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Founder
(Late) Sri Raj Kumar Goel

Commandment

from the Founder

*We are building our institute as an ideal family the **RKGIT PARIWAR** where members strive for the development, well being and promotion of each other.*

अज्ञानेनावृतं ज्ञानं ।

श्रीमद भगवत गीता अध्याय 5, श्लोक.15

Aims and Scope

Saaransh is a bi-annual referred Journal published by CMS-RKGIT, Ghaziabad. The objective of the Journal is to provide a forum for discussion of advancement in the area of management. The Journal publishes research papers, articles, book reviews and case studies. The Journal invites manuscripts on all aspects of management and business environment.

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All disputes will be subject of the jurisdiction of Ghaziabad only.

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उत्तर प्रदेश प्राविधिक विश्वविद्यालय
UTTAR PRADESH TECHNICAL UNIVERSITY

प्रो० कृपा शंकर
कुलपति

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Letter No: UPTU/VCO/3-12/2009/4909

Dated : 23.09.2009

MESSAGE

I am immensely pleased to know that Raj Kumar Goel Institute of Technology, Ghaziabad, UP is making a very important beginning by starting publication of **SAARANSH**,RKG Journal of Management. I have gone through the draft of the first issue, Vol. 1, No. 1, 2009, of the Journal and find it an overall excellent attempt. I am sure the Journal will prove to be a successful carrier of views and results of various disciplines of management, and will emerge as a respected referred journal.

I would like to express on behalf of UP Technical University and on my own behalf my best wishes for the success of the Journal.

(Prof. Kripa Shanker)
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From the Desk of Chief Editor....

Success is not a destination, but a journey'. Innovation and Evolution are essential attributes of every successful organization. Even after scaling heights our quest for perfection continues. We persistently endeavour to serve our customers/consumers with a passion. Satisfied customers/consumers are the lifeblood of every organization.

An important element in the strategy of managing the customer value is to continuously strive to meet the challenges of globlisation, technological change, competition and rivalry, workforce diversity an changing customer expectations successfully. An organisation's success story state with its employees who are open to learning and practice innovative skills which can be fostered through teamwork and creation of a new organizational culture .Creating an paradigms requires a strong link between strategic focus and operational reality.

In the present scenario, global economy is in the state of flux and the role of leadership is changing. Considering the recession, one thing that educators across the globe can emerge new opportunities in various sectors. In view of that RKG group of Institutions made efforts towards presenting 'SAARANSH' RKG Journal of Management. It includes number of research articles/papers received from Prominent educationists & professionals throughout the globe.

Globalisation and Liberalisation have led to stiff among the firms. This resulted in a new marketing phenomenon 'Management of Rural Marketing Opportunities & Challenges Ahead. Professor Jagdish Prakash & Akanksha Srivastav have analysed the new dimensions in the rural marketing.

I am delighted to present before you 'SAARANSH' RKG Journal of Management, which contains research papers pertain to varied areas of Business: Marketing, finance & Banking, Human Resource Development and Supply Chain Management.

I express my gratitude to eminent researchers/ academicians/ professionals for their valuable & overwhelming response to 'SAARANSH'. I also extent my heartiest gratitude to several experts who help us by way of assessing research papers/articles and making critical comments and suggestions for making 'SAARANSH' effective. I extend my sincere thanks to each one those who made efforts in creation of 'SAARANSH'.

Prof. Arvind Singh

MANAGEMENT OF RURAL MARKETING OPPORTUNITIES AND CHALLENGES AHEAD

Jagdish Prakash* Akanksha Srivastava**

ABSTRACT

Rural marketers are thriving and even the economic slowdown could not affect them. Rural consumers have sufficient disposable income and are appreciating brands, customer service, aesthetics and products. They are better exposed and informed and are in a position to demand. Because of saturation of urban markets for several categories of consumer goods, marketers are discovering the strengths of large rural markets and trying to formulate suitable strategies to meet the demand offered by robust and rapidly growing rural markets. This paper focuses on the status of rural marketing in the present scenario, reasons responsible for boom in these markets , opportunities waiting to be exploited and challenges ahead.

Keywords: *Rural Market, Consumer Goods, Consumer Demand*

INTRODUCTION

Rural Markets have acquired significance, as overall growth of the economy and positive policies in favour of rural masses have resulted into substantial increase in the purchasing power of people in rural areas. The economic slowdown has adversely affected the urban organised retail, especially the manufacturing and services sector, which has in turn slowed down the urban market. On the other hand, its rural counterpart is thriving. Rural areas are consuming large quantities of industrial and urban manufactured products. In this context, a special marketing strategy, namely, 'rural marketing' has emerged. The fear of joblessness and credit crunch has made the urban consumer extra cautious about his expenditures relating to housing, automobiles and even FMCG products. Marketers, today, have realised that there is a huge potential in the rural market, and have started finalising strategies in this area, Rural Market, have fostered the growth of industries like automobiles, cement, consumer electronics, textiles, telecommunications and fast moving consumer goods, among others. This paper has been prepared mainly with a view to focus on study of the status of rural marketing in the present scenario in comparison to its urban counterpart; To study the reasons responsible for the booming rural markets; the various opportunities waiting to be exploited and challenges yet to be met out in this area of rural marketing and to offer various suggestions in this regard.

PRESENT STATUS OF RURAL MARKETS

Rural markets are thriving and even the economic slowdown could not affect them. Rural families have shown no intentions of cutting down their expenditures on weddings, pilgrimages, construction or consumption. They have their own set of aspirations and are willing to pay right price for right product. Tata sky chief Marketing officer Vikram Mehra says, "Marketers often have this sorry image of rural consumer as a guy who is little more than a poor country cousin. But that is not so. The consumer in the village knows his math and doesn't merely want the cheapest product. The way they define value is similar to the urban consumers." They have sufficient disposable income and are appreciating brands, customer service, aesthetics and products. There is a growing demand for television sets, two wheelers, cars etc. There are three fastest selling categories in rural market. - Rural-rural, i.e. products mainly used in rural markets eg. tractors, seeds, fertilizers etc., Rural-urban , i.e., products like bicycle, transistors, soap, shampoo, battery, washing powder etc. and Urban- urban and the best penetration in this segment is mobile phones. Nokia have found that farmers are now getting more familiar with the handsets and it has became a tool of prosperity for them. Nokia has therefore, lined up various applications exclusively for non-urban population which will be providing entertainment, education and agricultural information to subscribers. The village folks previously have no televisions, but now they are skipping cables and going straight to DTH. The interactive applications of Tata Sky along with its gaming, contest, matrimonial and horoscope options have a wide demand in rural markets. Moerover, ITC's e-chaupal has been a win-win initiative. In this the company had directly established links with rural farmers for the purpose of procurement of agricultural products thereby bypassing the middle man. As a result farmers earn a fair deal and have higher profit margins. Even in fast moving consumer goods (FMCG) segment rural consumers are outpacing urban shoppers. Abhijeet Kundu, Vice President, Antique stock Broking's, says, "Rural demand and an increased focus on rural markets is driving the overall FMCG sector." From 2004 to 2008 FMCG sales have grown at 11% in rural India. Packaged goods market is growing at about 15% in rural areas. Mid-tier FMCG companies like Godrej consumer products, Marico, Dabur and Nesttle have reported strong growth in rural marketing. Dabur has about 35% of its portfolio focused on rural market and reported growth of about 13%-14%. The company has also decided to push fast growing categories like personal care products, toiletries, soaps and soft drinks in rural markets. Marico's

