (including neighbours, friends, relatives, etc.). The experimental results show the decisions made by others, influence individual investor's choices irrespective of whether the payoffs are based on the individual's investment decision. Nevertheless the investor should select their personal utility-maximizing choice. So it becomes important framing effects on investment choices based on the neighbour's choice. This paper discusses the investor's behaviour and the factors that affect the investment choice and decision and the role of 'follow the neighbour' strategy in investment decision.

KEYWORDS
Behaviour, follow the neighbour, Investment, risk and return.

INTRODUCTION
Investment is a sacrifice of current resources i.e money for future benefits (Nagarajan K & Jayabal G (2011)). An investment is the utilization of funds with an expectation of earning some return. The return may be in the form of income, increase in the value or both with a minimum risk. Most of the people want to handle their investments so that they get full value from each available rupee they invest. The investment decisions are somewhat complex and have long term effect on the investor's financial position. The investment decisions which is seen as continuous process of interactions between the investor and the investment environment. This investment process is influenced by a number of variables. However, a number of studies reveal that risk and return are just two of the factors that influence investor's investment decision (Alexander et.al (1997), Capon et.al (1994)). We focus our attention on how investors make their investment decisions in a real world setting, as opposed to rational/optimal behaviour proposed by various financial theories. This study incorporates results of the research on investment decisions from fields of behavioural finance and cognitive psychology. Tversky and Kahneman 1981, 1986; Redelmeier and Tversky (1992) indicates that the decision frames that people adopt are influenced by the manner in which different alternatives are presented to them.

As Perkins and Jones (2007) stress on the importance of demographic, the demographic factors generally have a different outlook on finance and spending/investment. Warren et al. (1990) concluded that the demographic and life style differentiate the profile of active and passive investors. The investment decision is influenced by many factors, ranging from age and household size to interest rate and inflation. The demographic factors like age, income, gender, experience, self efficiency, etc. influence the individual's investment decision. Markowitz Portfolio Model (Markowitz 1952,1959) , Capital Asset Pricing Theory (Sharpe 1964) and Arbitrage Pricing Theory (Ross 1976) discusses the optimizing the value of a portfolio of investment. In reality, these theories are accessible to those who have some knowledge about investment but most of the investors consider their own past experiences, trends in the market or the close experiences of their neighbours, friends, relatives, etc (Sharma M and Gupta 2011). The influence of peer on individual behaviour has attracted attention recently, because it questions economic theories that regard individual behaviour as solely determined at the individual level. Akerlof's and Kranton's (2000) model on the effects of identity on economic outcomes, experimental economists have become increasingly interested in examining the effects of group identity on individual behaviour. The influence of one's owns experience and other's experience. The decisions made by others influences individual investor's choices irrespective of whether the payoffs are based on the individual's investment decision. Nevertheless the investor should select their personal utility-maximizing choice. So it become important framing effects on investment choices based on individual decision and in conjunction with neighbour's choices.

This paper looks on the existing research on investor behaviour and investment environment, asking ourselves what we currently know about investors. Specifically, the paper studies the demographic profile of investor's, investment behaviour and factors like good/high returns, safety of funds, Savings, tax advantage, etc that influences the investor's investment decision. This study would help to understand the role of neighbour and follow the neighbour strategy on investor's decision making.

REVIEW OF LITERATURE/CONCEPTUAL BACKGROUND
INVESTORS BEHAVIOUR AND INVESTMENT DECISION
A research into investors and their behaviour has received a lot of consideration during the past, and is increasingly in the focus of interest of many scientists, being not confined only to economists. However, the particular way of looking at individual investor has been subjected to a great paradigmatic shift with the inclusion of psychology, both its findings and its methodology, into financial studies. Frankfurter and McGoun, (2000) defines *"Behavioural finance, as a part of behavioural economics, is that branch of finance that, with the help of theories from other behavioural sciences, particularly psychology and sociology, tries to discover and explain phenomena inconsistent with the paradigm of the expected utility of wealth and narrowly defined rational behavior. Behavioural economics is mostly experimental, using research methods that are rarely applied in the traditional, mainstream finance literature."* Markowitz (1952, 1959), investment decision making is a result of the evaluation of return and risk involved in the investment. Customer's evaluation of perceived returns and perceived risk in an investment will determine his attitude towards the investment and in turn, the behavioural intentions. Psychology lists a number of possible deviations from rationality, while limits to arbitrage argue that rational investors may not be able to exploit opportunities created by irrational investors. Furthermore, investors

predict too narrow confidence intervals in the subjective probability distributions of prices (Tversky and Kahneman, (1974)). According to the prospect theory of Tversky and Kahneman (1974), value is assigned to gains and losses rather than to final assets; also probabilities are replaced by decision weight. The risk aversion for gains of moderate to high probability and losses of low probability and risk seeking for gains of low probability and losses of moderate to high probability. One of the most influential contributions to the theory of decision making under uncertainty and risk, was made by Kahneman and Tversky (1979) with their Prospect theory. The robustness and pervasiveness of this cognitive-psychological research have bolstered its impact on the economic theory, as well as the finance (whose Modern portfolio theory is also based on the assumption of rational agents). Tversky and Kahneman (1981) define a decision frame as "the decision-maker's conception of the acts, outcomes, and contingencies associated with a particular choice." For any given decision problem, many different decision frames can be potentially induced. The frame that is eventually chosen is influenced by the formulation of the problem and the personal characteristics and habits of the person making the decision. Behavioural Finance builds itself upon two blocks: limits to arbitrage and psychology (Barberis and Thaler, 2003). As per Ritter (2003) behavioural finance encompasses research that drops the traditional assumption of expected utility maximization with rational investors in efficient market. In the study Schindler M. (2007) has explained that investor's biases when making decisions and thus letting their choices to be influenced by optimism, overconfidence, conservatism. Experience and heuristics help in making complex decisions and the mind processes available information, matching it with the decision's maker own frame of reference, thus letting the framing by the decision the maker impact the decision.

FACTORS INFLUENCING INVESTORS DECISION MAKING.

Investors - who use heuristics, depend on framing of the problem, and are prone to biases, which in turn may lead to various anomalies at the market level - are subjects of research in the area of behavioural Finance. *"An empirical result qualifies as an anomaly if it is difficult to "rationalize" or if implausible assumptions are necessary to explain it within the paradigm,"* as said by Thaler (1987) throughout his series of papers on anomalies. Secondly, the perception of asset's value is largely dependent on popular models (Shiller, 1990), that is socially shared tips from peers, Financial advisors, news in the media (and nowadays, especially, on Internet portals, forums, and news groups). Lo (2005) Individual believes that if we were able to measure changes in investor population, changes in investor preferences, and changes in the investment environment, it might be possible to build actively managed portfolios that better suit an investor's needs. Hussain A. Hassan Al Tamimi (2005), identified six important factors that influences the investors: expected corporate earnings, get rich quick, stock marketability, past performance of the firm's stock, government holding and the creation of organized financial markets and the least importance factors were expected loss in their other local investments, minimizing risks, expected loss in international financial markets, family member opinion etc.

ROLE OF NEIGHBOUR/FOLLOW NEIGHBOUR STRATEGY IN INVESTMENT DECISION

Neighbour – a person who lives next to you or near you (oxford Advanced Learner's Dictionary 2005). In this paper neighbour means neighbours, friends, relatives, etc.

According to Fishbein & Ajzen (1975) Theory of Reasoned Action (TRA), if people evaluate the suggested behaviour as positive, then they think it will significant others (friends, relatives, advisors, etc.) wanted them to perform the behaviour, this result is a higher intention and they are likely to do so. Sharma M. and Dr. Gupta S.(2011), the influence of the society, such as friends, relatives, and other influential members on the behaviour of investor. Two major influencers are close friends or relatives and the influence of advisors. Investors take suggestion from their peer, but as their investment objectives are different, they do not necessarily act on the advice of their friend/neighbour.

OBJECTIVES OF THE STUDY

1. To examine the demographic profile and investor's behaviour.
2. To study the factors that influences the investor's investment decision.
3. To study the role of neighbour and follow the neighbour strategy on investor's Decisions making.

HYPOTHESIS

H_0= Investors does not Follow the neighbour strategy while making investment.

H_1= Investors Follow the neighbour strategy while making investment.

RESEARCH METHODOLOGY

This paper is an attempt to study the role of 'follow the neighbour' strategy and factors influencing investment decision of with reference to Nasik city. For carrying out the research both Secondary and Primary data is used. Secondary data comes from different books, Journals, Magazines, News Papers etc. Data is also collected from different libraries of Maharashtra and outside Maharashtra. The survey was conducted in Nasik city in the month of November 2011. A Purposive sampling method is used to select the sample; the study covers 120 investors who belong to the middle class families who's income is between to Rs.1 lacs to 4 lacs (Capon et.al.1994, Sharma and Gupta 2011). The data had collected with the help of structured questionnaire.

In order to analyze the factors rank method is used in that investors are asked to give the rank, Strongly Disagree(1) to Strongly Agree(5) to particular factor. A chi square test is used to test the hypothesis.

RESULTS AND ANALYSIS

DEMOGRAPHIC PROFILE OF THE INVESTORS

TABLE - 1: DEMOGRAPHIC PROFILE OF THE INVESTOR

Demographic Factor		No. of Respondent	Percentage
Age (in years)	20 – 30	30	25
	30 – 39	58	48
	40 – 50	22	18
	Above 50	10	8
Gender	Male	86	72
	Female	34	28
Marital Status	Married	98	82
	Unmarried	22	18
Educational Qualification	SSC	8	7
	HSC	33	28
	Degree/Diploma	63	53
	Post Graduation	16	13
Occupation	Service (Private)	46	38
	Service (Govt.)	15	13
	Business	39	33
	Professional	11	9
	Other	9	8
Annual Income	100000-200000	7	6
	200001-300000	35	29
	300001-400000	59	49
	400001 and above	19	16
Total		**120**	**100**

Source : Primary Data

Table-1 shows the demographic profile of investors. The demographic factor like age, sex of investors, marital status, education, occupation and income of the investors are analyzed, which reveals that 48 percent of investors belong to the age range of 30-39, 72 percent respondents are male. 82 percent investors are married, 53 percent investors have completed their graduation and 38 percent investors are working in private organizations, 49 percent investors' annual income ranging between Rs. 300001-400000 per annum.

PRIMARY INVESTMENT GOAL OF INVESTORS WHILE INVESTING

TABLE - 2: PRIMARY INVESTMENT GOAL OF AN INVESTOR

Sr.No	Particulars	No. of Respondent	Percentage
1	Long Term Wealth Accumulation	46	38
2	Retirement Income	26	22
3	Emergency Savings	34	28
4	Current Income	14	12
Total		**120**	**100**

Source : Primary Data

Table-2 shows the primary investment goal of the investors while investing. 38 percent investors give priority to long term wealth accumulation as well as 22 percent investor invest for retirement income, 28 percent investors invest for emergency saving or any contingency and 17 percent investors invest for current income as their primary goal.

INVESTORS DO INVESTMENT ACCORDING TO INVESTMENT PLAN

TABLE - 3 : INVESTMENT ACCORDING TO INVESTMENT PLAN

Sr.No.	Particulars	No. of Respondent	Percentage
1	Yes	72	60
2	No	48	40
Total		**120**	**100**

Source : Primary Data

Table-3: Shows that the investors have some investment plan and they are doing the investment according to their plan. 60 percent investors have their investment plan, where as 40 percent investors invest without any investment plan.

THE INVESTMENT CHOICE/AVENUE FOR AN INVESTMENT BY THE INVESTORS

TABLE - 4: INVESTMENT CHOICE

Sr.No.	Particulars	No. of Respondent	Percentage
1	Insurance	22	18
2	Real Estate	15	12
3	Gold	18	15
4	Shares	9	8
5	Bank Deposits	21	18
6	Tax Saving Instruments	35	29
Total		**120**	**100**

Source: Primary Data

Table-4 shows the investment choice of the investors for investment. 29 percent investors prefer tax saving instruments as their investment, followed by 18 percent in bank deposits and insurance, 12 percent invest in Real Estate and only 8 percent investor invest in shares.

THE PERCENTAGE OF INVESTMENT MADE BY INVESTOR TO HIS TOTAL ANNUAL INCOME

TABLE - 5 : PERCENTAGE OF INVESTMENT TO TOTAL ANNUAL INCOME

Sr.No.	Particulars	No. of Respondent	Percentage
1	Less Than 10 %	30	25
2	Between 11 % to 25 %	48	40
3	Between 25% to 50 %	33	28
4	More than 50 %	9	8
Total		**120**	**100**

Source : Primary Data

Table-5 exhibits, the percentage of investment made by the investors from their annual income. 40 percent investors have invested between 11 % to 25% of their annual income, 8 percent investors have invested more than 50% of their annual income.

THE DURATION OF INVESTMENT BY THE INVESTOR

TABLE - 6: INVETSMENT TIME HORIZON OF THE INVESTOR

Sr.No.	Particulars	No. of Respondent	Percentage
1	Less than 1 Year	14	12
2	Between 1 Years to 3 Years	21	18
4	Between 3 Years to 5 Years	33	28
5	Between 5 Years to 10 Years	38	32
5	More than 10 Years	14	12
Total		**120**	**100**

Source: Primary Data

Table-6 shows the duration of investment 32 percent investors prefer the duration between 3 years to 5 years. 12 percent investors invest for less than 6 months.

FREQUENCY OF INVESTMENT MADE BY THE INVESTORS

TABLE - 7: FREQUENCY OF INVESTMENT BY THE INVESTORS

Sr.No.	Particulars	No. of Respondent	Percentage
1	Every Month	54	45
2	Every Quarter	16	13
3	Half Yearly	32	27
4	Once in a Year	18	8
Total		**120**	**100**

Source : Primary Data

Table-6 shows the frequency of investment by the investor, 45 percent investor invests regularly i.e every month, but 8 percent investor go for only one time investment in year.

WILLINGNESS OF INVESTORS TO EARN MORE RETURN BY INCREASING RISK

TABLE - 8: RISK & RETURN TRADE OFF

Sr.No.	Particulars	No. of Respondent	Percentage
1	More risk with all of money	15	12
2	Little more risk with all money	18	15
3	Little more risk with some of money	33	28
4	Not increase the risk at all	54	45
Total		120	100

Source: Primary Data

Table-8 shows, the behaviour (willingness) of investor to earn more returns by increasing risk. 45 percent investor doesn't want to take risk to earn more returns. 28 percent investor want to take some more risk than the current to earn some more return that shows the dislike of risk by the investors.

FACTORS CONSIDERED/INFLUENCED THE INVESTORS WHILE INVESTMENT/INVESTMENT DECISION BY THE INVESTORS

TABLE - 9: FACTORS MOSTLY CONSIDERED WHILE INVESTMENT BY INVESTOR

Sr. No	Factors	Rating					Total Respondents	Total Score	Mean	Rank
		5	4	3	2	1				
1	Safety	12	27	34	19	28	120	336	2.80	II
2	High Returns	26	34	22	21	17	120	391	3.26	I
3	Savings	17	20	42	22	19	120	354	2.95	IV
4	Tax Advantage	25	23	30	24	18	120	373	3.11	III
5	Liquidity	16	31	32	25	16	120	366	3.05	V
6	Company Image	8	13	23	41	35	120	278	2.32	VI
7	Past Performance of instruments	12	10	14	39	45	120	265	2.21	VII

Source: Primary Data

Table-9 exhibits, the factors that influence the investors while doing investment. High returns are the first priority of the most investors followed by safety of fund. Company image and services and popularity have the lowest influence on the investors.

INVESTOR'S KNOWLEDGE AND EXPERIENCE ABOUT INVESTMENT/INVESTMENT DECISION

TABLE - 10: KNOWLEDGE & EXPERIENCE OF INVESTOR ABOUT INVESTMENT

Sr.No.	Particulars	No. of. Respondent	Percentage
1	Very inexperience investor	23	19
2	Somewhat inexperience investor	21	18
3	Somewhat experienced investor	35	29
4	Experienced investor	28	23
5	Very experienced investor	13	11
Total		**120**	**100**

Source: Primary Data

Table-10 shows that the knowledge and experience of the investors about investments. 29 percent investors have some knowledge and experience about investment but 19 percent investors don't have the knowledge and experience in investment.

ROLE OF NEIGHBOUR IN INVESTMENT DECISION OF INVESTORS

INVESTORS TAKE ADVICE FROM THEIR NEIGHBOUR ON INVESTMENT/BEFORE INVESTMENT

TABLE - 11: TAKING ADVICE FROM NEIGHBOUR ON INVESTMENT/BEFORE INVESTMENT/INVESTMENT DECISION

Sr.No.	Particulars	No. of. Respondent	Percentage
1	Always	29	24
2	Sometime	43	36
3	Not at all	48	40
Total		**120**	**100**

Source: Primary Data

TABLE - 12: NEIGHBOUR GIVE ADVICE TO THE INVESTOR ON INVESTMENT/INVESTMENT DECISION.

Sr.No.	Particulars	No. of Respondent	Percentage
1	Always	34	27
2	Sometime	49	41
3	Not at all	37	31
Total		**120**	**100**

Source: Primary Data

Table-11 and Table-12 shows the role of neighbour in the investment decision and influence on the investor. 40 percent investors are not taking the advice from the neighbours, 36 percent investors take some help/advice from their neighbours. Some time (41 %) neighbours share their views or give advice to the investors.

Role of Follow he neighbour strategy/ Investor use the same strategy of their neighbour for his investment.

INVESTORS FOLLOW THE NEIGHBOUR STRATEGY WHILE DOING MAKING INVESTMENT/INVSTMENT DECISION

TABLE - 13: FACTORS MOSTLY CONSIDERED WHILE INVESTMENT BY INVESTOR

Sr. No	Factors	Rating					Total Respondents	Total Score	Mean	Rank
		5	4	3	2	1				
1	Safety	12	27	34	19	28	120	336	2.80	II
2	High Returns	26	34	22	21	17	120	391	3.26	I
3	Savings	17	20	42	22	19	120	354	2.95	IV
4	Tax Advantage	25	23	30	24	18	120	373	3.11	III
5	Liquidity	16	31	32	25	16	120	366	3.05	V
6	Company Image	8	13	23	41	35	120	278	2.32	VI
7	Past Performance of instruments	12	10	14	39	45	120	265	2.21	VII

Source: Primary Data

Table-13 shows the investor follows the same strategy of the neighbour in their investment. The investors follows the neighbour in insurance, Real estate and in shares on the neighbours (friends, peer, agents,etc.), but in other instruments they do not follow the neighbour.

TESTING OF HYPOTHESIS

TABLE - 14: TESTING OF HYPOTHESIS

H_0= Investors does not Follow the neighbour strategy while making an Investment decision.

H_1= Investors Follow the neighbour strategy while making an Investment decision.

Sr. No.	Factors	Rating					Cal. Chi Square Value	Table Value @ 5%	Conclusion
		SA	A	N	DA	A			
1	Insurance	29	38	24	14	15	72.63	31.41	Rejected
2	Real Estate	26	34	22	21	17			
3	Gold	17	20	42	22	19			
4	Shares	25	23	30	24	18			
5	Bank Deposits	16	31	32	25	16			
6	Tax Savings	8	13	23	41	35			
		121	159	173	147	120			
H_1 is Rejected for 20 DF @ 5% hence H_0 is Accepted									

The Calculated Chi Square value is greater than the critical value for 20 DF @ 5 % level of significance the Hypothesis (H1) is rejected and null Hypothesis (H0) is accepted. Therefore the investors are not influenced by follow the neighbour strategy.

FINDINGS

1. From the Table 2, 5 & 6 found that 40 percent investors have invested between 11 to 25 percent of their annual income invest for the duration of between 5 years to 10 Years 38 percent investors have invested with an investment goal of long term wealth creation.
2. 45 percent investors believe on regular investment and 29 percent investors' choice is tax saving instruments.
3. Investors have considered factors like high returns, safety of fund, saving, tax advantage, liquidity, company image/service and past performance while making an investment. Investors are influenced by high returns as it rank first, second influencer factor is Safety and Past performance of instrument is least influencing/consider factor while investment/ in investment decision.
4. The Prospect Theory and Table 8 demonstrate that risk and return are the factors that influence the investors as most investors become risk averse when confronted with the expectation of a financial gain. 45 percent investor doesn't want to take risk to earn more returns.
5. The study reveals that the role of neighbour and the influence of neighbour were not significant. As 40 percent investors not take advice from their neighbour where as 41 percent neighbours sometime gives their advice on investment or investment decision. The influence of follow the neighbour strategy is more towards insurance and real estate but less on tax saving instruments the overall follow the neighbour strategy is not significant and investors are not following the same strategy of the neighbours while making an investment.

CONCLUSION

The investment decisions are somewhat complex and its relates with the demographic profile of the investors like age, gender, marital status, educational qualifications, occupation and income and have long term effect on the investor's financial position. The study reveals that risk and return are the factors that change the investor's behaviour. The behaviour of investors are depends on a psychology and sociology of the investor. The investment goal, time horizon, frequency of investment and knowledge and experience about the investment, etc. influenced the investors a lot. The factors like high return, safety of fund, savings, tax benefit, influence investor's investment decision. More likely the study shows that follow the neighbour strategy do not influence the investors. The role of follow the neighbour strategy is not significant. Investors take suggestion from their neighbours or the neighbour gives suggestion to the investors on insurance, real estate, gold, etc. decision but the investors are not necessarily act on the advice of their neighbour. Following the same strategy or advice of the neighbour is not the best strategy. The one's (investors) objectives to save or invest may not be the same as the neighbour. So the role of neighbour/follow the neighbour strategy is restricted to only suggestions and not implementation.

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IMPACT OF ADVERTISING ON BRAND RECALL AND BRAND PERSONALITY FORMATION: A STUDY OF ORGANISED FASHION RETAILING

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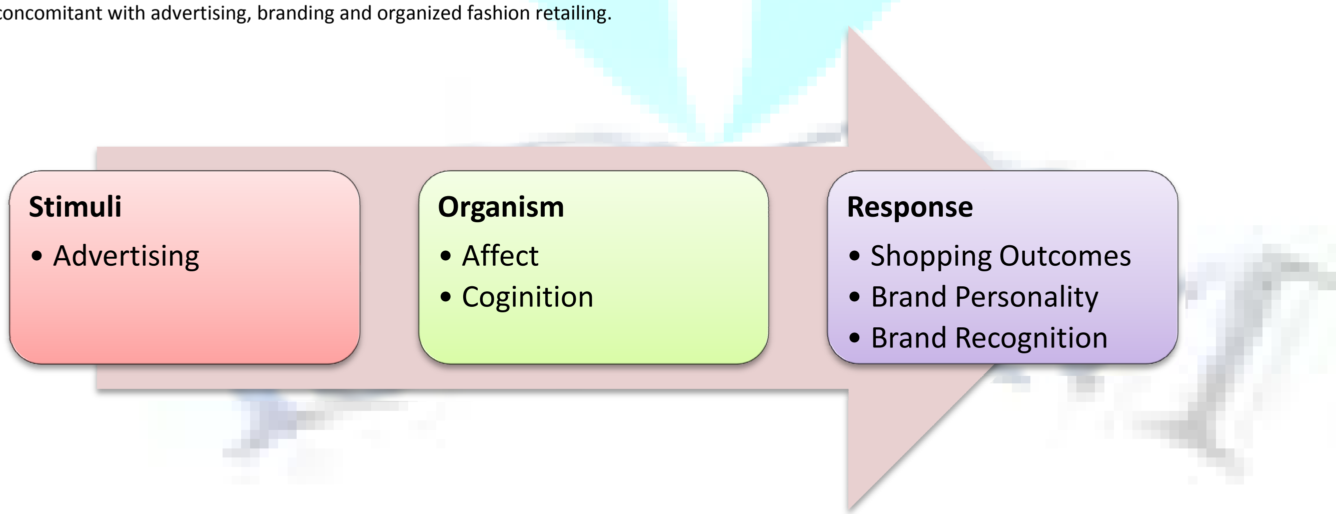
ABSTRACT
The buying pattern of consumers in fashion retailing has changed drastically over a couple of years. They follow trends they see on television, in magazines and on internet through advertisements. They want to match their steps with changing fashion and go shopping. Flourishing markets and high consumer willingness to spend have impelled fashion retailers to spend profusely on advertisements and branding programs. In view of consumers, a brand building program depends on the identity of a brand. Here the brand is built through brand awareness and brand associations. Brand awareness requires brand recall. A brand that is in consonance with the emotional values of brand and the target consumers' lifestyle is selected. Thus, the personality of consumer influences the brand personification, which he/she adopts.

KEYWORDS
Advertising, Brand Recall, Brand Personality, Fashion Retailing.

INTRODUCTION
Despite a substantial population of the economically disadvantaged in Asia, buoyant consumer confidence and increasing disposable incomes are driving consumption across different sectors. But there is enough evidence to prove that there is a direct relationship between relative advertising expenditure against the competition and share of market. Businesses that spend a much smaller proportion of their sales on advertising versus their competitors achieved a much lower share of market than those businesses which spend relatively more and also achieve lower rates of Return on Investment (ROI) (Biel, 1990). Advertising not only builds strong brands but also contribute to company profitability. It is imperative to understand the extent to which a brand's advertising is accomplishing its communication objective and contributing to the brand's success. Advertisements cannot impel anybody but merely manipulate the order in which consumers notice different alternatives. The advertising sets up the need, and then provides the brand to satisfy the need. This is what helps establish the appropriate links in memory between the need and the brand so that when the need occurs in 'real life', the brand will come to mind. Brand Recognition and Brand Recall form part of Brand Awareness which is considered imperative for Brand Salience. The brand is familiar, and linked in memory with those situations where such a product would be needed; and the more salient a brand, the more likely it will be the chosen or preferred brand when a purchase brand is made. The brand's advertising must take both recognition and recall brand awareness communication objectives into account which is intended for establishment of strong need – brand link.

The Paper strives to study the impact of Advertising on Brand Recall and Brand Personality Formation with special reference to organized fashion Retailing. The Mehrabian and Russell S-O-R model (1974) used to explain the behavior of consumers, was used to study the behavior of young consumers in fashion retailing concomitant with advertising, branding and organized fashion retailing.



MODIFIED SOR MODEL

The Paper also seeks to establish a relationship between Advertising and formation of Brand Personality. Personality traits of human beings can be associated with a brand directly as if they were living beings (Personification of Brand). Personality traits can also become associated with a brand indirectly through features like brand name, symbol, price and distribution channel (Aaker, 1995). Brand personality includes demographic categories such as gender, age and class (Levy, 1959). Recent approaches have taken the route of transferring personality concepts and measurement techniques from human psychology to brands and Aaker (1996) demonstrated that five major factors summarized the traits that consumers attributed to a wide range of brands: sincerity, excitement, competence, sophistication and ruggedness.

REVIEW OF LITERATURE

Brand awareness reflects the extent to which people can either remember or recognize a brand . It may seem obvious that people must be aware of a brand in order to prefer it. When people think about brands in a product category, those that come to mind represent recall brand awareness; they are recalled based only upon a category cue. If someone is shown a list of brand names or pictures of packages, those that can be identified represent recognition brand awareness, but whether recall or recognition awareness is more important is a function of how people make purchase decisions in the category (Percy and Elliot, 2005).

Recognition and recall are two forms of brand (Rossiter and Percy, 1997). Recognition reflects the ability to recognize a brand at the point of purchase in enough detail to facilitate purchase. For other purchase or usage decisions, a brand name must be recalled from memory once the need for the product is recognized.

A strong brand awareness brings with itself a sense of familiarity to the purchase. As Schacter (1996) has pointed out, familiarity does not entail specific details but merely primitive or basic sense of knowing. This is a real asset for a brand, because in terms of memory, when attention is divided someone is much less likely to recall specific details of an experience, but there is little or no effect upon a sense of familiarity. Korean consumers' perceptions of the U.S. apparel brand consisted of three dimensions: perceived quality, prestigious image, and emotional value. Brand awareness was significantly related to three factors of brand perceptions among Korean Gen Y consumers. Brand awareness, especially, affected the prestigious image of a U.S. apparel brand in the Korean market. In addition, emotional value had a positive effect on purchase intention for the U.S. apparel brand among Korean Gen Y consumers (Eun Young Kim, Dee K. Knight and Lou E. Pelton, 2009).

Aaker (1996) posits that a strong brand awareness brings with it familiarity, presence in the market, commitment of the consumers and sustainability. The knowledge and feeling do not inform the purchase decision; it is little use to the brand. Advertising is meant to reinforce brand awareness and build positive brand attitude, regardless of the way that message may be delivered. This means anything from store atmosphere, packaging, endorsements, and product placements to messages in more traditional mass media such as television, radio, posters, magazines and newspapers can be advertising. This is what is referred to today as 'contact points'. The link between a brand and category need, what people are looking for, is what brand awareness is all about. A brand must be positioned in its marketing communication in such a way that when the need of the product arises, the customer automatically recalls the brand.

The awareness communication objective for Routinized response behavior is recognition brand awareness. Basically, this means visual iconic learning (Rossiter and Percy, 1998). In such cases a brand's advertising must present the brand as it will be seen at the point of purchase. In other situations where someone else pulls the brand name from the memory in order to make the purchase (or utilize the service), recall brand awareness is the appropriate brand awareness communication objective. This depends upon verbal paired – associated learning (Lee and Ang, 2003).

In general, research shows exposure to an ad leads consumers to form knowledge about it, which is stored in memory (MacKenzie, Lutz and Belch 1986). Thus, consumers form knowledge about corporate ads following exposure to them, which is stored as part of their corporate knowledge. This process is consistent with corporate advertising's traditional purpose to build and maintain a positive corporate image (Rothschild 1979). In addition to corporate ad knowledge, consumers have brand knowledge stored in memory. Both corporate ad and brand knowledge contain beliefs, affect, and attitudes (Garbett 1983; MacKenzie et al. 1986), all of which may have an impact on product evaluations. Typically, consumers' product evaluations are based on a combination of stimulus information and knowledge retrieved from memory (Lynch and Srull 1982; Alba and Hutchinson 1987). Knowledge retrieval, in turn, is influenced by retrieval cues, like names or identifying labels. Such cues activate knowledge in memory, leading to its retrieval (Keller 1987). Corporate ad and brand knowledge retrieval cues may thus influence product evaluations by causing consumers to retrieve and use certain parts of their knowledge during product processing. Advertisements for apparel products frequently feature hyperboles to convince consumers that a product is superior to other similar brand offerings (Brenda Sternquist Witter and Charles Noel**,** 1984).

Personal and psychological factors may result into different view points for different media. For example, according to Chang, gender plays a critical role in identifying the effectiveness of both comparative as well as non comparative advertising appeals. Newer forms of advertising viz. online, mobile and wireless advertising are attracting customers. Psychological factors drive consumers to shift from one advertising medium to another. Therefore, following hypothesis can be developed:

Hypothesis 1: Effective Advertising results into Brand Recall and formation of Brand Personality

The development of brand management efforts has resulted into companies taking benefits of new marketing vehicles. Baldinger and Robinson (1996) have observed that, brand managers in addition to mass media are using direct communication mediums so as to build and sustain consumer loyalty. At the same time, brand managers also confront threats from similar responses from the competitors.

There are two central elements to brand personalities: the type of benefits offered by the brand and the type of consumer who will value them. Advertisements which show nothing but product features trying to appeal to consumers rationally. Usually the focus would be the unique sales proposition (USP) or a selling idea which can differentiate the brand from its competitors. Advertising builds the emotional image of the brand and the brand personality associated thereof provides depth, feelings and liking to the relationship. A brand personality thus can make a brand more interesting and memorable and become a vehicle to express a customer's identity. In view of the above discussion it may be delineated that advertisements or market communications help building the brand personality of the product when consumer correlates the human qualities to the products that is advertised.

One way to conceptualize and measure human personality is the trait approach, which states that personality is a set of traits (Anderson & Rubin, 1986). A trait is defined as "any distinguishable, relatively enduring way in which one individual differs from others" on the basis of trait theory, researchers have come out with five dimensions of personality also termed as the 'Big Five' personality dimensions (Batra, Lehmann & Singh, 1993). The five dimensions are Extraversion/introversion, Agreeableness, Consciousness, Emotional stability, and Culture.

On the basis of these five personality dimensions, Jennifer Aaker (1997) came out with 'Big Five' dimensions for brands viz. Sincerity, Excitement, Competence, Sophistication, and Ruggedness. Advertising can help create the brand personality. The semiotic approach provides an understanding how brand personality is created in advertising.

Brand personality can be created trough advertising in a direct as well as in an indirect way. In a direct way, the brand personality is created by transferring the personality of a person used in the ad. In an indirect way, the brand personality is derived from the product's meanings. For example, if the benefit of a brand is 'success', the personality of that brand can be 'successful' and/or 'confident'.

For a brand personality to be created in the minds of consumers, it first has to be connected to the advertised product. The brand personality is not received from the ad, the consumer has to create the personality. In other words, the transfer of the brand personality is not completed within the ad, the viewer has to make the connection between the brand personality communicated in the ad and the advertised product. The consumer has to connect the personality of the person in the ad, and/or the personality derived from the meanings of the product to the advertised product. By doing this consumer humanizes brand and give them human personalities.

Consumers often personalize brands by humanizing them. Humanizing or attributing human characteristics empowers the brand in helping it play a more central role in consumer's life.

Because brands acquire symbolic meaning, it enables consumers to project different aspects of their actual self (Grubb and Hupp, 1968; Aaker, 1997). Brand personality facilitates consumers to choose a brand that is perceived to be consistent with their own self-concept and establish desirable consumer-brand relationships (Fournier, 1998).

MacInnis and Jaworski (1989), present a conceptual model of information processing from advertisements wherein, motivation, opportunity and ability (MOA) were shown to influence the capacity and attention for processing brand information from advertisements.

The effectiveness of advertising depends on receptiveness of the user and his attitude towards advertising. Metha (2000) says that the recall rate for print media advertisements was very high in case of respondents who showed favorable or positive attitude towards advertising.

In case of traditional media viz. broadcast and print, the frequency of advertisement exposure determines the effectiveness of advertising. (Campbell & Keller, 2003; Fang, Singh, & Ahluwalia, 2007; Hitchon & Thorson, 1995). Brand awareness is still other way of measuring advertising effectiveness (Rossiter & Bellman,

2005). This can be owed to the simple reason that unless there is brand awareness, one cannot think of positive attitude towards brand and purchase intentions. Hence, brand awareness is a critical communication objective for any advertising program. Brand awareness can be measured by brand recall.
Emotional and rational appeals arouse different consumer responses (Singh & Cole, 1993). The advertising should persuade consumers so as to be called effective. This is almost certainly why marketing universally assumes that high attention equates to advertising effectiveness. For example, Philip Kotler and colleagues, authors of the world's most popular marketing textbook, state unhesitatingly that, 'The advertiser has to turn the "big idea" into an actual ad execution that will capture the target market's *attention* and their interest' (Kotler *et al*. 1999). And even the UK's most celebrated marketing academic, the late Peter Doyle, wrote 'For an advertisement … to be effective it must achieve first exposure and then *attention*' (Doyle 1994). But here we encounter an interesting non sequitur. Although they talk about the need for advertising to get attention and for the *message* to be remembered, neither Kotler nor Doyle says anything about the need for the *advertising itself* to be remembered – yet both include advertising recall in their list of recommended metrics. This suggests that their list of evaluative metrics is derived not from their own criteria for advertising effectiveness, but from the measures that are widely used. A rigorous analysis of all other factors indicated it could only have been the advertising that gave the brand its exceptionally high repute, thereby confirming that advertising can build strong brand values without necessarily performing well on memory-based evaluative measures.
So advertising that exploits low-attention processing seen at low attention will be more effective in comparison to seeing it once or twice at high attention. The implication for research is that brand associations that is supplemented with this kind of repetition may remain in memory long after the ad has been forgotten. If this is the case then metrics based on memory of the ad itself, such as claimed ad awareness, are likely to *underestimate* the effectiveness of advertising that has a strong affective content.
If, as is predicted by the Low Attention Processing Model, brand associations and their emotive links endure in memory beyond the point at which conscious recollection of the ad itself disappears, then measures such as claimed ad awareness and detailed recall are likely to underestimate the effectiveness of advertising that has a high affective content. In simple terms, significant numbers of people who have been exposed to the ad and influenced by it will not actively remember it and will therefore not believe the brand has been advertised recently. On this basis, following hypothesis was developed:
Hypothesis 2: There are no significant differences in the preferences of buyers among advertising medium in fashion retailing.
It is very critical for marketers to understand the personal and psychological characteristics of consumers as they have potential in influencing purchase behavior and brand recall. Consumers who seek self-uniqueness manifest a positive attitude toward personalization and were less concerned with social as well as financial risks. However, body size and attitude towards personalization have a positive relationship. On the whole, there is a positive relationship between attitude towards personalized apparel and purchase intentions. The role of genders to advertisements in different media reveals that opposing genders react differently to them. Marketers generally accept that males can be targeted with 'neutral' advertisements for the reason that males avoid products which are perceived by them to be 'feminine'. In contrast women use products which are characteristically 'male'. Males are more objective and think generally in macro way. So it can be asserted that gender and personality result into different perceptions to the same advertisement.
Understanding human psychology helps marketers in devising appropriate marketing strategies to sell products and services. The consumers of different region, places, states and countries manifest different personality and status and it is pertinent for advertisers to understand these differences and should come with appropriate advertising medium so as communicate to the consumers.
Brand personality is an important and appealing concept in the new age marketing. Aaker (1996) described brand personality as a critical core dimension of the brand identity and plays an important part during the consumer decision making process. This is due to the reason that relationships are important in the contemporary society. Like in Maslow's Need Hierarchy Theory, brand personality tries to raise products to higher order needs like love, belongingness and esteem. There are different ways and tools to create brand personalities. This brand creation however, always entails active communication on the part of the company but the personality to be disseminated should look and feel alive.
The best known and employed way of personality creation of brands takes place through celebrity endorsements. Cricket stars, models, film stars and publically well known people are hired to lend their personality to the brand and personalize the brand. Communication approaches are mostly employed by advertisers and marketers for personality creation of brands. Brassington and Pettitt (2003), Erdogan and Baker (2000) and Redenbach (2000) posited that brands are sensitive to the marketing communication and anchors which influence consumer behavior. Taking into consideration this literature following hypothesis wad developed:
Hypothesis 3: Exposure to Advertising leads to communication of Product and non product attributes

RESEARCH METHODLOGY
The study was conducted in Ajmer and Jaipur city by means of intercept mall survey and online survey. For data collection both primary and secondary sources were used. Questionnaire was tested on 350 respondents.
Survey Instrument
Demographics Characteristics: Respondents were asked for their age, gender, age, occupation educational background and household income.
Effect of advertising on brand recall and brand recognition: Six items were included in the questionnaire. In addition, the personality dimensions Sincerity, Excitement, Competence, Sophistication, and Ruggedness as mentioned by J. Aaker were replaced by the adjectives which describe the non-product attribute of the fashion brands to suit the study. They are as follows: Ethnic, Elegant, Sober, Trendy and Traditional. The response was rated on a five-point likert scale (1= "Strongly Disagree" to 5= Strongly Agree)
Preferences of customers regarding the medium of advertising: This was done by asking them the preferred medium such as T.V., Radio, Newspaper, Magazines and others
The collected data was analyzed using SPSS 17.