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Parachute Co-conut oil has shown strong growth in rural India. Company's 25% sales revenue comes from there areas, therefore, it is focusing its distribution promotion programmes towards these areas. Hindustan Unilever Limited (HUL) has highest sales from rural India. Similarly, Colgate, Britannia, Nestle have a strong rural focus as well. Hero Hondas also has a strong rural reach which has greatly helped the company in beating the downturn. About 40% of its income comes from rural markets. Company made good sales in rural India especially in wedding and festive seasons. Moreover because of growing purchasing power in rural areas the consumers relied less on bank loans and as a result high interest rate and credit crunch have not affected their purchase plans. The villagers have also shown great interest in insurance policies. In 2001-02, LIC sold 55 percent of its policies in rural India. Again of two million BSNL mobile connectionms, 50 per cent are in small towns and villages and of 6 lakh villages 5.22 lakh have village public telephone, various large format retail stores which have made successful dive in the rural markets include DSCL Hariyali Stores, M&M Subh Labh Stores, Tata/Rallis Kisan Kendras, Escort Rural Stores and Warna Bazaar, Maharashtra. Thus, we can see that village folks now have surplus money and good awareness and knowledge about various products and services. They are better exposed, better informed, have a greater choice and are in a position to demand. This has led them to demand genuine products even if they are at a higher price. The rural and semi-urban markets account for 60 per cent of FMCG sales in the country while 63 percent of durable sales come from these markets. This rising status of rural marketing, at present can be studied under the following heads.

Rural Share in Stock of Consumer Goods

The rural share in stock of consumer goods can be seen in the following table:

Table: 1-Rural share in stock of consumer goods

STOCK	1995-96 (in '000)	Share in percent	2001-02 (in ;000)	Share in percent	2009-10 (in '000)	Share in percent
SCOOTERS	2496	25.2	4416	29.8	6125	32.0
MOTORCYCLE	2210	45.8	6710	50.4	34724	55.4
MOPEDS	2096	37.3	3930	42.2	7333	46.6
CARS/JEEPS	197	7.4	389	6.9	1876	9.3
AUTOMOTIVE	6999	30.5	15445	35.9	50058	42.5
TELEVISION	21411	40.7	40605	47.6	63295	44.9
OTHER WHITE GOODS	3337	13.5	7766	16.7	16730	16.7
ALL FANS	37990	42.4	74673	49.3	157237	49.0
LOW COST ITEMS	226952	57.9	313892	58.7	521999	58.5

Source: *The Great Indian Market, National Council of Applied Economic Research.*

The above table depicts the rural share in the stock of consumer goods like scooters, motorcycle, mopeds, cars/jeeps, automotive, television, other white goods, fans and other low cost items. From the table it is clear that the percentage of rural share in the stock of consumer goods has been rising since 1995-96 to 2009-10. The rural share in automotive has increased from 30.5% in 1995-96 to 42.5% in 2009-10 followed by motorcycles, i.e., from 45.8% to 55.4%, mopeds from 37.3% to 46.6% and scooters from 25.2% to 32.0%. However in cars/jeeps it has increased from 7.4% to 9.3% only. Similarly, in television it has registered an increase from 40.7% to 44.9%. Thus, we can see that the percentage of rural share in stock of consumer goods has increased of the period of 15 years i.e. from 1995-96 to 2009-10.

Rural Share in Stock of Consumer Demands

Table: 2-Rural share in stock of consumer demands

DEMAND	1995-96 (in '000)	Share in percent	2001-02 (in ;000)	Share in percent	2009-10 (in '000)	Share in percent
SCOOTERS	368	33.1	355	39.4	311	39.9
MOTORCYCLE	359	47.3	1036	39.8	4045	48.3
MOPEDS	286	52.7	235	58.2	141	57.7
CARS/JEEPS	6	2.1	63	8.0	376	10.9
AUTOMOTIVE	1016	37.9	1689	36.0	4873	37.9
TELEVISION	4852	54.0	6400	54.5	7712	44.2

OTHER WHITE GOODS	819	23.8	1439	23.9	3120	23.7
ALL FANS	7050	50.0	14627	56.9	32561	56.7
LOW COST ITEMS	29228	58.1	45139	60.1	88607	61.3

Source : *The Great Indian Market, National Council of Applied Economic Research*

The table shows the situation of rural markets in respect of stock of consumer demands. From the table we can see that the rural share in demand for cars/jeeps has increased from 2.1% in 1995-96 to 10.9% in 2009-10 and for scooters it has increased from 33.1% to 39.9% during the same time period. Similarly, the share of fans, moped, motorcycle and other low cost items has also increased. However, the rural share in demand for television, and other white goods have decreased from 54.0% to 44.2% and 23.8% to 23.7% respectively over the period of 15 years. The share of automotive remained same at 37.9%. But here it needs to be mentioned that though the percentage of rural share in demand for television, automotive and other white goods have decreased but the demand for them in the village have increased.

Rural Share in Demand for Consumables

In this head we will study the rural share in demand for consumables like edible oil, health beverages, packed biscuits, shampoos, toilet soaps, washing cakes and washing powders. The share of edible oil has increased from 64.3% in 1995-96 to a high 67.1% in 2001-02. However it reduced to 62.9% in 2009-10. In case of health beverages rural share has decreased i.e. from 28.6% to 28.1% similarly, rural share in demand for packed biscuits has fallen from 36.0% in 1995-96 to 30.3% in 2009-10. However, the share of shampoos, toilet soaps, washing cakes and washing powder has increased over the period of 15 yeas i.e. from 1995-96 to 2009-10.

Difference in Rural Urban Demand

We will study this part under two heads. In the first head we will study the difference in rural-urban demand in respect to two-wheelers, television, other white goods and low cost items. In the second head we will study the difference in rural urban demand in respect to consumables including edible oils, health beverages, packed biscuits, shampoos, toilet soaps, washing cakes and washing powder.