FACTS AND FINDINGS
H 1: Data was collected to measure the impact of advertising on Brand recognition and Brand recall. To measure the internal consistency of data, Cronbach alpha was measured. It was measured at .671, which is above .5 which is quite sufficient. Correlation was applied to the collected data and following conclusions were drawn.

TABLE 1: CORRELATION BETWEEN ADVERTISING, BRAND RECALL AND BRAND RECOGNITION

	Advertising	Brand Recognition	Brand Recall
Advertising	1.00	.92	.91
Brand Recognition	.92	1.00	.90
Brand Recall	.91	.90	1.00

Analysis showed a high degree of positive correlation between Advertising, Brand Recall and Brand Recognition. The findings on customer preferences regarding advertising show that respondents attach great importance to advertising. Similarly they also suggest that advertising is especially important for brand awareness and the for brand recognition and brand recall.
H 2: In table 2, preferences of customers regarding the medium of advertising is shown. After applying Kolmogorov–Smirnov (K-S) Test it was found that there is much difference between the preferred medium for advertising.

TABLE 2: PREFERENCES OF CONSUMERS REGARDING MEDIUM OF ADVERTISING

Medium	T.V.	Radio	Newspaper	Magazine	Others
No. of Respondents	141	48	96	58	7
$\|F_0(X)- F_T(X)\|$	.20	.14	**.21**	.18	0

The calculated value (.21) is found to be greater than the critical value (.072). Thus, we cannot accept the hypothesis. There is significant difference between the choices of respondents regarding the medium of advertising.

Table 2 shows the preferences regarding medium of advertising. It was found that the customers attach more inclination with T.V., on the other hand newspapers score a high in comparison to radio and magazines. T.V. was preferred because of audio visuals and clarity of message. Celebrity endorsement was also one of the factors that influenced the respondents to opt for T.V.

H 3: To measure non- product attribute the personality dimensions Sincerity, Excitement, Competence, Sophistication, and Ruggedness as mentioned by J. Aaker was replaced by the adjectives which describes the non-product attribute of the fashion brands to suit the study. They are as follows: Ethnic, Elegant, Sober, Trendy and Traditional. The respondents then rated accordingly. Table 3 shows the calculated mean. Sober was rated as the highest by the respondents, followed by the trendy and traditional.

TABLE 3: MEAN OF THE NON-PRODUCT ATTRIBUTE OF THE FASHION BRANDS

Attributes	Mean
Ethnic	3.26
Sober	3.81
Elegant	3.21
Trendy	3.71
Traditional	3.53

IMPLICATIONS AND FUTURE RESEARCH

1. Although the hypothesized directions of this research were not supported, the results suggest some important implications for researchers and managers. The study highlights the importance of understanding the symbiotic relationship between advertising and branding as customer response to advertisement stimuli that leads to formulation of long-term branding strategy, considered necessary for managers in business and researchers in marketing to-day.
2. Future Research is imperative in terms of a thorough 5- 10 year's tracking study of the effect Advertising has on Brand Awareness, Brand Attitude and Market share which could be particularly helpful for apparel marketers and manufacturers.
3. Managers need to understand that awareness leads to learning and formation of attitudes about the brand, which will be influenced by emotional associations, which result in preferences for that brand, building brand loyalty. That's where positioning a brand in marketing communications gains importance. Positioning establishes the link in the consumer's mind between the brand and the category need, why a customer needs a product. Managers need to understand that the brand's advertising must take both recognition and recall brand awareness communication objectives into account.
4. Another important implication for managers is the idea of brand personality (Personification of brand) or brand as a person metaphor and brand as a friend metaphor. It is imperative here for managers to understand that brands do have personality traits similar to humans and as individuals tend to perceive other people on the basis of the characteristics they display in social situations then the same argument applies to brands and their use in particular situations so that personal meanings have also to be negotiated as social meanings.

LIMITATIONS OF RESEARCH

After completing this study, some limitations were realized, which are enumerated below:

1. The data were gathered through convenience sampling design and the respondents were limited to individuals shopping as Data were collected through an intercept survey from respondents picked up at random at fashion retail outlets in Ajmer and Jaipur. So the findings cannot be generalized to other geographic locations or consumers groups
2. The study's results cannot be generalized beyond the product category (fashion retail brands). According to previous researchers, shopping value and its influences may change due to shopping situation (Chang et al., 2004).
3. In addition, the exploratory analysis of the relationships between demographic characteristics (age, ethnicity, gender) and the utilitarian scale was problematic due to the unreliability of the five-item utilitarian shopping value scale.
4. Finding Correlation between Advertising and Brand Recall, Brand Recognition or for that matter Brand Personality proved to be problematic as they were part of separate Likert scale responses.
5. To induce young fashion customers to fill the responses was itself a cumbersome process as everyone wanted the trip to be over soon.

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ANNEXURE

QUESTIONNAIRE

PART I

- Name..
- Gender..
- Age...
- Educational Qualification

☐ High School

☐ Bachelors degree

☐ Master’s Degree

☐ Any other please specify...

- Occupation

☐ Government Employee

☐ Private Employee

☐ Self Employed

☐ Student

☐ House Wife

- Annual income

☐ Below 2 lakhs

☐ 2 lakhs – 4 lakhs

☐ Above 4 lakhs

PART II

1. Fashion to you is
a) Look cool and trendy
b) Look sober and calm
c) A way to express my inner self
d) ____
2. What inspires you most when you think of your style statement?
a) Brands
b) Latest trend
c) Fabric
d) Designing
e) Others, (Please specify) ________________________________
3. Your fashion sense is inspired from:
a) Parents

b) Friends
c) Celebrities
d) Others (Please specify)____
4. Which brand comes to your mind at the first place when you think fashion?
____
5. Which medium inspires you the most in case of fashion retail?
a) TV
b) Radio (FM)
c) News Paper
d) Others (Please specify)____

Please indicate evaluation of your preferred medium (e.g. TV, Radio, news paper etc) for fashion retail advertising: (tick on any one of the boxes mentioned against the factors as your choice)

Factor	Strongly Disagree (1)	Disagree (2)	Neutral (3)	Agree (4)	Strongly Agree (5)
Entertaining					
Attractive					
Interesting					
Informative					
Professional					
Effective					

Please indicate evaluation of impact of Advertising on brand recall and recognition: (tick on any one of the boxes mentioned against the factors as your choice)

Factor	Strongly Disagree (1)	Disagree (2)	Neutral (3)	Agree (4)	Strongly Agree (5)
Advertisements help in recognizing apparel brands					
Advertisements help in recalling apparel brands					
It makes me aware of features of Apparel Brand					
It helps in forming a Personality of Apparel Brand					
It builds a positive Attitude for apparel Brands					
It provides motivation to buy Apparel Brands					

After seeing or hearing the advertisement of your preferred clothing wear, what attributes or characteristics do you associate with your clothing wear? (Tick on any one of the boxes mentioned against the Attributes/ Characteristics as per your choice)

Attributes/ Characteristics	Strongly Disagree (1)	Disagree (2)	Neutral (3)	Agree (4)	Strongly Agree (5)
Ethnic					
Elegant					
Sober					
Trendy					
Traditional					

A CASE STUDY ON STRESS MANAGEMENT IN WORKING WOMEN IN GOVERNMENT\SEMI-GOVERNEMNT ENTERPRISES IN SHIMLA, (H.P.)

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ABSTRACT

'Stress' word has been borrowed from physics and mechanics where it means the physical pressure exerted upon, and between parts of body, when deformation occurs as result it is called strain. Stress is any change in your normal routine or health. Stress occurs when bad things happen, as well happy things. Getting a raise or a promotion is stress, just as getting fired from job is stress. Stress is basically an adaptive to respond to a situation that is perceived as challenging or threatening to the person's well-being. It is person's reaction to a situation, not the situation itself. Moreover, we experience stress when we believe that something will interfere with our need fulfillment. Stress has both psychological as well physiological dimensions. My aim in this paper was to gather a deep understanding of the stress in the working women. I tried to collect necessary information from the women working in government and semi-government organization in district Shimla of himachal Pradesh and to analyze how the deal with stress between office work and family work life. The study has been restricted to Shimla city only, due to accessibility, time constraints and other related factors. The women working in Shimla district in different department whether they are government or semi-government organization have been considered for the study with equal representation. it was found that the women working in these departments are found to be mostly stress free, as most of them are experienced and they know how to manage their work life and family life.

KEYWORDS
family work, office work, Stress, women, workplace.

INTRODUCTION
Stress is emerging as global phenomenon affecting all countries, professions and all categories of workers. Technology turmoil, information revolution, fast changing materialistic life style, innovations and growing competition have generated in man a feeling of powerlessness, helplessness, and in turn a source of consequent stress. Presently man experiences unprecedented turmoil, traumas and physical and mental disorders. Several studies have shown that individuals experiencing excessive stress make errors, fail to achieve targets, absent frequently; shift jobs indulge in chain smoking, drinking, or illicit relationship in the work place and even collapse. Therefore it is benefit to all to know stress including occupational by identifying causes and its coping mechanism.

WOMEN AND STRESS
Women are more likely to suffer from symptoms of stress. Working mothers, regardless of whether they are single or married, face higher stress levels and adverse health effects. Women are at an increased risk for developing stress-related chest pain. Working mother's most likely feel stressed because of their diverse workload. Stress in working mothers has the compound negative effect of potentially causing stress symptoms in their children.

SYMPTOMS OF STRESS
Stress is a universal phenomenon; people may differ in degree and level of its experience. Thus it is of utmost importance to identify and determine the victims. To point out people experiencing stress, some of the signs are as follows:
- Always fearing
- Changes in eating and sleeping habits
- Crediting failures to destiny
- Easily loses temper
- Failure to achieve targets
- Forgetfulness
- Faulty decisions
- Frequent physical complaints like headaches or stomach aches
- Guilt feeling
- Shift jobs frequently
- Heart diseases, ulcers, high blood pressure
- Higher absenteeism
- Impatient with idleness
- Indulge in chain smoking, drinking
- Job dissatisfaction, depression, exhaustion, moodiness, burn out
- Lack of concentration
- Poor performance
- Negative attitude
- Non-attentive to wearing and hairstyle
- Persistent sadness and hopelessness
- Poor or over confidence
- Poor self-esteem
- Shouting loudly
- Sweating and palm sweating in normal condition
- Thoughts of death or suicide
- Upset stomach
- Violating social norms or law
- Willful disobedience
- Withdrawal from friends and activities once enjoyed
- Work place aggression
- Lack of focus
- Lack of energy

These symptoms hint at stress prone development and make it essential to find out causes contributing.

CAUSES OF STRESS

From the above pointed out stress symptoms it can be said there will be hardly any person without stress. Stressors, the causes of stress, include any environmental conditions that place a physical or emotional demand on the person. Stress happens when people feel like they don't have the tools to manage all of the demands in their lives. Stress an be short-term or long-term. Missing the bus or arguing with your spouse or partner can cause short-term stress. Money problems or trouble at work can cause long-term stress. Even happy events, like having a baby or getting married can cause stress. Some of the most common stressful life events include:

- Death of a spouse
- Death of a close family member
- Divorce
- Losing your job
- Personal injury or illness
- Marital separation
- Pregnancy
- Fired at work
- Retirement
- Gain of a new family member
- Change in responsibilities in work
- Change in living conditions
- Change work hours or conditions
- Change in sleeping habits
- Celebrating festival

But this is not the complete list and some points will not be relevant to everyone. To meet several major changes simultaneously one can adjust the reaction to them and relax, thereby lowering the level or arousal of stress the causes of stress found to be are as follows:

Over Ambition: Ambition makes person work. Fix deadlines and enjoy the life. It is good to be ambitious, but being over ambitious in relation to one's capabilities has many pitfalls and non-achievement of the unrealistic goals set by one self would result in stress.

Work Pressure: Work provide man livelihood but one should not become work alcoholic. Achieving outstanding results, this might result in publishing your body too hard. By working for long hours a day would hardly leave any time for rest.

Unrealistic Time Frame: Time is precious and needs scientific management for results. Sometimes people lay down a highly unrealistic and ambitious time frame for tasks. Alternatively by frequent procrastinating, person feels terrible pressure of time to meet deadlines.

Inadequate Rise and Growth Opportunities: Change and improvement in life make a man happy. It is a natural instinct among people to look forward to opportunities for growth in the society. When the environmental hampers advancement, the result is frustration.

Poor Inter- Personal Relationship: Interpersonal skills make a person social and successful. People lacking in this important art would encounter strained relationship with their younger, peers as well as the elders, resulting in conflicts.

Insecurity: Security is one of the basic needs of man. Political chaos, government instability, rising unemployment, and anti-social activities rise lead to insecurity feeling in society.

Change in Environment: Environment changes always cause upheavals in routine of man. People who change their places of residence frequently may found to be unable to cope up with the changed environment and suffer from physical as well as mental symptoms. They develop disturbed sleep, lose their appetite and begin suffering from palpitation and severe headaches. Their performance goes down day-by-day.

Excessive Commuting Time: With the increased transportation facilities traveling has become faster and cheaper. Unduly long commuting time especially for long distance suburban areas to the office coupled with the noise pollution and erratic traffic also causes stress, particularly for those who come often late to the office.

Noise Pollution: Excess voice and continuous noise lead to nervousness, fatigue and also make a person under stress.

Disturb Marital Life: Mismatches and traditional arranged marriages or quick marriages results in difference of opinion approach to live life of husband and wife upset mental peace.

High Cost of Living: Inflation causes restlessness in the present materialistic and highly competitive world. Economically poor suffer more this in developing economies in the absence or negligible social security cover.

Poor Employment Opportunities: Globalization and technology has enhanced employment for skilled but lessened opportunities for unskilled or semiskilled by killing labour intensive local and handicraft industry, etc.

Poor Hygiene and Civic Consciousness: Improper hygiene and civic conditions lead to many hurdles in the smooth life.

Privatization Spread: More and more privatization of PSU's causing insecurity, unemployment and problem of livelihood to many causing stress.

Illusions: Many people suffer in the world for their self-created problems, misinterpretations and unclear philosophy of life.

Factors leading to stress may vary from faulty learning, conflicting objectives, unclear philosophy of life, false ego and fast changing values of society. It hampers productivity and interpersonal relationships. With the rapid pace of science and technology and the advent of modernization, human life has become very complex, resulting in social tension and psychological disorder. The present miserable condition of society and its mental health are alarming. Tension, stress, anxiety and depression have become a part of life, thus in order to overcome these coping strategies could be as under.

COPING WITH STRESS

Know thyself: self knowledge has been observed to be the greatest wisdom, but many lack in it. How much arousal you can tolerate. Have the courage to say 'no' when things are too much. Recognize fatigue and take the action to remove it.

Find some time only for you every day: silence is gold, old saying deserve mention in the modern man's fast and hectic life. Tranquility should be a required feature for complete privacy, alone with your thoughts, and freedom from the pressure of work.

Ensure Physical Examination: people generally found to go for medical aid checkup in case of illness but wise always have a periodic physical examination to provide extra peace of mind.

Exercise: Economic advancement and technology have made life luxurious and more comfortable consequent poor health. So it is advised to use an aerobic exercise such as jogging to build your health to higher level of conditioning.

Massage: Like oiling machines in order to control wear and tear, human body also need maintenance. Close your eyes and use your fingertips, to vigorously massage your forehead and the back of your neck. Rub in circle, and rub hard, here help can be taken from massage experts. It helps body to relax and rejuvenate to act in a better way.

Put on Desire weight: Many people suffer from their physique, outlook and weight problems. Thus, get your body weight down to a level you can be pleased with, and keep it there.

Form and maintain sensible Eating habits: Ordinary people live to eat while wise eat to live, means conscious eating habits. Use sweet rarely, minimize intake of junk food, emphasis foods you like that are good for you.

Review your obligation: In the present service dominant society transaction and interaction need to be performed carefully. Review your obligation from time to time and make sure they will also bring reward for you. Divest yourself of those that are not good for you.

Open yourself to new experiences: Try doing things you have never done before, Sample food you have never eaten and go to places you have never seen. Find self-renewing opportunities.
Have Healthy Engagements: Rather than to be busy with or without work, it is advised to do work with purpose. Wise people engage in meaningful, satisfying work.
Have Smart Goals: Goals irrespective of individual, organizational or social offer opportunities and inspire to act but these must be smart specific, measurable, action-oriented, realistic and timely) goals.
Changing the Environment: Get away from the situation that causes the stress. This may mean changing the work, shifting house, leaving home.
Take a Quick mental break: The busy and hectic and monstrous routine exhausts a man. So it is advisable to take a quick mental break by visualizing a favourite place in your mind whether it be the ocean, the mountains, or your own backyard. Concentrate on seeing, smelling and hearing the things you imagine.
Follow Natural Relaxers: Life is not a bed of roses always, for all, means different situations may arise but one should face these boldly. Free yourself from the tyranny of tranquilizers, sleeping pills, headache pills, and other central nervous system depressants. It is advised to rationalize sleeping, eating, living and working habits on one side and doing exercise, yoga, silent sitting and meditation, etc. on the other.
No Smoking: No doubt, smoking is injurious to health. Prolong habit cause various health problems.
Laugh: To laugh is one of the greatest exercises and practices to gain and maintain good health. Try to have good and holy company that makes one happier and help in relieving worries. Read one of your favourite jokes or simply laugh aloud.
Good Reading: Reading always has been a good friend of man but important to note is that garbage in garbage out. Read interesting books and articles to freshen your ideas and broaden your points of view. Listen to the positive and holy ideas and opinions of others in order to learn from them. Avoid 'psycho sclerosis' or hardening of the categories. Reduce and eliminate television watching and shift to reading.
Positive Outlook of stress: Stress is not always negative but accepts feelings of stressors. So don't let them alarm you. Later on, use the experience to deepen your understanding of other people.
Thus these suggestions may help man to control stress. No doubt, it is emerging a big threat to the well-being of man equally affecting working life.

WHAT CAUSES STRESS IN WOMEN?

Today's women bombarded with various specialized needs. What used to be fundamental as food, clothing, shelter, love and knowledge is gradually becoming a little more sophisticated. Perhaps it goes with the times and the recognition of women's capacity to wield a man's task while still being able to do their roles as a mother, a wife, a lover, or a daughter. Such demands would pressure women to physically and mentally respond either positively or negatively. These overwhelming
Demands are the usual cause of stress in women.
Nonetheless, stress can either make you or break you. It all depends on how a woman perceives and interprets stressful conditions. For some women, additional workload is nothing but a challenge for them to perform better. Some women on the other hand, are not quite susceptible to such abrupt changes.
Aside from that, the actual weight of the experience matters a lot if a woman would take the demand positively or negatively. Everyone has her own weak points and the moment these are tapped, stress and fatigue can easily found for itself a way to take its damaging toll on a woman.
Such stressful experiences are uncontrollable. What you can manage is how these circumstances are perceived so that they will not adversely affect your everyday lives. Stress can be productive if you let the causes of stress alert and motivate you to perform well. If you manage to take stress as a challenge, it will inspire you to improve yourself. How else will you learn if not for such trying situations that force you to do your best?
If you get to see stress as something inevitable especially to women who are flexible and versatile enough to multi-task, you might realize that sometimes, you have to be grateful that things like these come your way. Women are capable of doing almost anything humanly possible all at the same time.
If doing multiple activities at once won't cause you any stress, then you probably are Wonder Woman. But hey, thing is, Wonder Woman is also prone to stress- the only differences is that she knows how to handle it. Moving to a new house, getting married, taking an entrance exam or going to a job interview, failing- all these spells 'living your life- and during these pressing times, there is no other way to go but up. Lurk down there and you will find yourself too strained to gather yourself back. And there comes the dangers of stress in women.
Long periods of stress would cause women to become irritable, irate, and too emotional to the point that they can no longer do their everyday tasks. Worse comes to worst, such negative stress would cause them physical illness and depression.
Sometimes, these lead to inappropriate coping behaviors such as drinking too much alcohol, overeating, chain smoking, taking illegal drugs or improper dosages of prescribed medications. Sometimes, negative coping behaviors happen within your body without your knowledge of it.
That is why whenever a friend is experiencing an ordeal, significant changes in terms of physique and health conditions begin to surface. Times like these are usually caused by sudden losses especially death of a loved one. Others that could also lead to negative stress are relationship problems, finances, physical, verbal or sexual abuse etc. To cope with such kind of stress, women need whatever support they can get from family, friends and their significant other. Some causes might even need the professional help of a therapist and this has to be given a great consideration. Negligence of such would lead to further depression and illness, or worse, diseases such as cancer and cardiac arrest.
Women are very social and spiritual. To prevent negative stress, they need to constantly be reassured that they are being supported by those inside their peripherals. Aside from that, helping other people out during their trying times can also make you feel better about your own life. This would convert the causes of negative stress to something that is beneficial to the self as well as to others.
Do women react to stress differently than men?
One recent survey found that women were more likely to experience physical symptoms of stress than men. But we don't have enough proof to say that this applies to all women. We do know that women often cope with stress in different ways than men. Women "tend and befriend", taking care of those closest to them, but also drawing support from friends and family. Men are more likely to have the "fight or flight" response. They cope by "escaping" into a relaxing activity or other distraction.

REVIEW OF LITERATURE

A 2006 survey, conducted by the American Psychological Association, found that stress affects more women than men. In the United States, female workers accounted for the majority of stress-related cases during 1992-2001.Stress has reached epidemic proportions, with approximately 80% of all non-traumatic deaths caused by a stress-related illness. A survey in the new European Member States found that 90% of the respondents thought that stress is a major cause of disease in their countries. A Scandinavian study reported women perceived themselves to have a higher level of stress than men.
Job stressors are objective conditions in the work environment that tax an individual's emotional, physical, and cognitive stores, potentially leading to health problems. In the workplace, these stressors facilitate a response people may have when presented with work demands and pressures that are not matched to their knowledge and abilities and challenge their ability to cope. Stress can lead to reduced work effectiveness and ultimately increased employment absenteeism, health compromise, increased health expenses, and decreased income. Annual costs to U.S. employers for lost productive time amount to over $250 billion.
A research was conducted for articles evaluating exercise, stress, and the working woman. The data bases CINAHL, Pub-Med, OVID, Pro-Quest, Medline, and ERIC were searched with the key words: exercise, stress and stressors, counseling, effects, working mothers, and sedentary lifestyle.
Over the past several decades, women's participation in the labor force has increased, particularly among married women with children. Currently, participation of women in the labor force is at 46.3%.More women are projected to enter the workforce, and proactive measures to reduce stress and to promote preventive health care strategies will have a better end result for employers and families.

SCOPE OF THE STUDY

My aim was to gather a deep understanding of the stress in the working women. I tried to collect necessary information from the women working in government and semi-government organization in district Shimla and to analyze how they deal with stress between office-work and family-work life.

The study has been restricted to Shimla city only, due to accessibility, time constraints and other related factors.

The women working in Shimla district in different department whether they are government or semi-government organization have been considered for the study with equal representation.

The study is considered with a view that the above organization of Shimla represents almost the entire population (universe) of the hell state.

The scope of the study takes into consideration the various factor too, like

1) Age of the women
2) Experience of the women

The scope of the study is to conduct the survey and analyze the stress management in women that under how much stress a women is between her office work and family work. This study also concentrates on other related factors such as regarding their life style, how do they engage themselves in free time, are they happy with their job etc. and the overall effect on their life.

OBJECTIVE OF THE STUDY

The main objectives of the study were:

- To study about the stress in working women.
- It was endeavored to study the related causes of stress.
- An attempt was also made to understand that how do they cope up with stress.
- To study what do they do in free time, if they get.

HYPOTHESIS

It is difficult to conduct any survey without making certain assumptions about the study.

Some assumptions which I made for the study are as follows:

❖ Sample is representative of the population.
❖ Respondents have responded correctly.
❖ The data recorded is correct.
❖ No errors are there.
❖ All working women are not 100% under stress or stress free.

RESEARCH METHODOLOGY

The study is conducted in Shimla where the sample chosen among the working women in different government and semi-government enterprises, is on the basis of purposive sampling. Respondents were selected and proper representation was given to all the working women. A semi-structured questionnaire (enclosed in annexure) was framed on the basis of questions related to stress and how do they manage, and respondents were asked to fill them up. Where the respondents were not able to understand it, they were asked questions one by one and were filled by interviewers. The questions were framed in such a manner that the resulting data could be analysed and interpreted. Then accordingly recommendations were made.

DATA COLLECTION

Primary data in this research was the questionnaire that was filled by the women working in various government and semi-government organizations. Since the results of the survey critically depend on the collection of data, therefore, the possible alternatives were taken into consideration. The method of data collection used was: Face-to-face interview with the help of semi-structured questionnaire. A semi-structured schedule of questions was used so as not to limit the choice of the respondents even while maintaining a uniform schedule for the collection of data required. This made the study easier and a more objective analysis could be made. The questionnaire carried 10 questions that briefly summarized the stress level of the working women. A further part of the questionnaire dealt with some suggested questions in which the respondents were asked to give their opinions.

INTERPRETATION OF DATA

The data interpretation was done in the following manner:-

1. Table formation: To show the data collected.
2. Graph: To show percentage of response on each question.

Question wise analysis of the study conducted:

Following are the different questions asked from the women working in different departments, during face to face interviews:

1) Age of the women
2) Work experience
3) If you have to work overtime, how do they deal with it?
4) When you are given more work than you can deal with, what they do?
5) During a vacation, how you spend time?
6) When you encounter a problem between your family life & work life, how do you manage?
7) How do you find your work?
8) How do feel, like you are?
9) When something forces you to change your lifestyle, what do you do?
10) If you position yourself in situation of debt, what will you do?

TABLE 1: Q-1 AGE OF WOMEN

Age group	Number of women
20-30	3
30-40	17
40-50	21
50-60	9

Above analysis shows that the maximum number of working women fall in the age group of 40-50.It means that majority of them are quite experienced in handling the life between office work and family work. They sometimes come under stressed when work load increases, but being efficient in their work, they easily overcome it.

TABLE 2: Q-2 WORK EXPERIENCE OF WOMEN

Work experience (in years)	Number of women
0-10	10
10-20	12
20-30	20
30-40	8

According to the above analysis, it is found that the maximum numbers of women are quite experienced in work. However stress does creep into their life but their experience and talent they know how to manage.

TABLE 3: Q-3 WHEN HAVE TO WORK OVERTIME

How do they deal	Number of women
Start working on things that need to be done	24
Think first, and then take their time what they need to do	19
Get annoyed	17

The above analysis depicts that whenever they have to work overtime, or when the work load increases they classify and sort out the work category wise and start working on the things that need to be done. However most them get annoyed and come under stress.

TABLE 4: Q-4 IF MORE WORK IS GIVEN, THEN THEY CAN DEAL WITH

They spend time by	Number of women
Take it as challenge	18
Think about necessary steps to take to deal with	23
Blame others for the problem	9

The above analysis shows that if some more work is given, then they will make plan and a proper course of action to get the work done. Stress may come but they adapt themselves to the situation. Some of them complain also about the work as they are having less experience of work.

TABLE 5: Q-5 DURING A VACATION

They spend time by	Number of women
Going everywhere they can go to	18
Relaxing	25
Find it difficult to relax	7

It was analyzed that during a vacation\ holidays the women either go to some place or relax at home. But most of them just relax at home with family or with friends.

TABLE 6: Q-6 MANAGEMENT OF PROBLEMS BETWEEN FAMILY WORK AND LIFE

They manage as they	Number of women
Take it as challenge	18
Think about necessary steps to take to deal with	23
Blame others for the problem	9

The above analysis shows that whenever a problem comes between their family and work life they handle them properly whereas very few of them instead of managing the situation blame others for the problem

TABLE 7: Q-7 WOMEN FIND WORK

The work is	Number of women
Engaging	24
Amusing	18
Stressful	8

According to the above analysis it is found that women find their work engaging, to some extent amusing whereas very few find it stressful.

TABLE 8: Q-8 WHAT DO WOMEN FEEL?

They feel like they are	Number of women
Ready to tackle anything that comes in their way	21
Calm and open mind	20
Not able to make things go their way	9

It was found from the analysis that women feel that they are calm and open minded and can tackle anything that comes their way.

TABLE 9: Q-9 IF SOMETHING FORCES THEM TO CHANGE THEIR LIFESTYLE

Then women	Number of women
Accept the change	19
Learn how to deal with change	23
Complain about it	8

According to the women if anything forces them to change their lifestyle they learn how to deal with the change and adapt to the situation.

TABLE 10: Q-10 IF THEY POSITION THEMSELVES IN POSITION OF DEBT

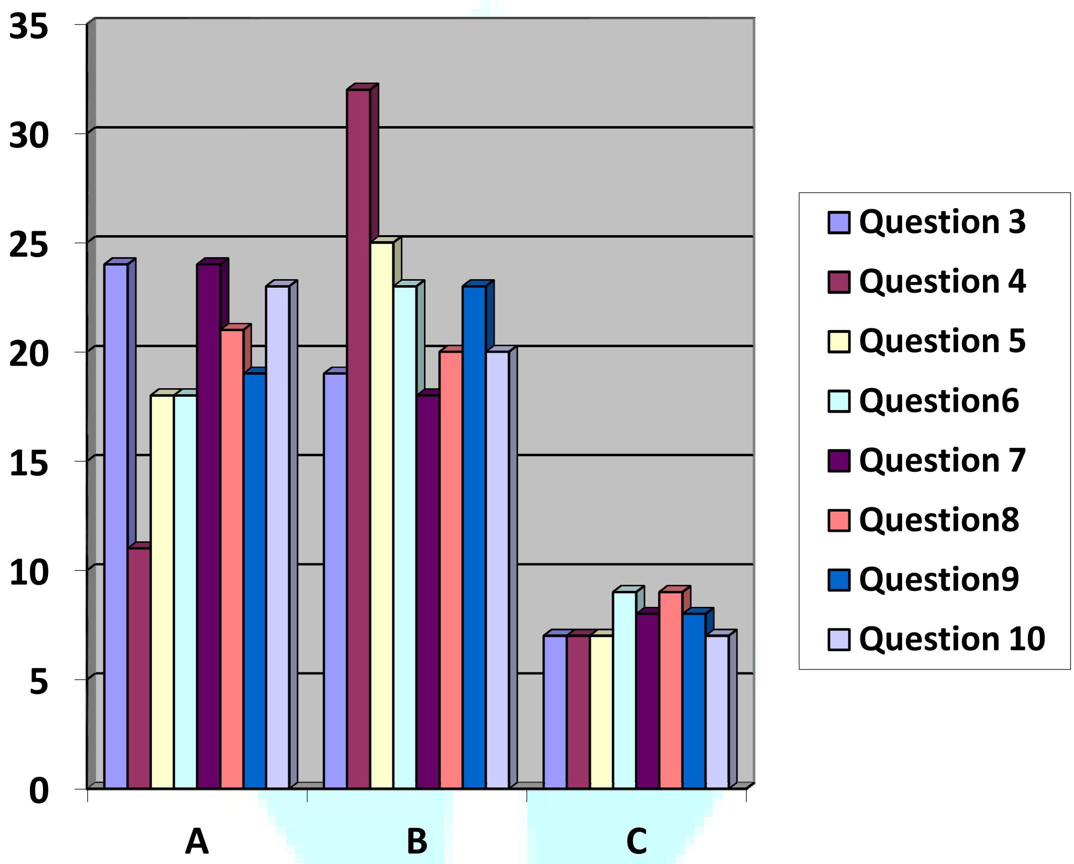
How will they deal?	Number of women
Try to settle all financial problem as soon as possible	23
Access the situation and gradually recover from the losses	20
Brood over the problem	7

The survey shows that majority of women will try to settle all the financial problems as soon as they can manage and will gradually recover from losses, if they position themselves in position of debt .A very few number of them will brood over the problem.

Tabular presentation

TABLE 11: THE DATA COLLECTED IS PRESENTED IN THE FORM OF A TABLE

Question	A	B	C
Question 3	24	19	7
Question 4	11	32	7
Question 5	18	25	7
Question6	18	23	9
Question 7	24	18	8
Question8	21	20	9
Question9	19	23	8
Question 10	23	20	7



Graphical representation

'A' means that women are very active and reliable.

'B' means that women are most likely a very relaxed, laid back and logical individual.

'C' reflects their relatively poor coping mechanism.

OBSERVATIONS AND CONCLUSION

OBSERVATION

- ➢ While conducting the questionnaire survey on stree management in working women in government and semi-government enterprises, it was observed that some of the women are under stress as work load is more and they have no free time in office.
- ➢ But most of them are experienced and are stress free as they know how to accomplish the work and how to manage between office work and family work.
- ➢ It was observed that if some of the women get free time in office or at home, they engage themselves by
- ✓ Reading some light fiction books, magazines and newspaper
- ✓ Watching T.V.
- ✓ With hobby jobs and gardening
- ✓ Sewing, knitting and some creative work
- ✓ Discussing day to day problems related to work and find solutions
- ✓ Remaining busy with kids
- ✓ Taking rest, cooking and by doing other household works

CONCLUSION

To conclude it was found that the women working in various government and semi-government enterprises are found to be mostly stress free, as most of them are experienced and they know how to manage their work life and family life. Some of them do get under stress due to work load and they also do not any free time in office.

To make their work easier they even take guidance from their seniors and also make proper plans to get the work easily done.

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LEVERAGE ANALYSIS AND IT'S IMPECT ON SHARE PRICE AND EARNING OF THE SELECTED STEEL COMPANIES OF INDIA – AN EMPERICAL STUDY

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ABSTRACT

The major objective of this paper is to analyze and understand the impact of leverage on the Market Price of shares of the firm. This paper investigates the relationship between the leverage (financial leverage, operating leverage and combined leverage) and the earning per share and market price of share. In addition, it aims to describe how the earning capacity of the firm is influenced by the fixed operating costs and the fixed financial charges. This study also explains the relationship between the DPS and Earning per Share and how effectively the firm be able debt financing. In this study, selected Steel companies are taken for analysis and hypothesis are examined with the help of one-way ANOVA and t-test.

KEYWORDS
Leverage, Financial leverage, DPS, Earnings per share, Steel companies, ANOVA.

INTRODUCTION OF STEEL INDUSTRY

The Indian steel industry has entered into a new development stage from 2007-08, riding high on the resurgent economy and rising demand for steel. Rapid rise in production has resulted in India becoming the 4th largest producer of crude steel and the largest producer of sponge iron or DRI in the world. As per the report of the Working Group on Steel for the 12th Plan, there exist many factors which carry the potential of raising the per capita steel consumption in the country, currently estimated at 55 kg (provisional). These include among others, an estimated infrastructure investment of nearly a trillion dollars, a projected growth of manufacturing from current 8% to 11-12%, increase in urban population to 600 million by 2030 from the current level of 400 million, emergence of the rural market for steel currently consuming around 10 kg per annum buoyed by projects like Bharat Nirman, Pradhan Mantri Gram Sadak Yojana, Rajiv Gandhi Awaas Yojana among others. At the time of its release, the National Steel Policy 2005 had envisaged steel production to reach 110 million tones by 2019-20. However, based on the assessment of the current ongoing projects, both in Greenfield and brownfield, the Working Group on Steel for the 12th Plan has projected that the crude steel steel capacity in the county is likely to be 140 mt by 2016-17. Further, based on the status of MOUs signed by the private producers with the various State Governments, it is expected that India's steel capacity would exceed 200 mt by 2020.

LEVERAGE

The employment of asset or source of funds for which the firm has to pay fixed cost or fixed return is termed as leverage. The asset or source of fund is act as force to boost up the firms ability to increase the profitability. The higher leverage obviously implies higher outside borrowings and hence it is riskier if the firms earning capacity is reduced. In other words, only when the Return on Investment is higher than the cost of outside borrowing, the effect of leverage will be favorable.

OPERATING LEVERAGE

Operating leverage affects a firm's operating profit (EBIT). The degree of operating leverage (DOL) is defined as the percentage change in the earnings before interest and taxes relative to a given percentage change in sales. EBIT depends on sales. A change in sales will affect EBIT. The variability in EBIT due to a change in sales is affected by the composition of fixed and variable costs. You may recall that the percentage change in EBIT occurring due to a given percentage change in sales is referred to as the degree of operating leverage (DOL)
DOL=% Change in EBIT/ % Change in sales

FINANCIAL LEVERAGE

The use of the fixed-charges sources of funds, such as debt and preference capital along with the owners' equity in the capital structure, is described as financial leverage, gearing, or trading on equity. The financial leverage employed by a company is intended to earn more return on the fixed-charge funds than their costs. The surplus (or deficit) will increase (or decrease) the return on the owners' equity. The rate of return on the owners' equity is levered above or below the rate of return on total assets. The percentage change in EPS occurring due to a given percentage change in EBIT is referred to as the degree of financial leverage (DFL). DFL= % Change in EPS/% Change in EBIT OR EBIT/EBT

COMBINE LEVERAGE

Operating and financial leverages together cause wide fluctuation in EPS for a given change in sales. It can be done by multiplying the operating leverage and financial leverage. The operating leverage affects the EBIT and the financial leverage affects the EPS. The management has to devise a right combination of the operating and financial leverage. A company whose sales fluctuate widely and erratically should avoid use of high leverage since it will be exposed to a very high degree of risk

LEVERAGE AND EARNING PER SHAR

There is a close relationship between the financial leverage and Earning per Share of the company. If degree of financial leverage is high and the return on investment is greater than the cost of debt capital, then the impact of leverage on EPS will be favorable. The impact of financial leverage is unfavorable when the earning capacity of the firm is less than what is expected by the lenders (i.e.) the cost of debt

NEED AND OBJECTIVES OF THE STUDY

Present Situation in capital market is unexpected where investors have to depth research before their rational investment in market. Present study is based on that problem and provides information to investor for their investment decision. Under this research study financial leverage and their impact on earning per share, dividend and market price of the some selected steel companies.
The following are the objectives of the study
- To understand and analyze the leverage effects of the selected Steel companies.
- To analyze the impact of leverage on market price of share
- To assess the relationship between the financing mix and earning per share.

HYPOTHESIS

For better understanding of the effect of leverage on the market price of share, the following hypothesis can be framed.

1. There is no significant relationship between DFL and EPS.
2. There is no significant relationship between DOL and EPS.
3. There is no significant relationship between DCL and EPS.
4. There is no significant relationship between MPS and EPS.
5. There is no significant relationship between DPS and EPS.

METHODOLOGY

The present study adopts an analytical and descriptive research design. The data of the sample Companies has been collected from the annual reports and the balance sheet published by the Companies and the websites of the companies finite a sample size of five companies' listed on the Bombay stock exchange has been selected for the purpose of the study. The variables used in the analysis are earning per share (EPS) Degree of Operating Leverage (DOL) Degree of Financial Leverage (DFL) Earnings before Interest and Taxes (EBIT) Earnings before Taxes (EBT), Dividend per share and Market price of share, Contribution Margin. While interpreting the results, the statistical tool of one way Analysis of Variance (ANOVA) has been used

SAMPLING PLAN

Sizes of the samples are five big bodies of steel companies of India.

DATA COLLECTION

*Data for analysis have been calculated from varies websites like, Moneycontrol.com,*steel.nic.in/overview.htm

TIME PERIOD OF STUDY

The study has been conducted during period of ten years (2002 to 2011)

TOOLS USED FOR ANALYSIS

• Financial Ratio-Leverage

Stastical Variables

• Mean,
• Standard Deviation,
• Correlation analysis and test of significance.
• Analysis of variance (ANOVA): The statistical tool that is used for testing hypothesis is one- way Analysis of Variance.

LIMITATIONS OF THE STUDY

• The study is based on secondary data and only the period of 10 years is taken for analysis.
• The pertaining to the analysis is collected from Websites and corporate databases.
• Some of the external factors affecting the leverage were not taken into account.

RESULTS & DISCUSSION

The degree of financial leverage is defined as the percentage change in earning per share (EPS) that results from a given percentage change in earning before interest and taxes (EBIT).

TABLE 1: DEGREE OF FINANCIAL LEVARAGE (DFL)

YEAR	SAIL	TATA STEEL	JSW	JINDAL	MAHINDRA UGINE STEEL
2002	-3.06	1.52	-1.7	1.41	3.33
2003	2.22	1.19	-8.5	1.38	-2.19
2004	1.24	1.07	1.39	1.19	1.81
2005	1.06	1.04	1.25	1.11	1.15
2006	1.07	1.03	1.22	1.12	1.14
2007	1.03	1.04	1.16	1.14	1.14
2008	1.02	1.12	1.16	1.12	1.4
2009	1.02	1.18	1.59	1.11	-8.64
2010	1.04	1.22	1.23	1.14	2.02
2011	1.06	1.15	1.21	1.14	2.93
Mean	0.77	1.16	0.001	1.19	0.409
SD	1.40	0.15	3.13	0.11	3.51

(Compiled From Financial Statement)

From Table No-1 it is clear that the DFL shows a fluctuating trend and the calculated mean and standard deviation values of JINDAL and MAHINDRA UGINE STEEL was maximum respectively when compare to other sample companies while MAHINDRA UGINE STEEL has higher standard deviation of 3.51 which is due to the firm's inability to make profit during the year 2003 and 2009.The standard deviation of JINDAL is comparatively low which indicates that the company less risky in terms the financial risk. While other companies have moderate financial risk during the study period.

HYPOTHESIS TESTING

Ho: The DFL position of the Steel companies does not differ significantly.

Ha: The DFL position of the Steel companies differs significantly.

ANOVA

TABLE 2: DEGREE OF FINANCIAL LEVERAGE

Source of Variation	SS	Df	MS	F	F critical
Between Groups	10.222	4	2.556	0.530	2.58
Within Groups	216.824	45	4.818		
Total	**227.047**	**49**			

Since the critical value at 5 % significant level is 2.58, which is greater than F, calculated 0.530 the null hypothesis is accepted. Hence, it is concluded that the DFL position of SAIL, TATA STEEL, JSW, JINDAL, and MAHINDRA UGINE STEEL does not differ significantly.

TABLE 3: DEGREE OF OPERATING LEVERAGE (DOL)

YEAR	SAIL	TATA STEEL	JSW	JINDAL	MAHINDRA UGINE STEEL
2002	1.09	1.98	2.09	1.12	1.1
2003	1.28	1.64	2.17	1.26	3.86
2004	1.14	1.16	1.01	1.08	1.76
2005	0.98	1.06	1.29	1.24	1.15
2006	0.83	1.08	1.25	1.16	0.94
2007	0.91	1.05	1.22	1.24	1.38
2008	0.88	1.05	1.05	1.19	1.18
2009	0.71	1.04	1.54	1.2	3.68
2010	1.05	1.03	1.07	1.12	1.25
2011	0.83	1.02	1.02	1.05	1.66
Mean	0.97	1.21	1.37	1.17	1.80
SD	0.17	0.33	0.43	0.07	1.07

(Complied From Financial Statement)

Analysis in table 3 shows that the mean DOL of MAHINDRA UGINE STEEL was high as 1.80 and, which is followed by JSW with mean DOL of 1.37. The standard deviation value of JINDAL was lower with 0.07 and is followed by SAIL and TATA STEEL with the standard deviation of 0.17 and 0.33 respectively. The standard deviation of MAHINDRA UGINE STEEL was comparatively high which is indicates that it has high variations in its fixed cost expenditures.

ANOVA

Ho: The DOL position of the Steel companies does not differ significantly.

Ha: The DOL position of the Steel companies differs significantly.

TABLE 4: DEGREE OF OPERATING LEVERAGE (DOL)

Source of Variation	*SS*	*Df*	*MS*	*F*	*F critical*
Between Groups	3.858	4.000	0.964	3.271	2.58
Within Groups	13.269	45.000	0.295		
Total	17.127	49.000			

Since the critical value at 5 % significant level is 2.58, which is lesser than F, calculated 3.271 the null hypothesis is rejected. Hence, it is concluded that the DOL position of SAIL, TATA STEEL, JSW, JINDAL, and MAHINDRA UGINE STEEL differ significantly.

TABLE 5: DEGREE OF COMBINE LEVERAGE (DCL)

YEAR	SAIL	TATA STEEL	JSW	JINDAL	MAHINDRA UGINE STEEL
2002	-3.34	3.01	-3.55	1.58	3.66
2003	2.84	1.95	-18.45	1.74	-8.45
2004	1.41	1.24	1.40	1.29	3.19
2005	1.04	1.10	1.61	1.38	1.32
2006	0.89	1.11	1.53	1.30	1.07
2007	0.94	1.09	1.42	1.41	1.57
2008	0.90	1.18	1.22	1.33	1.65
2009	0.72	1.23	2.45	1.33	-31.80
2010	1.09	1.26	1.32	1.28	2.53
2011	0.88	1.17	1.23	1.20	4.86
Mean	0.74	1.43	-0.98	1.38	-2.04
SD	1.56	0.61	6.35	0.16	11.07

(Compiled From Financial Statement)

Table 5 indicates that the DCL TATA STEEL and JINDAL were high as 1.43 and 1.38 respectively while JSW and MAHINDRA UGINE STEEL do not have sufficient money during the year 2003, 2002 and 2009 even to cover its fixed expenditure. The standard deviation shows that JINDAL and TATA STEEL have lesser risk as it is indicated the standard deviation value of 0.16and 0.61 respectively and JSW and MAHINDRA UGINE STEEL have high variation in its DCL.

ANOVA

Ho: The DOL position of the Steel companies does not differ significantly.

Ha: The DOL position of the Steel companies differs significantly.

TABLE 6: DEGREE OF COMBINE LEVERAGE (DCL)

Source of Variation	*SS*	*Df*	*MS*	*F*	*F critical*
Between Groups	95.808	4.000	23.952	0.723	2.580
Within Groups	1490.693	45.000	33.127		
Total	1586.501	49.000			

Since the critical value at 5 % significant level is 2.58, which is greater than F, calculated 0.723 the null hypothesis is accepted. Hence, it is concluded that the DCL position of SAIL, Tata Steel, JSW, JINDAL, and MAHINDRA UGINE STEEL does not differ significantly.

TABLE: 7 DIVIDEND PER SHARE (DPS)

YEAR	SAIL	TATA STEEL	JSW	JINDAL	MAHINDRA UGINE STEEL
2002	NA	4	NA	7	NA
2003	NA	8	NA	12.5	1
2004	NA	10	NA	10	NA
2005	3.3	13	8	15	3
2006	2	13	8	15	4.5
2007	3.1	15.5	12.5	18	4.5
2008	3.7	16	14	4	3
2009	2.6	16	1	5.5	NA
2010	3.3	8	9.5	1.25	NA
2011	2.4	12	12.25	1.5	NA
Mean	2.9	11.6	9.3	9.0	3.2
SD	0.60	4.00	4.35	6.00	1.44

(Complied From Financial Statement)

Table 7 indicates that the DPS of TATA STEEL and JSW were high as 11.6 and 9.3 respectively while SAIL, MAHINDRA UGINE STEEL and JSW do not have distributed profit during the year 2003, 2002, 2004.2009,2010 and 2011. The standard deviation shows that JSW and JINDAL have distributed lager amount as dividend it is indicated the standard deviation value of 6 and 4.35 respectively.

ANOVA

Ho: The DPS position of the Steel companies does not differ significantly.

Ha: The DPS position of the Steel companies differs significantly

TABLE 8: DIVIDEND PER SHARE (DPS)

Source of Variation	*SS*	*Df*	*MS*	*F*	*F critical*
Between Groups	443.339	4.000	110.835	6.367	2.650
Within Groups	591.819	34.000	17.406		
Total	1035.158	38.000			

Since the critical value at 5 % significant level is 2.65 which is lesser than F calculated 6.367 the null hypothesis is rejected. Hence, it is concluded that the DPS position of SAIL, TATA STEEL, JSW, JINDAL, and MAHINDRA UGINE STEEL, differ significantly.

TABLE 9: EARNING PER SHARE (EPS)

YEAR	SAIL	TATA STEEL	JSW	JINDAL	MAHINDRA UGINE STEEL
2002	-4.11	5.09	-2.72	76.43	-2.01
2003	-0.74	27.53	-0.86	96.59	-5.57
2004	6.08	47.48	4.1	99.15	1.97
2005	16.5	62.77	65.27	167.48	14.95
2006	9.72	63.35	53.28	186.07	19.72
2007	15.02	72.74	77.09	228.3	13.76
2008	18.25	63.85	90.84	80.34	9.08
2009	14.95	69.7	22.96	99.35	-5.8
2010	16.35	56.37	106.59	15.89	1.44
2011	11.87	71.58	88.87	22.09	-1.84
Mean	10.4	54.0	50.5	107.2	4.6
SD	7.69	21.88	41.58	68.32	9.15

(Complied From Financial Statement)

From the table-9 it is inferred that the EPS of JINDAL and TATA STEEL is substantially higher than that of SAIL JSW, and MAHINDRA UGINE STEEL. On an average, JINDAL has generated the EPS of Rs. 107.2, which is highest amongst all, followed by TATA STEEL (54.0), JSW (50.5), SAIL (10.4), MAHINDRA UGINE STEEL (4.6), The analysis reveals that JINDAL is the most efficient company in terms of generating earning per share. Standard deviation value of JINDAL is higher (68.32) which indicates a higher variation in earning per share during the study period which other companies have low Standard deviation values 41.58, 21.88, 9.15 and 7.69 respectively.

ANOVA

Ho: The EPS position of the Steel companies does not differ significantly.

Ha: The EPS position of the Steel companies differs significantly.

TABLE 10: EARNING PER SHARE (EPS)

Source of Variation	SS	Df	MS	F	F critical
Between Groups	68094.46	4	17023.61	12.13	2.58
Within Groups	63162.63	45	1403.61		
Total	131257.1	49			

Since the critical value at 5 % significant level is 2.58 which is lesser than F calculated 12.13 the null hypothesis is rejected. Hence, it is concluded that the EPS position of SAIL, TATA STEEL, JSW, JINDAL, and MAHINDRA UGINE STEEL differ significantly.

TABLE: 10 MARKET PRICE OF SHARE (MPS)

YEAR	SAIL	TATA STEEL	JSW	JINDAL	MAHINDRA UGINE STEEL
2002	10.25	151.5	5.45	348.95	8
2003	51.1	444.05	13.14	619.5	33.9
2004	62.6	385.45	16.93	897.85	97.15
2005	54	380.3	229.3	1579.95	132.8
2006	89.2	482.3	386.9	2267.8	125.55
2007	284.35	934.8	1318.45	15359.25	112.5
2008	77.45	216.85	229.5	911.9	23.9
2009	240.65	617.6	1012.65	703.95	53.45
2010	182.5	678.95	1173	713.2	64.75
2011	81.1	335.25	507.1	453.1	42.7
Mean	113.3	462.7	489.2	2385.5	69.5
SD	90.52	231.10	500.97	4594.56	44.58

Companies	Correlation('r')	Result	T-test(value)	Hypothesis Result
SAIL	**-0.650**	**Negative**	**-2.4115**	**Rejected**
TATA STEEL	**-0.960**	**Negative**	**-9.6**	**Rejected**
JINDAL	0.610	Positive	2.1716	Rejected
JSW	-0.720	Negative	-2.9376	Rejected
MAHINDRA UGINE STEEL	-0.670	Negative	-2.5527	Rejected

(Complied From Financial Statement)

From the table-11 it is inferred that the MPS of JINDAL and JSW is substantially higher than that of MAHINDRA UGINE STEEL, SAIL, on an average, JINDAL has generated the MPS of Rs. 2385.5 which is highest amongst all, followed by JSW (489.2), TATA STEEL (462.7), SAIL (113.3), and MAHINDRA UGINE STEEL (69.).The analysis of Volatility (SD) indicates that JINDAL has higher variances in share price with highest SD of 4594.56 where other companies are having relatively lower volatility during the study period.

ANOVA

Ho: The MPS position of the Steel companies does not differ significantly.

Ha: The MPS position of the Steel companies differs significantly.

Source of Variation	*SS*	*df*	*MS*	*F*	*F critical*
Between Groups	**36834690.3**	**4**	**9208673**	**2.15**	**2.58**
Within Groups	**192821202.9**	**45**	**4284916**		
Total	**229655893.2**	**49**			

Since the critical value at 5 % significant level is 2.58 which is greater than F calculated 2.15 the null hypothesis is accepted. Hence, it is concluded that the MPS position of SAIL, TATA STEEL, JSW, JINDAL, and MAHINDRA UGINE STEEL does not differ significantly.

TEST OF CORRELATION ANALYSIS

Correlation is a statistical measurement of the relationship between two variables. Possible correlations range from +1 to –1. A zero correlation indicates that there is no relationship between the variables. A correlation of –1 indicates a perfect negative correlation, meaning that as one variable goes up, the other goes down. A correlation of +1 indicates a perfect positive correlation, meaning that both variables move in the same direction together. Formula of t-test is as under.

Table value of (n-1) i.e. 10 degrees of freedom at 5% level of significance is 1.812 for two tailed test.

Hypothesis 1 (H0): There is no significant relationship between financial leverage and EPS.

TABLE: 11 CORRELATIONS AND T-TEST RESULT FOR FINANCIAL LEVERAGE

Companies	Correlation('r')	Result	T-test(value)	Hypothesis Result
SAIL	**0.019**	**Positive**	**0.05358**	**Accepted**
TATA STEEL	**-0.047**	**Negative**	**-0.13348**	**Rejected**
JINDAL	**-0.690**	**Negative**	**-2.7048**	**Rejected**
JSW	**-0.579**	**Negative**	**-2.01492**	**Rejected**
MAHINDRA UGINE STEEL	**-0.011**	**Negative**	**-0.02574**	**Rejected**

Table 11 shows that the correlation between the financial leverage and EPS is negative for TATA STEEL, JINDAL, JSW and MAHINDRA UGINE STEEL and it is positive for the SAIL. As per the't' test results, it is clear that the table value is less than the calculated value of SAIL is less than t critical value hence in case of SAIL there no exits correlation between DFL and EPS. But other companies have strongly correlation between DFL and EPS.

Hypothesis 2 (H0): There is no significant relationship between operating leverage and EPS.

TABLE: 12 CORRELATIONS AND T-TEST RESULT FOR OPERATING LEVERAGE.

Companies	Correlation('r')	Result	T-test(value)	Hypothesis Result
SAIL	0.362	Positive	1.10	Accepted
TATA STEEL	-0.941	Negative	-7.46	Rejected
JINDAL	0.144	Positive	0.41	Accepted
JSW	0.522	Positive	1.73	Accepted
MAHINDRA UGINE STEEL	0.434	Positive	1.36	Accepted

Table 12 shows that the correlation between the Operating leverage and EPS is negative for TATA STEEL, SAIL, JSW and MAHINDRA UGINE STEEL and it is positive for the JINDAL. As per the't' test results, it is clear that the table value is less than the calculated value of all companies. So null hypothesis is rejected therefore there exits strong correlation between DOL and EPS of all companies.

Hypothesis 3 (H0): There is no significant relationship between combined leverage and EPS.

TABLE: 13 CORRELATIONS AND T-TEST RESULT FOR COMBINE LEVERAGE

Companies	Correlation('r')	Result	T-test(value)	Hypothesis Result
SAIL	0.56	Positive	1.92	Rejected
TATA STEEL	0.50	Positive	1.64	Accepted
JINDAL	0.70	Positive	2.77	Rejected
JSW	0.55	Positive	1.86	Rejected
MAHINDRA UGINE STEEL	0.75	Positive	3.20	Rejected

Table-13 shows a correlation between Combine leverage and Earning per share of steel companies. Where as a positive correlation found in all companies except TATA STEEL which is negatively related with earning per share hence in this case null hypothesis is rejected. But there exits correlation between DCL and EPS. While other companies hypothesis are accepted however there no exits correction between DCL and EPS.

Hypothesis 4(H0): There is no significant relationship between MPS and EPS

TABLE: 14 CORRELATIONS AND T-TEST RESULT FOR DIVIDEND PER SHARE

Companies	Correlation('r')	Result	T-test(value)	Hypothesis Result
SAIL	0.96	Positive	10.26	Rejected
TATA STEEL	0.87	Positive	5.01	Rejected
JINDAL	0.94	Positive	8.01	Rejected
JSW	0.83	Positive	4.22	Rejected
MAHINDRA UGINE STEEL	0.91	Positive	6.25	Rejected

Table 14 reveals that the correlation between the MPSand EPS is positive for SAIL, TATA STEEL, JINDAL, JSW, and MAHINDRA UGINE STEEL. As per the't' test results, it is clear that the table value is more than the calculated value for SAIL, JINDAL, JSW, MAHINDRA UGINE STEEL. Hence, null hypothesis is rejected. Therefore, there exists correction between MPS and EPS in SAIL, JINDAL, JSW, and MAHINDRA UGINE STEEL but in case of TATA STEEL null hypothesis is accepted but there exits no correlation between MPSand EPS.

Hypothesis 5(H0): There is no significant relationship between DPS and EPS.

Table 14 reveals that the correlation between the DPS and EPS is Positive for all SAIL, TATA STEEL, JINDAL, MAHINDRA UGINE STEEL and JSW and it is positive for the remaining sample companies. As per the't' test results, it is clear that the table value is more than the calculated value for SAIL, TATA STEEL, JINDAL, MAHINDRA UGINE STEEL and JSW Therefore, so null hypothesis is rejected. Therefore there exists correlation between DPS and EPS in case of all companies.

MAJOR FINDINGS

FINANCIAL LEVERAGE

- Standard deviation of DFL of MAHINDRA UGINE STEEL is highest among the sample companies. It reveals that MAHINDRA UGINE STEEL is exposed with more risk of paying interest but at the same time returns of owners can be maximized. SAIL, JSW, MAHINDRA UGINE STEEL during the period2002, 2003 and2009, did not have sufficient profit even to meet the interest expenses
- One way ANOVA is adopted to find out the variability of data among the sample companies and it is found that the DFL position of SAIL, TATA STEEL, JSW, JINDAL, MAHINDRA UGINE STEEL does not differ significantly.
- Correlation T test is used to measure association between DFL and EPS where as strongly correlation found in all companies except SAIL during the study period.

OPERATING LEVERAGE

- Mean and Standard deviation of DOL of MAHINDRA UGINE STEEL is highest among the sample companies. It reveals that MAHINDRA UGINE STEEL is exposed with more risk of business but at the same they are unable to pay fixed operating expenses.
- One way ANOVA is adopted to find out the variability of data among the sample companies and it is found that the DOL position of SAIL, TATA STEEL, JSW, JINDAL, MAHINDRA UGINE STEEL differ significantly.
- Correlation T test is used to measure association between DCL and EPS where as strongly correlation found in all companies during the study period.

COMBINE LEVERAGE

- It is found that the mean values of DCL of Tata Steel and JINDAL are higher as it was 1.43 and 1.38 respectively. They are exposed with high risk of paying fixed operating expenses and increased financial risk.
- One way ANOVA is adopted to find out the variability of data among the sample companies and it is found that the DCL position of SAIL, TATA STEEL, JSW, JINDAL, MAHINDRA UGINE STEEL does not differ significantly.
- Correlation T test is used to measure association between DCL and EPS where as strongly correlation found in Tata Steel, but other companies do not have correlation during the study period.

DIVIDEND PER SHARE

- It is found that the mean and SD values of DPS of Tata Steel, JINDAL and are higher as it was11.03 and 6 respectively. They have higher distribution of profit so their DPS is high.
- One way ANOVA is adopted to find out the variability of data among the sample companies and it is found that the DCL position of SAIL, TATA STEEL, JSW, JINDAL, MAHINDRA UGINE STEEL does not differ significantly.
- Correlation T test is used to measure association between DPS and EPS where as strongly correlation found in all companies correlation during the study period.

EARNING PER SHARE

It is found that the mean values of EPS of JINDAL, TATA STEEL are higher as they are107.2 and 54 respectively. It is an indication of higher earning per share of the company. The standard deviation of EPS of JINDAL, JSW are higher that there is a high variation in its EPS during the study period.

One way ANOVA is adopted to find out the variability of data among the sample companies and it is found that the EPS position of SAIL, TATA STEEL, JSW, JINDAL, MAHINDRA UGINE STEEL differ significantly.

MARKET PRICE OF SHARE

- It is found that the mean values of MPS of JINDAL, JSW, are higher as they are 2385.5 and 489.2 respectively. It is an indication of higher market price of share of the company. The standard deviation of MPS of JINDAL, JSW are higher that there is a high variation (Volatility) in its MPS during the study period.
- One way ANOVA is adopted to find out the variability of data among the sample companies and it is found that the MPS position of SAIL, TATA STEEL, JSW, JINDAL, MAHINDRA UGINE STEEL does not differ significantly.
- Correlation T test is used to measure association between MPS and EPS where as strongly correlation found in all companies expect TATA STEEL correlation during the study period

CONCUSIONS

From the study it is found that there is a significant relationship between DFL and EPS, DCL and EPS, and DOL and EPS, DPS and EPS, MPS and EPS. Thus, fixed operating expenses and the financing mix decisions of the firm are significantly influencing the earning capacity of the firm. The leverage effect is positive when the earnings of the firm are higher than the fixed financial charges to be paid for the lenders. The leverage is an important factor which is having impact on Market Price of shares the of the firm and the wealth of the shareholders can be maximized when the firm is able to employ more debt.

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A STUDY ON LEVEL OF EXPECTATION OF MUTUAL FUND INVESTORS & IMPACT OF DEMOGRAPHIC PROFILE ON PERIOD OF INVESTMENT IN MUTUAL FUND

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ABSTRACT

Customers are and should be the central to everything that an organisation does. The purpose of an organisation is to create, win and keep customers. Successful mutual fund marketing must create confidence among investors and meet their expectations. Experts believe that growth of mutual fund in India is healthy but not satisfactory. Several past studies concluded that the industry has not been able to create positive impact in the minds of investors as compared to other intermediaries like banking and insurance sectors. The investment behaviour expectation of mutual investors' must be taken for product development. In this paper attempt has been made to understand the level of expectation that investors' have from mutual fund investment and also to understand whether the demographic variables like age, gender, qualification and income are associated with period of investment in mutual fund. The study is conducted in Guwahati on 310 mutual fund investors'.

KEYWORDS
Expectation, investment, mutual fund and perception.

INTRODUCTION
A mutual fund represents a vehicle for collective investment. Mutual fund is a trust that pools the savings of a number who share a common financial goal. This pool of money is invested in accordance with the stated objective(s). The industry has registered a healthy growth over the last two decades. At present there are more than 30 mutual funds managing about 1000 schemes in India. The industry has launched many new products according to the needs and expectations of investors'. Meeting the expectations of customers cements the relationships, increase customers' satisfaction and retains their business. Marketing of mutual fund must create confidence among investors and strengthen the desire of the investors to put their money in right place that satisfy their investment need and expectations. The aim of marketing strategy should address to satisfy the expectations of the target customers. The basic idea is to target the customers buying decision and increase market share of the company. Different categories of retail investors have different perception about investment in mutual fund. The investment perception in mutual also gets influenced by demographic variables like age, gender, education, income etc. The period of investment is also an important facet of the investment strategy. Open ended schemes are flexible and continue for an unlimited period except during the lock in period, if any. Close ended schemes are characterised by a definite redemption date and stock exchange trading. The paper has highlighted the level of expectation of investors and the relationship between the age, gender, education & annual income on period of investment.

REVIEW OF LITERATURE
A survey conducted by **MARCH Marketing Consultancy** on Retail Investors' perception about Mutual Funds in 7 cities (Delhi, Mumbai, Hyderabad, Chennai, Kolkata, Ahmadabad and Bangalore) taking 200 samples from each city has revealed that majority of the investors' (over 45%) fall in 25-34 age groups. Around 25% of the investors' invest to gain tax benefit and they belong to income class of more than Rs. 5 lakh p.a. More than 50% of the investors are ready to park their investment for a period of 1-3 years.

A study on 'What Drives Investor towards Mutual Fund' by **J Singh. and S Chander (2003)** revealed that salaried people in the age group of 30-50 years choose the return provided by the fund to be the best criteria of performance appraisal of a fund. The study pointed out that age and occupation of the investors do influence their rating of mutual fund for their investment decision.

S Anand and V Murugaiah (2007) in their study 'Analysis of components of investment performance - An Empirical study of Mutual funds in India.' found that investors' satisfaction in case of mutual funds depends upon amount of trust and dependence that an investor places with AMC and in turn the benefits that are actually delivered to them. Although fund managers uses their expertise skills and diligence while investment but still dissatisfaction prevail among the investors and their experiences show that majority of mutual funds have shown underperformance in comparison to risk free return and reported that mutual funds were not able to compensate them for additional risk they have taken by investing in mutual funds.

Arun Kumar observed that in Dehradun city 92% of people are satisfied with investment. 50% investors are interest in 1 to 3 years of investment and 42% are interested in more than 3 years of investment only 8% investors are interested in short term investment.

Gursharan Singh and Manpinder Kaur in their study in Jalandhar observed that nearly one-half of the investors prefer to keep their investment in mutual funds from one to three years. Investors do not want long term investment due to delayed realization of returns. Investors are interested to keep investment for an average period in mutual funds. The frequency of monitoring the investment in funds is representative of the awareness level of the investors. Nearly one-third of the investors monitor their investment on weekly basis; one-fourth on fortnightly and one-tenth on daily basis. Investors take the information about various mutual fund schemes from the electronic as well as print media such as magazines, journals newspapers etc because experts give such types of information only. Mutual funds also ensure sufficient liquidity as most of the schemes are open ended. One-tenth of the investors believe that most of the people are not aware about the functioning of the mutual fund industry.

IMPORTANCE OF THE STUDY
The study aimed at understanding the impact of age, gender, qualification and income on the period of investment in mutual fund products and understand the level of expectation of the mutual fund investors from their investment in mutual fund. Mutual fund industry is coming up with innovative products since its inception in India in the early 60's with the formation of Unit Trust of India. The study will help them to understand the need and expectations of different categories of retail investors of mutual funds.

STATEMENT OF THE PROBLEM
Although mutual fund industry has registered a healthy growth, it is still small in relation to other intermediaries like banks and insurance companies. **A Bhowal & T Paul** (2012) stated that mutual fund as an investment in India is growing but the industry is still struggling to win the investors' confidence. Hence, the study is conducted to measure the level of expectation of mutual fund investors' from their investment and influence of age , gender, qualification and income on period of investment in mutual fund products.

METHODOLOGY
The study is descriptive in nature. The study involved use of both primary and secondary data. Secondary data was collected from books, journals and web sites. As regards primary data, a structured questionnaire was prepared and served to 350 respondents [i.e. mutual fund retail investors] in Guwahati city. 310

questionnaires were used for analysis and rests were rejected as they were not found appropriate for analysis. Items were constructed based on the survey of literature and measured in 5 point scale to elicit the expectations of mutual investors. The collected data was presented in the form of tables and tested by using Chi-square test at 5% level of significance. Chi-square test is used to test the significant association between variables.

OBJECTIVE OF THE STUDY

The study has been carried out with the following objectives

1. To study the association between demographic variables like age, gender, education and income and period of investment in mutual fund.
2. To understand the level of expectation of the mutual fund investors.

HYPOTHERSIS OF THE STUDY

The following hypothesis were formulated for the purpose of the study

1. There is no significant association between age and period of investment in mutual fund products.
2. There is no significant association between gender and period of investment in mutual fund products.
3. There is no significant association between education and period of investment in mutual fund products.
4. There is no significant association between income and period of investment in mutual fund products.

METHODOLOGY

The study is descriptive in nature. The study involved use of both primary and secondary data. Secondary data was collected from books, journals and web sites. As regards primary data, a structured questionnaire was prepared and served to 350 respondents [i.e. mutual fund retail investors] in Guwahati city. 310 questionnaires were used for analysis and rests were rejected as they were not found appropriate for analysis. Items were constructed based on the survey of literature and measured in 5 point scale to elicit the expectations of mutual investors. The collected data was presented in the form of tables and tested by using Chi-square test at 5% level of significance. Chi-square test is used to test the significant association between variables.

ANALYSIS AND INTERPRETATION

TABLE - 1: AGE PROFILE OF RESPONDENTS

AGE (IN YEARS)	NO OF RESPONDENTS	PERCENTAGE
Below 30	89	28.71
30-40	67	21.61
40-50	47	15.16
50-60	60	19.35
Above 60	47	15.16
Total	310	100.00

Source: Compiled from survey data

The above table shows the age profile of mutual fund investors. 28.71% mutual fund investors are below 30 years of age, 21.61% mutual fund investors are in the age group of 30-40 years, 15.16% mutual fund investors are in the group of 40-50 years, 19.35% mutual fund investors are in the age group of 50-60 years and 15.16% mutual fund investors are above 60 years of age.

TABLE-2: GENDER PROFILE OF RESPONDENTS

GENDER	NO OF RESPONDENTS	PERCENTAGE
Female	73	23.55
Male	237	76.45
Total	310	100.00

Source: Compiled from survey data

The above table shows the gender profile of mutual fund investors. Out of the total mutual fund investors only 23.55 % are female and rest 76.45 % are male.

TABLE-3: QUALIFICATION PROFILE OF RESPONDENTS

QUALIFICATION	NO OF RESPONDENTS	PERCENTAGE
Up to 10th	65	20.97
Up to 12th	50	16.13
Up to Degree	99	31.94
Beyond degree	96	30.97
Total	310	100.00

Source: Compiled from survey data

The above table shows the Education profile of mutual fund investors. 20.97% mutual fund investors are qualified up to 10th standard, 16.13% mutual fund investors are qualified up to 12th standard, 31.94% of mutual fund investors are qualified up to degree and rest are qualified beyond degree.

TABLE-4: INCOME PROFILE OF RESPONDENTS

ANNUAL INCOME	NO OF RESPONDENTS	PERCENTAGE
Below 1 lakh	23	7.42
1 - 3 lakh	62	20.00
3-5 lakh	112	36.13
Above 5 lakh	113	36.45
Total	310	100.00

Source: Compiled from survey data

The above table shows the income profile of the mutual fund investors. 7.42% investors' annual income is less than 1 lakh, 20% investors' annual income is lies between 1-3 lakh, 36.13% investors' annual income lies between 3-5 lakh, 36.45% investors' annual income is above 5 lakh.

TABLE-5: INVESTORS' EXPECTATION SCORES

SL No	Items	My Expectation
1	In respect of providing information about their products in the offer document	4.26
2	In respect of providing information relating to management of funds	4.06
3	In respect of return in comparison to other investment avenues	4.47
4	In respect of hedge against loss of money caused inflation.	3.89
5	In respect of well-diversified portfolio by the companies	4.42
6	In respect of flexibility like SIP,SWP, Dividend reinvestment etc	3.68
7	In respect of transparency managers investment strategy and outlook	3.37
8	In respect of safety and secure investment in mutual fund units	3.58
9	In respect of products as per my requirement	4.16
10	In respect of knowledge on buying & selling mechanism of products	4.53
11	In respect of liquidity of mutual fund products	4.00
12	In respect of redemption of mutual fund products within stipulated time	4.05
13	In respect of service in case of switch off from one product to product	4.00
14	In respect of providing NAV related information of the mutual fund products	4.05
15	In respect of assistance if faced with difficulty	4.21
16	In respect of service of local agent for their services	3.53
17	In respect of information when they come up with new product(s)	3.68
18	In respect of timely statements on my investments in mutual fund products	3.95
19	In respect of all other information as and when required	3.84
20	In respect of knowledge to evaluate the financial performance of the product.	3.95
21	In respect of services at door step in case of buying & selling of products	3.84
22	In respect of knowledge about online purchase and sale of mutual funds.	3.95

Source: Compiled from survey data

From the above table, it is evident that the level of expectation is very high. The average expectation score of the investors' ranges 3.37 -4.47 in a scale of 1-5. In respect of return in comparison to other investment avenues (i.e. Item no –3) the investor have very high expectation i.e. 4.47 out of 5 and in respect of transparency managers investment strategy and outlook (i.e. Item no -7) they have a low level of expectation i.e. 3.37 out of 5.