Table: 3-Difference in rural-urban demand

YEAR		TWO WHEELERS	TELEVISIONS	OTHER WHITE GOODS	LOW COST GOODS
2001-02	Rural	1626	6400	1439	45139
	Urban	2279	5334	4585	29971
2009-10	Rural	4497	7712	3122	88607
	Urban	4896	9746	10028	55908

The above table.3. shows that the rural demand for two wheelers has increased by 176.5% from 2001-02 to 2009-10 where as the urban demand has increased by 114.8%. Similarly, in respect of low cost goods rural demand increased by 96.2% while urban demand registered a growth of 86.5%. In case of television 6400 thousand TV sets were demanded in rural areas in 2001-02 and while and only 5334 thousand were demanded in urban areas. In 2009-10, 7712 thousand TV sets are demanded in rural areas while in urban areas 9746 thousand TV sets were in demand. Therefore, we can say that rural demand for TV has increased by 20.5% where as urban demand has increased by 82.7% from 2001-02 to 2009-10. From the table we can also see that the demand for low cost goods have always been more in rural areas as compared to urban areas over the same period of time.

RURAL URBAN DEMAND

In this head we will study the difference in rural-urban demand in respect to edible oils, health beverages, packed biscuits, shamboos, toilet soaps, washing cakes and washing powder. The table given below shows the rural-urban demand in 2001-02 and 2009-10 in respect of various consumables.

Table.4. Difference in rural urban demand (consumables)

Items		2001-02 (figures in '000)	2009-10 (figures in '000)	Percentage Increase (%)
Edible oil	Urban	2328.0	3986.5	71.24
	Rural	4681.6	666.2	42.3
Health Beverages	Urban	96.5	223.4	131.5
	Rural	37.0	88.9	140.2

Packed Biscuits	Urban	550.4	1091.0	98.2
	Rural	294.4	521.6	77.1
Shampoos	Urban	13.6	31.4	130.8
	Rural	6.7	16.3	143.2
Toilet Soap	Urban	335.9	464.2	38.1
	Rural	469.4	657.7	40.1
Washing Cakes	Urban	510.7	616.5	20.7
	Rural	1351.7	2104.5	55.6
Washing Powder	Urban	847.1	1485.4	75.3
	Rural	1005.2	1847.8	83.8

From the table we can see that percentage increase in demand of edible oils and packed biscuits is more in urban areas as compared to rural areas. Whereas in all other items like health beverages, shampoos, toilet soaps, washing cakes and washing powder the increase in demand is more in rural areas in comparison from urban areas. Therefore, we can say that the consumption of such items in rural areas is increasing at a high pace, even higher than the growing demand in urban areas. Thus, after studying the rural share in respect of stock of consumer goods, consumer demands, demand for consumables and difference in rural-urban demand we can say that the rural markets are becoming more and more lucrative for the marketers, because of growing demand in villages.

Why Rural market is booming?

There are various reasons which have led to this boom in rural markets. Firstly, the UPA government has transferred large sums of money in the rural pockets. Previously for the purpose of rural development, infrastructure was built, food and housing facilities were provided. But UPA government had given the compensation in hand, i.e, in cash, which increased the purchasing power of rural folks. Secondly, the National Rural Employment Guarantee scheme (NREGS) of the government launched in 2006 has also contributed to this boom significantly. Through this scheme every member of a poor household got employed for at least 100 days in a year in works like digging canals, embankment, land development etc. This led to the increase in the disposable income of rural people thereby pushing up their demand in quantity as well as for quality products. Thirdly, the raising of minimum support price for key crops like wheat and paddy had added to it. Good harvests along with a rise in minimum support price of paddy by 33% and wheat by 56.3% since 2004-05, availability of water and power in subsidised rates and fertilizer subsidy altogether ensued that rural incomes are not eroded even in a glut like situation. Fourthly, better infrastructural and transportation facilities helped the farmers in bringing their produce to bigger markets and getting better prices. This further gave a boost to rural demand. Fifthly, the farm loan waiver of Rs. 65318 Cr. carried out by the government in 2008 added to their liquidity. Sixthly, as good portion of rural population gets income from government by way of salaries as post office employees, ex-servicemen, teachers etc. The sixth pay commission handsomely improved their disposable income and lastly, since the villagers generally keep their savings in post offices, nationalised banks, and government backed saving instruments they were not much affected by stock market crash by almost 60% since January 2008 which came thrashing down on their urban counterparts.

Opportunities

There are many opportunities waiting to be exploited in the area of rural marketing.

- The various infrastructural problems have been tackled to a great extent. There is better connectivity by roads, more than 90% of villages are electrified. Rural telephone density has gone up by 300% in last 10 years. Rural literacy rate has also improved from 36% to 59%.
- The purchasing power of rural families has grown rapidly. Rural Marketing Association of India (RMAI) confirms that rural income levels are on a rise. Income from non-farm sector is likely to touch 66% of net rural income by 2020. Market size would thus, nearly double. Average rural spending would grow 6 times from current levels in 20 years. Moreover, the percentage of Below Poverty Line (BPL) families declined from 46% to 27%.
- There is an increasing convergence between urban and rural consumers especially the young consumer, who have almost same aspirations as that of a young urban consumer. Thus, the marketers can target a certain section of rural consumers in the same manner as they are targeting the urban ones.

- Moverover, the per capita income of top 20%-30% of rural segment is not much different from urban middle class. This means that the affordability of the segment of rural consumers will be almost equal to that of the urban middle class. Thus, marketers can tap this segment as well with the product he is targeting the urban middle class.
- Lastly, as we know that India's rural population accounts for 12.5% of the world's total population, 600,000 villages with 700 million peoples, the country side thus, offers a huge consumer base and huge opportunity for rural marketers in India.

Challenges Ahead

For the purpose of optimally exploiting the opportunities at hand in rural areas, the marketers have to cope up the various challenges before them.

- The first challenge before them is to communicate the value to the rural consumers properly. Though these consumers understands value the marketers are generally not able to communicate the value properly. As Zia Hajeebhoy, head Chemistry Business and Marketing, Monsanto says, "The amazing part for rural consumer is that he understands value. Delivery and communication of value to the customer in rural areas are the key challenges."
- Another challenge is to educate the rural consumer about the requirements and uses of the products. The marketers should also make the rural consumers understand how their product is different from similar products offered by competitors. This leads to better involvement on part of buyer and fosters long lasting relationship between consumer and company.
- Another challenge is to have a strategic intent on the company's part and not an opportunistic mindset. Generally companies approach rural consumers only when growth from urban market is hard to be attained. This approach is detrimental and needed to be changed. In the words of Sumit Sehgal, Vice president, Marketing, Max New York life, "Rural marketing requires huge amount of time, money and perseverance, on the part of the marketer. It has to be a strategic intent for the companies. A strip down version from urban to rural does not work." Thus, there is need of a well laid out strategy at the corporate level.
- Fourthly, the lack of adequate number of people in rural areas who can provide the last mile service also pose difficulties for the marketers. There are not enough job opportunities in rural areas which result in migration of capable workforce.
- Improving distribution channel and also involving rural people in the network as they easily relate with the consumer in those areas is another challenge to be tackled by the rural marketers.
- Trust is another key factor which has to be properly delt with. Thus, one of the biggest challenge to be met out is to create trust among the rural folks regarding the products. According to Sanjay Muthal, Managing Director, Nugrid Consulting, "Trust is another key factor-rural consumers are suspicious of urban market thinking. Rural consumers only buy from people they identify with."
- Rural folks are now more likely to spend on items that give them status. In the words of Sunil Duggal, CEO, Dabur India, "Rural markets continue to surge ahead of urban markets. We will have to suit rural needs more and invest in understanding the spending pattern there." Therefore, studying the pattern of rural spending is another challenge to be faced.
- Certain other factors which make the situation even more challenging are shortage of electricity, water, poor logistic support, poor telecommunication facilities, lack of micro financing, fragmented market, inadequate is distribution network, difficult consumer engagement and a value for money mentality.

Only when these marketers successfully tackle these challenges then only they would be able to fully reap the benefits of growing opportunities in rural marketing.

SUGGESTIONS

- Solutions to the various problems should be designed collaboratively.
- Major problems should be identified and solved with efficiency and transparency.
- Marketing research should be undertaken involving focus groups.
- Marketers should also build prototypes while strategizing for marketing.
- The supply chain management has to be more effective.
- Thus, taking into consideration the various challenges and opportunities which rural areas are offering to the marketers, it may be stated that the future of rural market is quite promising and fruitful. Several challenges are there before the market managers and they have to chalkout strategies to meet the demands being offered by robust and rapidly growing rural markets. They should not forget that today it is not possible to ignore a market that houses three of every four people living in the rural areas with rising income level.

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CONSUMER PERSONALITY AND RETAILER PERFORMANCE: WHAT IS THE CONNECTION?

Hafedh Ibrahim*

ABSTRACT

Absence in research on the impact of consumer personality on retailer performance is quite obvious. As well as research on how personality influences nonfinancial performance, is sparse. The author proposes a comprehensive store performance model that includes (1) some consumer's personality traits as exogenous constructs, (2) nonfinancial performance's construct as mediating variable, and (3) financial retailer performance as the endogenous construct. Then the model is empirically tested and the findings provide support for the model. The author concludes by discussing the results to develop an agenda for additional research and explore managerial implications.

Keywords: *Consumer Personality, Nonfinancial Performance, Retailer Performance.*

INTRODUCTION

Our model assess the effect of some psychological traits on nonfinancial retailer performance and ultimately on financial retailer performance. In fact, an important research stream has studied whether certain variables or strategies enhance firm performance (Capan et al., 1990, Pearce et al., 1987), whereas, research linking consumer personality to performance has been notably lacking. It is largely assumed that not all segments are profitable (Payne and Holt, 2001). So, investigations are required to empirically confirm this important assumption. Although, some authors affirm that not all customers are created equivalent and some segments will be beneficial, some will break even and some will be unprofitable. Hence, enhancing customer retention does not for all time lead to profitability (Payne and Holt, 2001). Recently, a remarkable emergent attention in the effects of personality on consumer research gains ground (Kassarjian and Sheffet, 1991, Ibrahim and Najjar, 2008). Some authors argue that consumer personality is a significant tool for assessing market behavior (Ekinci and Riley, 2003) and others suggest the foundation for the development of a personology of the consumer (Baumgartner, 2002). This skepticism about value of consumer personality makes it crucial that research be undertaken to address the quantification of the effect of psychological traits on observable firm performance measures. In fact, prior research has explored several antecedents of firm performance, for instance service quality (Zeithaml et al., 1996), quality of goods (Babakus et al., 2004), satisfaction (Buzzell et Gale, 1987, Fornell, 1992, Ittner and Larker, 1998, Kordupleski et al., 1993, Nelson et al., 1992), and degree of excellence exhibited by products (Reeves and Bednar, 1994). However, the intermediate links between consumer personality and financial firm performance have not been understood. Firm should asks the question, ''Does the entire segment is really profitable?''. Then, if this firm can find which of these consumers is really beneficial, it will be able to better target these candidates. This reflection is enthused by the premise that firms must look at their segments on supplementary dimensions, such as psychological traits, to more clearly offer differentiation in regards to how consumers' needs can be best met by companies. This information could be suitably used by firms to set up target market programs for the diverse segments. In fact, several researchers mention that it is crucial to categorize customers to better appreciate and serve their requests. To delineate the complex relationship between consumer personality and financial firm performance, researchers should investigate and understand many other relationships, each of which is an integral part of the composite. One such relationship – between consumer personality and financial firm performance – is the primary focus of the present research. So, unlike previous study, the present research adopts a more comprehensive perspective on retail services by investigating two important research gaps: First, we examine the neglected link between nonfinancial retailer performance and financial retailer performance. Second, we explore the contribution of psychological traits on retailer performance. The article is structured as follows. We will commence with the conceptual model and hypotheses, followed by an explanation of the research methodology, the results, discussion, managerial implications and limitations.

CONCEPTUAL FRAMEWORK AND HYPOTHESES

Our conceptual model consists of three main elements. The first one refers to self-image congruity, need for social affiliation, consumer relationship proneness, and need for variety, reflecting parts of consumer personality. The second element represents financial retailer performance in terms of sales growth, price premium, customer share, and retailer

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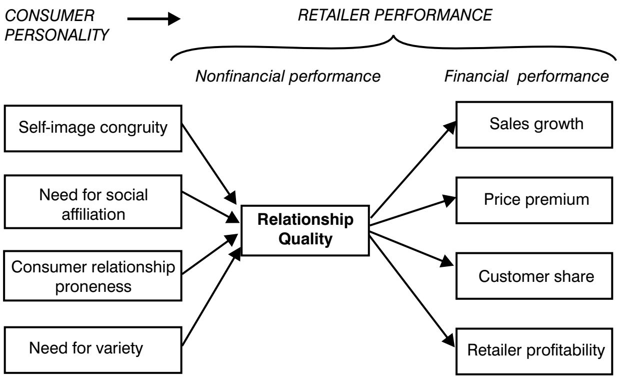
profitability. Moreover, as a pivotal element in our model, we include nonfinancial firm performance since; we do not find – theoretically – a direct link between consumer personality and financial performance. Besides relationship quality dimensions such as satisfaction, trust, and commitment are generally recognized as nonfinancial firm performance constructs in retail and services research. The following figure gives a visual illustration of our conceptual model. It is worth noting that there exist no published studies that have



Conceptual Model

discussed the entire chain of effects from personality to nonfinancial performance outcomes to financial retailer performance.