CHI-SQUARE TEST

Hypothesis 1- There is no association between age and period of investment in mutual fund products

TABLE-6: TABLE SHOWING AGE AND PERIOD OF INVESTMENT

AGE	PERIOD OF INVESTMENT				
	Less than 1 year	1-3 years	3 -5 years	More than 5 years	Total
Below 30	31	30	30	6	89
30-40	16	25	25	19	67
40-50	6	11	11	22	47
50-60	26	13	13	11	60
Above 60	17	17	17	8	47
Total	96	96	96	66	310

Source: Compiled from survey data

Table value at 5% Level of Significance	Calculated Value	DF
21.03	43.44	12

The tabulated value of Chi-square for 12 df. at 5% level of significance is 21.03. Since the calculated value of Chi-square i.e. 43.44 is much greater than the tabulated value, the hypothesis is rejected and it can be conclude that there is significant association between income and period of investment in mutual fund products.

Hypothesis 2-There is no association between age and period of investment in mutual fund products

TABLE-7: TABLE SHOWING GENDER AND PERIOD OF INVESTMENT

GENDER	PERIOD OF INVESTMENT				
	Less than 1 year	1-3 years	3 -5 years	More than 5 years	Total
Female	15	16	13	29	73
Male	81	80	39	37	237
Total	96	96	52	66	310

Source: Compiled from survey data

Table value at 5% Level of Significance	Calculated Value	DF
7.82	21.18	3

The tabulated value of Chi-square for 3 df. at 5% level of significance is 7.82. Since the calculated value of Chi-square i.e. 21.18 is much greater than the tabulated value, the hypothesis is rejected and it can be conclude that there is significant association gender and period of investment in mutual fund products.

Hypothesis 3-There is no association between education and period of investment in mutual fund products.

TABLE-8: TABLE SHOWING QUALIFICATION AND PERIOD OF INVESTMENT

QUALIFICATION	PERIOD OF INVESTMENT				
	Less than 1 year	1-3 years	3 -5 years	More than 5 years	Total
Up to 10^{th}	21	24	7	13	65
Up to 12^{th}	18	8	13	11	50
Up to Degree	36	27	16	20	99
Beyond degree	21	37	16	22	96
Total	96	96	52	66	310

Source: Compiled from survey data

Table value at 5% Level of Significance	Calculated Value	DF
16.92	14.71	9

The tabulated value of Chi-square for 9 df. at 5% level of significance is 16.92. Since the calculated value of Chi-square i.e. 14.71 is lower than the tabulated value, the hypothesis is accepted and it can be conclude that there is no significant association between qualification and period of investment in mutual fund products.

Hypothesis 4-There is no association between income and period of investment in mutual fund products.

TABLE-9: TABLE SHOWING ANNUAL INCOME AND PERIOD OF INVESTMENT

ANNUAL INCOME	PERIOD OF INVESTMENT				
	Less than 1 year	1-3 years	3 -5 years	More than 5 years	Total
Below 1 lakh	5	6	5	7	23
1 - 3 lakh	20	20	15	7	62
3 - 5lakh	35	33	17	27	112
Above 5 lakh	39	25	19	30	113
Total	99	84	56	71	310

Source: Compiled from survey data

Table value at 5% Level of Significance	Calculated Value	DF
16.92	9.91	9

The tabulated value of Chi-square for 9 df. at 5% level of significance is 16.92. Since the calculated value of Chi-square (i.e. 9.91) is lower than the tabulated value, the hypothesis is accepted and it can be conclude that there is no significant association between income and period of investment in mutual fund products.

FINDINGS

- There exists a high level of expectation among mutual fund investors irrespective of their age, gender, educational qualification and income. The expectation in respect of return as compared to other avenues of investment is the maximum.
- There is a significant association between age of investors' and period of investment. Thus, the period of investment in mutual fund products is influenced by the age of investors.
- There is a significant association between gender of investors' and period of investment. Thus, the period of investment in mutual fund products is influenced by the gender of investors.
- There is a no association between educational qualification of investors' and period of investment. Thus, the period of investment in mutual fund products is not influenced by the educational qualification.
- There is a no association between income of investors' and period of investment. Thus, the period of investment in mutual fund products is not influenced by the educational qualification.

CONCLUSION

The study showed that period of investment is associated with the age and gender. Educational qualification and income of investors are not associated with the period of investment. Mutual fund offers a variety of scheme to suit the varying need of investors. As the performance of the industry is still not satisfactory the industry need to focus more on the investors' expectations. High level of expectation exists among investors' form their investment in mutual fund. As expectation in respect of return in comparison other avenues of investment is maximum, the fund manager should focus more on return. Different categories of investors have different investment need and expectation. The need of each category should be taken care of while designing and launching the products.

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IMPACT OF MERGERS & ACQUISITIONS ON FINANCIAL PERFORMANCE: WITH SPECIAL REFERENCE TO TATA GROUP

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ABSTRACT

The process of mergers and acquisitions (M&A) has gained significant importance in today's corporate world. This process is extensively used for increasing revenues and profitability, restructuring the business organizations, increased market share and to eliminate competition. The concept of merger and acquisition in India became popular in the year 1988. This study aims to study the impact of mergers and acquisitions on the financial performance of Tata Group, by examining some pre and post-M&A financial ratios, with the sample of companies chosen between 2003-04 and 2007-08. The results from the present study of the pre and post M&A financial performance ratios of the Tata Group reveals that there was no significant increase/decrease in the financial ratios i.e. the M&A's has not significantly affected the financial performance of Tata Group.

KEYWORDS

Financial performance, Mergers and Acquisitions (M&A), Pre and post financial ratios.

INTRODUCTION

Waves of mergers and acquisitions (M&A) have been a characteristic of corporate history. The current trend towards international mergers, acquisitions, strategic alliances and joint ventures is resulting in organizations having to deal with the fusion of different corporates. The huge positive pace that brand India has taken in last few years is very much astonishing. All the sectors, namely, Steel, Manufacturing, IT, Automobile and FMCG are bustling with Mega Indian mergers and acquisitions. The M&A are debatably the most popular strategy among firms who seek to create a competitive advantage over their rivals. Indian Businessmen and Entrepreneurs are set out to restore Indian image as world's biggest corporation's in the future through M&A at different levels in multiple industries. The main corporate objectives behind M&A's are to achieve greater market power, thus maximize efficiency through economies of scale & scope and reform a firm's competitive scope (Hitt et al., 2007). Other reasons encompass a short-term solution to financial problems that companies face due to information asymmetries (Fluck and Lynch, 1999), revitalize the company by bringing in new knowledge to foster long-term survival (Vermeulen and Bakerma, 2001) and to achieve synergy effects (Lubatkin, 1987; Vaara, 2002).

This paper investigates the performance of M&A in Indian context by taking an example of Tata Group. The Tata Group is one of the biggest Indian Company to go for multiple mergers and acquisitions over time. This is one of the largest conglomerates in India by market capitalization (USD 100.33 billion) and revenue (US $83.3 billion) in 2010-11. It has interests in communications and information technology, engineering, materials, services, energy, consumer products and chemicals. The Group has operations in more than 80 countries across six continents. Some of the companies under the umbrella of this group include Tata Steel (including Tata Steel Europe), Tata Motors (including Jaguar and Land Rover), Tata Consultancy Services, Tata Technologies, Tata Tea (including Tetley), Tata Chemicals, Titan Industries, Tata Power, Tata Communications, Tata Sons, Tata Teleservices and the Taj Hotels.

As we know that companies go for M&A for high prospects, but there are contradictory evidences also available, on impact of M&A's on firm's performance. This research paper aims to analyze the post merger & acquisition performance of TATA group during the period 2004-2008. This paper consists of five parts including this introduction section. The second part undertakes literature review. The third part enlists research objectives and explains research design. The fourth part discusses the results and analysis and the last part concludes.

REVIEW OF LITERATURE

There are two main standpoints to measure the performance in the existing M&A literature: the stock-market based approach and the accounting-based approach. The present study undertakes the latter approach to measure the financial performance. Studies based on analysis of accounting data have attempted to assess the economic impact of M&A's by testing for changes in the profitability of the involved companies. In this string of literature, pre-M&A profitability measures are compared to post- M&A profitability measures by parametric tests. Martynova et al. (2007) investigated the long-term profitability of corporate takeovers (both the acquiring and target companies) by using four different measures of performance i.e. (a)(EBITDA - WC) / BVassets (b) (EBITDA - WC) / Sales (c) EBITDA / BVassets and (d) EBITDA / Sales. Where; EBITDA = Earnings before Interest, Taxes, Depreciation and Amortization. This paper stated that the operating profitability of the companies can be calculated by using these measures. Satish et al. (2008), investigated whether the claims made by the corporate sector while going for M&A's to generate synergy, are being achieved or not in Indian context. This is done by evaluating the financial performance on the basis of five parameters i.e. Liquidity position, operating efficiency, overall efficiency, return to equity shareholders and financing composition. The study supports the perception about M&A's that the synergy can be generated in long run with the careful usage of the resources.

Saboo et al. (2009) investigated the performance of Indian companies that have gone through mergers in India and abroad and see if mergers had significant impact on operating financial performance of merging companies by using Pre and Post merger ratios for firms (Debt-Equity Ratio, Long Term Debt-Equity Ratio, Current Ratio and Interest Cover Ratio). E Akben et al. (2011) investigated the impact of M&A deals on the performance of acquirer Turkish companies by using two approaches; Stock market approach and Accounting approach via Return on assets (ROA), Return on equity (ROE) and Return on sales (ROS). Gennaro et al. (2011) investigated the impact of operating synergies on merger performance. The author stated that investor's reaction to mergers varies directly with the availability of these forecasts and post-merger operating performance increases with the predictable component of forecasted synergies based on deal characteristics.

OBJECTIVES OF THE STUDY

The objective of the present research study is to analyze the post-merger financial performance for the companies belonging to the Tata Group during the period 2003-04 to 2007-08. The following are the objectives:

1) To study the impact of M&A on financial performance of companies in Tata Group.
2) To study whether there is a significant improvement in the financial performance of companies in Tata Group following the M&A deals or not.

RESEARCH HYPOTHESES

To test the objective no.2 mentioned above, the following hypothesis was formulated:

H0: No significant change in the financial performance of the Tata Group in post M&A.

H1: There is a significant change in the financial performance of the Tata Group following the M&A deals.

RESEARCH DESIGN

To study the impact of M&A on financial performance of the company's data for six years has been taken into consideration which includes three years data from Pre-M&A period and three years data post-M&A period of the 24 companies of Tata Group which were involved in the M&A. Further, we have taken Mean pre-M&A & Mean post-M&A Ratios. The data on financial performance ratios has been extracted from CMIE database PROWESS. Researchers have selected year 2003-04 to 2007-08 to identify M&A deals in Tata Group. The reason of selecting this period is that three years post merger performance data is required for the study. Thus, three years pre and post financial ratios are considered for each case; For deals in 2003-04 (pre deal years- 2000-01, 2001-02 & 2002-03 and post deal years include- 2004-05, 2005-06 & 2006-07), for deals in 2004-05 (pre deal years- 2001-02, 2002-03 & 2003-04 and post deal years include- 2005-06, 2006-07 & 2007-08), for deals in 2005-06 (pre deal years- 2002-03, 2003-04 & 2004-05 and post deal years include- 2006-07, 2007-08 & 2008-09), for deals in 2006-07 (pre deal years- 2003-04, 2004-05 & 2005-06 and post deal years include- 2007-08, 2008-09 & 2009-10) and for deals in 2007-08 (pre deal years- 2004-05, 2005-06 & 2006-07 and post deal years include- 2008-09, 2009-10 & 2010-11) are considered to analyze the financial performance of the merging and acquiring companies of Tata Group.

We are conscious of the fact that the accounting-based approach also has problems: Companies can use innovative accounting techniques which may imply that their published accounts may not be a true and fair reflection of the companies' financial position (Dickerson, Gibson & Tsakalotos 1997).

On the other hand, to study whether the post M&A performance of the companies has been improved or not, the post-M&A performance was compared with the pre-M&A performance and tested for significant differences, using "paired sample t-test".

M&A's OF TATA GROUP (2003-04 TO 2007-08)

Year	Number of M&A's of Tata Group	Change (percentage)
2003-04	9	-
2004-05	12	33.33
2005-06	21	75
2006-07	22	4.76
2007-08	13	(40.91)
Total	77	
Within its own Group	32	41.56
With External Companies	45	58.44

Source: CMIE Business Beacon

Table I above depicts that Tata Group entered into 77 M&A's during the period 2003-04 to 2007-08. The total M&A of Tata Group increased to 75% in the year 2005-06 as compared to 33.33% in the financial year 2004-05. During 2006-07 the group again went for M&A of 22 more companies which was around 5% more as compared to the previous year. Out of the total 77 deals, 45 deals (58.44%) were with external companies and 32 deals (41.56%) were within its own group. The researchers have identified 45 companies i.e. where M&A's have taken place with the companies other than the Tata Group. Out of these 45 companies the researchers have selected only 24 companies for this study on the basis of availability of required financial data.

METHODOLOGY

The research study adopted the methodology of comparing pre and post-merger performance of companies in Tata Group, by using various financial ratios for the period 2003-04 to 2007-08. The financial performance is checked on the basis of financial ratios to see the overall financial health of merged and acquired companies. The ratios calculated are: Current Ratio and Debt-Equity Ratio (Saboo et al., 2009), Return on Net Worth and Working Capital (Satish et al., 2008) and Return on Investment (ROI).

1) Current Ratio (CR) - To measure a company's ability to pay short-term obligations.
2) Working Capital (WC) - To check operating liquidity available for a company.
3) Debt-Equity Ratio (D/E) - To get the proportion of equity and debt the company is using to finance its assets.
4) Return on Net worth (RONW) - To analyze the profitability from the shareholders' point of view.
5) Return on Investment (ROI) - To evaluate the efficiency of an investment.

Pre-M&A and post-M&A financial performance ratios and the averages were computed for the entire 26 deals of sample companies of Tata Group, which have gone through mergers or acquisitions during the period 2004-08. Mean pre-M&A and post-M&A financial ratios were compared for all the five years to see if there was any statistically significant change in financial performance due to mergers and acquisitions, using "paired two sample t-test" at confidence level of 95%.

RESULTS AND ANALYSIS

Analysis of all the mergers and acquisitions (M&A) of Tata Group in the sample for the period of 2003-04 to 2007-08:

The comparison of the pre-M&A and post-M&A financial performance ratios for the entire sample set of M&A of Tata Group during the year 2003-04 (Table I), showed that there was an increase in the mean RONW from 17.92% to 103.9%, but the increase was not statistically significant with t-statistic value of -1.565. RONW is considered as an effective ratio for measuring the overall efficiency of a firm. As the primary objective of a business is to maximize its earnings, this ratio indicates the extent to which the primary objective of the business is being achieved. The ratio reveals how well the resources of the firm are being used, higher the ratio, better are the results.

ROI investigates the magnitude and timing of investment gains directly with the magnitude and timing of investment costs. A high ROI means that investment gains compare favorably to investment costs. There was a statistically insignificant increase in the mean ROI from 15.92% to 79.7%, with a low t-statistic value of -1.715.

The Current Ratio gives a sense of the efficiency of a company's operating cycle. Higher the current ratio, more capable the company is of paying its obligations. The analysis depicts that the mean Current Ratio declined in the post M&A from 13.15 to 4.43 times and this decline was also not statistically significant with a t-statistic value of 0.83.

Debt-Equity Ratio is a measure of a company's financial leverage. A high debt-equity ratio generally means that a company has been aggressive in financing its growth through debt. If a lot of debt is used to finance increased operations (high debt to equity), the company could potentially generate more earnings than it would have without this outside financing. The analysis shows that there was a marginal but statistically insignificant increase in leverage after the M&A from 0.65 to 0.85 times, confirmed by the very low t-statistic value of -1.134.

Working Capital is a measure of both a company's efficiency and its short-term financial health. Positive working capital means that the company is able to pay off its short-term liabilities. Negative working capital means that a company currently is unable to meet its short-term liabilities with its current assets. If a company's current assets do not exceed its current liabilities, then it may run into trouble paying back creditors in the short term. The mean working capital showed a statistically insignificant increase in the post M&A from Rs. 225.4 Millions to Rs. 12039.95 Millions with t-statistic value of -1.806.

The result suggests that there was insignificant increase/decrease in the financial performance of Tata Group from all M&A's during the year 2003-04 except the Debt-Equity Ratio which increased significantly. Based on the results, ***the alternative hypothesis (H1) i.e. there is a significant change in the financial performance of the Tata Group following the M&A deals, was rejected.*** Since, an insignificant increase/decrease was found after the statistical analysis of the pre and post financial ratios of the M&A deals.

The comparative analysis of the pre-M&A and post-M&A financial performance ratios for the entire sample set of M&A of Tata Group during the year 2004-05 (Table II), showed that there was a statistically insignificant increase in the mean RONW from 37.04% to 114.89% with a t-statistic value of -2.302 and ROI from 21.76% to 76.69% with a t-statistic value of -4.577. Mean Current Ratio declined in post M&A from 9.31 to 3.39 times and this decline was statistically insignificant with a t-statistic value of 0.916. The analysis shows that there was a statistically insignificant decrease in Debt-Equity Ratio after the M&A from 3.9 to 1.29 times, confirmed by the t-statistic value of 1.161. The mean working capital showed a statistically significant decrease in the post M&A from Rs. -27196.43 Millions to Rs. -74444.03 Millions with a t-statistic value of 4.894.

The results suggest that there was both an increase/decrease in the financial performance of Tata Group from all M&A's. All the ratios increased/decreased insignificantly except Working Capital (decreased significantly). Therefore, ***the alternative hypothesis (H1) was rejected.*** An insignificant transformation was found after the statistical analysis of the M&A deals.

The results of the pre-M&A and post-M&A financial performance ratios comparison for the entire sample set of M&A of Tata Group during the year 2005-06 (Table III), showed that there was an increase in the mean RONW from 53.01% to 60.9%, and the increase was not statistically significant with a t-statistic value of -0.274. There was also an increase in the mean ROI from 38.12% to 43.97%, and the increase was statistically insignificant with a t-statistics value of -0.325. The analysis depicts that the mean Current Ratio declined in the post M&A from 3.49 to 2.96 times and this decline was not statistically significant, t-statistic value of 0.681. The analysis also shows that there was a statistically insignificant decrease in the Debt-Equity Ratio after the M&A from 1.67 to 1.64 times, confirmed by the t-statistic value of 0.082. The mean working capital showed a statistically insignificant decrease in the post M&A from Rs. -14042.8 Millions to Rs. -47292.84 Millions with t-statistic value of 2.2.

The result suggests that there was an insignificant change in the financial performance of Tata Group form all M&A's during the year 2006-07. Therefore, ***the alternative hypothesis (H1) was rejected.*** An insignificant change was found after the statistical analysis of the M&A deals.

The comparative analysis of the pre-M&A and post-M&A financial performance ratios for the entire sample set of M&A of Tata Group during the year 2006-07 (Table IV), states that there was a statistically insignificant decrease in the mean RONW from 82.53% to 44.46% with a t-statistic value of 2.303. The ROI also decreased from 50.21% to 35.64% and the decrease is statistically insignificant with a t-statistic value of 1.923. There was a statistically insignificant increase in the Mean Current Ratio from 8.7 to 15.99 times with t-statistic value of -0.741 and Debt-Equity Ratio after the M&A from 3.2 to 4.35 times with a t-statistic value of -1.402. The mean working capital showed a statistically insignificant decrease from Rs. -18120.98 Millions to Rs. -51657.56 Millions with a t-statistic value of 2.661.

The results suggest that there was both an increase/decrease in the financial performance of Tata Group from all M&A's. RONW, ROI and Working Capital decreased whereas, Current and Debt-Equity Ratio increased insignificantly during the year 2006-07. Therefore, ***the alternative hypothesis (H1) was rejected.*** An insignificant variation was found after the statistical analysis of the M&A deals.

The analysis of the pre-M&A and post-M&A financial performance ratios for the entire sample set of M&A of Tata Group during the year 2007-08 (Table V), showed that there was a statistically insignificant increase in the mean RONW from -62.24% to 15.2% with a t-stats value of-0.902. The ROI decreased from 15.01% to 6.97% and the decrease was statistically insignificant with a t-statistic value of 1.77. The Mean Current Ratio declined in post M&A from 4.99 to 2.25 times and this decline was statistically insignificant with a t-statistic value of 1.672. There was a statistically insignificant increase in Debt-Equity Ratio after the M&A from 0.94 to 1.01 times with t-statistic value of -0.819. The mean working capital showed a statistically insignificant decrease in the post M&A from Rs. -975.08 Millions to Rs. -14937.13 Millions with a t-statistic value of 2.43. The results suggest that there was insignificant increase/decrease in the financial performance of Tata Group from all M&A's during the year 2007-08. Therefore, ***the alternative hypothesis (H1) was rejected.*** Insignificant changes were found after the statistical analysis of the M&A deals.

CONCLUSION AND SUGGESTIONS

This study was undertaken to test whether there is any significant changes in the financial performance of Tata Group from all the M&A's during the time period 2003-04 to 2007-08. The results from the present study of the pre and post M&A financial performance ratios of the Tata Group reveals that there was no significant increase/decrease in the financial ratios. This means that M&A's in Tata Group has not significantly affected Tata Group's financial performance.

The results must be considered in light of the following limitations. First, the period examined in this study is only three years for post acquisition period. This may not seem adequate for gains to materialize following an acquisition, however as explained in the paper, extending the post-acquisition period would cause sample size problems. Second, the accounting measures used in this study were based on net income rather than on pure cash flows. Hence, they might be affected by taxation, depreciation methods etc. Future research could extend the literature on M&As of Tata group by addressing these limitations as well as the cause behind this phenomenon.

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ANNEXURE

ANNEXURE 1

LIST OF TATA GROUP'S M&A'S USED IN THE STUDY (2003-04 TO 2007-08)

S. No.	Target/Seller Co.	Merged/Acquirer Co.
1	21st Century Infra Tele Ltd.	Tata Teleservices (Maharashtra) Ltd.
2	Geodynamics Ltd.	Tata Power Co. Ltd.
3	Direct Internet Ltd. [merged]	Tata Communications Internet Services Ltd.
4	General Chemical Indl. Products Inc.	Tata Chemicals Ltd.
5	Indian Hotels Co. Ltd.	Tata Investment Corporation. Ltd.
6	Praj Industries Ltd.	Tata Sons Ltd.
7	Development Credit Bank Ltd.	Tata Capital Ltd
8	Mount Everest Mineral Water Ltd.	Tata Global Beverages Ltd.
9	Automobile Corporation. Of Goa Ltd.	Tata Motors Ltd.
10	Coastal Gujarat Power Ltd.	Tata Power Co. Ltd.
11	P T Arutmina Indonesia	Tata Power Co. Ltd.
12	Rawmet Ferrous Inds. Ltd.	Tata Steel Ltd.
13	Corus Group Plc	Tata Steel U K Ltd.
14	Joekels Tea Packers C C	Tata Global Beverages Ltd.
15	Gharda Chemicals Ltd.	Tata Chemicals Ltd.(proposed)
16	Indigene Pharmaceuticals Pvt. Ltd.	Tata Industries Ltd.
17	Eight'o Clock Coffee Holdings Inc	Tata Coffee Ltd.
18	Direct Internet Ltd. [merged]	Tata Communications Ltd.
19	Cedis Mechanical Engg. Gmbh	Tata Motors Ltd.
20	Airline Financial Support Services (india) Ltd. [merged]	Tata Consultancy Services Ltd.
21	Hispano Carrocera Sa	Tata Motors Ltd.
22	Telco Dadajee Dhackjee Ltd.	Tata Motors Ltd.
23	Highhill Coffee India Pvt. Ltd. [merged]	Tata Coffee Ltd.
24	W T I Advanced Technology Ltd.	Tata Consultancy Services Ltd.

ANNEXURE 2

(TABLE I: MEAN PRE-M&A AND MEAN POST- M&A RATIOS OF THE SAMPLE FIRMS OF TATA GROUP (2003-04)

M&A's during 2004	Pre-M&A (2000-01 to 2002-03)	Post-M&A (2004-05 to 2006-07)	t-value (0.05 significance)
Return on Net Worth	17.92	103.9	-1.565
Return on Investment	15.92	79.7	-1.715
Current Ratio	13.15	4.43	0.83
Debt-Equity Ratio	0.69	0.85	-1.134
Working Capital (Rs. Millions)	225.4	12039.95	-1.806

TABLE II: MEAN PRE-M&A AND MEAN POST- M&A RATIOS OF THE SAMPLE FIRMS OF TATA GROUP (2004-05)

M&A's during 2005	Pre-M&A (2001-02 to 2003-04)	Post-M&A (2005-06 to 2007-08)	t-value (0.05 significance)
Return on Net Worth	37.04	114.89	-2.302
Return on Investment	21.76	76.69	-4.577
Current Ratio	9.31	3.39	0.916
Debt-Equity Ratio	3.9	1.29	1.161
Working Capital (Rs. Millions)	-27196.43	-74444.03	4.894

TABLE III: MEAN PRE-M&A AND MEAN POST- M&A RATIOS OF THE SAMPLE FIRMS OF TATA GROUP (2005-06)

M&A's during 2006	Pre-M&A (2002-03 to 2004-05)	Post-M&A (2006-07 to 2008-09)	t-value (0.05 significance)
Return on Net Worth	53.01	60.9	-0.274
Return on Investment	38.12	43.97	-0.325
Current Ratio	3.49	2.96	1.316
Debt-Equity Ratio	1.67	1.64	0.082
Working Capital (Rs. Millions)	-14042.8	-47292.84	2.2

TABLE IV: MEAN PRE-M&A AND MEAN POST- M&A RATIOS OF THE SAMPLE FIRMS OF TATA GROUP (2006-07)

M&A's during 2007	Pre-M&A (2003-04 to 2005-06)	Post-M&A (2007-08 to 2009-10)	t-value (0.05 significance)
Return on Net Worth	82.53	44.46	2.303
Return on Investment	50.21	35.64	1.923
Current Ratio	8.7	15.99	-0.741
Debt-Equity Ratio	3.2	4.35	-1.402
Working Capital (Rs. Millions)	-18120.98	-51657.56	2.661

TABLE V: MEAN PRE-M&A AND MEAN POST- M&A RATIOS OF THE SAMPLE FIRMS OF TATA GROUP (2007-08)

M&A's during 2008	Pre-M&A (2004-05 to 2006-07)	Post-M&A (2008-09 to 2010-11)	t-value (0.05 significance)
Return on Net Worth	-62.24	15.2	-0.902
Return on Investment	15.01	6.97	1.77
Current Ratio	4.99	2.25	1.672
Debt-Equity Ratio	0.94	1.01	-0.819
Working Capital (Rs. Millions)	-975.08	-14937.13	2.43

EXPLORING SERVICE INNOVATION PROCESS AND STRATEGY IN DEVELOPING CUSTOMER RELATIONSHIP-WITH REFERNCE 21st CENTURYBANK 'YES BANK'

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ABSTRACT
This paper aims to explore service quality dimensions that bring a noticeable difference in the relationship marketing strategies implemented by Yes Bank. The study aims to study service quality dimensions that helps bank in developing customer relationship inspite of entering late in banking market in India, which was full with private, public and foreign banks and their satisfaction level as well as the bank's efforts *to provide them with an enjoyable service experience. The principal method used to gather primary data is a questionnaire survey conducted in front of 9 branches of the bank in Bangalore and Delhi-NCR region From a total of 400 questionnaires distributed, 370 were returned, of which 350 were fully completed, thereby yielding a response rate of about 77 per cent. A literature review was undertaken to identify service quality dimensions in retail banking and corporate and commercial banking and qualitative research study which provided the basis for the scale development. The study revealed the importance of how the service is provided can be explained by the fact that bank services have high-credence attributes: it might be difficult for a customer to evaluate the outcome, i.e. what he actually receives from a service after it has been performed therefore he relies on the attributes associated with the process of service delivery ("how").*

KEYWORDS
Customisation, Service quality, Customer Satisfaction, Banking, Customer relationship.

INTRODUCTION
The essence of the business has been described by Mr. Peter Drucker, the Management Guru as, "the purpose of the business is to attract and retain a good customer". Good Customer Service is the best brand ambassador for any bank. Since the economic crisis, banks have experienced huge challenges with their customer relationships. Globally customer confidence in the banking industry continues to be impacted by the credit crisis with 44% of customers saying their confidence has decreased in the past year as per a report by Ernst & Young. On the contrary in India the credit crisis has had minimal impact on customer confidence in the banking industry and customer's confidence in the industry appears to have grown in the last twelve months. In the past, banks largely pursued undifferentiated marketing that was aimed at a broad spectrum of customers rather than particular segments. Making a full range of services available to all customers and development of the one-stop financial centre was an attractive strategy. Cross-selling seemed to be more important than service differentiation. As a result, particular benefits from getting a service from one rather than another bank were not apparent to customers. Moreover, extending the range of services offered is of itself not a powerful means of differentiation because competitors can easily copy a new service introduced. This is due to intangibility of services which means, consequently, that there are no patents and innovations can have short life-cycles. Therefore, a distinction between banks will be drawn not through the service-mix, i.e. the assortment of services offered, but principally through the quality of service, which is difficult to imitate, however, it is vital for creating a long-term relationship with customers. Under existing severe competitive conditions customer satisfaction and retention became critical for retail banks. The literature suggests that customer satisfaction with retail banking is a multidimensional construct, but service quality has been widely recognized as a dimension which has a strong influence on overall customer satisfaction (e.g. Bloemer et al., 1998; Jamal and Naser, 2002; Lassar et al.,2000; Levesque and McDouglas, 1996; Zhou, 2004). As service quality itself is a multidimensional construct (e.g. SERVPERF and SERVQUAL) the question arises which specific dimensions of service quality have the strongest effects on customer satisfaction. Moreover, the universality of the scale and its dimensions is also questionable. It is suggested (Lapierre et al., 1996) that service quality measurement scales (e.g. SERVQUAL and SERVPERF) need to be customized to the specific service sector and to the specific cultural context in which they are applied.

In this emerging market customers are not that loyal to one particular bank. Hence, the major brands in this market are forced to consider how to create a loyal customer base that will not be eroded even in the face of fierce competition. Therefore, these banks must realize the necessity of studying and understanding various antecedents (viz. service quality, switching cost, trust, corporate image, and customer satisfaction) of the customer loyalty which might help them to develop a loyal customer base (Sharp & Sharp, 1997). As reported in the relevant literature high quality service helps to generate customer satisfaction, customer loyalty, and growth of market share by soliciting new customers, and improved productivity and financial performance.

REVIEW OF LITERATURE
In the service literature service quality is interpreted as perceived quality which means a customer's judgment about a service. The authors of SERVQUAL which has been extensively used in assessing service quality of different service providers including banks suggested that "Quality evaluations are not made solely on the outcome of a service; they also involve evaluations of the process of service delivery" (Parasuraman et al., 1985, p.42). Within the SERVQUAL model, service quality is defined as the gap between customer perceptions of what happened during the service transaction and his expectations of how the service transaction should have been performed. SERVQUAL refers to five dimensions of quality: Reliability (delivering the promised outputs at the stated level), Responsiveness (providing prompt service and help to customers; the reaction speedplays a vital role here), Assurance (ability of a service firm to inspire trust and confidence in the firm through knowledge, politeness and trustworthiness of the employees), Empathy (willingness and capability to give personalized attention to a customer), Tangibles (appearance of a service firm's facilities, employees, equipment and communication materials), Various other service quality models can be found in the literature (for the critical analysis of 19 different service quality models see Seth et al., 2005). Although SERVQUAL still remains a very popular approach in assessing service quality for researchers and practitioners (Schneider and White, 2004), which can be attributed to its practical diagnostic application for improving service quality, it has also received a lot of criticism. When analysing dimensions of bank service quality, Levesque and McDougall (1996) adapted the SERVQUAL model and obtained 3 dimensions of service quality which supported the notion that there may be two overriding dimensions to service quality. Namely, the core dimension represented the outcomes of the services while the relational dimension represented the process (customer-employee relationship) of the service.

CUSTOMER SATISFACTION

Customer satisfaction has been recognized in marketing through and practice as a central concept as well as an important goal of all business activities (Yi, 1990; Anderson et al., 1994). Oliver (1980) defined that "customer satisfactions is a summary of psychological state when the emotions surrounding disconfirmed expectations are coupled with the consumer's prior feelings about consumption experience. Parasuraman (1994) suggested that the customer satisfaction is influenced by service quality, product quality and cost. Overall satisfaction refers to the customers rating on a particular event based on all dimensions and experience.

Bitner & Zeithaml (2003) stated that satisfaction is the customers' evaluation of a product or service in terms of whether that product or service has met their needs and expectations.

Customer satisfaction can be represented as follows:

Customer satisfaction=Performance Features + Behavioral Features + Price.

NEED OF THE STUDY

The forces of liberalization and globalization of banking service market have forced the different players in the sector to maintain their market share by focusing on retaining existing customers by providing high quality service. The banking companies continuously seek new ways to acquire, retain and increase their customer base. Most of the service providers handle the non-price tool as their weapon to create a customer builds business by buying more, paying premium prices and providing new referrals through word of mouth over a period of time. In this 21st century the digital revolution has transformed the economy in to a new economy which empowered the customer with new set of capabilities such as; Access to greater amount of information, wider variety of available good and services, greater ease of interacting with the service provider.

OBJECTIVES

1. To study Indian bank market this has been considered as overcrowded and underserviced.
2. To analyze Yes Bank entry in the market with its unique marketing strategy.
3. To explore YES BANK exemplified 'creating and sharing value' for all its stakeholders, and has created a differentiated Banking Paradigm. As part of the differentiated strategy,
4. To study YES BANK focuses on developing customer relationship.
5. To analyze YES BANK reorganization amongst the Top and the Fastest Growing Bank in various Indian Banking League Tables by prestigious media houses and Global Advisory Firms
6. To explore Sustainable practices of the Bank for which it has received several recognitions for world-class IT infrastructure, and payments solutions, as well as excellence in Human Capital.

RESEARCH METHODOLOGY

The principal method used to gather primary data is a questionnaire survey conducted in front of 9 branches of the bank in Bangalore and Delhi-NCR region From a total of 400 questionnaires distributed, 370 were returned, of which 350 were fully completed, thereby yielding a response rate of about 77 per cent. A literature review was undertaken to identify service quality dimensions in retail banking and corporate and commercial banking and qualitative research study which provided the basis for the scale development.. In addition, an in-depth interview with the bank marketing director and a pilot survey with five branch managers were performed. Finally, a quantitative research was implemented where factor analysis was used to analyse the dimensions of service quality. Although SERVQUAL-items provided the basis for development of a measurement tool the scale was adapted by adding, deleting or rewording items to ensure suitability for the research context. The service quality attributes used in our research (a total of 25 attributes for branch banking and 21 for corporate commercial banking) are set out in Table 1and 2. These items were measured using six-point Likert-type scales from 1 ("highly dissatisfied") to 5 ("highly satisfied") with no mid-point neutral category

TABLE 1: VARIABLES RELATED TO SERVICE QUALITY OF THE CORPORATE COMMERCIAL BANKING SERVICES USED IN THE STUDY

Code	Variables	Dimensions
C1	Tailor Made Solutions	Reliability
C2	Financial solutions	Assurance
C3	Invaluable & In-depth Insights	Responsiveness
C4	Survival During economic slowdown	Responsiveness
C5	Customized products n solutions	Assurance
C6	Highest Credit quality	Reliability
C7	Superior Product delivery	Reliability
C8	Knowledge based advisory team	Responsiveness
C9	State of the art technology	Responsiveness
C10	Strong client orientation	Assurance
C11	Efficient human capital	Assurance
C12	Transparency of banks proceedings	Assurance
C13	Reliability in problem solving	Assurance
C14	Convenient business hours	Responsiveness
C15	Timeliness in product & service delivery	Reliability
C16	Understand specific needs	Tangibles
C17	Adequate knowledge among the employees	Empathy
C18	Value added services	Reliability
C19	Reputation	Reliability
C20	Supply of details on call if required	Reliability
C21	Networking of branches	Responsiveness

TABLE 2: VARIABLES RELATED TO SERVICE QUALITY OF THE BRANCH BANKING SERVICES USED IN THE STUDY

Code	Variables	Dimensions
C1	Customer Centric Service	Reliability
C2	State of the art Branch Network	Access
C3	Cutting edge technology	Responsiveness
C4	Faster turnaround time	Responsiveness
C5	Dedicated trade desk	Assurance
C6	Specialised advisory team	Reliability
C7	Ambience	Tangibles
C8	Information Brochures	Tangibles
C9	Efficient Computer Systems	Tangibles
C10	Cleanliness & hygiene	Tangibles
C11	Waiting Arrangements	Tangibles
C12	Aesthetic Design	Tangibles
C13	Locations	Access
C14	World Class Design	Assurance
C15	High accessibility	Access
C16	Networking Of Branches	Access
C17	Bank's Staff Attitude	Empathy
C18	Reliability in Problem Solving	Assurance
C19	Convenient Business Hour	Access
C20	Geographical Coverage	Access
C21	Value Added Services	Assurance
C22	Knowledgeable Employees	Reliability
C23	Customised Products &Solutions	Reliability
C24	Overall Long Term Experience	Assurance
C25	Association With Yes Bank in Years	Assurance

These variables (reasons) have been derived on the basis of studies conducted by Rao (1987), Kaptan and Sagane (1995), Gavini and Athma (1997), David and Bro (1989), Aurora and Malhotra (1997), Terninko (1997), Reddy, et al, (2000), Bhattacharya et.al, (2002), Reinartz, et al, (2002).