Self-image congruity and nonfinancial performance

The importance of self-concept lies in the fact that in many cases what a consumer purchases can be affected by the image that he has of himself. That is, consumers employ products or services to express their self-concepts to themselves (Ibrahim and Najjar, 2007). Through the utilization and the consumption of products, consumers depict, uphold and improve their self-concept (Hong and Zinkhan, 1995). As possession and acquisition are excellent vehicles for self-expression, consumers frequently buy products that are perceived to be comparable to their own self-concept (Ibrahim and Najjar, 2008a). This results in what is often called as self-image congruity (Sirgy et al., 1997). Much of self-concept research has been focused on elucidating purchase intention, product preference or usage in terms of congruency of the products with the customer's self-concept (Hong and Zinkhan, 1995, Leigh and Gable, 1992). According to this perspective, products or services are supposed to have an image established not only by the physical features of the object alone, but by a throng of other factors such as price, packaging and communication (Sirgy, 1982). These images are also created by other associations, such as stereotypes of the typical customer. Thus, the connotations that products hold for customers are a function of all the factors listed above and the "product significance" determine to what degree the product is viewed as being congruent with the self-concepts of consumers. Recently, Ibrahim and Najjar (2008a) gave some evidence to validate the impact of self-image congruity on customers' satisfaction and Ibrahim and Najjar (2007) proved that a higher level of different types of self-image congruity (actual, ideal, social and ideal social self-image congruities) leads to a higher level of customer satisfaction in retailing. Moreover, in the same context Ibrahim and Najjar (2008b) confirm that self-image congruity indirectly impacts loyalty via relationship quality. Therefore, we expect self-image congruity to directly influence retailer nonfinancial performance:

H_1: A higher level of self-image congruity leads to a higher level of nonfinancial performance.

Need for social affiliation and nonfinacial performance

According to Bloemer et al. (2003) need for social affiliation is a preference to be with other people as well as to engage in relationships. This trait can be fulfilled in retailing since consumer contact is needed in this context. In fact, shopping enables consumers to contact salespersons and other customers (Ibrahim and Najjar, 2007). Bloemer et al. (2003) consider this concept as sociability. For Price and Arnould (1999) sociability is one of the factors influencing the improvement of trade friendships in a service setting. Retailing is considered to be symbolic rather than functional (Sirgy et al., 2000). Therefore, it will be so hard for a store to deliver high quality services to customers who detest contact. Therefore, need for social affiliation seems to be precursor to successful service delivery. In service setting, Bloemer et al. (2003) affirm that this psychological trait can be developed through keeping a relationship with a company and they demonstrated a positive relationship between social affiliation and satisfaction, commitment, word-of-mouth and price sensitivity. Moreover, these researchers show that social affiliation directly influences repeat purchasing via satisfaction and commitment. Thus, we expect need for social affiliation to directly influence retailer nonfinancial performance:

H_2: A higher level of need for social affiliation leads to a higher level of nonfinancial performance.

Consumer relationship proneness and nonfinacial performance

Sheth and Parvatiyar (1995) assert that implicit in the idea of relationship marketing is a customer focal point and customer selectivity- that is, all customers do not want to be served in the same manner. In fact, some consumers are inherently tending to engage in relationship (Christy et al., 1996). In this context, Bloemer et al. (2003) define the concept consumer relationship proneness as the relatively stable and conscious tendency of a consumer to engage in relationships with the company. The documented research relative to this concept is little and recent, it being recognized that consumer relationship proneness differs between consumers, whereas there is limited empirical studies of this (Liljander and Roos, 2002). Firms should discern which of consumers really intend to put up a long-term relationship, it will be able to better target these candidates to invest in a relationship building. When a customer has low level of relationship proneness, he is transactional oriented (Ibrahim and Najjar, 2008). Transactional orientation is a short-term attitude of the customers. The customers with transactional orientation do not aspire to construct any relationship with the company as well as they purchase with no commitment. Whereas, those with high level of relationship proneness are strongly prepared to build up a relationship with the company. From the works of Bloemer and Odekerken-Schröeder (2002), De Wulf et al. (2001), Odekerken-Schröder et al. (2003) and Vazquez-Carrasco and Foxall (2006), it appears the key role played by consumer relationship proneness trait in determining customer satisfaction. In the same context, Bloemer et al. (2003) found strong support for the direct impact of relationship proneness on commitment and the indirect effect on this construct on word of mouth, price sensitivity and repeat purchasing, via commitment. Hence;

H_3: A higher level of relationship proneness leads to a higher level of nonfinancial performance.

Need for variety and nonfinancial performance

Customer can be influenced by personality traits to look for variety as something primeval as well as desirable in itself. The propensity to search for activities has been explained by the Optimum Stimulation Level (OSL) paradigm. A commonly conventional treatment of need for variety is that each entity has preference for a given level of stimulation. If the level of stimulation at a certain time decreases under the optimum level, the individual will look for supplementary variety from the surroundings in order to raise stimulation. On the other hand, when the stimulation level is over this optimum level, the individual will make an effort to lessen it (Zuckerman, 1994). In marketing and consumer studies, need for variety has an obvious implication since it helps to clarify dissimilarities between customers in relation to numerous aspects of consumer behavior. The majority of activities persons accomplishes in order to improve their OSL have been elucidated by the construct ''customer exploratory behavior'' which can be defined as the search for newness (Waters, 1974). To the best of our knowledge, there are little investigations suggesting a direct link between need for variety and nonfinancial performance. Burgess and Harris (1998) announce that the OSL is essential to differentiate disloyal and loyal customers. Need for variety motivates customer switching behavior despite a perception of good relationship quality (Hennig-Thurau and Klee, 1997). All of the evidence adduced on this psychological trait leads to propose that customers with a high need for variety may have a low level of relationship quality and loyalty. This is since their intrinsic need for change would make them less attached to the relationship developed with their firm. Therefore;

H_4: A higher level of need for variety leads to a lower level of nonfinancial performance.