RESULTS

A) CORPORATE & COMMERCIAL BANKING

The 21 variables used of the corporate and commercial banking for the factor analysis were coded using a five point scale stated earlier. Initially the inter correlation among the variables were calculated and presented in the Table-3. Principal Factor: The inter correlation analysis suggest that out 21 variables 7 are closely related as the values of correlation co-efficient are relatively high in their case. This indicates all these variables can be reduced to 7 factors. These variables are stated, below, showed higher correlation coefficient which are statistically at 5 per cent level of significance.

1. Tailor Made solutions(C5 vs. C1)
2. Knowledge based advisory (C10 vs. C8)
3. State of art technology (C9 vs. C7)
4. Transparency of banks proceedings (C20 vs. C12)
5. Survival during economic slowdown (C10 vs. C4)
6. Strong client orientation (C12 vs. C10)
7. Superior product delivery (C16 vs. C7).

TABLE 3: INTER-CORRELATIONS OF VARIABLES

Marked Correlations are significant at P<0.05000
N=100 (case wise deletion of missing data)

V	C1	C2	C3	C4	C5	C6	C7	C8	C9	C10	C11	C12	C13	C14	C15	C16	C17	C18	C19	C20	C21
C1	1.000																				
C2	-.024	1.000																			
C3	.037	.044	1.000																		
C4	**-.236**	.146	.062	1.000																	
C5	**-.212**	-.138	-.188	-.211	1.000																
C6	-.210	.018	-.052	-.177	-.093	1.000															
C7	.112	.148	.183	-.021	-.015	.024	1.000														
C8	.075	.157	.114	.118	-.080	-.042	-.408	1.000													
C9	.071	.053	-.006	.111	-.126	-.091	**-.266**	-.050	1.000												
C10	-.211	-.077	-.166	-.089	.219	.030	-.199	**-.286**	-.026	1.000											
C11	-.127	.178	.034	-.128	.193	-.067	.197	-.463	.014	.295	1.000										
C12	-.174	-.142	.107	-.051	.052	.103	.002	-.204	.028	**.257**	.102	1.000									
C13	-.029	-.094	-.223	-.154	.143	-.090	-.018	-.157	-.149	.137	.123	-.005	1.000								
C14	-.032	-.018	-.002	-.060	-.188	-.047	.072	-.051	.143	-.079	.099	-.235	**-.295**	1.000							
C15	.143	.013	.063	-.057	.061	.095	-.048	-.048	.099	.022	-.010	-.161	-.032	-.198	1.000						
C16	-.055	.000	-.030	-.109	.094	-.098	**.262**	-.126	.089	-.089	.165	-.021	.074	.068	-.098	1.000					
C17	-.173	-.063	-.143	.103	.051	-.191	.148	-.079	-.035	.007	.103	.043	-.003	-.015	.090	.169	1.000				
C18	.089	-.180	-.292	.040	-.032	-.040	-.038	.065	-.133	-.254	-.478	-.164	-.037	-.117	-.088	-.153	-.099	1.000			
C19	.078	-.056	-.016	-.098	.030	.164	-.111	-.005	.073	-.004	-.026	-.155	.081	-.174	.086	-.096	.063	.032	1.000		
C20	-.171	-.053	-.057	-.024	.148	.017	-.028	-.235	.114	.035	.033	**.252**	.030	.044	-.074	-.060	-.067	-.148	-.082	1.000	
C21	.136	-.132	-.099	-.145	.066	.075	-.061	-.081	.035	-.043	-.073	-.163	.174	-.236	.076	-.132	.066	.074	.085	.041	1.000

However, correlation coefficient of variables viz., C21, C18, C14, and C13 are found to be negatively significant , hence excluded as the major factor influencing the level of satisfaction.The Result of Factor Analysis: The Table -4 represents the result of factor analysis performed to the set of data by principal component analysis with varimax rotation- a method which is very frequently used in factor analysis.

TABLE 4: FACTOR LOADING (VARIMAX RAW) ALONG WITH EIGEN VALUES

Exactions: Principal Components

Variables	Factor1	Factor2	Factor3	Factor4	Factor5	Factor6	Factor7
C1	0.12135	-0.0434	0.01026	-0.0673	0.0357	0.1077	-0.0996
C2	0.01877	0.0385	0.0981	-0.1408	0.0476	0.0142	0.8115
C3	-0.3297	0.0139	-0.1819	-0.0339	0.2910	-0.0253	0.2321
C4	0.1403	-0.1331	-0.0188	0.1261	0.2295	0.0197	-0.0917
C5	-0.2188	0.3911	-0.0574	0.2272	0.0528	-0.5619	0.0011
C6	-0.0103	-0.0416	-0.2188	0.3911	-0.0574	0.2272	0.0528
C7	-0.5619	0.0011	0.0024	0.0723	-0.5278	-0.0643	0.0746
C8	-0.1862	0.0496	-0.1072	0.0315	0.1465	-0.0950	0.0715
C9	0.1011	0.1782	-0.5482	-0.1807	0.1436	-0.1117	0.0668
C10	0.1162	-0.0841	0.1934	-0.6923	0.1533	0.3177	-0.0041
C11	0.2553	0.0665	0.1633	0.0215	0.2027	0.0152	0.1633
C12	-0.1117	-0.0801	0.0668	0.1162	-0.0841	0.1934	-0.6923
C13	0.0681	-0.0977	0.1691	-0.1528	-0.0958	0.0657	-0.2536
C14	0.3328	0.2516	0.3017	0.0444	-0.0744	-0.0603	-0.1480
C15	0.1902	0.1551	0.3572	0.6697	-0.0852	0.1195	0.1712
C16	-0.1952	0.0099	-0.1480	0.2135	-0.6754	0.1634	-0.1890
C17	0.2026	-0.0633	-0.0831	-0.0004	0.1305	0.0003	0.7281
C18	0.0746	0.6697	-0.2137	-0.0134	-0.0079	-0.1070	0.1551
C19	-0.1743	0.8646	-0.0958	0.0627	0.0319	-0.0819	-0.7297
C20	0.3572	-0.0933	0.2027	-0.0667	0.0394	0.0769	0.6373
C21	-0.0666	-0.1480	-0.0819	-0.3363	0.07245	0.0915	-0.1070
Eigen Value total variance (%) cumulative Eigen value cumulative (%)	1.8410 8.4382 1.5054 12.7277	1.5957 7.8692 3.8672 26.7692	1.5750 7.30478 5.2621 38.6138	1.4382 10.3047 5.57352 51.5889	1.4084 12.4685 6.4042 60.3186	1.3296 14.5053 7.6348 67.9534	1.30428 15.0804 8.01794 75.9713

Determinants of Customer's Satisfaction Level and their Ranking: The Table-4 discerns the factor loading along with the Eigen values. It shows close relationship of all variables with seven underlined factors of the analysis. These are clustered in Table-5.It can be extracted from the above tables 21 different variables based upon their appropriateness for representing the underlying dimensions of a particular factor have been summarized into seven factors.

Factor 1: Networking factor
Factor 2: Environment (working) factor
Factor 3: Knowledge based advisory services factor
Factor 4: Technology factor
Factor 5: Human resource factor
Factor 6: Client orientation factor
Factor 7: Customization service Factor

TABLE - 5: INFLUENCING FACTORS OF YES BANK CUSTOMERS

Factor1	Factor2	Factor3	Factor4	Factor5	Factor6	Factor7
C1.Tailor Made Solutions. C5.Customized products and solutions	C4.Survival During economic slowdown C12.Transparency of banks proceedings	C8. Knowledge based advisory team C10.Strong client orientation	C9.State of the art technology	C17Adequate knowledge among the employees C11.Efficient human capital	C10.Strong client orientation	C21.Networking of branches
C2.Financial solutions C 16Understand specific needs	C7.Superior Product delivery C15.Timeliness in product & service delivery	C6.Highest Credit quality C3.Invaluable & In-depth Insights	C18.Value added services	C13.Reliability in problem solving	C.20.Supply of details on call if required	C19.Reputation C14 Convenient business hrs

It may be noted that the factors loading in some cases are negative but while interpreting the data the minus sign has been ignored. The last row in bottom of the table shows the *Eigen value* of the factors. Each value indicates relative importance of each factor in accounting for the particular set of variables. The cumulative total of Eigen value is 8.01794.The Eigen value of Tailor made solutions factor ranks the highest (Eigen value =1.8410) indicating the satisfactions level of the customers in regard to the financial solutions and understanding customer specific needs. The knowledge base advisory services is the second on the list(Eigen value=1.5957)generates slight satisfaction because the customer feel that they are not getting exact expert advisory which can help their business grow at the time of economic slowdown as it is external environment factor and shows satisfaction about the internal factors like transparency of bank proceedings. The knowledge based advisory service shows slight reduction in customer satisfaction (Eigen value=1.5750) compared to the tailor made solution. As the customers of yes bank are corporate clients human capital (Eigen value=1.4084), client orientation (Eigen value=1.3296) and networking factor (Eigen value=1.30428) are less satisfactory because they are less important.

B) BRANCH BANKING

The 25 variables used for the branch banking for factor analysis were coded using a five point scale stated earlier. Initially the inter correlation among the variables were calculated and presented in the Table-6.

TABLE 6: INTER CORRELATION FOR BRANCH BANKING VARIABLES

Marked Correlations are significant at P<0.05000

N=100 (case wise deletion of missing data)

	Variables																								
	C1	C2	C3	C4	C5	C6	C7	C8	C9	C10	C11	C12	C13	C14	C15	C16	C17	C18	C19	C20	C21	C22	C23	C24	C25
C1	1.000																								
C2	.047	1.000																							
C3	.071	-.560	1.000																						
C4	-.274	-.128	-.252	1.000																					
C5	-.212	-.092	-.235	-.254	1.000																				
C6	-.210	-.006	-.174	-.159	-.093	1.000																			
C7	.123	.028	.044	-.176	.036	.014	1.000																		
C8	.081	-.024	.086	-.007	.019	-.084	-.355	1.000																	
C9	-.017	.087	-.158	.075	.048	.021	-.143	-.276	1.000																
C10	-.267	.005	-.041	.005	.055	.050	-.286	-.180	-.264	1.000															
C11	-.002	-.080	.020	.173	-.134	-.005	-.330	-.169	-.228	-.171	1.000														
C12	-.214	-.244	.087	.164	.114	.059	.021	.010	-.004	.004	-.050	1.000													
C13	-.032	-.003	.148	-.150	-.079	-.049	.135	-.048	-.151	.018	.035	-.033	1.000												
C14	.093	.073	-.030	.070	-.102	-.067	-.118	-.018	.088	-.056	.146	-.508	-.291	1.000											
C15	.074	.134	-.093	-.098	.083	.088	.042	.068	-.104	.097	-.154	-.227	-.008	-.344	1.000										
C16	.020	.073	-.077	-.088	.015	-.024	.054	-.037	-.048	.007	.002	-.162	.159	.080	-.026	1.000									
C17	.004	.061	.005	-.030	.009	-.104	.095	-.054	.006	-.072	.006	.045	.012	-.081	.092	.052	1.000								
C18	.081	-.024	.086	-.007	.019	-.084	-.355	.908	-.276	-.180	-.169	.010	-.048	-.018	.068	-.037	-.054	1.000							
C19	.074	.134	-.093	-.098	.083	.088	.042	.068	-.104	.097	-.154	-.227	-.008	-.344	.856	-.026	.092	.068	1.000						
C20	-.032	-.003	.148	-.150	-.079	-.049	.135	-.048	-.151	.018	.035	-.033	.976	-.291	-.008	.159	.012	-.048	-.008	1.000					
C21	.074	.134	-.093	-.098	.083	.088	.042	.068	-.104	.097	-.154	-.227	-.008	-.344	.893	-.026	.092	.068	.764	-.008	1.000				
C22	-.210	-.006	-.174	-.159	-.093	1.000	.014	-.084	.021	.050	-.005	.059	-.049	-.067	.088	-.024	-.104	-.084	.088	-.049	.088	1.000			
C23	.990	.047	.071	-.274	-.212	-.210	.123	.081	-.017	-.267	-.002	-.214	-.032	.093	.074	.020	.004	.081	.074	-.032	.074	-.210	1.000		
C24	-.024	.007	-.037	-.001	.035	-.017	.041	-.151	.002	.063	.023	-.009	.028	.040	-.041	.109	-.102	-.151	-.041	.028	-.041	-.017	-.024	1.000	
C25	.033	-.021	.044	.011	-.015	-.024	.032	-.061	-.011	-.026	.018	-.008	.001	.001	.016	.088	.048	-.061	.016	.001	.016	-.024	.033	.191	1.000

The inter correlation analysis suggests that out of 25 variables 11 are closely related as the values of correlation co-efficient are relatively high in their case. This indicates that all these variables can be reduced to 11 factors. These variables, stated below, showed higher correlation coefficients which are statistically significant at 5 per cent level of significance.

1) Customer Centric Service Vs. Customised Products & Solutions(C1vs.C23)
2) Specialised Advisory Team Vs. Knowledgeable Employees(C6vs.C22)
3) Information Brochures Vs. Reliability In Problem Solving(C8vs.C18)
4) Locations Vs. Geographical Coverage (C13vs.C20)
5) High Accessibility Vs. Convenient Business Hours (C15vs.C19)
6) High Accessibility Vs. Value Added Services (C15vs.C21)
7) Long Term Experience Vs. Association With Yes Bank Over Years(C24vs.C25)
8) Cutting Edge Technology Vs. Customised Products and Solutions(C3vs.C23)
9) State Of The Art Branch Network Vs. High Accessibility (C2vs.C15)
10) Faster Turnaround Time Vs. Waiting Arrangements (C4vs.C11)
11) State Of The Art Branch Network Vs. Value Added Services(C2vs.C21)

TABLE-7 FACTOR LOADING (VARIMAX RAW) ALONG WITH EIGEN VALUES

Exactions: Principal Components

	Factor1	Factor2	Factor3	Factor4	Factor5	Factor6	Factor7	Factor8	Factor9	Factor10	Factor11
C1	.050	.959	.034	-.035	-.127	.075	.009	-.007	.004	.007	-.005
C2	.093	.105	-.010	.075	-.002	.172	.827	.046	-.030	-.058	.030
C3	-.049	.108	.046	.151	-.096	.043	-.902	.020	.063	-.037	.008
C4	-.042	-.342	.025	-.169	-.249	-.209	.125	-.638	-.216	.053	-.046
C5	.031	-.304	.022	-.167	-.159	-.095	.113	.629	.115	.064	.082
C6	.057	-.113	-.045	-.033	.980	-.032	.049	-.005	.001	-.016	-.058
C7	.008	.260	-.413	.160	.076	-.143	-.048	.414	-.083	.074	.364
C8	.041	.052	.987	-.020	-.040	-.019	-.032	.046	.058	-.060	-.014
C9	-.070	-.073	-.211	-.123	-.020	.062	.106	.057	-.858	-.038	-.086
C10	.137	-.351	-.227	-.027	-.069	.033	.044	.108	.533	-.085	-.505
C11	-.156	.006	-.122	-.008	.028	.107	-.025	-.696	.347	.053	.178
C12	-.247	-.157	.020	-.069	.038	-.861	-.104	.032	.031	.020	.054
C13	-.002	-.019	-.033	.980	-.032	-.036	-.037	-.007	.053	.007	-.003
C14	-.359	.041	-.004	-.311	-.043	.758	.008	-.117	-.056	.002	-.051
C15	.990	.032	.028	-.004	.040	.000	.052	.054	.033	.000	.030
C16	-.067	-.059	.026	.245	.007	.369	.153	.137	.118	.373	.231
C17	.104	-.068	-.080	-.025	-.127	-.022	.034	-.003	.077	-.068	.762
C18	.041	.052	.987	-.020	-.040	-.019	-.032	.046	.058	-.060	-.014
C19	.990	.032	.028	-.004	.040	.000	.052	.054	.033	.000	.030
C20	-.002	-.019	-.033	.980	-.032	-.036	-.037	-.007	.053	.007	-.003
C21	.990	.032	.028	-.004	.040	.000	.052	.054	.033	.000	.030
C22	.057	-.113	-.045	-.033	.980	-.032	.049	-.005	.001	-.016	-.058
C23	.050	.959	.034	-.035	-.127	.075	.009	-.007	.004	.007	-.005
C24	-.045	.003	-.151	.016	-.039	-.018	.063	.046	.046	.705	-.298
C25	.052	.021	-.001	-.033	.001	-.003	-.096	-.065	-.043	.755	.123
Eigen Values	4.439	3.783	3.443	3.309	2.844	2.667	2.495	2.322	2.162	2.078	2.027
Total Variance%	12.329	10.508	9.564	9.193	7.899	7.409	6.930	6.450	6.006	5.773	5.630
Eigen Value cumulative	4.439	8.222	11.665	14.974	17.818	20.485	22.980	25.302	27.464	29.542	31.569
Cumulative Variance %	12.329	22.837	32.401	41.594	49.493	56.902	63.832	70.282	76.288	82.062	87.691

The Eigen Value for Factor 1 that is the Accessibility Factor is the highest indicating customers are most satisfied with the accessibility of the bank, convenient business hours and value added services provided by the bank. The second most factor providing satisfaction to the customers is the customer centric services and customized products and solutions followed by the reliability of the bank in problem solving. Then from rotated component matrix further grouping of factors was done.

TABLE 8: ROTATED COMPONENT MATRIX

					Rotated Component Matrix(a)							
						Component						
	1	2	3	4	5	6	7	8	9	10	11	
C1		0.959										
C2						0.827						
C3						-0.9						
C4								-0.64				
C5								0.629				
C6					0.98							
C7			-0.41					0.414				
C8			0.987									
C9									-0.858			
C10									0.533		-0.505	
C11								-0.7				
C12							-0.861					
C13				0.98								
C14							0.758					
C15	0.99											
C16												
C17											0.762	
C18			0.987									
C19	0.99											
C20				0.98								
C21	0.99											
C22					0.98							
C23		0.959										
C24										0.705		
C25										0.755		

Extraction Method-Principal Component Analysis

Rotation Method: Varimax with Kaiser Normalization

Rotation converged in 6 iteration

Based on the above analysis we found close relationship of all variables with seven underlined factors of the analysis. These are clustered in Table-5. It can be extracted from the above tables that 25 different variables based upon their appropriateness for representing the underlying dimensions of a particular factor have been summarized into eleven factors. The factors are:- Accessibility Factor, Customised Service Factor, Informative Factor, Coverage Factor, Knowledge and Expertise Factor, Technology Factor, Outlet Design Factor, Operations Factor, Tangible Factors, Relationship Factor, Human Factor.

TABLE 9: INFLUENCING FACTORS OF YES BANK BRANCH BANKING CUSTOMERS

Factor1	Factor2	Factor3	Factor4	Factor5	Factor6	Factor7	Factor8	Factor9	Factor10	Factor11
Accessibility Factor	CustomisedService Factor	Informative Factor	Coverage Factor	Knowledge &Expertise Factor	Technology Factor	Branch Outlet Design Factor	Operations Factor	Tangible Factor	Relationship Factor	Human Factor
C15- High accessibility C19- Convenient Business Hour C21- Value Added Services	C1- Customer Centric Service C23- Customized Products &Solutions	C8- Information Brochures C18- Reliability in Problem Solving	C13- Locations C20- Geographical Coverage	C6- Specialized advisory team C22- Knowledgeable Employees	C2- State of the art Branch Network C3- Cutting edge technology	C12- Aesthetic Design C14- World Class Design	C4- Faster turnaround time C5- Dedicated trade desk C7- Ambience C11- Waiting Arrangements	C9- Efficient Computer Systems C10- Cleanliness & hygiene	C24- Overall Long Term Experience C25- Association With Yes Bank in Yrs	C17- Bank's Staff Attitude

The factors thus obtained can also be aligned in respect to the new conceptualization of service quality which consists of functional-utilitarian and hedonic attributes (Falk et al., 2010). While the first three dimensions (assurance and empathy, reliability and respon- siveness, access) can be attributed to functional-utilitarian service quality, tangibles can be attributed to hedonic service quality. However, it can be expected that the functional utilitarian attributes may have a more important role than hedonic attributes in a bank setting. Consumers in a bank setting would primarily expect a flawless performance and secondly an enjoyable experience. Factor one, accessibility factor was found to be the most critical in forming customer satisfaction. This would suggest that efforts to improve the frequency and means of access between a customer and a service provider are likely to have an important and positive effect on customer satisfaction and leads to customer relationship.

FINDING

The study revealed that the factors affecting the customer's satisfaction level for corporate and commercial banking services are Knowledge based advisory services factor, Technology factor, Human resource factor, Client orientation factor and Customization service Factor. The Eigen value of Tailor made solutions factor ranks the highest (Eigen value =1.8410) indicating the satisfactions level of the customers in regard to the financial solutions and understanding customer specific needs. The knowledge base advisory services is the second on the list(Eigen value=1.5957)generates slight satisfaction because the customer feel that they are not getting exact expert advisory which can help their business grow at the time of economic slowdown as it is external environment factor and shows satisfaction about the internal factors like transparency of bank proceedings. The knowledge based advisory service shows slight reduction in customer satisfaction (Eigen value=1.5750) compared to the tailor made solution. As the customers of yes bank are corporate clients human capital (Eigen value=1.4084), client orientation (Eigen value=1.3296) and networking factor (Eigen value=1.30428) are less satisfactory because they are less important and for the branch banking. The Eigen Value for Factor 1 that is the Accessibility Factor (4.439) is the highest indicating customers are most satisfied with the accessibility of the bank, convenient business hours and value added services provided by the bank.

CONCLUSION

In Banking the most factor providing satisfaction to the customers is the customer centric services and customized products and solutions followed by the reliability of the bank in problem solving is their strategy for sustaining the competition in 21st century.We believe that our study can help bank managers in developing customer relationship .It is evident in our study that accessibility, assurance and customer centric approach primarily drive customer satisfaction and that bank employees (especially contact personnel) have a fatal impact on the most appealing service attribute when targeting customers.

SCOPE FOR FURTHER RESEARCH

The study is confined to single bank's customers and single bank and their strategy in developing customer relationship. The more research can be done by comparing Private and Public sector bank strategies implemented for developing customer relationship on global platform. Exploring the role of technology in developing customer relationship in banking sector can also be studied in Indian and global context.

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EMPLOYEE LOYALTY ABOVE CUSTOMER LOYALTY

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ABSTRACT
It is surprising to know, how wrong we are now about the same fact which proved us right at some point of time earlier. We were under the impression that mere loyalty from the customers will bear us the fruits. How wrong one could be in thinking that? With the changing market scenario, it is time we change our thinking and our strategies for the growth of our business. Organisations are now heading towards the importance of keeping the employees closer than the customer. The following article will provide an insight in understanding why is loyalty from employees more important than the loyalty from the customers. It will also highlight the factors that influence employees to be loyal to their organization. The paper also highlights the importance and reasons for adopting 'Employees first and Customer Second' policy.

KEYWORDS
Customer Loyalty, Employee Loyalty, Employee satisfaction, , loyal employee, Staff loyalty.

INTRODUCTION
Organizational loyalty has gone a full circle. To begin with, the relationship was such that the employee worked and earned a wage while the organization delivered what it wanted. Later, there came a time when the employees started associating with an organization for a life-time, the association being referred to as loyalty of the employee towards the organization.

However, today, the scenario has changed radically. In the globalized world, people are constantly on the move. They do not stick to an organization for long which may imply that they do not have any feeling of loyalty towards their organization. Interestingly, people are loyal towards their professional careers and not to their organization. The organization is just a means of achieving their professional goals. People craft their own career paths instead of the organization guiding their careers.

Building loyalty can result in low attrition, reducing the burden of preparing people for the same job year after year, and higher commitment towards work, enhancing employee productivity and even sacrifice on the part of the employees for the organization. This can be achieved if a company works for the benefit of its staff while focussing on its profits and stakeholders.

However, as employees no longer spend long years at a single company and are driven by their own professional goals, there is stark contrast between what an employer and an employee want how do you measure and ensure organizational loyalty under such circumstances? The tenure of an employee in an organization can no longer be the parameter for measuring employee loyalty. A slight deviation from the traditional definition of organizational loyalty and the way in which an organization manages its employees will be helpful in nurturing organizational loyalty in today's business world that alters every second. But building a long-term loyalty will prove to be a mammoth task.(Wendy Phaneuf)

The exact meaning of Employee loyalty is to be understood first. At one time, it meant living up to your end of the employee-employer bargain. You would be loyal to the company and the company would be loyal to you. Rampant downsizing, corporate restructuring and poorly managed organizational change have resulted in a broken trust bond with employees and therefore less employee loyalty. This traditional "trust bond" relationship was based on the premise that an employee's loyalty could be measured by the amount of time he or she spent on and in the job. Long hours and long service meant a loyal employee — one who was willing to make personal sacrifices for the betterment of the organization. It won't come as a surprise to know that this model of employee loyalty has dramatically changed.

Today, employee loyalty means that I give my full commitment to the job — while I'm on the job. Progressive leaders do not equate loyalty with longevity and hold the view that it is quite possible that someone who has been with you for 20 months can make a greater contribution than an employee who has been employed by the organization for 20 years. This shift in mindset must begin with leaders. No longer can leaders depend on an employee's "sense of loyalty" to meet the organization's goals. This sense of loyalty is hard to measure and even harder to create in a time where workers are constantly reminded to be loyal to them. Rather than worry about a "sense of loyalty", leaders who can appeal to a person's "sense of value" will find themselves rewarded with strong commitment and contribution.

FOUR KEY THINGS THAT ANY LEADER CAN DO TO CREATE THIS SENSE OF VALUE
COMMUNICATE CONTEXT — Ensuring that employees have a sense of why their work is important is the best way to ensure that the desired outcome will become a reality. When I know how my job contributes to the bigger picture and what the consequences are if I am not successful, I am more likely to make sure I don't let down co-workers and customers who are counting on me.

PRACTICE FAIRNESS — There has been much written about fairness in the workplace and the dichotomy in treatment within organizations. Putting aside differences between executives and workers, one doesn't need to look far to see more practical examples within workplaces. At every level of the organization, people react when they feel that they are victims of unfairness. Remember, the devil is in the details — it is important to seek and understand how employees are feeling.

TIE VERBAL RECOGNITION TO CONTRIBUTION — Employees want meaningful feedback and praise that reinforces their value and contribution. When expressing your appreciation for an employee's specific efforts to meet a customer's need, you are demonstrating your understanding of their contribution to the organization's success. This technique also reinforces context, helps employees understand what behaviours are important and ensures that these key competencies are repeated.

ENSURE MEANINGFUL REWARDS — Today's employees are seeking meaningful rewards. Given the impending shortage of top talent, it is really the highest-potential employees that we are at risk of losing if we fail to tap into their need for reward. At the most basic level, this starts with acknowledgement. This can be as simple as demonstrating to an employee that his or her contribution makes a difference and providing rewards that tap into their personal interests.

These key leadership strategies, coupled with an overall commitment to creating an environment where employees can thrive and grow will ensure the organization is rewarded with strong employee loyalty (Alexandra DeFelice-2005). Employee loyalty is on the rise, but companies must do a better job creating an environment to help keep more committed workers and therefore maintain customer relationships, according to a report. "The Walker Loyalty Report for Loyalty in the Workplace" outlines key factors contributing to employee loyalty. It reveals limited loyalty in the U.S. workplace, with only 34 percent of employees categorized as being "truly loyal," defined as being committed to the organization and planning to stay with their companies for at least two years.

Although this represents an upward swing of four percentage points from the last time the survey was conducted in 2003, and 10 percentage points from 2001, 59 percent of the workforce are still considered "trapped" (28 percent) or "high risk" (31 percent). Trapped employees are those who don't want to be there, but plan to stay and often portray a negative attitude toward the company. High-risk workers don't have the commitment and don't plan to stay. The remaining 6 percent is considered "accessible," meaning those people want to remain, and have a positive attitude toward the company, but may leave for personal reasons.

"Real opportunities exist for companies to close the gap between those employees who are merely satisfied (75 percent) and those who are truly loyal," says Chris Woolard, client services consultant and employee loyalty specialist for Walker Information. They can offer training and development, and exhibit a strong focus on employees. Only 40 percent of respondents said their companies view employees as the most important asset, 55 percent said their companies treat employees well, and 55 percent stated having received ample training and development opportunities. Over the past year truly loyal employees have participated in 360 feedback, career planning, training classes, and mentor programs. The number one driver is promotions.

Companies should care about how loyal their employees are. Keeping employees around for even an extra six months can save costs. Replacing someone usually costs about 1.5 times that person's salary when taking into account advertising, drug screenings, and downtime. The more loyal employees recommend their company as a good place to work, limit their job searching, resist offers from other companies, and do things above and beyond the call of duty--also contributing to customer satisfaction.

What's more, potential customer concerns come into play with new employees who don't have the same rapport with customers. "Customers want to know that whoever takes care of [them] will be the person who will give them the best experience," says Michael DeSanto, vice president of marketing communications for Walker Information "Even as much information as CRM systems hold, there's a human element that can't be replaced when that employee leaves. There's a tangible that goes with that."

Frontline employees are mostly junior-level workers who come and go faster than others, but it's important to make them feel they have a relationship with the company so their customers can feel the same way. "Human interaction points are key. They provide the real differentiator," Woolard says. All companies are focused on financial performance, but most focus more on customer satisfaction than employee satisfaction. Others get the big picture of how employees, partners, and customers all fit into that equation. Companies have to have the vision, insight, and audacity to measure employee loyalty. Often, they don't want to see the numbers. It's bold to say, 'We have a problem.' Customer turnover is far more risky, so they invest in it. What they're not seeing is the effect the employee turnover will have on customer loyalty." (Keiningham, Terry. Vavra, Aksoy and Henri Wallard)

EMPLOYEE SATISFACTION AND CUSTOMER LOYALTY

The management perspective is simple: Happy employees help create happy customers. Employees who service happy customers are more likely to emerge from the interaction happy . . . And so on and on the interaction spirals, virtually feeding on itself. This effect has been popularized in the concept of the "satisfaction mirror" (i.e., employee satisfaction leads to customer satisfaction and business results), first described in an article in the Harvard Business Review. The article, written by a number of highly respected Harvard professors, established a theory of linkage between the level of service provided by businesses and their profitability. It served as an impetus for a re-examination of how employees were treated within their workplaces. The argument was largely intuitive, stimulating others to explore it more scientifically.

Virtually all of the studies that tested the satisfaction mirror concept have identified some linkage between employee satisfaction and customer satisfaction, between employee satisfaction and customer loyalty, or both. The discovered linkages, however, have ranged from negative to positive, and a few studies yielded no correlation at all. Employee satisfaction does not universally nor unambiguously create customer loyalty.

The lack of a consistent, positive linkage supporting this myth should not be taken as an invitation to abuse employees or treat them with indifference. Although there may not be a direct relationship between employee satisfaction and customer loyalty, pervasive and continuing low employee morale will exact an ultimate toll. Unhappy employees can hurt operations in a myriad of ways: absenteeism, low productivity, uncooperative spirit, filing complaints, supporting strikes, and so forth. No one [employee] in any organization can totally satisfy a customer. But any one [employee] can totally dissatisfy a customer. While employee satisfaction isn't the boon promised to businesses, employee dissatisfaction has led to disastrous results for many firms, as Safeway discovered.

EMPLOYEE SATISFACTION LEADS TO BUSINESS RESULTS

The belief that employee satisfaction is important to business outcomes has been around for ages, as far back as the seventeenth century. There are probably a subsequent 7,000 or more identifiable investigations on the subject. Unfortunately, culling through the findings of these studies looking for relationships between employee morale and standard measures of productivity finds a mixed bag: positive correlations, negative correlations, and, in some situations, no correlations whatsoever.

Similarly studies specifically testing the association between employee satisfaction and business results typically discover some linkage. Just as was the case with examinations of employee satisfaction and customer satisfaction, they have failed to reveal consistent indications. Some correlate negatively, some positively, and a few fail to show any correlation.

Most investigations into the linkage between employee satisfaction and customer satisfaction and, ultimately, corporate profits have tended to study absolute levels of employee measures. The consistency of employee feelings was more important than the absolute level in building a cause-effect model! Employees, like customers, appear to establish thresholds of expected performance. That is, they will accustom themselves to less than ideal circumstances so long as those conditions don't worsen. Employees similarly acclimate to thresholds of environment, even though they may be less than perfect. If, however, these thresholds are breached by deteriorating conditions, then there are repercussions in employees' performance, and customer feelings and profits are likely to suffer. But if employee attitudes remain constant or advance slowly, without receding, then customer attitudes and profits are more likely to improve. Unfortunately, firms with satisfied employees can still find themselves losing out to competitors and ultimately going out of business.

LOYAL EMPLOYEES CREATE LOYAL CUSTOMERS

Employee satisfaction has not always been shown to link directly to customer loyalty, so a new myth has evolved with a slightly different target. The amended myth holds that it is not employee satisfaction but employee loyalty that results in customer loyalty. Clearly, this statement also seems intuitively correct. Belief in this myth is further fuelled by occasional examples in the business and popular press that offer support for this argument. For example, in a survey of more than 7,500 workers, more than half considered themselves committed to their employers. Shareholders investing in the companies with committed employees received, on average, a 112 percent return on their investment over three years. Investment in companies where employees considered themselves average or below average in commitment to the firm returned an average of only 76 percent. Because of its assumed impact on corporate performance, for the past 30 years, employee commitment has been one of the most popular research areas in the fields of industrial psychology and organizational behaviour. However, paradoxical as it might seem, researchers in these disciplines have been unable to confirm a relationship between employee commitment and business performance. Although higher levels of commitment may relate to improved job performance in some situations; the present findings suggest that commitment has very little direct influence on performance in most instances.

The Service Management faculty at the Harvard Business School suggests that the strength of the relationship may be contingent upon four elements describing employee performance: capability, satisfaction, loyalty, and productivity. These four elements are thought to directly influence customer satisfaction (and ultimately loyalty) in the following manner:

1. CAPABILITY: Capable employees can deliver high-value service to customers. This implies that employees have the training, tools, procedures, and rules to deliver good service.

2. SATISFACTION: Satisfied employees are more likely to treat customers better than are their dissatisfied counterparts.

3. LOYALTY: Loyal employees are more willing to suppress short-term demands for the long-term benefit of the organization. As such, they may themselves place a priority on good customer service. Loyal employees also stay with their organizations longer, reducing the cost of turnover and its negative effect on service quality.

4. PRODUCTIVITY: Productive employees have the potential to raise the value of a firm's offerings to its customers. Greater productivity can lower costs of operations, which can mean lower prices for customers.

The combination of these four factors makes intuitive sense. In addition to the traditionally emphasized elements of employee satisfaction and loyalty, this perspective adds the dimensions of capability and productivity. The theory, yet to be proven, emphasizes that employee loyalty is not a singular, direct link to customer loyalty.

BUILD EMPLOYEE LOYALTY
The way people treat each other in companies and other organizations is affected by the common vision shared by employees says Peter Senge, author of *The Fifth Discipline*. "One of the deepest desires underlying shared vision is the desire to be connected to a larger purpose and one another."
A study by the American Management Association shows that when employees' personal values are congruent with their company's values, their personal lives are better, and they feel better about their jobs. According to Gregory Smith, author of *Here Today, Here Tomorrow*, "An organization that can create an energized, higher-calling environment will have higher retention and greater productivity." (Cheri Swales, Monster Contributing Writer) A larger purpose is the key to building loyalty, and companies with loyal employees reap the rewards. Many service organizations have long-tenured employees, because they were able to easily link into their higher calling. How can your company build loyalty?
Some company's products do not lend themselves to altruistic values. I worked for Honeywell's Solid State Electronic Center in Colorado Springs, which built the computer chips in their regulators, mainframe computers, thermostats and bombs. It wasn't comforting to know my work produced weapons of mass destruction. However, our division's mission was to improve individuals' quality of life through the products we built. This was an easier mission to internalize. And yet I eventually resigned, because the company's values conflicted with my own. Determine your company's higher purpose. Don't think of building cars; instead think of providing safety, reliability and peace of mind to consumers. Once you understand your company's higher purpose, share it with employees and applicants. Post company values in your employee manual, vacancy notices, brochures, and on intranet and Web sites.

OTHER THINGS THAT CAN BE DONE
A company can also increase loyalty and decrease turnover through:
- Clear and frequent communication. When an organization lets employees know what's happening, employees feel more included and trusted.
- Continuous training and tuition reimbursement. Providing training is important, because:
  -- It is an investment in employees, which they see as money in the bank.
  -- When you invest in workers, they are more apt to invest in your company.
- Expect greatness. When you raise the bar, employees will meet your expectations and feel important.
- Provide career counselling. When you help employees grow in their careers, they are more apt to stay with you.
- Invest in employees' financial futures with a matching 401k. When you have a stake in their financial future, they will want to have a stake in yours.
- Reward and recognize employees often. Employees crave positive feedback and will be more productive when they receive it.
- Ask employees for input on important decisions. Employees will feel important and more committed to the mission.
- Institute exit interviews when employees terminate to determine why they are leaving.
- Establish a family-friendly work environment. Child-care benefits and flexible schedules allow employees to spend more time with family.
- Allow employees to work on visible projects, or add additional duties that interest them.

Loyalty to your company mission doesn't come easily. You must build it one employee at a time. And building loyalty is much like building trust: It's easy to tear down; the challenge is to build it up and maintain it.

LOYAL STAFF EQUALS LOYAL CUSTOMERS
Staff members stay loyal to organizations with good growth prospects, and especially where they feel they can build relationships with customers and really add value for them. Conversely, staff members will leave apparently unsuccessful organizations with high customer turnover and lack of customer loyalty- it's just not much fun or rewarding. In such an organization, there is no opportunity to really help customers in an ongoing way; so this contributing factor to job satisfaction is lacking. (Dr. Stephanie Jones-2011)
The "Loyal staff = Loyal customers" concept is important in any business where there is high degree of customer interface and an element of choice. Loyal customers are generated by a loyal staff member who is loyal because he or she owns the business, or has a significant stake in it. So the challenge for larger organizations is to help make their staff members feel like they own the business, and thus care about their customers more, and of course, continue working there in the process. Some industries are particularly challenged when it comes to retaining staff, and this has much to do with the nature of the business and seasonality. For example, in the hotel industry, staff turnover can be endemic.
Loyal staff members don't encourage loyal customers because they are loyal only because they don't have an alternative employment and feel they have no choice.
Studies reveal the following three reasons why people stay:
- **AFFECTIVE COMMITMENT**; is where employees feel emotionally attached to an organization or their leader or employer- and arguably this is one of the most effective attitudes to loyalty in terms of producing customer commitment. The emotionally-committed employee will always try to do his or her best to excel in the work, which usually involves pleasing and retaining customers. They feel fortunate to have their jobs, they are proud of the organization, and usually are prepared to work hard.
- **CONTINUANCE COMMITMENT**; does not necessarily help to retain customers as the staff member concerned is only staying because there might be a cost involved in leaving. He or she might find it difficult to get another job. He or she might find that another organization pays less salary, or might expect harder work or longer hours. The work being done now is manageable and the employer is fairly reasonable, but this job is not seen as a long-term prospect. Customers are not a priority, and the employee here is mostly taking an opportunistic approach, doing his or her daily job as required but usually without much enthusiasm.

CONCLUSION
PUTTING EMPLOYEES FIRST AND CUSTOMERS SECOND
Providing a service is very different from making a product. Individuals buying a product have no contact with the individuals making it. Customer satisfaction with such products is not a function of a relationship with those who made it but instead may be influenced by advertising, comments about the product made by other individuals, or having brought the product earlier.
However when individuals buy a service, they are influenced by the person providing the service and the nature and quality of the interaction or experience they have with the service provider. Receiving a service is face-to-face, personal and psychological experience. There is psychological and physical closeness between customers and employees providing the service in the service encounter.
If the customer or client is dissatisfied, it is likely that he will no longer do business with that firm. These customers will take their business elsewhere and let their friends and acquaintances know about their bad experience. Customers receiving high quality service are likely to remain loyal to that firm. Firms also know that it is harder to attract new customers than retaining current customers. Thus, firms have become increasingly interested in the quality of the service they provide to their customers. This led to the slogan, 'put the customer first'. But a better approach is to 'put employees first and customers second'.

Firms can increase the quality of service they provide to customers in at least two ways. One involves the use of human resource management practices that increase employee satisfaction. When service employees are trained and skilled, rewarded and supported for doing a good job, they realize that they are doing a good job. This employee satisfaction gets transferred to their customers who in turn will be highly satisfied with the service they received. High levels of firm satisfaction will be passed on to customers through the high levels of satisfaction of the service providers.
A second approach involves the articulation of firm's values, policies and practices that support the delivery of high quality services to customers. When employees work for a firm, they believe, values the delivery of high quality services, customers also indicate that they had received high quality services.

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FDI IN MULTIBRAND RETAILING IN INDIA: PERCEPTION OF THE UNORGANISED RETAILERS IN BUSINESS CAPITAL OF UTTARAKHAND

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ABSTRACT

FDI in retail remained a hot topic in 2011, in November Government made a proposal to allow 51% FDI in multibrand retailing and raise the bar to 100% in single, many industry experts voiced in support and many against, almost all unions of the unorganized retailers across the country went against it and gave a stiff resistance which ultimately led to the rollback of FDI decision in multibrand retailing. This resistance of unions of unorganized retailers gave a clear reflection that all of their members understand the repercussions of the FDI, particularly multibrand FDI in retailing, which will ultimately led to their expulsion from current business. The doubt that whether the much touted plight of the local / street cart over this issue by the unions was really his own and the individual local retailer actually knew about the multibrand FDI mania gave inspiration for this research which aims at giving a fair idea of the understanding of the local unorganized player in this particular matter. The exploratory research was carried out in the month of January, 2012 in Haldwani, which is popularly referred as business capital of Uttarakhand, owing to the high volume of annual trade (being one of the largest fruit and vegetable market of north) using a structured questionnaire administered to the unorganized local retailers on the basis of random and judgmental sampling basis. The results were surprising that considerable no of them didn't even had heard of FDI, and correlation of the various responses led to a conclusion that the source of information was also a factor of voicing against the FDI. Even the influence of Education level was quite evident. The study concludes with the suggestions for addressing the queries of the unorganized local retailers and gaining their good faith in any further decision.

KEYWORDS

FDI, Multibrand Retailing, Unorganized Retailer.

INTRODUCTION

India Retail Report 2009 by IMAGES F&R Research quoted, "In this land of 15 million retailers, most of them owning small mom and pop outlets, we also have a modern retail flourishing like never before. There is little room for conflict as evidenced from the fact that India presents a unique case of consumption-driven economy".

The little room for conflict which was underestimated became such huge in just three years that it forced Government to curtail its decision on 51% FDI in multi brand retailing within a month of its proposal. The government of Manmohan Singh, prime minister, announced on 24 November 2011 the following:

- 51 % FDI in Multi- Brand retailing.
- Single brand foreign retailers, such as Apple and IKEA, can own 100 percent.
- Both multi-brand and single brand stores in India will have to source nearly a third of their goods from MSME.
- Multi-brand retailers must have a minimum investment of US$100 million with at least half of the amount invested in back end

And later Government had to rollback it decision on multi-brand FDI later due to heavy protest by major political opponents and the trade unions. **Tripathi, Salil (2011)**, suggests that critics of retail policy had five points; One, India doesn't need foreign retailers, since homegrown companies and traditional markets are doing the job well. Two, independent stores will close, leading to job losses. Three, profits will go to foreigners. Four, there will be sterile homogeneity and Indian cities will look like cities anywhere else. And five, the government hasn't built consensus.

The hue and cry made on the name of small unorganized retailers was such that, entire Nation came to a stand still for quite some time after the 24th Nov decision, which completely ended only when Government took back its multi-brand FDI decision.

The story started when 51 percent investment in single brand retail was permitted for the first time in 2006, although prior to Jan 24, 2006, FDI was not authorized in retailing, most general players had been operating in the country by franchise agreement, Strategic Licensing Agreements, manufacturing and wholly owned subsidiaries ex: Levis, Nike, Pizza Hut etc. During the years 2006-09, with the increase in no of middle consuming class and their rising money power, India became one of the top destinations for FDI in retail.

On January 11, 2012, India has finally approved increased competition and innovation in single-brand retail, by allowing 100% FDI in it.

NEED FOR THE STUDY

This study was conducted to understand the level of understanding of the local unorganized retailers with respect to FDI, more particularly towards multi-brand FDI, its affects, and to gauge their perception towards Government's decision. This study will help to identify the level of genuineness of the fact that all unorganized retail players, were against its FDI decision. It will help in adopting measures to increase the level of awareness and minimize inflated concerns of the affected.

OBJECTIVES

1. To study the awareness level towards FDI
2. To analyze the respondent's knowledge of Multi-Brand FDI, its effects.
3. To analyze source of information regarding FDI and its impact on overall view.
4. To suggest positive measures to build consensus among respondents and avoid negative concerns.

REVIEW OF LITERATURE

According to **Tomu Francis (2006),** organized retailing refers to trading activities undertaken by licensed retailers, that is, those who are registered for sales tax, income tax, etc basically involving the corporate-backed hypermarkets and retail chains, and also the privately owned large retail businesses. Unorganized retailing, on the other hand, refers to the traditional formats of the retail industry involving example, the local kirana shops the corner stores, owner manned general stores, paan/beedi shops, convenience stores, hand cart and pavement vendors, etc. The latter involves a large majority of the Indian populace that is involved in the retail industry.

Press note 3, 2006 by DIPP lays following conditions, for coming under the purview of single brand retail:

- Should be a single brand
- Should be sold under the same brand internationally

- It would only cover products branded during manufacture

While the government of India has also not clearly defined the term "multi-brand retail," FDI in multi-brand retail generally refers to selling multiple brands under one roof.

Indian Brand Equity Foundation (2011), Reports, "India has been ranked as the fourth most attractive nation for retail investment among 30 emerging markets by the US-based global management consulting firm, A T Kearney, in its Global Retail Development Index (GRDI) 2011, and Indian retail sector accounts for 22 per cent of the country's gross domestic product (GDP) and contributes to 8 per cent of the total employment".

Chris Devonshire-Ellis and Ankit Shrivastava (2012), lists following benefits of multi-brand retail:

Soaring inflation is one of the driving motives behind this move towards multi-brand retail. Allowing international retailers such as Wal-Mart and Carrefour, which have already set up wholesale operations in the country, to set up multi-brand retails stores will assist in keeping food and commodity prices under control. Moreover, industry experts feel allowing FDI will cut waste, as big players will build backend infrastructure. FDI in multi-brand retail would also help narrow the current account deficit. Additional benefits include moving away from an industry focus on intermediaries and job creation. Once modern retailers introduce an organized model, other vendors, including small retailers, would mechanically copy this model to improve efficiencies, boost margins and stay in business. Organized retail would thereby bring more stability to prices, unlike the present system where hoarding and artificial shortages by profiteering intermediaries push up product prices

Further they are of the view that it will benefit the unorganized and local players in long run and opine that the advantages outweigh the disadvantages of allowing unrestrained FDI in the retail sector, as successful experiments in countries like Thailand and China demonstrate. In both countries, the issue of allowing FDI in the retail sector was first met with incessant protests, but allowing such FDI led to GDP growth and a rise in the level of employment.

RESEARCH METHODOLOGY

The study is based on both primary and secondary data. The required information was collected through the following sources.

PRIMARY DATA

A non-probability, convenience sampling technique was used to administer the questionnaire. A structured questionnaire was prepared by the researcher to identify awareness level about FDI, Multibrand and Single Brand FDI, the response of the unorganized retailers towards the government decision and the source of information of FDI. The questionnaire was administered in local (Hindi) language.

SAMPLE SIZE

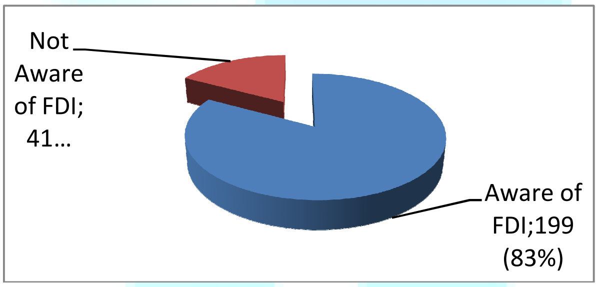
The initial data was collected from 240 unorganized retail players. However for getting the meaningful and reliable insights the respondents who were actually aware of FDI (199) were evaluated on other parameters.

TOOLS AND TECHNIQUES

The data collected through questionnaire were tabulated and analyzed by using pivoting methods in excel.

DATA ANALYSIS AND INTERPRETATION

GRAPH 1.1: AWARENESS LEVEL OF FDI



Source: Primary Data

The data analysis showed that 83% of the respondents had heard of FDI previously, while 17% had not heard of the FDI before. Based on this response, the questionnaire of the responds who were aware of FDI in india were analysed further to gain deeper insights.

TABLE 1.1: PERCEIVED EFFECT OF FDI VIS A VIS EDUCATION LEVEL

Will FDI in Retail Effect you	Uneducated	Below X	Up to XII	Graduation & Above	Grand Total	% of Res
Don't No	15	6	13	18	**52**	**26%**
No	11		4	7	**22**	**11%**
Yes, in a +ve way	4		5	16	**25**	**13%**
Yes, in a -ve way	28	29	20	23	**100**	**50%**
% of Respondents	**29%**	**18%**	**21%**	**32%**	**199**	**100%**

Source: Primary Data

50% of the respondents had an opinion that FDI will have negative effect while 13% said that it will impact positively, while 26% were unable to analyze what will happen. 32% of the total (Including Big and Small Shop owners) had a graduate and above degree while 29% were uneducated. 18 and 21% were below matriculation and up to +2 respectively. However it was interesting to note that overall 48% of uneducated said that FDI will impact negatively while only 36% of respondents with graduation and higher degree said it will impact negatively.

TABLE 1.2: KNOWLEDGE OF SINGLE AND MULTIBRAND FDI

Do you Know Multi/Single Brand FDI	Blank	No	Yes (Irrelevant Answer)	Yes (Relevant Answer)	Grand Total
Uneducated		31	14	13	**58**
Below X		18	17		**35**
up to XII	5	15	19	3	**42**
Graduation & Above	4	7	16	37	**64**
% of Respondents	**5%**	**36%**	**33%**	**27%**	**199**

Source: Primary Data

The respondents were asked whether they were aware of single and multi brand FDI concerns, and if their answer was yes they were asked to just specify the difference. Though almost 50% of the Respondents answered that FDI will impact negatively, however only 27% of total actually knew what FDI (Multi / Single

Brand) is all about. Educated (Graduation and above) were clearly aware of the differences and meaning. (70% of the Respondents Who Actually knew about FDI and the said difference.

TABLE 1.3: REACTION TOWARDS GOVERNMENTS DECISION ON MULTIBRAND FDI

Do you Favor the Govts decision to allow FDI in Multibrand Retail	Below X	Graduation & Above	Uneducated	up to XII	Grand Total	% of Res
Against it	35	27	22	19	**103**	**52%**
can't say		2			**2**	**1%**
Neutral		30	36	17	**83**	**42%**
Yes, it will benefit us		5		6	**11**	**6%**
Grand Total	**35**	**64**	**58**	**42**	**199**	**100%**

Source: Primary Data

52% of the Respondents were against The Multi Brand FDI, though only 27% as discussed earlier actually knew what multi brand FDI was. Only very few 6% of total supported Government saying it will benefit them.

TABLE 1.4: REACTION TOWARDS GOVERNMENTS DECISION ON MULTIBRAND FDI VS SOURCE OF INFO

Response For:	Government Decision for Allowing Multi Brand FDI					
Source of FDI Info	**Against it**	**Can't say**	**Neutral**	**Yes**	**Grand Total**	**% of Res**
Family Members	15		11	4	**30**	**15%**
Fellow Businessmen & Union Leaders	47		3		**50**	**25%**
Newspaper / TV	15		50	7	**72**	**36%**
Other Sources	26	2	19		**47**	**24%**
Grand Total	**103**	**2**	**83**	**11**	**199**	**100%**

Source: Primary Data

36% of the Respondents got information on FDI from TV and Newspapers while 25% got from fellow Business Man and union leaders. 15% Got information from their family members and rest 24% from other sources. The co-relation of source of information and views of respondents for FDI gave an interesting outcome that almost 94% of the respondents who got information about FDI from Fellow Businessman and Union Leaders, voted against FDI. Almost 69% of the Respondents who got the info about the FDI through TV/Newspaper had almost a neutral view.

TABLE 1.5: PERCEPTION OF FUTURE VS REACTION TOWARDS GOVERNMENT'S DECISION

Response For:	Government Decision for Allowing Multi Brand FDI					
Future Scenario	**Against it**	**can't say**	**Neutral**	**Yes**	**Grand Total**	**% of Res**
Big will grow and smaller will Perish	70		20	2	**92**	**46%**
Both Big & Small players will benefit	1		26	8	**35**	**18%**
Don't Know	18		16	1	**35**	**18%**
Nothing will happen	14	2	21		**37**	**19%**
Grand Total	**103**	**2**	**83**	**11**	**199**	**100%**

Source: Primary Data

Majority (46%) of the respondents had a view that Big will grow and smaller will perish, while others were almost divided equally in their perception i.e. Both Big & Small Players will benefit, Don't Know, and nothing will happen. When this perception was further analysed vis a vis their reaction towards Government's decision of allowing multi brand FDI, 68% of Respondents who were against FDI had a view that Big will grow and smaller will perish, while rest either Didn't had an idea or said nothing will happen and even Both Big and Small will grow (The point to be considered here is though they had answered previously that they were against Government's Decision, however either they didn't knew the future scenario or had a conflicting view).

TABLE 1.6: ANNUAL TURNOVER AND EDUCATION LEVEL

Annual turnover & Education	Uneducated	Below X	Up to XII	Graduation & Above	Grand Total	% of Res
10 Lkhs and above	3	8	8	9	**28**	**14%**
5 – 10 Lkhs			4	47	**51**	**26%**
2 - 5 Lkhs		4	5		**9**	**5%**
Below 2 Lkhs	55	23	25	8	**111**	**56%**
Grand Total	**58**	**35**	**42**	**64**	**199**	**100%**
% of Res	**29%**	**18%**	**21%**	**32%**	**100%**	

Source: Primary Data

56% of the Respondents were having annual turnover below 2 Lkhs, 26% Respondents had turnover between 5 -10 Lkhs, 14% were having 10Lkhs and above while 5% were having 2-5 Lkhs annual turnover. On Education front 32% were having qualification above graduation, 21% upto 12th, 18% below 10th.

TABLE 1.7: ACTION AGAINST DECLINING BUSINESS VS SOURCE OF INFORMATION

Response For:	Government Decision for Allowing Multi Brand FDI					
What will be the action if Business Declines	**Family Members**	**Fellow Businessmen & Union Leaders**	**Newspaper / TV**	**Other Sources**	**Grand Total**	**% of Res**
Don't Know	14	33	32	14	**93**	**47%**
It won't Happen		4			**4**	**2%**
Reduce Costs	3		36		**39**	**20%**
Switch my occupation	13	13	4	33	**63**	**32%**
Grand Total	**30**	**50**	**72**	**47**	**199**	**100%**
% of Res	**15%**	**25%**	**36%**	**24%**	**100%**	

Source: Primary Data

47% Did not had any idea what they shall do if business declines, 32% had a view that ultimately they will have to switch their present business and 20% hoped that reducing cost will help them to stay in the business. While 2% were adamant saying it won't happen (FDI cannot impact them). The Correlation of the responses for the actions that respondents were willing to opt in case their business is affected negatively with the source of information gave very meaningful insights. The92% of respondents who had a view of Reducing Costs had Newspapers/TV as their source, While breakup of those who had got information from fellow Businessmen had 66% who Didn't Knew what to do, 8% adamant of saying it won't happen and almost 26% of having an opinion of changing the business.

TABLE 1.8: ACTION AGAINST DECLINING BUSINESS VS ANNUAL TURNOVER

Response For:	Annual Turn Over					
What will be the action if Business Declines	10 Lkhs and above	5-10 Lkhs	2 - 5 Lkhs	Below 2 Lkhs	Grand Total	% of Res
Don't Know	23	25	5	40	93	**47%**
It won't Happen			4		4	**2%**
Reduce Costs		25		14	39	**20%**
Switch my occupation	5	1		57	63	**32%**
Grand Total	**28**	**51**	**9**	**111**	**199**	**100%**
% of Res	**14%**	**26%**	**5%**	**56%**	**100%**	

Source: Primary Data

90% of (Almost 28% overall) of the respondents who said that they will switch their occupation were having turnover below 2lakhs. More importantly as per table 1.7, the source of Information for 90% of such respondents (switch occupation) was other than TV and Newspapers.

TABLE 1.9: ANNUAL TURNOVER OF RESPONDENTS AGAINST FDI AND HAD A VIEW OF SWITCHING OCCUPATION

Respondents Against FDI & had answered to Switch occupation	10 Lkhs and above	5-10 Lkhs	2 - 5 Lkhs	Below 2 Lkhs	Grand Total
Family Members		0	0	13	**13**
Fellow Businessmen & Union Leaders	1	0	0	10	**11**
Other Sources	2	0	0	21	**23**
Switch my occupation Total	3	0	0	44	**47**
Grand Total	**3**	**0**	**0**	**44**	**47**

Source: Primary Data

When 3 Parameters were considered together and analysed, it was found that, all those who were against FDI and had said to Switch their Occupation, got the update for FDI from sources other than TV/Newspapers. And Further 90% of them were having turnover below 2 Lakhs.

FINDINGS OF THE RESEARCH

- The research shows that only 83% of the initial respondents were aware of FDI and 17% did not had any idea of FDI.
- 50% of the respondents (out of 199) were having an opinion that FDI will have negative effect and 13% said that it will impact positively
- The study reveals that 48% of uneducated respondents said that FDI will impact negatively while only 36% of respondents with graduation and higher degree said it will impact negatively.
- 27% of respondents actually knew what FDI (Multi / Single Brand) is all about, though 52% of them were against The Multi Brand FDI, Educated (Graduation and above) were clearly aware of the differences and meaning. (70% of the Respondents Who Actually knew about FDI and the said difference).
- 36% of the Respondents got information on FDI from TV and Newspapers while 25% got from fellow Businessmen and union leaders. 15% got information from their family members and rest 24% from other sources.
- The study reveals that almost 94% of the respondents who got information about FDI from Fellow Businessman and Union Leaders, voted against FDI, while around 69% of the respondents who got the info about the FDI through TV/Newspaper had almost a neutral view.
- (46%) of the respondents had a view that Big will grow and smaller, while others were almost divided equally in their perception.
- The survey decoded that 68% of respondents who were against FDI had a view that Big will grow and smaller will perish, while rest (32%) who were actually against FDI, either didn't knew what will be the future scenario or their future perception posed a conflicting view.
- 47% of the respondents did not had any idea what they shall do if business declines, 32% had a view that ultimately they will have to switch their present business and 20% hoped that reducing cost will help them to stay in the business.
- The 92 % of respondents who were having a view of reducing Costs had Newspapers/TV as their source of information of FDI, while breakup of those who had got information from fellow Businessmen had 66% who Didn't Knew what to do, 8% adamant of saying it won't happen and almost 26% of having an opinion of changing the business.
- The study reveals that all those who were against FDI and had said to Switch their Occupation, got the update for FDI from sources other than TV/Newspapers. Further 90% of them were having turnover below 2 Lakhs.
- In a nutshell, all the respondents are not against FDI, the most of the respondents who are against FDI(multibrand) and tout their negative impacts are not having their own understanding of the scenario, they are responding based on what they are being made to visualize by others (in this case mostly by fellow businessmen and union leaders) . Newspaper and TV has been a most authentic source of information and has been an important factor in shaping the understanding the views of the respondents in a positive manner.

RECOMMENDATIONS/SUGGESTIONS

- The Government should use alternative means to increase the level of understanding of FDI and implications, and continuously post information through local media channels (local newspapers, regional TV channels, Community radios) so as to build a positive environment.
- The MSME backed programmes, specially focused on small unorganized retailers should be made; so as to help the local retailers increase efficiency and build competitive advantage.
- Panchayati Raj institutions can play a vital role in disseminating positive information and creating awareness in this regard.
- Similar study can be undertaken with a higher geographical reach so as to gauge the clear-cut understanding level of the unorganized players, majority of who as such sound to have appropriate knowledge of scenario and being completely against FDI (Multibrand).
- The concerned ministry can set up time bound task force where various stakeholders may be asked to address their individual concerns regarding FDI to a regional / national helpline within a given timeframe, by attending such concerns/queries (may be in a collective manner) the informative / development programmes can be made.
- Government should allow FDI in multibrand retailing in a phased manner, phased opening of the sector for FDI will help the fellow unorganized player to gauge the impact, if any and adjust accordingly.

CONCLUSION

Every coin has two faces, everything has its merits and demerits, the same is the case of allowing multi brand FDI in India, however the main concern is the merits and demerits of FDI has not been analysed properly, and voices which are deemed to be of the affected ones are actually of the mediators or politicians, who are known for voicing such concerns for their own benefits.

Given the small penetration of organized retail in India (not even in double digit till Jan 2012), the opening up of sector for FDI is going to have a positive impact for consumers and medium and small suppliers. It is supposed to tame inflation, increase jobs, reduce wastages, and improve supply chain. FDI may impact local, unorganized retailer, in case he fails to cut costs, improve services, however he will surely gain, if he incorporates changes with time. Opening up of organized Cash and carry Services next door, will lower his burden, provide more choices at lower costs to him, to ultimately satisfy his customer. His personal touch with customers, knowledge of their preferences, will surely help him build competitive advantage. Further, what is the evidence and assurance that big Indian retailers have not impacted small and unorganized players or will not do so in future? Hence we need to focus more on, educating small and unorganized retailers for future course of action to excel in their business, how to build competitive advantage. Advice and help on being more structured, vendor management, cutting costs, taking licenses & registration (and their benefits e.g. funding) will not only help them but also the government in long run.

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ANNEXURE

QUESTIONNAIRE

1. Are you aware of FDI in Retail in India?
a. Yes, I have heard
b. No
c. Yes & I know about it
d. Blank
2. What is your annual turnover?
a. Below 2 Lkhs.
b. 2 - 5 Lkhs.
c. 5-10 Lkhs.
d. 10 Lkhs and above.
3. Will FDI in Retail Effect you?
a. Yes, in a +ve way
b. Yes, in a -ve way
c. No
d. Don't know
4. Do you know what Multi Brand and Single brand FDI is, if yes please explain what does it means to you?
a. Yes (Relevant Description). The Answer was marked as "a" by evaluator later as per the worthiness of description.
b. Yes (Irrelevant Description). The Answer was marked as "b" by evaluator later as per the worthiness of description.
c. No
d. Blank
5. What will happen if Multi Brand FDI is allowed?
a. Both Big & Small players will benefit
b. Big will grow and smaller will perish
c. Don't Know
d. Nothing will happen
6. What is your Education Level?
a. Uneducated
b. Below X
c. up to XII
d. Graduation & Above
7. Are you in favor of Governments decision of allowing FDI in Retail?
a. Neutral
b. Against It
c. Yes, it will benefit us
d. can't say
8. How did you come to know about the effects of FDI in Retail?
a. Newspaper / TV
b. Fellow Businessmen & Union Leaders
c. Family Members
d. Other Sources
9. FDI will create employment opportunities, do you agree?
a. Yes
b. No
c. Can't Say
10. What will you do if FDI is allowed and your business starts declining?
a. Reduce Costs
b. It won't Happen
c. Don't Know
d. Switch my occupation

COMPARATIVE STUDY OF SELECTED PRIVATE SECTOR BANKS IN INDIA

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ABSTRACT
Private Banks play an important role in development of Indian economy. Currently there are 25 private sector banks in India which are categorized by the RBI as an Old Private Sector Banks and New Private Sector Banks. Total branches of private bank are 10387 there in India. There is a significant increase in brunches for last few years. From 2008-09 to 2009-2010 Indian private sector banks have grown with a 12.98% growth rate. PRIVATE BANKS follow a Capitalistic Functioning. Profit Making and Wealth Maximization are their prime targets. They help economy grow faster, they help in capital accumulation for the country, they attract more FDI and FII in the economy, and they are the infrastructural pillars of the country. Both Public and Private Banks play a vital role in Economic Development. Without the presence of either, the economic development would be lopsided. The present study helps an investor who would like to be rational and scientific in his investment activity has to evaluate a lot of information about past performance and the expected future performance of the companies, industries and the economy as a whole before taking the investment decision and hence, the present study attempts to analyze the profitability position of the sample companies. For every investor analysis of economic performance is very vital in taking investment decisions. Thus, the present study has been conducted to study and examine the economic performance and sustainability of the six major banks.

KEYWORDS
Capitalistic, pillars, investment, profitability, sustainability.

INTRODUCTION
The Indian Banking system is unique and perhaps has no parallel in the banking history of any country in the world. It is interesting to study the evolution of Indian Banking over the Last five decades, in terms of organization, functions, resource mobilization, Socio-economic role, problems and solutions. The period of five decades witnessed many macro-economic developments, monetary and banking policies and the external situation, which influenced the evolution of Indian banking in different ways and in different periods.

Indian banks can be broadly classified into public sector banks (those banks in which the Government of India holds), private banks (government does not have a stake in these banks; they may be publicly listed and traded on stock exchanges) and foreign banks.

The new generation private banks have now established themselves in the system and have set new standards of service and efficiency. These banks have also given tough but healthy competition to the public sector banks. In India, as in many developing countries, the commercial banking sector has been the dominant element in the country's financial system. The Private sector has performed the key functions of providing liquidity and payment services to the real sector and has accounted for the Bulk of the financial intermediation process.

Private Banking in India was started since the beginning of banking system in India. The first private bank in India to be set up in Private Sector Banks in India was IndusInd Bank. With history repeating itself, private sector banking got a fillip with the Government of India relaxing the conditions for opening of private sector banks in the year 1994, as a part of their liberalization programme. Private Banks have been playing crucial role in enhancing customer oriented products with no choice left with the public sector banks except to innovate and compete in the process.

The first Private Bank in India to receive an in principle approval from the Reserve Bank of India was Housing Development Finance Corporation Limited, to set up a bank in the private sector banks in India as part of the RBI's liberalization of the Indian Banking Industry.

CURRENT SCENARIO
At the time of Independence in 1947, India had a fairly well-developed banking system. The process of financial development in independent India has hinged effectively on the development of commercial banking, with impetus given to industrialisation based on the initiatives provided in the five year plans

In 2009, banking in India was generally fairly mature in terms of supply, product range and reach in rural India still remains a challenge for the private sector bank and foreign sector banks. In terms of quality of assets and capital adequacy, Indian banks are considered to have clean, strong and transparent balance sheets relative to other banks in comparable economies in its region. The reserve bank of India is an autonomous body with minimal pressure from the government. The stated policy of the bank on the Indian rupee is to manage volatility but without any fixed exchange rate and this has mostly been true.

With the growth in the Indian economy expected to be strong for quite some time especially in its services sector, the demand for banking services, especially retail banking, mortgages and investment services are expected to strong. Currently, India has more than 88 scheduled commercial banks – 28 public sector banks, more than 29 private banks and more than 31 foreign banks. They have a combined network of over more than 53000 branches and more than 18000 ATMs. According to a report by ICRA Limited a rating agency, the public sector banks hold over 75 percent of total assets of the banking industry, with the private and foreign banks holding 18.2% and 6.5% respectively.

REVIEW OF LITERATURE
Literature review is a study involving a collection of literature in the selected area of research in which the researcher has limited experience, and critical examination and comparison of them to have a better understanding. It also helps the researchers to update the past data, data sources and results and identify the gaps, if any in the researchers. Thus, the reviews in the present study consist of the ones discussed below and they reveal that there are very scant studies in India emphasizing on the fundamental analysis of the banking sector.

** Mark P. Bauman (1996) conducted a study named, "A Review of Fundamental Analysis Research in Accounting". This paper has outlined the development of different accounting valuation model and reviewed related empirical work. This paper identified three major issues associated with practical implementation of the model; the prediction of future profitability, the length of appropriate forecast horizon, and the determination of the appropriate discount rate.

** Prakash Tiwari & Hemraj Verma (2009) conducted a study on "A Fundamental Analysis of Public sector Banks in India". This article explains the position of the banks with reference to various ratios.

** Pramod Gupta, in his article titled, "Indian banks going Innovative", published in 'Professional Banker' Oct. 2003, reviewed that both public and private banks are spending large amounts of money on technology to provide innovative products and services to their customers with more convenience and satisfaction. Technology is reducing the cost of transaction and helping to increase customer base and enable wider reach.

** K. Srinivas Rao, attempted to study, in his publication Private Sector Banks in India and the Productivity Question", the productivity of the banking industry as a whole in the country. This work is on profitability. He concluded that social banking has become an essential ingredient of productivity alongside conventional banking.

** J. Oza in his paper made on International comparison of productivity and profitability of public banks in India. Analyzing the productivity of public sector banks, he observed that there has been substantial growth in productivity per employee.

** Dr. Umesh Charan Patnaik Publisher: Sonali Publications (2005) **"**Profitability In Public Sector Banks" This book is designed exclusively for the community which has greater interest in evaluating the performance of banking organizations. The book has laid emphasis on the analysis of profitability of public sector banks in general and State bank of India in particular.

** B. Satyamurty identified, in his article titled, "Bank costs and Profitability Concepts. Evaluation, Technique & Strategies for Improvement." In the journal of the Indian Institute of Bankers, July – Sept 1990. 26 ratios categorized into 6 different groups of performance. Their interrelationship in observation can be interpreted for systematic and evaluation of productivity and profitability performance of banks.

NEED AND OBJECTIVES OF THE STUDY

An investor who would like to be rational and scientific in his investment activity has to evaluate a lot of information about past performance and the expected future performance of the companies, industries and the economy as a whole before taking the investment decision and hence, the present study attempts to analyze the profitability position of the sample companies. Some of the objectives of conducting the study are as follows:

- Evaluation of financial performance of sample banks with different ratios.
- To take investment decisions cautiously after studying risks involved in the same.
- To study the working capital management of sample banks.
- To acquire practical exposure of financial analysis of a sample banks.
- To analyze the profitability position of the sample banks.

HYPOTHESIS

This specific hypothesis is tested at appropriate time while analyzing and interpreting the results. The following hypotheses have been taken to put on test:

H0: There would be no significant difference in (EPS) of all the sampled units during period of study.
H1: There would be significant difference in (EPS) of all the sampled units during period of study.
H0: There would be no significant difference in Net Profit Margin (NPM) of all the sampled units during period of study.
H1: There would be significant difference in Net Profit Margin (NPM) of all the sampled units during period of study.
H0: There would be no significant difference in Asset Turnover Ratio (ATR) of all the sampled units during period of study.
H1: There would be significant difference in Asset Turnover Ratio (ATR) of all the sampled units during period of study.
H0: There would be no significant difference in Return on Assets (ROA) of all the sampled units during period of study.
H1: There would be significant difference in Return on Assets (ROA) of all the sampled units during period of study.

METHODOLOGY

The present study adopts an analytical and descriptive research design. The data of the sample companies for a period of ten years 2002 to 2011 has been collected from the annual reports and the balance sheet published by the companies and the websites of the banks.

A finite sample size of six banks listed on the National Stock Exchange (NSE) has been selected for the purpose of the study. They are ICICI, HDFC, AXIS, KOTAK MAHINDRA, ING Vysya Bank and Indusind Bank.

The variables used in the analysis of the data are Earning Per Share, Net Profit Margin, Return on Equity, Assets turnover Ratio, and Return on Assets. While interpreting the results, the statistical tool of one way Analysis of Variance **(ANOVA)** has been used.

SAMPLE DESIGN

Sampling Technique: The study is done with special reference to private sector banks. The reason being that the data or the financial statements are readily available for them, Apart from this, private sector banks are bound to disclose all their facts and figures publicly. Thus, the technique of 'Convenience Sampling' is being adopted for the study. The election of sample companies is made on the basis of market capitalization.

Sample Size: Six private sector banks are chosen as sample size for the study on account of having the highest market capitalization.

TIME PERIOD OF THE STUDY: The study has been conducted from ***2002 to 2011***.

DATA COLLECTION

Financial statements are the raw data collected from various websites such as www.capitaline.com, www. moneycontrol.com, www.rbi.org and other Banks websites

TOOLS USED FOR ANALYSIS

- ***Ratio analysis:*** Ratios have been calculated for the past five years for the purpose of analysis. Ratios being designed are named as Earning per Share, Operating Profit Margin, Net Profit Margin, Price Earning Ratio, and Return on Assets.
- ***Analysis of Variance:*** The statistical tool that is used for testing hypothesis is one way analysis variance (ANOVA).