Nonfinacial retailer performance and financial retailer performance

We discern a significant difference between nonfinancial and financial firm performance measures (Homburg et al., 2002). Nonfinancial firm performance is allied to the success of a company's marketing activities and consists of variables such as market share, customer loyalty, customer benefit as well as customer satisfaction (Menon et al., 1996, Morgan and Piercy, 1996). Financial firm performance essentially is linked to profitability measures comprising return on assets, return on sales, and return on investment (Chakravarthy, 1986). Prior research maintains the thought that nonfinancial performance leads to enhanced financial performance (Rust et al., 1995). Nevertheless, the understanding of whether marketing strategies activities influence the retailer's financial performance is still at a less-than-desible stage. As said by Srivastava et al. (1998), in the lack of a satisfactory understanding of the marketing-finance interface, marketers have big difficulty in evaluating the implication of marketing activities. This, in sequence confines the investment in marketing activities. This point is also discussed by Webster (1981). In this research we look at three nonfinancial dimensions represented by relationship quality (satisfaction, commitment, and trust) and four diverse financial outcomes (sales growth, price premium, customer share, and retailer profitability). Relationship quality has long been an area of interest in marketing literature since it is considered to be imperative in the maintenance of customer-firm relationship (Hennig-Thurau, 2000). This construct has been defined by Smith (1998) as a general estimation of the strength of the relationship and the extent to which it meets the desires and anticipations of the parties derived from a history of successful encounters or events. Crosby et al. (1990) developed a model demonstrating that relationship quality is studied from a customer's viewpoint. It can also be seen from the firm's perspective. In fact, Roberts et al. (2003)

assert that firms must be able to monitor the quality of their consumers' relationship with them, as well as the efficiency of their relationship programs aimed at constructing relationship quality, since relationship quality offers quantification for such estimation. Generally, the construct of relationship quality is considered as a multi-dimensional construct (Woo and Ennew, 2004). It is conceptualised as a higher-order construct consisting of several dimensions (Kumar et al., 1995). Recently, Palmatier et al. (2006) recognized that commitment, satisfaction and trust are the dimensions of relationship quality that most often studied, as relationship quality is a composite measure of relationship strength. Therefore, the present study views relationship quality as a higher order construct that includes these three dimensions. Past researches have found a positive connection between customer satisfaction and the firm's profitability (Anderson et al., 1994, Rust and Zahorik, 1993). Palmatier et al. (2007) hypothesize that relationship quality have an effect on service provider. Their findings confirm that relationships developed with persons and firms function in a different way and have potentially distinct influences on outcomes. In fact, relationship quality with the salesperson impinges on three financial outcomes (price premium, sales growth, and customer share) and has a superior effect on customer share and sales growth than did with the price premium. Medlin et al. (2005) prove empirically that commitment affects directly firm performance (profit, sales, market share, and growth in market share). Also, it affects indirectly performance outcomes via trust. As well, trust has a direct and positive effect on the firm's performance. According to Ittner and Larcker (1998) nonfinancial measures are good leading indicators of financial performance. Therefore, we suggest the following hypotheses:

H_{5a}: *A higher level of nonfinancial performance leads to a higher level of sales growth.*

H_{5b}: *A higher level of nonfinancial performance leads to a higher level of price premium.*

H_{5c}: *A higher level of nonfinancial performance leads to a higher level of customer share.*

H_{5d}: *A higher level of nonfinancial performance leads to a higher level of retailer profitability.*

METHODOLOGY

Data were collected from in two phases. Collecting responses separately for every stage guarantees no bias in the connection between the variables caused by asking the respondent to give both sets of answers in the same questionnaire. Both phases were done for the period of three-months. Details concerning the measures and procedures employed in the study are illustrated in the remainder of this section.

Phase 1: Data collection from retail store managers

Data collection: All measures in phase 1 were collected from the survey responses provided by managers. They were solicited to answer a series of questions. 303 questionnaires were sent with a letter elucidating the scholastic object of our research and reassuring confidentiality. Followed-up personal phone contacts in order to persuade them to complete the questionnaire. 112 completed surveys were returned, for a response rate of 37%. Then the sample was divided into late and early respondents and the two groups were compared in terms of the retail store performance outcomes (sales growth and retailer profitability). This evaluation indicated similarity in variances and means between the groups, which denotes that nonresponse bias in phase 1 is unlikely to distort the results of this study.

Measures: Retail store managers provide 2006 and 2007 sales revenues which enabled us to calculate the raw percentage and then sales growth was measured on a five-point Likert scale. The retailer profitability also was measured with a single item, the question was: what was the profit as a percentage of sales of your store on average over the last two years? (1 = negative, 2 = 0% - 2%, 3 = 2.1% - 3.5%, 4 = 3.6% - 5%, 5 = 5.1% and more).

Phase 2: Data collection from shoppers

Data collection: 20 students from the higher institute of management of Tunis collected data on consumer personality, relationship quality, customer share, and price premium. Their work was supervised by random call-backs (to telephone numbers obtained in the interviews). 1000 patrons of discount retail stores were drawn in five big cities in Tunisia. After screening the questionnaire for incompleteness a 836 usable sample was utilized.

Measures: Based on a review of the relevant literature measures were generated for customer share (Palmatier et al., 2007), price premium (Palmatier et al., 2007), need for social affiliation (Bloemer et al., 2003, Shim et Eastlick, 1998), consumer relationship proneness (Bloemer et al., 2003) and Need for variety (Steenkamp and Baumgartner, 1995). Relationship quality was conceptualized as a higher-order construct comprising trust, commitment, and satisfaction (De Wulf et al., 2003) and self-image congruity was measured by four items five point numeric scale following Ibrahim and Najjar (2008a). The items related to all variables are exposed in (see table 1).

Table 1: Measurement model evaluation

Construct	Items	Cronbach alpha	Lambda loadings	Joreskog Rho
Self image congruity	Creative	0.80	1.00	0.82
	Fashionable		0.984	
	Modern		0.526	
	Organized		0.578	
Need for social affiliation	Excitement.	0.57	1.00	0.61
	Sense of belonging.		0.847	
	Friendly relationship with others.		0.279	
Customer relationship proneness	Generally I am someone who likes to be a regular customer of a store.	0.91	1.00	0.92
	Generally I am someone who wants to be a steady customer of the same store.		1.400	
	Generally I am someone who is willing to go the extra mile to visit the same store.		1.390	
Need for variety	I like to experience novelty and change in my routine.	0.83	1.00	0.84
	I continually seek out new ideas and experiences.		0.840	
	I like to switch activities continuously.		0.778	
Relationship quality	*Satisfaction*	0.82	1.00	0.85
	I feel I know what to expect.			
	I am usually satisfied with the products I buy.			
	I am usually satisfied with my experience.			
	Trust	0.80	1.983	0.83
	This retailer gives me a feeling of trust.			
	This retailer gives me a trustworthy impression.			
	This retailer only wants the best for me.			
	This retailer gives me the feeling that I can count on the retailer.			
	Commitment	0.73	1.992	0.75
	I consider myself as a regular customer of this retailer.			
	I feel loyal to towards this retailer.			
	Even if this retailer would be more difficult to reach, I would still keep buying here.			
	I am willing to go the extra mile to remain a customer of this retailer.			
Customer share	Of the potential products or services you could purchase from this store, what percent share does this store currently have?	0.95	1.00	0.96
	Of the potential products or services you could purchase from this store, what percent share do you estimate this firm will have 3 years from now?		1.106	
Price premium	What price premium (average) would you pay to deal with this store versus another store with similar products/services?			