FINANCIAL ANALYSIS

This section of study embodies the calculation and analysis of selected variables taken into reflection for the study purpose. The ratios are being calculated by the aid of raw data available on the concerned website. The raw data encompasses yearly results and balance sheet of the sample companies. After calculation of ratios, analysis individual ratio is being done. The statistical tool used for analysis in one way analysis of variance (ANOVA). The ratios being calculated for the purpose of analysis of financial performance are:

- Earning Per Share (EPS)
- Net Profit Margin (NPM)
- Assets turnover Ratio (ATR)
- Return on Assets (ROA)

RESULTS AND DISCUSSIONS

EARNING PER SHARE (EPS)

Earning per share is the measure of a company's ability to generate after tax profits per share held by the investors. This ratio is computed with the help of the following formula as expressed in rupee terms:

$$\frac{\text{Earning after tax and preferred dividends}}{\text{Total number of equity shares outstanding}}$$

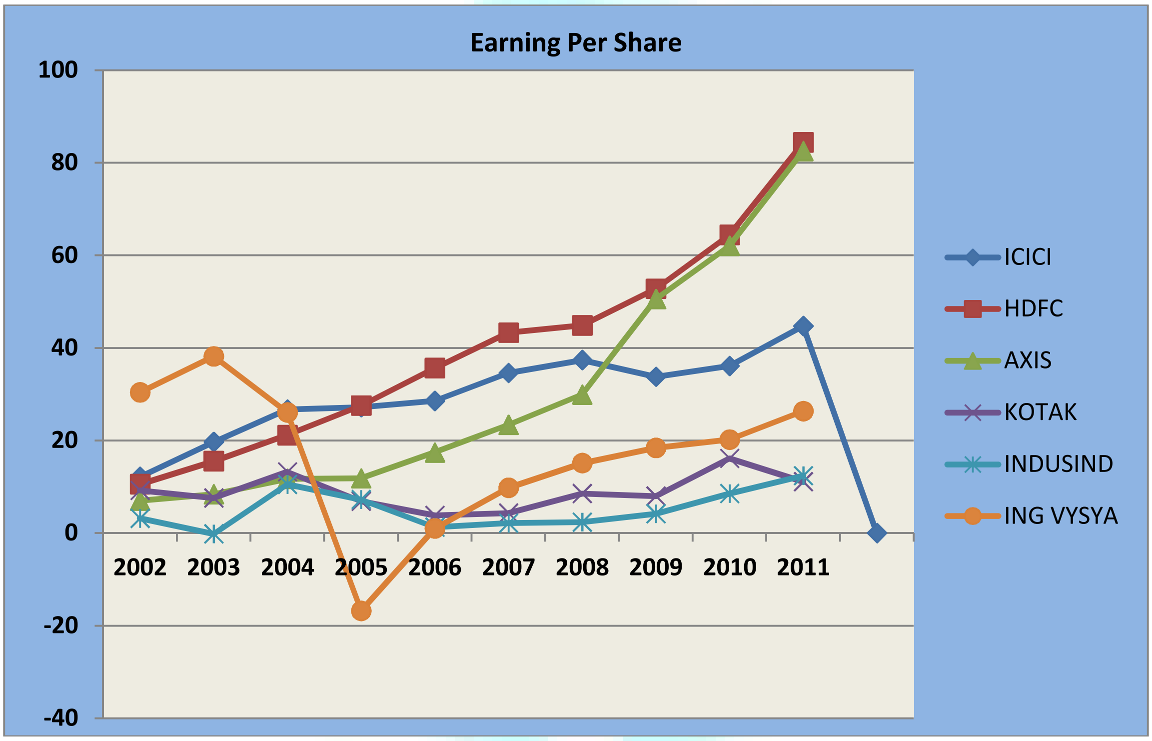
The earning per share position of the sample companies is summarized in below table and discussed.

EARNING PER SHARE

YEAR	ICICI	HDFC	AXIS	KOTAK	INDUSIND	ING Vysya	TREND
2002	12.14	10.56	6.99	9.21	3.17	30.39	12.076
2003	19.68	15.53	8.40	7.58	- 0.17	38.17	14.865
2004	26.71	21.16	11.72	13.22	10.50	26.05	18.226
2005	27.22	27.55	11.83	6.88	7.24	-16.81	**10.651**
2006	28.55	35.64	17.41	3.82	1.27	1.00	14.615
2007	34.59	43.29	23.40	4.33	2.13	9.78	19.586
2008	37.37	44.87	29.94	8.53	2.35	15.12	23.03
2009	33.76	52.77	50.57	7.99	4.18	18.40	27.945
2010	36.10	64.42	62.06	16.12	8.53	20.19	34.57
2011	44.73	84.40	82.54	11.10	12.39	26.34	**43.583**
Average	30.085	**40.019**	30.486	8.878	**5.159**	16.863	

(Source:- www.moneycontrol.com)

As shown in above table, the EPS of ICICI, HDFC, AXIS, KOTAK INDUSIND BANK AND ING VYSYA mostly showed an increasing trend. The EPS of HDFC is substantially higher than that of ICICI, AXIS , KOTAK INDUSIND BANK AND ING VYSYA during the last ten years i.e 2002 to 2011. On an average, HDFC has generated EPS of Rs. 40.019, highest among all, followed by ICICI (30.085), AXIS (30.486) ,KOTAK (8.878), INDUSIND BANK (5.159) and then ING VYSAY (16.683). And the lowest among the Six sample Banks is INDUSIND BANK (5.159). The analysis reveals that HDFC is the most efficient bank in the terms of generating earning per share.



The EPS position of sample companies is compared and tested using the following hypothesis. The details are shown in below table.

HYPOTHESIS TESTING

H0 : There would be no significant difference in EPS of all the sampled units during period of study.

H1 : There would be significant difference in EPS of all the sampled units during period of study.

ANOVA

Source of Variation	*SS*	*df*	*MS*	*F cal*	*F tab*
Between Groups	9442.16	5	1888.43	7.19	2.37
Within Groups	14175.52	54	262.5		
Total	23617.68	59			

Since the calculated value of F is 7.19 which is greater than the table value of 2.37 at 5% significance level, the null hypothesis is rejected and the alternative hypothesis is accepted. Hence, it is concluded that the EPS position of ICICI, HDFC, AXIS, ING VYSYA, INDUSIND and KOTAK differ significantly.

NET PROFIT MARGIN (NPM)

Net profit margin indicates how much a company is able to earn after accounting for all the direct and indirect expenses to every rupee of revenue. This ratio is calculated by using the following formula and is expressed in percentage terms.

Net profit
------------- X 100
Net sales

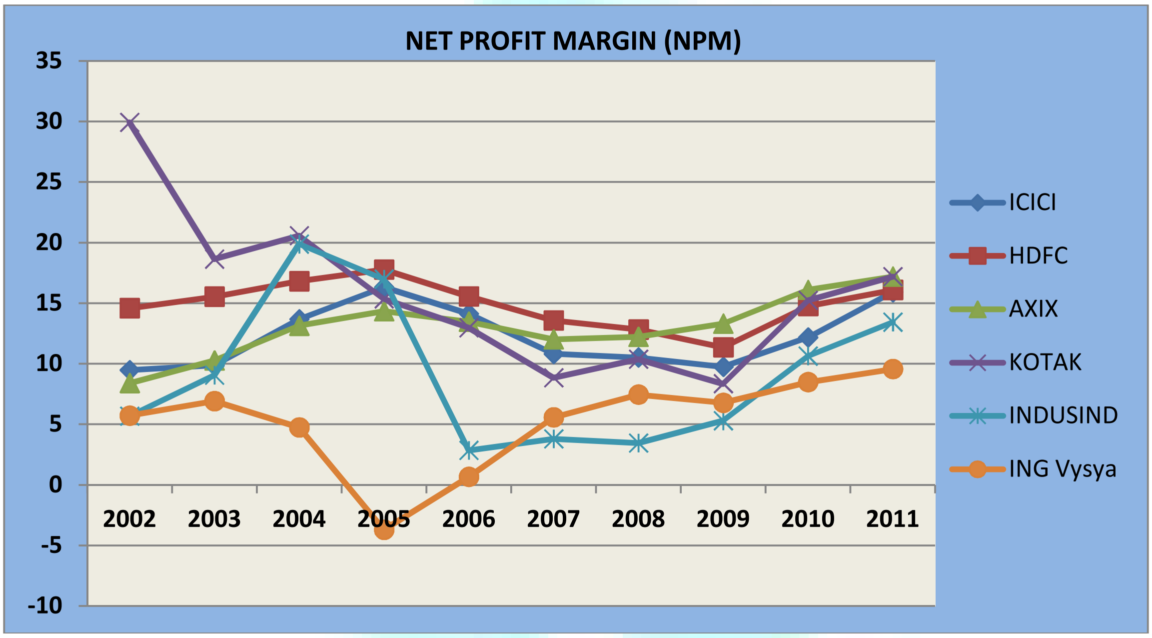
The net profit margin position of the sample companies is depicted in below table and discussed.

NET PROFIT MARGIN (NPM)

YEAR	ICICI	HDFC	AXIS	KOTAK	INDUSIND	ING Vysya	TREND
2002	9.47	14.58	8.40	29.92	5.67	5.71	12.291
2003	9.86	15.53	10.27	18.63	9.05	6.91	11.708
2004	13.67	16.81	13.14	20.57	19.87	4.74	14.8
2005	16.32	17.77	14.33	15.35	16.98	-3.71	12.84
2006	14.12	15.55	13.47	12.97	2.85	0.66	9.936
2007	10.81	13.57	12.01	8.84	3.79	5.57	**9.098**
2008	10.51	12.82	12.22	10.37	3.45	7.45	9.47
2009	9.74	11.35	13.31	8.35	5.29	6.77	9.135
2010	12.17	14.76	16.10	15.23	10.63	8.48	12.895
2011	15.91	16.09	17.20	17.19	13.43	9.56	**14.896**
Average	12.258	14.883	13.045	**15.742**	9.101	**5.214**	

(Source:- www.moneycontrol.com)

The above table reveals that KOTAK Bank outperformed than other banks in terms of net profit margin. Also, there is stagnation in the NPM position of ING VYSYA Bank. The highest NPM of KOTAK Bank is 29.92% in 2002, which of ICICI, HDFC, AXIS, INDUSIND and INGVYSYA are 9.47%, 14.58%, 8.4%, 5.67% AND 5.71% respectively. On an aggregate basis, the mean NPM of KOTAK Bank is 15.742%, the highest, followed by ICICI, DFC, AXIS, INDUSIND, ING VYSYA and ING VYSYA IS 5.214% the lowest among the four sample companies. Thus, it can be conclude that KOTAK Bank is the most efficient bank in controlling operating expenses in comparison with remaining selected private sector bank.



The NPM position of sample companies are compared and tested using the following hypothesis. The details are shown as below:

HYPOTHESIS TESTING

H0: There would be no significant difference in Net Profit Margin (NPM) of all the sampled units during period of study.

H1: There would be significant difference in Net Profit Margin (NPM) of all the sampled units during period of study.

ANOVA

Source of Variation	***SS***	***df***	***MS***	***F_{Cal}***	***F_{tab}***
Between Groups	774.132	5	154.82	8.42	2.37
Within Groups	992.263	54	18.375		
Total	1766.395	59			

Since the calculated value of F is 8.42 which is greater than the table value of 2.37 at 5% significance level, the null hypothesis is rejected and the alternative hypothesis is accepted. Hence, it is concluded that the **NPM** position of ICICI, HDFC, AXIS, ING VYSYA, INDUSIND and KOTAK differ significantly.

RETURN ON ASSETS (ROA)

Return on assets measures the overall efficiency of capital invested in business. It indicates what the yield is for every rupee invested in assets. This is computed using the following formula and is expressed in percentage terms.

$$\frac{\text{Earning after taxes and preferred dividends}}{\text{Total Assets}} \times 100$$

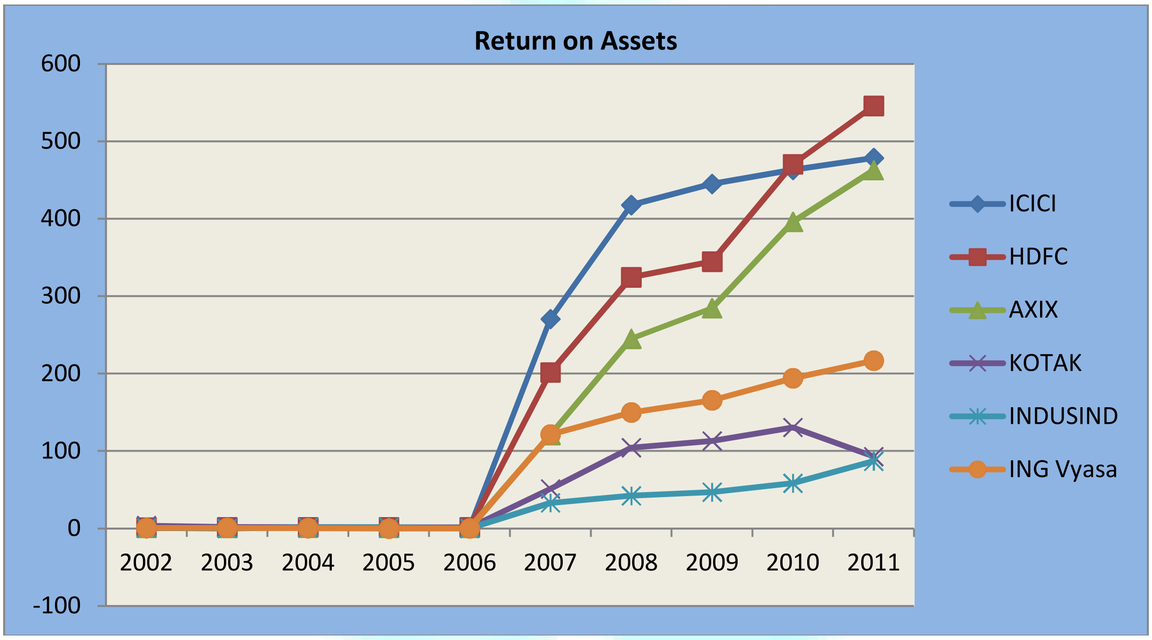
The return on assets position of the sample companies is depicted in below table and discussed.

RETURN ON ASSETS

YEAR	ICICI	HDFC	AXIS	KOTAK	INDUSIND	ING Vyasa	TREND
2002	0.26	1.25	0.93	3.73	0.50	0.64	1.218
2003	1.13	1.44	0.99	2.09	-0.02	0.75	1.063
2004	1.31	1.42	1.12	1.35	1.59	0.45	1.206
2005	1.20	1.66	0.86	1.30	1.35	-0.25	1.02
2006	1.01	1.52	0.98	1.16	0.21	0.05	**0.821**
2007	270.37	201.42	120.80	50.95	33.04	121.37	132.99
2008	417.64	324.38	245.13	104.26	42.19	149.86	213.91
2009	444.94	344.44	284.50	112.98	46.85	165.53	233.21
2010	463.01	470.19	395.99	130.40	58.35	194.05	285.33
2011	478.31	545.53	462.77	92.74	86.79	216.75	**313.82**
Average	**207.91**	189.32	151.4	50.096	**27.085**	84.92	

(Source:- www.moneycontrol.com)

Among all the four banks, ICICI has achieved the highest yield of 207.91 in an average then remaining all selected banks. And INDUSIND Bank has the lowest yield of 27.085 in an average. The above data indicates that after year 2006 ROI of each bank is going to increase. And it has the vast difference before and after year 2006-07. Thus, ICICI Bank is more efficient in generating yield over assets and hence their overall efficiency is better than other banks.



The ROA position of sample companies are compared and tested by using the following hypothesis. The details are shown below:

HYPOTHESIS TESTING

H0 : There would be no significant difference in Return on Assets (ROA) of all the sampled units during period of study.

H1 : There would be significant difference in Return on Assets (ROA) of all the sampled units during period of study.

ANOVA

Source of Variation	***SS***	***df***	***MS***	***F $_{Cal}$***	***F $_{tab}$***
Between Groups	282580.03	5	56516.006	2.36	2.37
Within Groups	1290941	54	23906.31		
Total	1573521.03	59			

Since the calculated value of F is 2.36 which is greater than the table value of 2.37 at 5% significance level, the null hypothesis is accepted and the alternative hypothesis is rejected. Hence, it is concluded that the **ROA** position of ICICI, HDFC, AXIS, ING VYSYA, INDUSIND and KOTAK does not differ significantly.

ASSET TRUNOVER RATIO (ATR)

The formula for the asset turnover ratio evaluates how well a company is utilizing its assets to produce revenue.

The numerator of the asset turnover ratio formula shows revenues which are found on a company's income statement and the denominator shows total assets which is found on a company's balance sheet. Total assets should be averaged over the period of time that is being evaluated.

It should be noted that the asset turnover ratio formula does not look at how well a company is earning profits relative to assets. The asset turnover ratio formula only looks at revenues and not profits.

$$\text{Asset turnover Ratio} = \frac{\text{Sales Revenue}}{\text{Total Assets}}$$

The assets Turnover position of the sample companies is depicted in below table and discussed.

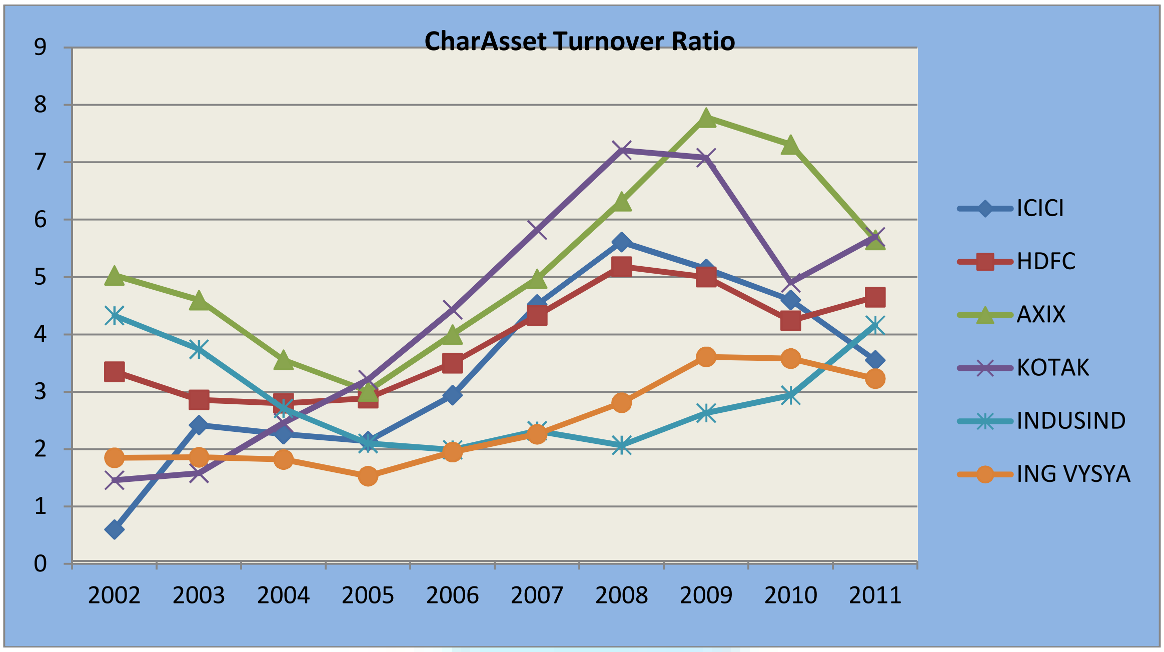
ASSET TURNOVER RATIO

YEAR	ICICI	HDFC	AXIS	KOTAK	INDUSIND	ING Vyasa	TREND
2002	0.60	3.35	5.03	1.46	4.33	1.85	2.77
2003	2.42	2.86	4.60	1.58	3.74	1.86	2.843
2004	2.26	2.80	3.56	2.46	2.71	1.82	2.601
2005	2.14	2.89	3.01	3.21	2.10	1.53	**2.48**
2006	2.94	3.50	4.00	4.43	1.99	1.95	3.135
2007	4.52	4.33	4.97	5.82	2.32	2.26	4.036
2008	5.61	5.18	6.32	7.21	2.07	2.81	4.866
2009	5.14	5.00	7.78	7.08	2.63	3.61	**5.206**
2010	4.60	4.24	7.31	4.90	2.94	3.58	4.595
2011	3.55	4.65	5.65	5.70	4.16	3.23	4.49
Average	3.378	3.88	**5.223**	4.385	2.899	**2.45**	

(Source:- www.moneycontrol.com)

Among all six banks **Axis** bank has higher Assets turnover Ratio's average (ATO) that is 5.223 than remaining 5 banks. And **Ing vysya** bank has lowest turnover Ratio's average (ATO) that is 2.45.

The higher the ratio, the more sales that a company is producing based on its assets. Thus, a higher ratio would be preferable to a lower one. Axis Bank shows the higher ratio that is 5.223 would be preferable than any other bank mention above.



The ATR position of sample companies are compared and tested by using the following hypothesis. The details are shown below:

HYPOTHESIS TESTING

H_0: There would be no significant difference in Asset Turnover Ratio (ATR) of all the sampled units during period of study.

H_1: There would be significant difference in Asset Turnover Ratio (ATR) of all the sampled units during period of study.

ANOVA

Source of Variation	*SS*	*df*	*MS*	*F_{Cal}*	*F_{tab}*
Between Groups	51.29	5	10.258	5.212	2.37
Within Groups	106.28	54	1.968		
Total	157.57	59			

Since the calculated value of F is 5.212 which is greater than the table value of 2.37 at 5% significance level, the null hypothesis is rejected and the alternative hypothesis is accepted. Hence, it is concluded that the **ATR** position of ICICI, HDFC, AXIS, ING VYSYA, INDUSIND and KOTAK differ significantly.

CONCLUSION

The first basic objective of any investor is the return or yield on investments. The fundamental analysis helps in developing an insight into the economic performance of above selected six banks. For every investor analysis of economic performance is very vital in taking investment decisions. Thus, the present study has been conducted to study and examine the economic performance and sustainability of the six major banks in private banking sector, ICICI, HDFC, AXIS, INDUSIND, ING VYSYA and KOTAK. The study reveals that HDFC has performed better in terms of Earning per Share than ICICI, AXIS, KOTAK INDUSIND BANK AND ING VYSYA during the last ten years i.e 2002 to 2011. The study also reveals that after KOTAK Bank again HDFC Bank has performed outstanding in terms of Net Profit margin than remaining banks. On the other hand, among all the six banks, ICICI has achieved the highest yield in terms of Return of Assets in an average then remaining all selected banks.

SCOPE FOR FURTHER RESEARCH

- Further research in this study may address the following important question:
- Further research may be done in another private sector Bank
- Further research may be done in another public sector Bank
- Further research may be done in another co-operative Bank
- Further research may be done in different time period
- Further research may be done with different ratios.

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IMPACT OF HRM PRACTICES ON PERFORMANCE OF NON-ACADEMIC EMPLOYEES OF OPEN UNIVERSITIES IN INDIA

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ABSTRACT
This paper empirically examines the relationship between Human Resource Management practices and performance of non-academic employees of Open Universities in India. Non-academic employees of two open universities formed the population for the study. The sample for the study consisted of 433 respondents from the national open university and a state open university of India. The findings of the study indicate that except the practices of performance appraisal and the career opportunities, all the HRM practices were positively associated with perceived performance. Multiple regression results showed that 42 per cent of the variation in Employee Performance is explained by six variables, namely; Recruitment and selection, Training and development, Performance Appraisal, Career opportunities, Top Management Leadership, Supervisor subordinate relationship, Decentralization and Team work.

KEYWORDS
HRM practices, non-academic employees, open universities.

INTRODUCTION
Education through Open and Distance Learning (ODL) system has emerged as an alternative system to the conventional system and completed about five decades. Open and Distance Learning System is a method of imparting higher education through distance mode with flexible entry qualifications. Since the inception of the first correspondence course institute at the University of Delhi in 1962, open and distance learning in India has grown to include one national open university, 13 state open universities, and 119 correspondence course institutes affiliated to traditional universities, accounting for around 25 per cent of the total enrolment in higher education (Department of Education, MHRD, GOI, 2007, p.108). In the three tier-set up of open universities, non-academic employees interact with the target students right from pre-admission counselling to the completion of their programmes. "The teacher to non-academic ratio is 1:6 in the ODL system against 1:3 in the conventional system" (Kaushik et.al 2006). The various activities involved in the system are; Course Design and Development, Material production, Electronic Media Production, Students Registration, Students Support Services, continuous Evaluation through Assignments, and Students Data Base management. Further, the operational area of the open universities is distributed geographically. Thus, the HR management in ODL system universities needs special attention and thorough study.

Human resource management is responsible for selecting and inducting competent people, providing training and motivating to perform their duties with efficiency. An effective and competent human resource is strength of organizations in tackling the challenges of competitive environment prevailed in organizations today. The importance of possessing a competitive human resource is mandatory requirement for the success of today's organization.

LITERATURE REVIEW
A number of research studies established a positive impact of HRM on organisational performance. Becker and Gerhart (1996), Becker and Huselid (1998), and Dyer & Reeves (1995) empirical studies found that firms which align their HRM practices with their business strategy will achieve superior outcomes. MacDuffie (1995) found that some HRM practices are related to productively and quality of the firm. Delery and Doty (1996) found significant relationships between HRM practices and accounting profits among banks. Youndt et al (1996) found that certain combinations of HRM practices are related to operational performance of manufacturing firms. Guthrie (2001) surveyed in New Zealand corporations found that HRM practices are related to turnover and profitability of the corporations.

Chang and Chen (2002) investigated the linkage of human resource management and firm performance in Taiwan and found significantly positive relationship. In this study, they selected six dimensions of HRM practices, training and development, team work, benefits, human resource planning, performance appraisal and employment security and two items of firm performance, employee productivity and employee turnover and found that these practices were positively influenced employee productivity and firm performance. Green et al., (2006), in the study of US manufacturing firms, concluded that integrated approach to HR practices facilitated satisfied and committed employees who demonstrated remarkable individual and team performance.

Guest and Conway (2004) concluded that human resource is an important potential source of sustained competitive advantage. Huselid (1995) argued that the impact of HRM on behaviour of the employees results in the effectiveness of the employees.

Lee & Lee (2007), in the study of Taiwanese Steel Industry, investigated six HRM practices on business performance, namely, training and development, teamwork, compensation/incentives, HR planning, performance appraisal, and employee security help improve firms' business performance including employee's productivity, product quality and firm's flexibility. This study revealed that three items of HRM practices influence business performance: training and development, compensation/incentives, and HR planning. In a study in Sri Lanka, Ruwan (2007) empirically evaluated six human resource practices with reference to Marketing Executive Turnover of Leasing Companies in Sri Lanka. The HR practices assessed were realistic job information, job analysis, work family balance, career development, compensation and supervisor support and their likely impact on the marketing executive intent to leave in leasing companies. Results indicated that out of the six human resource practices job analysis, compensation and career development are strong influence of their turnover. Shahzad et al., (2008), examined the relationship between HR practices (compensation, promotion and performance evaluation) and perceived employee performance in university teachers in Pakistan. Results indicated that compensation and promotion practices were positively correlated while performance evaluation practices are not significantly correlated with employee performance.

A significant body of previous research has reported significantly positive relationship between HRM practices and organizational performance. These studies were focused on the impact of number of specific HRM practices on organisation performance. Some of the studies focused on the impact of HRM practices on employee retention and employee commitment. There has been not much work done in this area in Indian context. Some researchers have focused on Indian context and tried to see applicability of emerging theories in India (Balasubramanian, 1995; Budhwar & Sparrow, 1997; Budhwar & Khatri, 2001). One of the conclusions drawn by the researchers is the context specific nature of HRM. It also showed that a shift is taking place in the pattern of HRM practices in Indian organisations from traditional administrative type to a more strategic and proactive type. No empirical research was found during literature survey with reference to Human Resource Management practices in open and distance learning universities. However a few studies from countries Nigeria, Bangladesh and Pakistan have focused on HRM practices in Universities (Olufemi, 2009; Shahzad et al, 2008). Thus a gap exists in the research in this area. The purpose of the study was to study the existing Human resource practices in Open Universities with special reference to the non-academic employees. This study will offer valuable insight about the importance of HRM practices for superior and sustainable performance of open universities.

RESEARCH HYPOTHESES

After reviewing the literature, the following null hypotheses formulated.

H_{01}: There is no significant association between Recruitment and selection and perceived non-academic employee performance.
H_{02}: There is no significant association between Training and Development and perceived non-academic employee performance.
H_{03}: There is no significant association between Performance Appraisal and perceived non-academic employee performance.
H_{04}: There is no significant association between Career opportunities and perceived non-academic employee performance.
H_{05}: There is no significant association between Top Management Leadership and perceived non-academic employee performance.
H_{06}: There is no significant association between Supervisor-Subordinate Relationship and perceived non-academic employee performance.
H_{07}: There is no significant association between Decentralization and perceived non-academic employee performance.
H_{08}: There is no significant association between Team Work and perceived non-academic employee performance.

RESEARCH METHODOLOGY

This study examined the relationship of HRM practices on perceived performance of non-academic employees in Open Universities. Non-academic employees of two open universities formed population for this study. The sample selected for this study was 500 non-academic employees of all cadres of hierarchy. Convenience sampling technique was adopted for this study. Descriptive research method is adopted considering the suitability to the research study which measured the impact of HRM practices which have categorized under eight dimensions on the perceived performance of non-academic employees of the Open Universities. These were independent variables and the Employee performance was dependent variable.

DATA COLLECTION INSTRUMENT

A structured questionnaire consisted of 3 sections with 54 questions was administered for collecting the primary data. The measures used in this study have been developed from a review of the available literature. Wherever the variables adopted from the available scales the same have been thoroughly examined to suit the present study.

Section 1 of the questionnaire contained 9 items related to demographic information of the respondents. These items are related to gender, age, designation, employee level in the hierarchy of the organization, years of experience and qualifications of the respondents.

Section 2 of the survey instrument was structured in to 8 dimensions of HRM practices consisting of 45 items. Section 3 of the questionnaire contained (8) eight items on job satisfaction and employee performance. The degree to which employees were satisfied with their performance, promotions in career, higher education pursed during the service and job satisfaction were asked in this section. All the variables asked in the sections two and three were measured on 5 point Likert-type scales (1= Strongly Disagree, 2= Disagree, 3= Neutral, 4= Agree, and 5= Strongly Agree). A covering letter that explained the purpose of the study was incorporated.

PRE-TEST OF THE INSTRUMENT

A pilot test over 30 employees was undertaken from all the cadres of non-academic employees of the University to measure the consistency of the questionnaire. The table 1 shows the reliability results of the instrument. The Chronbach's coefficients alphas for all the HRM variables ranged from .71 to .87, which is acceptable (Nunally, 1978).

THE SURVEY

Survey conducted with 500 employees from all the cadres of Non-teaching employees of two Open Universities by a questionnaire. The sample was selected to proportionally have representation from all levels of hierarchy in the sample from various divisions of the organizations. To select the respondents, convenience sampling method was adopted. The researcher personally administered the questionnaire to obtain and ensure maximum number of usable questionnaires. A total of 433 questionnaires returned from all the cadres of employees yielding response rate of 86.6 per cent.

DATA ANALYSIS AND FINDINGS

The study examined the impact of HRM practices which have categorized under eight dimensions on the perceived performance of non-academic employees of the Open Universities.

PROFILES OF THE RESPONDENTS

TABLE 1 – DEMOGRAPHIC INFORMATION OF THE RESPONDENTS

Description		Frequency n=433	Percentage
Gender	Male	324	74.8
	Female	109	25.2
Age	20-29	9	2.1
	30-39	72	16.6
	40-49	244	56.4
	50 and above	108	24.9
Designation	Senior level	22	5.1
	Middle level	111	25.6
	Junior level	300	69.3
Division/ Functional area	Administration and allied	184	42.5
	Students services	249	57.5
Experience	below 5 years	35	8.1
	6-10 years	18	4.2
	11-15 years	65	15.0
	16-20 years	93	21.5
	above 20 years	222	51.3
Qualification	Matriculation	11	2.5
	Intermediate	13	3.0
	Graduation	213	49.2
	Post Graduation	182	42.0
	Doctorate	14	3.2
		433	100
Qualifications obtained after joining IGNOU	Diploma	65	31.4
	Degree	22	10.6
	Masters	117	56.5
	Doctorate	3	1.4
	Total	207	100.0
Higher studies pursuing at present	Diploma	28	35.9
	Post Graduate	47	60.3
	Doctorate	3	3.8
	Total	78	100.0

Source: Primary data compilation

The table 1 presents the demographic profiles of the respondents. It displays the characteristics of 433 respondents in the study. In terms of gender, 324 (74.8%) are male respondents and 109 (25.2%) are female respondents. Majority of the respondents 244 (56.4%) are under age group of 40-49 years. Of the 433 respondents, 300 (69.3%) respondents are junior level employees followed by 111 (25.6%) middle level employees and 22 (5.1%) senior level employees. Regarding experience, 222 (51.3%) respondents have more than 20 years of experience. Majority of the respondents 213 (49.2%) are graduates and 182 (42.0%) post graduates. Of the 433 respondents, 207 have completed their higher education after joining the organisation while 78 respondents are pursuing their higher studies at present.

REGRESSION ANALYSIS

TABLE 3: REGRESSION MODEL SUMMARY

Model	R	R square	Adjusted R square	Std. Error of the Estimate
1	.648	.420	.409	.429

Table 4: ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	56.558	8	7.070	38.326	.000[a]
	Residual	78.213	424	.184		
	Total	134.771	432			

Source: survey data

a. **Predictors: (Constant),** Recruitment and Selection, Training and Development, Performance Appraisal, Career Opportunities, Top Management Leadership, Supervisor-Subordinate Relationship, Decentralisation, and Team-work.

b. Dependent Variable: Employee Performance

TABLE 5: COEFFICIENTS

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.458	.144		10.149	.000
	RS	.292	.039	.382	7.531	.000
	TD	.059	.053	.067	1.127	.260
	PA	-.065	.047	-.084	-1.381	.168
	CO	-.054	.034	-.075	-1.590	.113
	TML	.107	.043	.143	2.464	.014
	SSR	.130	.044	.149	2.927	.004
	D	.040	.048	.051	.839	.402
	TW	.163	.052	.190	3.135	.002

Source: survey data analysis

a. Dependent Variable: Employee Performance

The **regression table** summarizes the model performance through the following statistics

R: represents the multiple correlation coefficients with a range lies between -1 and +1. Since the R value of 0.648 is close to 1 Employee Performance has a high positive relationship with Recruitment and selection, Training and development, Performance Appraisal, Career opportunities, Top Management Leadership, Supervisor-subordinate relationship, Decentralization, Team work

R square: represents the coefficient of determination and ranges between 0 and 1. Since the R square value is 0.420, 42 % of the variation in Employ Performance is explained by Recruitment and selection, Training and development, Performance Appraisal, Career opportunities, Top Management Leadership, Supervisor subordinate relationship, Decentralization and Team work.

The **Model Summary table** describes the Regression sum of squares and Residual sum of squares. Since the Regression sum of squares value of 56.55, Residual sum of squares value of 78.21 the **coefficient of determination** value indicates 40% of the variation explained. Further, a significance value of 0.000<0.05 indicates a significant R squared.

The **model coefficient table** reports the coefficients for Recruitment and selection, Training and development, Performance Appraisal, Career opportunities, Top Management Leadership, Supervisor-subordinate relationship, Decentralization, Team work along with the significance value. A low significance value of less than 0.05 for Recruitment and selection, Top Management Leadership, Supervisor subordinate relationship, Team work indicates they significantly impact the Employee Performance. Further Training and development, Performance Appraisal, Career opportunities, Decentralization have a significance value greater than 0.05 implying that the impact of these variables on Employee Performance is negligible and hence can be ignored

The regression equation for the above data is:

Employee Performance = 1.458 + 0.292 (Recruitment and selection) +0.059 (Training and development) - 0.065 (Performance Appraisal) -0.054 (career opportunities) +0.017 (Top management leadership) +0.130 (Supervisor Subordinate relationship) +0.040 (Decentralization) +0.163 (Team work)

The above equation is the calculated contribution for the tested elements to achieve Employee Performance effectively. From the Regression equation we notice that except Performance Appraisal and Career opportunities, remaining all the factors have a positive impact on Employee Performance. Therefore, the null hypotheses 3 and 4 need not to be rejected while the remaining can be rejected.

DISCUSSION AND CONCLUSION

The study examined the impact of HRM practices which have categorized under eight dimensions on the perceived performance of non-academic employees of the Open Universities. They were; Recruitment and Selection, Training and Development, Performance Appraisal, Career Planning, Top Management Leadership, Supervisor – Subordinate Relationship, Decentralization, and Team Work.

The results of multiple regression analysis revealed that the two practices, Performance Appraisal and the Career Opportunities are negative impact on the performance of employees. The remaining six factors have a positive impact on Employee Performance. The dimensions which have positive impact on the performance of employees are recruitment and selection, training and development, top management leadership, supervisor-subordinate relationship, decentralization, and team-work.

The performance appraisal (-0.012) was negative impact on the employee performance. In the university, it was observed that the performance appraisal system is known as Annual Confidential Report (ACR) which is done annually. The ACR is written by the immediate supervisor of the section and reviewed by the head of the department or division. This is a one way process in this organisation and the employees are not informed about their performance. Therefore, this system of ACR is a one way process in the university and ends with keeping the records in the safe custody. This may be the reason that employees may not have confidence of their performance review.

The practice of career opportunities (-0.014) was also negative impact on the performance of employees as perceived. This may be because of the promotion policies of the university. As described in the profile of the university, the employees are promoted to the next higher post based on only seniority and not on merit. Since the employees with merits also get promotion as per seniority, they would be in the line along with the employees who perform average. Hence this may be reason for disappointment in the employees who performance excellent.

The open universities have the responsibility of providing support to learners on time where the large number of students pursuing their studies while working. The operational area of an Open University is not confined to the University Campus as in the case of a conventional university but distributed geographically. In the present study, the university has its operational area across the country. Most of the activities in the processes are executed with the non-academic employees only. The non-academic employees have significant role in providing services to the distance learners right from the pre-admission counselling to the completion of their respective programmes.

The students of the university largely interacts with the staff of non-academic employees of the university in connection with their admissions, materials and the examinations matters. Thus, the HR management in ODL system universities needs special attention and thorough study. This research study revealed that human resource management practices have significant impact on the performance of the non-academic employees of the university.

LIMITATIONS AND SUGGESTIONS FOR FUTURE RESEARCH

The study is subject to the usual limitations like all fields of survey research. Firstly, the respondents were drawn from only two open universities. Secondly, the study was restricted to non-academic employees of the organization. Another limitation of the study is the academic employees were not considered for this study.

There are a number of areas which are related to the present study and where future studies can be conducted. A few important areas relevant to the area for future study are summarized below: First, findings of this study provide some insight into how human resource management practices can influence employees' behaviour, which potentially contribute to employees' performance. However, to understand fully, the relationship between human resource practice and employee performance, studies may be conducted collecting data from conventional universities and other open universities.

Secondly, the study centres in the ODL System are working at gross root level where part-time staff deputed to look after multi tasks. This area is required to be researched focusing the work load and the services provided at the centres.

The teaching staff of various schools of study in ODL universities are engaged in preparation of course materials pertaining to the programmes of the respective school of study. Course materials development is the prime task of the faculty concerned besides other academic work like preparation of assignments questions. Studies may be conducted to evaluate the impact of HRM practices on the performance of teaching faculties.

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POST-MERGER FINANCIAL PERFORMANCE APPRAISAL OF ACQUIRING BANKS IN INDIA: A CASE ANALYSIS

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ABSTRACT

This paper presents a comparative study of the pre and post merger financial performance appraisal of acquiring banks. The researcher has selected randomly two cases of mergers occurred in the year 2004 in the Indian banking sector. Ratios analyses have been used to examine the pre and post merger financial performance appraisal of acquiring banks. In order to test the statistical significance, researcher has applied independent sample t-test. The result indicates that the post M&A's have not created difference in the financial performance of the acquiring banks.

KEYWORDS
Banks, Profitability, Merger and Acquisitions, Financial Performance, Accounting Ratios.

INTRODUCTION
Merger and Acquisitions are strategic decisions taken for maximization of a company's growth by increasing its production and marketing operations. Therefore many companies find the best way to go ahead and like to expand ownership precincts through Merger and acquisitions (M&As). Merger creates synergy and economies of scale. For expanding the operations and cutting costs, business entrepreneur and banking sector are using Merger and Acquisitions worldwide as a strategy for achieving larger size, increased market share, faster growth, and synergy for becoming more competitive through economies of scale. The companies must follow legal procedure of Merger and Acquisitions (M&As) as enshrined by RBI, SEBI, Companies' Act 1956 and Banking Regulation Act 1949.The mergers which are taking place in the present era are mainly motivated by strategic and economic gains in the longer run, synergy opportunities may exist only in the mind of corporate leaders. A merger can also improve company's standing in the investment community; bigger firms often have an easier time raising capital than smaller ones. Many of the mergers were successful but history trends show that roughly two-third of the merger would disappoint on their own terms, which means they lose value in the stock market. But still this strategy used by corporate in a wide assortment of fields such as information technology, telecommunications, and business process outsourcing as well as in traditional businesses are purported at gaining strength, expanding the customer base, cutting competition or entering into a new market or product segment.

LITERATURE REVIEW AND GAP
After going through the available relevant literature on M&As and it comes to know that most of the work high lightened the impact of M&As on different aspects of the companies. Raju Guntar Anjana and Gauncar Dipa Ratnakar (2011) examined the effect of merger on business houses in India and they took the case of the Tata Group of Companies and drew conclusions that merger does not creates wealth for business houses in India. Goyal K.A. & Joshi Vijay (2011) in their paper entitled "Mergers in Banking Industry of India: Some Emerging Issues" gave an overview on Indian banking industry and highlighted the changes occurred in the banking sector after post liberalization. Joshua O K Panachi (2011) studies the comparative analysis of the impact of Merger and Acquisitions financial efficiency of bank in Nigeria. Kemal Mohammad Usman (2011) finds the post merger profitability of the Royal Bank of Scotland and from the accounting ratio analysis it is proved that RBS merger proves to be a failure in Banking Industry. Kuriakose Sony & Gireesh Kumar G. S (2010) in their paper, they assessed the strategic and financial similarities of merged Banks, and relevant financial variables of respective Banks were considered to assess their relatedness. Benkard C Lanier et al., (2010) studied the simulating the dynamic effect of horizontal merger and took the case the case of U S Airlines. Aharon David Y et al., (2010), analyzed the stock market bubble effect on Merger and Acquisitions and followed by the reduction of pre bubble and subsequent, the bursting of bubble seems to have led to further consciousness by the investors and provide evidence which suggests that during the euphoric bubble period investors take more risk. Kuriakose Sony et al., (2009) focused on the valuation practices and adequacy of swap ratio fixed in voluntary amalgamation in the Indian Banking Sector and used swap ratio for valuation of banks. Schiereck Dirk et al., (2009), explained the relationship between bank reputation after Merger and Acquisitions and its effects on shareholder's wealth. It is found in the study of Bhaskar A Uday et al., (2009) that Banking sector witness of Merger activities in India when banks facing the problem of loosing old customer and failed to attract the new customers

RESEARCH GAP
It seems from the above review that various studies have been made on Merger and Acquisitions in the Indian Banking Industry, but these studies provide mixed result and not adequately explore the other varied dimensions of M&As. The present study would go to investigate the detail of M&As with greater focus on acquiring bank in the Indian Banking sector. This study will also discuss the Pre merger and Post merger performance of acquiring banks

OBJECTIVES OF THE STUDY
The present study has aimed to analyze the post merger operating performance appraisal of Acquiring Banks in terms of profitability in the Indian Banking Industry and compare the pre and post Merger performance of Acquiring Banks.

HYPOTHESIS
To substantiate the objectives mentioned above, the hypothesis has been formulated and tested.
H_0 (Null Hypothesis) = There is no significance difference between the Pre merger and Post merger Profitability
H_1 (Alternative Hypothesis) = There is significance difference between the Pre merger and Post merger Profitability

DATA AND METHODOLOGY
For the purpose of analyzing the profitability of acquiring banks after Merger and Acquisitions various financial and accounting ratios are undertaken. Data of operating performance ratios for up to four years prior and seven years after the Merger and Acquisitions were collected from the financial statement of company's extracted from the website of money control. With the help of Independent sample t-test the pre merger spanning for four years and post merger seven years financial ratios have been compared.
The Student's t- distribution is as follows:-

$$t = \frac{\bar{x}_1 - \bar{x}_2}{s}\sqrt{\frac{n_1 n_2}{n_1+n_2}}$$

$\bar{x}_1 = \frac{\sum x_1}{n_1}$, $\bar{x}_2 = \frac{\sum x_2}{n_2}$

Where $\bar{x}_1$, is the mean of pre merger ratios of acquiring bank $\bar{x}_2$ is the mean of post merger ratios acquiring bank, $n_1 and\ n_2$ are the number of observations of 1st and 2nd series respectively. S is the combined standard deviation.

$$s = \sqrt{\frac{\sum(x_1 - A_1)^2 + \sum(x_2 - A_2)^2 - n_1(\bar{x}_1 - A_1)^2 - n_2(\bar{x}_2 - A_2)^2}{n_1 + n_2 - 2}}$$

$(n_1 + n_2 - 2)$ Degree of freedom

Where A^1 and A^2 are the assumed means of 1st and 2nd series

FINANCIAL PROFITABILITY RATIOS

Operating Profit Margin = EBIT /Net Sales*100

Net Profit Margin = Net Profit /Net sales*100

Return on Net Worth= Pat /Net Worth*100

Return on Capital Employed = Net Profit /Total Assets*100

ANALYSIS AND INTERPRETATION

Researcher has selected two cases for the study that are shown in table-1. First the Merger of the Global Trust Bank Ltd with the Oriental Bank of Commerce on 14th August 2004, and the second the Merger of the South Gujarat Local Area Bank Ltd with Bank of Baroda on 25th June 2004 has been undertaken. In order to analyze the financial profitability of Acquiring Banks after the merger the Financial and Accounting ratios like Operating Profit Margin, Net Profit Margin, Return on Net Worth & Return on Capital Employed have been calculated.

Tables: 2 & 3 show the Pre-merger and the Post-merger financial performance of acquiring bank (Oriental Bank of Commerce) in terms of above ratios. The **Pre-merger** financial performance appraisal of the acquiring bank (**Oriental Bank of Commerce**) on the basis of ratio analysis is done. The operating profit margin for the year 2000 was 73.3314 percent. The net profit margin was 7.35447 percent with RONW & ROCE at 19.50574 and 1.13531 percent. The operating profit margin decreased at 71.8403 percent in 2001 but the net profit margin increased at 11.33495 percent. The RONW & ROCE reduced at 13.101 and 0.74943 percent. The operating profit margin remains unchanged with 71.17057 percent and the net profit margin had slightly decline at 10.54277 percent. However, the RONW & ROCE shows improvement in the year 2002 at 19.79033 and 0.99355 percent. But in the financial year before the merger, the operating profit margin dropped at 69.33823 percent as well as the net profit margin, RONW & ROCE escalate in the year 2003 at 13.86928, 21.66317 and 1.34445 percent. The **Post-merger** performance appraisal of acquiring bank (Oriental Bank of Commerce) for the very next year declined in terms of operating profit margin at 66.51977 percent but the net profit margin mount at 20.32727 percent. The RONW & ROCE remain unchanged at 21.82349 and 1.34284 percent in the year 2005. The operating profit margin has improved in the year 2006 with 71.03755 percent however the net profit margin, RONW & ROCE reduced at 13.52684, 10.77516 percent and 0.94534 percent. The operating profit margin has increased in the year 2007 at 75.96332 percent but the other ratios like net profit margin & RONW remain unchanged except the return on capital employed show declined with 11.24532, 10.37103 and 0.78555 percent. The net profit margin, RONW & ROCE reduced in the year 2008 at 5.16454, 6.11541 & 0.38941 percent but the operating profit show improved performance and moved up to 84.8385 percent. The net profit margin, RONW &ROCE again shows positive movement in the year 2009 after declined in the previous year at 10.22326, 12.2297 & 0.80422 percent and the only operating profit margin slightly decline in the year 2009 at 78.45936 percent. The operating profit margins again fell at 75.60757 percent and the net profit margin, RONW & ROCE rose in the year 2010 at 11.06236, 13.77381 & 0.82563 percent. The ratio analyses for the year 2011 had declined in terms of operating profit margin, net profit margin, RONW & ROCE moved at 74.36245, 8.71017, 9.48775 & 0.65256 percent.

In tables 4 & 5 further shed the light on the Pre Merger and Post Merger ratios of Bank of Baroda (Acquiring Bank) which is used for the analysis. The ratio analyses of the **Pre merger** period of acquiring bank (**Bank of Baroda**) for the years 2000 to 2003.The operating profit margin for the year 2000 at 64.51834 percent with the net profit margin was 9.63125 percent along with the ratios like RONW & ROCE at 15.54349 and 0.85789 percent. The operating profit margin and net profit margin declined in the year 2001 at 58.8454 & 4.7706 percent. The RONW and ROCE also dropped off at 8.18346 and 0.43375 percent. Later in 2002 all the ratios such as operating profit margin, net profit margin, RONW & ROCE improved with 65.12541, 9.16659, 14.26212 & 0.76987 percent. In the year 2003 operating profit margin decreased at 64.00915 percent and the ratios like net profit margin, RONW & ROCE improved before the merger of banks at 12.67361, 17.61534 & 1.01125 percent.

The **Post merger** ratios of acquiring bank for the very next year 2005 were declined, the operating profit margin and net profit margin at 46.80839 and 10.52397 percent. The RONW and ROCE were 12.0268 and 0.71499 percent. The ratio analyses for the year 2006 shows improved performance as comparing with the previous year, the OPM, NPM and ROCE mount at 53.49295, 11.64732 & 0.72928 percent except the return on net worth 10.54198 percent. For the year 2007, the operating profit margin increased at 64.12472 percent and net profit margin has remained same at 11.4197 percent. The return on net worth and return on capital employed were at 11.86678 and 0.71707 percent. The operating profit margin increased in the year 2008 was at 68.2084 percent and ratios like NPM, RONW & ROCE shows improvement and moved at12.15155, 12.99827 and 0.79928 percent. The operating profit margin and net profit margin showed a positive improvement and moved up to at 69.92945 and 14.75789 percent, while the return on net worth and return on capital employed increased up to at 17.35182 and 0.97939 percent in the year 2009. All the ratios shows positive improvement in the year 2010 the performance of acquiring bank in terms of OPM, NPM,RONW & ROCE and stimulated at 73.00462, 18.31517, 20.24527 & 1.09886 percent. The performance of acquiring bank for the year 2011 continuously increased except the operating profit margin which had slightly reduced. But the net profit margin & return on capital employed moved the highest level at 19.38086 and 1.8351 percent along with return on net worth for the same year was 20.2051 percent.

Table 6 shows t-test analysis of **case I** (the Global Trust Bank Ltd with the Oriental Bank of Commerce). The analysis indicates that the mean of operating profit margin (71.4201 vs 75.2555) and t-value of -1.279 which leads to the conclusion that there is improvement in the Operating Profit Margin after the Merger but not significant statistically, the results also indicate that the mean of Net Profit Margin (10.7754 vs 11.4658) and t-value of -.267 which shows the performance in terms of net profit margin of oriental bank of commerce improved but not significant statistically, it is found that there is increase in the mean of Return on Net Worth (18.5151 vs 12.0823) and t-value 2.254. It seems to have declined so it is considered that it is not affected by merger therefore it is not significant statistically. The mean value of Return on Capital Employed(1.0557 vs 0.8208) and t-value 1.352 which leads to the conclusion that the performance of bank in terms of return on capital employed has declined so it is not significant statistically.

Table 7 shows the **case II (**the South Gujarat Local Area Bank Ltd with the Bank of Baroda). The comparison of the Pre Merger and Post Merger operating performance ratios for the sample of banks merger shows that there is no change in the mean of Operating Profit Margin (63.1446 vs 64.0480) and t-value -.174 which is statistically insignificant but there is positive improvement in the Net Profit Margin after the merger with mean value (9.0605 vs 14.0281) and t-value -2.292 which is however significant statistically. While Return on Net Worth the mean is (13.9011 vs 15.0337) and t-value -.440 which records slightly improvement in post merger period but leads to the conclusion that it is not significant statistically. The mean value of Return on Capital Employed (0.7682 vs 0.8889) and t- value -0.901 which leads to the conclusion that there is no change in the return on capital employed after the merger therefore it is statistically insignificant. It is therefore concluded that all the financial ratios do not improve after the merger so the performances of banks in terms of financial profitability remain unchanged.

TABLE 1: LIST OF SELECTED BANKS MERGER FOR STUDY

S. No	Name of the Transferor Bank	Name of the Transferee Bank	Date of Merger
1	Global Trust Bank Ltd.	Oriental Bank of Commerce	August 14, 2004
2	South Gujarat Local Area Bank Ltd.	Bank of Baroda	June 25, 2004

Source: Researcher's compilation from Report on Trend and Progress, RBI, Various Issues, VIII competition and consolidation, 04 Sep 2008.

TABLE 2: PRE MERGER RATIO ANALYSIS OF ORIENTAL BANK OF COMMERCE FOR THE YEARS 2000 TO 2003 ***Financial Ratios*** *(in Percentage)*

Years	Operating Profit Margin	Net Profit Margin	Return on Net Worth	Return on Capital Employed
2000	73.3314	7.35447	19.50574	1.13531
2001	71.8403	11.33495	13.101	0.74943
2002	71.17057	10.54277	19.79033	0.99355
2003	69.33823	13.86928	21.66317	1.34445

Source: Researcher's compilation from financial statement of Banks retrieved from http://www.moneycontrol.com/stocksmarketsindia/

TABLE 3: POST MERGER RATIO ANALYSIS OF ORIENTAL BANK OF COMMERCE FOR THE YEARS 2005 TO 2011 ***Financial Ratios*** *(in Percentage)*

Years	Operating Profit Margin	Net Profit Margin	Return on Net Worth	Return on Capital Employed
2005	66.51977	20.32727	21.82349	1.34284
2006	71.03755	13.52684	10.77516	0.94534
2007	75.96332	11.24532	10.37103	0.78555
2008	84.8385	5.1654	6.11541	0.38941
2009	78.45936	10.22326	12.2297	0.80422
2010	75.60757	11.06236	13.77381	0.82563
2011	74.36245	8.71017	9.48775	0.65256

Source: Researcher's compilation from financial statement of Banks retrieved from http://www.moneycontrol.com/stocksmarketsindia/

TABLE 4: PRE MERGER RATIO ANALYSIS OF BANK OF BARODA FOR THE YEARS 2000 TO 2003 ***Financial Ratios*** *(in Percentage)*

Years	Operating Profit Margin	Net Profit Margin	Return on Net Worth	Return on Capital Employed
2000	64.51834	9.63125	15.54349	0.85789
2001	58.8454	4.7706	8.18346	0.43375
2002	65.12541	9.16659	14.26212	0.76987
2003	64.00915	12.67361	17.61534	1.01125

Source: Researcher's compilation from financial statement of Banks retrieved from http://www.moneycontrol.com/stocksmarketsindia/

TABLE 5: POST MERGER RATIO ANALYSIS OF BANK OF BARODA FOR THE YEARS 2005 TO 2011 ***Financial Ratios*** *(in Percentage)*

Years	Operating Profit Margin	Net Profit Margin	Return on Net Worth	Return on Capital Employed
2005	46.80839	10.52397	12.0268	0.71499
2006	53.49295	11.64732	10.54198	0.72928
2007	64.12472	11.4197	11.86678	0.71707
2008	68.2084	12.15155	12.99827	0.79928
2009	69.92945	14.75789	17.35182	0.97939
2010	73.00462	18.31517	20.24527	1.09886
2011	72.767276	19.38086	20.2051	1.18351

Source: Researcher's compilation from financial statement of Banks retrieved from http://www.moneycontrol.com/stocksmarketsindia/

TABLE 6: MEAN AND MEDIAN OF THE PRE MERGER AND POST MERGER RATIOS OF ACQUIRING BANK (ORIENTAL BANK OF COMMERCE)

	Mean		Standard deviation		t-value	Sig
	Pre	Post	Pre	Post		
Operating Profit Margin	71.4201	75.2555	1.65591	5.73912	-1.279	.233
Net Profit Margin	10.7754	11.4658	2.68589	4.68717	-0.267	.796
Return on net worth	18.5151	12.0823	3.73410	4.91166	2.254	.051
Return on capital employed	1.0557	0.8208	0.24992	0.28982	1.352	.209

Source: Researcher's compilation based on tables 2&3, 5% level of significance

TABLE 7: MEAN AND MEDIAN OF THE PRE MERGER AND POST MERGER RATIOS OF ACQUIRING BANK (BANK OF BARODA)

	Mean		Standard deviation		t-value	Sig
	Pre	Post	Pre	Post		
Operating Profit Margin	63.1246	64.0480	2.88904	10.13876	-0.174	.865
Net Profit Margin	9.0605	14.0281	3.25550	3.55518	-2.292	.048
Return on net worth	13.9011	15.0337	4.05441	4.13656	-0.440	.670
Return on capital employed	0.7682	0.8889	0.24425	0.19679	-0.901	.391

Source: Researcher's compilation based on tables 4&5, 5% level of significance

RESULTS AND DISCUSSIONS

The analysis suggests that the performance of Oriental Bank of Commerce after acquired global trust bank Ltd has not been improved in terms of Operating Profit Margin, Net Profit Margin, Return on Net Worth & Return on Capital Employed with t- values (-1.279, -.267, 2.254, 1.352) which led to the conclusion that there is no significance difference in all the ratios after the merger and the performance of Oriental Bank of Commerce was not improved in terms of profitability, similarly the performance of Bank of Baroda after acquired South Gujarat Local Area Bank ltd has not been improved in terms of Operating Profit Margin, Return on Net Worth & Return on Capital Employed. Only Net Profit Margin shows improvement after the merger with t-values (-.174,-2.292,-.440,-901) which concludes that there is no difference in the mean value of the Pre Merger and Post Merger operating performance of acquiring (Bank of Baroda) and concluded that it is not significant statistically. The profitability of both acquiring banks has not improved after the merger, therefore **Null Hypothesis is accepted and Alternative Hypothesis is rejected.** The results say that though Merger is helpful for expansion and growth but no guarantee for improving the profitability of acquiring banks.

CONCLUSION

It is clear from the analysis that the only hypothesis set for the validation has been accepted. Both the acquiring banks (Oriental Bank of Commerce & Bank of Baroda) have not created positive difference after the merger in terms of profitability. For comparing the accounting ratios like, Operating Profit Margin, Net Profit Margin, Return on Net worth etc of the Pre and Post merger the t-test is applied. After the merger we see that the various financial parameters of the bank performance have not improved in both cases, the profits are not visible but it may be possible that improved performance of merged Bank will show in later years. There are various motives, which attract the bank for merger but it is not necessary to achieve all objectives after merger. The size of the bank may increase but no guarantee to increase net profitability after merger. Result concluded that the merger and acquisitions is the useful tool for growth and expansion in the Indian banking sector. Future research in this area could be the study of impact of merger on share holder's wealth and take more banks to a larger sample concerning a longer time period for the study which would have given better result.

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MANPOWER REQUIREMENT ASSESSMENT CONSIDERING THE MAKE OR BUY DECISION POLICY OF CENTRAL WORKSHOP IN AN INTEGRATED STEEL & POWER COMPANY

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ABSTRACT

When a company has underutilized capacity and wants to manufacture some components, firms face the question whether to outsource production of a component or continue to make it in the own Workshop. Comparison of the relevant costs of both the alternatives in such cases will show whether to continue the existing arrangement or change to buying it, discontinuing the current production. The answer depends upon whether the firm has the option to use the freed capacity, profitably, or not. This paper involves a scientific study for manpower requirement in the Central Workshop of an integrated steel & power producing company. Work sampling and Analytical estimation were used as the major tools and techniques for this study. Work sampling of each operator who was deployed on different machines was carried out in the workshop. For this manpower requirement assessment "make or buy" decision policy has also been adopted to incorporate profit maximization of the concern & propose optimum manpower in the corresponding department. Simulation ARENA12 software has also been used to support the "Make or Buy" decision. Finally manpower computation was done using the detailed workout & analysis. The outcome of this research will help the management of the company for initiating necessary planning and corrective actions to improve the return on investment and utilization of existing resources.

KEYWORDS

Manpower Requirement Assessment, Work sampling, Analytical Estimation, Make or Buy decision.

INTRODUCTION

Manpower requirement assessment basically involves deploying optimum number of people to different kind of Jobs. This not only helps in reduction of production cost but also achieve the organizational goals of the company. The steps in manpower requirement assessment primarily include analyzing the existing manpower deployment and making future manpower forecasts. In this paper, we discuss the manpower requirement assessment of a department in an integrated steel & power producing company as a case example. In the workshop department of the company, where the study was carried out, at present they do not use any scientific procedure for assessing the number of employees required. Present sanctioned employee strength of the department is 132 and the department has asked to increase it to 170. The management of the company wants a scientific way of assessing the actual requirement of manpower and thus a study was carried out with the objective to compute the actual manpower requirement for the department.

ABOUT THE DEPARTMENT

Central workshop department is one of the oldest departments of this company responsible for designing of spare parts of different equipments & machinery. Apart from this, it also serves as a major backbone to the maintenance team so as to quickly recover the plant from breakdown condition. Presently 132 men are deployed to work in the central workshop which consists of total 39 machines, 2 EOT cranes, 1 heat treatment furnace & 1 shop balancing machine and also include the foundry and fabrication works. The existing manpower deployment in this department is shown in table 1.

TABLE 1: EXISTING MANPOWER DEPLOYMENT OF WORKSHOP DEPARTMENT

Serial no.	Designation	Existing Manpower					
		G	A	B	C	R	Total
1	Sr. Manager	1					1
2	Dy. Manager	1					1
3	Jr. Manager		1				1
4	Asst. Engineer			1			1
5	Jr. Engineer		1	1	1	1	4
6	Sr. Foreman	3			1	1	5
7	M/c Operator	8	33	29	24	20	114
8	Contr. Worker	2					2
9	Apprentice	3					3
TOTAL		18	35	31	26	26	132

G- General Shift, A- A Shift, B - B Shift, C - C Shift and R - Reliever

METHODOLOGY

After obtaining approval of the head of the department and the HR-Manager of the integrated steel & power producing company, collection of the relevant information regarding the functioning of the central workshop department and the job contents of the different modules was carried out. After that, work sampling of each operator who was deployed on different machines was done. To ensure the normal performance of the employees, it was decided not to highlight their names on the sheet rather observations sheets were coded. Head of the department, Shift In-charges, Maintenance gangue were not included in the study, as their nature of work cannot be properly defined and are highly non-repetitive. Machine operators deployed on different 42 machines whose work is clearly definable or tangible are selected for this study. The number of working days per month was taken as 23 which include holidays, earned and sick leave and their rate of working was considered to be 100%.

The study was carried out basically in three broad steps. Firstly, work sampling was carried out to compute the work load of the employees and hence to validate the need of the project. Work sampling will also help to quantify the utilization of the manpower (Raman, 1968). In work sampling, a number of random observations were taken over a period of time to record whether the employee is busy or idle. In second stage, we find out the estimated time required for the activities basically carried out in the department (Barnes, 1980; Sharma, 1988). Time was estimated using Analytical Estimation method which was further used in Simulation. Finally, computations regarding the manpower requirement considering make or buy decision policy was done.

DATA COLLECTION AND ANALYSIS

Working Sampling

It was decided to complete the work sampling process within two weeks. Further looking into other constraints, maximum number of observations that can be taken on any working day is 30 per machine. i.e. a total of 1260 observations were to be taken for all 42 machines (observations to be done every five minutes). It was also found that during study period, machine operators were available on only 35 machines and rest of the machines remained idle due to lack of employees. Data were collected at random intervals. A work sampling format was prepared for collection of the basic data. It was decided to note the following while taking observation.

i) whether the employee is idle or working, and

ii) If the employee is found to be observing the job, then he is counted as working.

The data collected after work sampling is then represented in a summarized form in Table 2. From the table, it can be observed that the second and the third column denote the proportion idleness and proportion of time an employee is found working, respectively. Fourth column denotes the standard performance of an employee. Standard performance is basically the rate of output at which a employee will naturally achieve without over-exertion as an average over the working day or shift, provided that they know and adhere to the specified method and provided they are motivated to apply themselves to their work (Kanawaty, 1995). It is calculated by adding allowance to the working fraction. Considering the working conditions of the steel manufacturing company, the allowances considered are personal need allowance (5%), eye strain (7%), fatigue allowance (8%) and monotony allowances (4%). If the standard performance is found to be greater than 1, it signifies that the employee is overloaded and the reverse signifies under loading as per the following table.

TABLE 2: SUMMARY OF THE WORKING SAMPLING FOR M/C OPERATORS

Machine	Idle	Working	Standard Performance	Overload Index	Average. Overloading per Module
LATHE # 1	0.06	0.94	1.16	0.16	
LATHE # 2	0.07	0.93	1.16	0.16	
LATHE # 3	0.03	0.97	1.20	0.20	
LATHE # 4	0.23	0.77	0.96	-0.04	
LATHE # 5	0.04	0.96	1.19	0.19	
LATHE # 6	0.16	0.84	1.04	0.04	
LATHE # 7	0.21	0.79	0.98	-0.02	
LATHE # 8	0.19	0.81	1.00	0.00	
LATHE # 9	0.28	0.72	0.89	-0.11	
LATHE # 10	0.02	0.98	1.22	0.22	0.09
LATHE # 11	0.03	0.97	1.20	0.20	
LATHE # 12	0.16	0.84	1.04	0.04	
LATHE # 13	0.10	0.90	1.12	0.12	
LATHE # 14	0.02	0.98	1.22	0.22	
LATHE # 15					
LATHE # 16	0.22	0.78	0.97	-0.03	
LATHE # 17	0.06	0.94	1.17	0.17	
LATHE # 18					
LATHE # 19					
PLANOMILLER # 1	0.11	0.89	1.10	0.10	0.10
PLANOMILLER # 2					
DRILL M/C # 1	0.08	0.92	1.14	0.14	0.14
DRILL M/C # 2					
SURFACE GRINDER # 1	0.07	0.93	1.15	0.15	0.15
UNIVERSAL MILLING M/C	0.04	0.96	1.19	0.19	0.19
HOBBING M/C	0.14	0.86	1.07	0.07	0.07
PLANNER # 1	0.15	0.85	1.06	0.06	0.06
PLANNER # 2	0.15	0.85	1.05	0.05	
SLOTTER # 1	0.10	0.90	1.11	0.11	0.11
HACKSAW	0.05	0.95	1.18	0.18	0.18
SHAPER # 1	0.08	0.92	1.14	0.14	
SHAPER # 2	0.07	0.93	1.15	0.15	0.15
SHAPER # 3					
TURN TABLE # 1					0.09
TURN TABLE # 2	0.12	0.88	1.09	0.09	
H.BORING M/C # 1	0.03	0.97	1.20	0.20	
H.BORING M/C # 2	0.08	0.92	1.14	0.14	0.15
H.BORING M/C # 3					
H.BORING M/C # 4	0.11	0.89	1.10	0.10	
EOT CRANE # 1	0.13	0.87	1.08	0.08	
EOT CRANE # 2	0.06	0.94	1.17	0.17	0.14
EOT CRANE # 3	0.05	0.95	1.18	0.18	
Average Overload Index					0.12

From Table 2, it can be seen that all the 42 machines are not equipped with manpower and at the same time whatever operators are available are also overloaded with work, which further justifies the need of additional manpower. The average overloading is found to be 12.5% Overloading for each module is also computed as shown in the table and it is found that Universal Milling machine is the most overloaded module with 11.9% overloading, followed by Hacksaw with 11.1% overloading, Surface Grinder with 9.6% overloading, Horizontal Boring machine with 9.3% overloading, Shaper with 9.2% overloading and so on.

From above table, we also observed that some machines were not running because there was no manpower deployed on those machines, which signifies - resources were underutilized.

Make or Buy Decision Strategy

Since resources were underutilized and at the same time there was overload on the existing manpower, therefore, it was management concern to decide whether to go for outsourcing the extra jobs or to give additional manpower for in-house production of spare parts and to reduce the overload of existing manpower.

Often, firms face the question whether to outsource production of a component or continue to make it in the factory. Comparison of the relevant costs of both the alternatives in such cases will show whether to continue the existing arrangement or change to buying it, discontinuing the current production. The answer depends upon whether the firm has the option to use the freed Capacity, profitably, or not. Decision depends on whether the machinery that is freed would remain idle or can be utilized profitably, elsewhere. This kind of implementation of Buy or Make decision was necessary during this study.

In the second stage of data analysis, simulation was carried on ARENA 12 simulation software to find out whether the job outsourced to the nearest party is cheaper or rather to be done in the department. Based on Analytical estimation, different parameters were found out so that these parameters will be input entity to ARENA 12. The results of simulation is shown below in Table 3 for better elucidation. It was found that some activities took more than a working day of 8 hours and also there are some activities which have a frequency of occurrence less than 20 in a month. The standard times for such activities were computed from the log sheets of the company. For other activities which took less than 8 hours and having frequency of occurrence more than 20 per month, the estimated times were calculated based on detailed analysis. For simulation it is to be noted that we have assumed Central workshop as Entity 1 and Outside party as Entity 2.

TABLE 3: RESULT FROM SIMULATION

Entity

Cost

Other Cost	Average	Half Width	Minimum Value	Maximum Value
Entity 1	0.00	0.000000000	0.00	0.00
Entity 2	0.00	(Insufficient)	0.00	0.00

Transfer Cost	Average	Half Width	Minimum Value	Maximum Value
Entity 1	10.0000	0.000000000	0.00	20.0000
Entity 2	40.0000	(Insufficient)	0.00	80.0000

VA Cost	Average	Half Width	Minimum Value	Maximum Value
Entity 1	62.0794	2.47801	0.00	356.36
Entity 2	55.5604	(Insufficient)	0.00	152.80

NVA Cost	Average	Half Width	Minimum Value	Maximum Value
Entity 1	2.5000	0.000000000	0.00	5.0000
Entity 2	2.5000	(Insufficient)	0.00	5.0000

Wait Cost	Average	Half Width	Minimum Value	Maximum Value
Entity 1	110.48	19.21155	0.00	834.77
Entity 2	167.27	(Insufficient)	0.00	807.12

Total Cost	Average	Half Width	Minimum Value	Maximum Value
Entity 1	185.05	19.32687	0.00	1012.47
Entity 2	265.33	(Insufficient)	0.00	1007.57

Model Filename C:\Program Files\Rockwell Software\Arena\Book Examples\my model_modified Page 2 of 1?

It was observed from simulation result that if a job is performed inside the plant, it costs less than the cost of outsourcing. Apart from this it was evaluated earlier from work sampling that there is an extra overload on existing machine operators & also there is sufficient infrastructure available where no deployment of manpower is there at present. Thereby we proceeded forward to calculate optimum manpower requirement.

Manpower Computation

Computation regarding manpower requirement is then carried out using the above information from work sampling and Overload Index as shown in Table 4. In column one of Table 4, we have categorized the different types of machines into modules. Second column shows the total machines running at present in subsequent module. Third column shows the average overload index in that module (calculated in Table 2). In column four, we have taken the existing working hours per day for each module. In Column five, we have calculated the extra man-hours required (2nd column * 3rd column * 4th column). Lastly, the sixth column represents the number of person required for each module per day and is computed considering 8 hours working shift of operators.

TABLE 4: ADDITIONAL MANPOWER REQUIREMENT ASSESSMENT SHEET

<table>
<tr><th>Module Name</th><th>Working M/c in each Module</th><th>Present Overload Index</th><th>Available Working Hours / Day</th><th>Extra Man-Hrs. required to overcome Overload</th><th colspan="2">Nos. of Operators Required.</th></tr>
<tr><td>LATHE M/C</td><td>17</td><td>0.09</td><td>24</td><td>36.72</td><td>4.59</td><td>~5</td></tr>
<tr><td>PLANOMILLER M/C</td><td>1</td><td>0.1</td><td>24</td><td>2.4</td><td>0.30</td><td rowspan="2">~1</td></tr>
<tr><td>DRILL M/C</td><td>1</td><td>0.14</td><td>24</td><td>3.36</td><td>0.42</td></tr>
<tr><td>SURFACE GRINDER#1</td><td>1</td><td>0.15</td><td>16</td><td>2.4</td><td>0.30</td><td rowspan="2">~1</td></tr>
<tr><td>UNIVERSAL MILLING M/C</td><td>1</td><td>0.19</td><td>16</td><td>3.04</td><td>0.38</td></tr>
<tr><td>HOBBING M/C</td><td>1</td><td>0.07</td><td>24</td><td>1.68</td><td>0.14</td><td rowspan="4">~1</td></tr>
<tr><td>PLANNER#1</td><td>2</td><td>0.06</td><td>24</td><td>2.88</td><td>0.24</td></tr>
<tr><td>SLOTTER #1</td><td>1</td><td>0.11</td><td>16</td><td>1.76</td><td>0.22</td></tr>
<tr><td>TURN TABLE#2</td><td>1</td><td>0.09</td><td>16</td><td>1.44</td><td>0.18</td></tr>
<tr><td>SHAPER#1</td><td>2</td><td>0.15</td><td>16</td><td>4.8</td><td>0.60</td><td>~1</td></tr>
<tr><td>HACKSAW</td><td>1</td><td>0.18</td><td>16</td><td>2.88</td><td>0.36</td><td>~1</td></tr>
<tr><td>H.BORING M/C#1</td><td>3</td><td>0.15</td><td>24</td><td>10.8</td><td>1.35</td><td>~2</td></tr>
<tr><td>EOT CRANE #1</td><td>3</td><td>0.14</td><td>24</td><td>10.08</td><td>1.26</td><td>~2</td></tr>
<tr><td colspan="5">TOTAL</td><td colspan="2">14</td></tr>
</table>

CONCLUSION

The above study for manpower planning in the central workshop department of the company was carried out using scientific tools and techniques. The study was done in three phases. Work sampling shows that the department is actually overloaded with work and the average overloading is computed to be 12% per m/c operator. This also validates the need of manpower increase. In the subsequent step, simulation is done to adopt “Make or Buy decision policy” to determine whether outsourcing of jobs is beneficial for the organization or not. From simulation results, it was concluded that manufacturing or repairing of different spares parts within the organization is profitable and extra 14 manpower should be provided to department as discussed in Table 4. Finally we computed the manpower requirement from the data obtained from the preceding two phases. It is found that the department actually requires 150 employees (including 4 relievers for 14 additional manpower), which is 20 less than the unrealistic demand of 170 employees as asked by the department. This manpower planning exercise can be similarly extended to other departments of the company. This will not only help the company in finding out the actual manpower requirement, but also eliminate unnecessary and excessive manpower leading to cost savings.

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