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RESULTS

We performed confirmatory factor analysis (CFA) in order to assess the validity as well as reliability of the multi-item scales for eight model constructs (see table 1). The χ^2 value (407.515) for the measurement model was significant at 0.001 level, this statistic is susceptible to model complexity and sample size (Durvasula et al., 1993); as such, other indices are more suitable for assessing model fit since they are relatively less affected by sample size. The GFI (0.95), AGFI (0.93), NFI (0.97), TLI (0.98), CFI (0.98) and RMSEA (0.044) indicate acceptable model fit. Discriminant as well as convergent validity of the constructs were evaluated in order to examine if the items were measuring what they were proposed to measure. Convergent validity is established when diverse scales are employed to assess the same construct and scores of these instruments are highly correlated. Convergent validity was tested by examining the student tests for the factor loadings (Ibrahim and Najjar, 2008b). The results show that all student tests were significant at 0.01 level. Moreover, none of the standardized residuals is more than (2) or under (- 2). These findings offer evidence of convergent validity (Ibrahim and Najjar, 2008b). We also examined discriminant validity in the present model by assessing the $\Delta\chi^2$ tests on the values obtained for 36 models. The findings show that the fit measure of each of the constrained models was significantly inferior to the fit measure of the unconstrained one which indicates that we have discriminant validity in our measurement model. According to these findings, we can say that our scales measure distinct constructs. The correlation estimates for our data set are provided in table 2.

Table 2: Construct correlations

	1	*2*	3	4	5	6	7	8	9
self-image congruity	1								
need for social affiliation	0,002	1							
customer relationship proneness	0,049	0,201	1						
need for variety	-0,035	-0,252	-0,272	1					
sales growth	0,02	0,382	0,372	-0,421	1				
price premium	0,018	0,355	0,394	-0,417	0,713	1			
customer share	0,009	0,418	0,346	-0,481	0,829	0,806	1		
relationship quality	0,024	0,439	0,371	-0,484	0,809	0,79	0,93	1	
relationship proneness	-0,016	0,346	0,31	-0,36	0,684	0,715	0,795	0,762	1

Then, we analysed the structural model using the Maximum Likelihood method (AMOS). Consistent with the recommendations of MacKenzie and Lutz (1989) and in order to obtain a reduced number of indicators for causal modeling and minimize the model's complexity, we created composite variables for relationship quality. We first assessed the proposed model by assessing the path coefficients for the hypothesized relationships. The "proposed model" column in table 3 depicts these coefficients. The χ^2 value for this model was significant ($p < 0.001$), also the GFI showed satisfactory fit. Of the eight proposed relationships, seven were significant.

Then, we constrained the nonsignificant path to "0" and re-assessed the structural model. The findings are summarized in the "revised model" column of table 3. The seven remaining paths were statistically significant. While the χ^2 value for the revised model was lower ($\Delta\chi^2 = 86.555$), any corresponding reduction in fit compared with the first model was not significant. Furthermore, the other fit indices were approximately the same as those for the first model.

The findings of the present study suggest eliminating the path from self-image congruity to relationship quality.

Table 3: Standardized coefficients and fit statistics for the proposed and the revised model

Hypothesized Paths	Expected sign	Proposed model	Revised model
H_1: Self-image congruity → nonfinancial performance	+	-0.014 (ns)*	
H_2: Need for social affiliation → nonfinancial performance	+	0.178	0.179
H_3: Relationship proneness →nonfinancial performance	+	0.168	0.168
H_4: Need for variety→ nonfinancial performance	-	-0.176	-0.175
H_5a: Nonfinancial performance →sales growth	+	1.723	1.723
H_5b: Nonfinancial performance →price premium	+	1.608	1.608
H_5c: Nonfinancial performance →customer share	+	1.778	1.778

H_{5d}: Nonfinancial performance→retailer profitability	+	1.617	1.617
Fit statistics			
χ^2		710.542	623.987
Df		184	115
RMR		0.199	0.242
GFI		0.923	0.917
AGFI		0.903	0.890
NFI		0.960	0.960
CFI		0.970	0.967
RMSEA		0.059	0.073

* ns: not significative.

DISCUSSION

What is the nature of the linkage between customer personality, nonfinancial performance, and retailer performance? The response to this enquiry has significant theoretical and managerial implications for the management of retailer resources and for implementing tactics as well as strategies that take account of nonfinancial measures such as relationship quality. These nonfinancial outcomes represented by customer satisfaction, trust and commitment are expected to offer appropriate information concerning the retailer's advancement towards his aims, objectives, expectations and future economic performance. Our results offer additional credence to the theoretical suggestion that same psychological traits are driver of customer satisfaction, trust, and commitment (Ibrahim and Najjar, 2008) as well as these findings draw attention to the role played by some personality traits (e.g., need for social affiliation, consumer relationship proneness, and need for variety) in relationship quality process. Also, we confirm in retail store setting that some strategic variables such as satisfaction positively influence financial performance outcomes. This result corroborates those of other researchers. In fact, theoretical and empirical studies by Fornell et al. (1996) and Fornell (1992) confer customer satisfaction a pivotal role as a direct determinant of firm performance and customer behaviour. As well, several works confirmed a direct connection between customer satisfaction and financial firm performance (Ittner et Larcker, 1998).

Our work moved one step further by employing objective and subjective information to tie psychological traits and customer behaviour in the improvement of sales growth, price premium, customer share, retailer profitability. The results show that the proportion of variance explained in the financial retail store performance variables is somewhat little. This can be deemed an acceptable finding given the parsimony of our model. Whereas, it is obvious that retail store performance depends on various other factors including information attainment, location, price comparison, competitive intensity, assortment seeking, and seasonal variation in demand etc. Nevertheless, devoid of integrating these supplementary factors, the explained variance in financial retail store performance converts into a great number of customers as well as large revenues for the retail organization researched. Thus, the proposed framework offers a reduced but informative and helpful instrument for retail managers in order to guess evolution and verify the influence of customer psychology on retail performance. We prove that need for social affiliation plays a more critical role in influencing both nonfinancial performance and, consequently store performance than do customer relationship proneness and need for variety. The influence of these psychological traits is moderate. This difference in the impact of each trait might due to the distinct nature of the three constructs (Bloemer et al., 2003). While fulfilments of customer relationship proneness and need for variety are largely dependent upon the salesperson and the service delivered by the retail store, fulfilment of a shopper's need for social affiliation is besides highly biased by the social support and social interaction with the other patrons visiting the store. However, we cannot generalize our results to other service contexts since each company should assess the impact of consumer personality and nonfinancial performance on its performance outcomes based on its own specific setting instead of using off the shelf patterns or blind guarantee about the effect of these constructs on performance.

MANAGERIAL IMPLICATIONS AND LIMITATION

Our results suggest that retail store managers should pay attention to a better knowledge of shopper personality, because the psychological traits considered in the present study indirectly impact on financial marketing outcomes. According to McAdams (1996, 2001), these are situationally steady personal traits which cannot be controlled by the retailer. Whereas, their manipulation may assist the retail manager accomplish a better management of relationship with shoppers. So, service providers might consider understanding survey research on these constructs, in conjunction with the traditional surveys. It is worth noting that because of the presence of a suppressor effect derived from the model complexity, we could not support the path from self-image congruity to nonfinancial firm performance, which has been established in past researches (e.g., Ibrahim and Najjar, 2008b). Whereas, the insertion of other constructs in our model leads us to important managerial implications. Many research opportunities come from the exploratory nature of the present study, given the integration of constructs and relationships between them which have hardly been questioned in consumer behavior and marketing. This limitation opens up an attractive line of research, which allows us to go even deeper into human personality as a predictor of performance. For example, how would influence in our model the inclusion of the psychological traits such as extroversion, openness to experience, open-minded, etc.?

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BASEL-II ACCORD AND INDIAN BANKS

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ABSTRACT

The Basel Accord(s) refers to the banking supervision Accords, Basel I and Basel II issued by the Basel Committee on Banking Supervision. They are called the Basel Accords as the BCBS maintains its secretariat at the Bank of International Settlement in Basel, Switzerland and the committee normally meets there. Tha present paper is an attempet to check the impact of Basel II accord on Indian Banks

Keywords: *Consumer Personality, Nonfinancial Performance, Retailer Performance.*

BACKGROUND

The Committee was formed in response to the messy liquidation of a Cologne-based bank in 1974 when the Bank Herstatt was liquidated by German regulators. This incident prompted the G-10 nations to form, towards the end of 1974, the Basel Committee on Banking Supervision, under the auspices of the Bank of International Settlements (BIS) located in Basel, Switzerland. The Basel Committee on Banking Supervision provides a forum for regular cooperation on banking supervisory matters. Its objective is to enhance understanding of key supervisory issues and improve the quality of banking supervision worldwide. It seeks to do so by exchanging information on national supervisory issues, approaches and techniques, with a view to promoting common understanding. At times, the Committee uses this common understanding to develop guidelines and supervisory standards in areas where they are considered desirable. In this regard, the Committee is best known for its international standards on capital adequacy; the Core Principles for Effective Banking Supervision; and the Concordat on cross-border banking supervision. The Committee encourages contacts and cooperation among its members and other banking supervisory authorities. It circulates to supervisors throughout the world both published and unpublished papers providing guidance on banking supervisory matters. Contacts have been further strengthened by an International Conference of Banking Supervisors (ICBS) which takes place every two years.

BASEL I

Basel I is the round of deliberations by central bankers from around the world, and in 1988, the Basel Committee (BCBS) in Basel, Switzerland, published a set of minimal capital requirements for banks. This is also known as the 1988 Basel Accord, and was enforced by law in the Group of ten (G-10) countries in 1992, with Japanese banks permitted an extended transition period. Basel I is now widely viewed as outmoded, and a more comprehensive set of guidelines, known as Basel II are in the process of implementation by several countries.

Main framework

Basel I, that is, the 1988 Basel Accord, primarily focused on credit risk. Assets of banks were classified and grouped in five categories according to credit risk, carrying risk weights of zero (for example home country sovereign debt), ten, twenty, fifty, and up to one hundred percent (this category has, as an example, most corporate debt). Banks with international presence are required to hold capital equal to 8 % of the risk-weighted assets. Currently numbering over 100 countries, have also adopted, at least in name, the principles prescribed under Basel I. The efficiency with which they are enforced varies, even within nations of the Group of Ten.

BASEL II ACCORD

The New Basel Capital Accord, as Basel II, was approved by the Basel Committee on Banking Supervision of Bank for International Settlements in June 2004 and suggests that banks and supervisors implement it by beginning 2007, providing a transition time of 30 months. It is estimated that the Accord would be implemented in over 100 countries, including India.

What is Basel II?

Basel II is the second of the Basel Accords recommended on banking laws and regulations issued by the *Basel Committee on Banking Supervision*. The purpose of Basel II is to create an international standard that banking regulators can use when creating regulations about how much capital banks need to put aside to guard against the types of financial and operational risks (these terms are explained in later sections) banks face. These international standards can help protect the international financial system from the types of problems that might arise should a major bank or a series of banks collapse. Basel II insists on setting up rigorous risk and capital management requirements designed to ensure that a

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bank holds capital reserves appropriate to the risk. The underlying assumption behind these rules is that the greater risk to which the bank is exposed, the greater the amount of capital the bank needs to hold to safeguard its solvency and overall economic stability. It will also oblige banks to enhance disclosures.

Advantages of Basel II over Basel I

Basel 1	Proposed new Accord or Basel II
Focus on a single risk measure, primarily on credit risk. Doesn't cover operation risk	More emphasis on banks' own internal methodologies, supervisory review, and market discipline
One size fits all	Flexibility, menu of approaches, incentives for better risk management
Broad structure	More risk sensitivity
Uses arbitrary risk categories & risk weights	Risk weights linked to external ratings assigned by ECAI or IRB by bank

Three pillars of Basel II

Basel II

Pillar I
Minimum Capital Regs
Describes the calculation for regulatory capital for credit, operational and market risk

Pillar II
Supervisory Review
Bridges the gap between regulatory & economic capital requirements.
Gives supervisors discretion to increase regulatory capital requirements

Pillar III
Market Discipline
Allows market discipline to operate by requiring lenders to publicly provide their risk management activities, risk rating processes and risk distributions.

Pillar 1 spells out the capital requirement of a bank in relation to the credit risk in its portfolio, which is a significant change from the "one size fits all" approach of Basel I. Pillar 1 allows flexibility to banks and supervisors to choose from among the Standardised Approach, Internal Ratings Based Approach, and Securitisation Framework methods to calculate the capital requirement for credit risk exposures. Besides, Pillar 1 sets out the allocation of capital for operational risk and market risk in the trading books of banks.

Pillar 2 provides a tool to supervisors to keep checks on the adequacy of capitalisation levels of banks and also distinguish among banks on the basis of their risk management systems and profile of capital. Pillar 2 allows discretion to supervisors to (a) link capital to the risk profile of a bank; (b) take appropriate remedial measures if required; and (c) ask banks to maintain capital at a level higher than the regulatory minimum.

Pillar 3 provides a framework for the improvement of banks' disclosure standards for financial reporting, risk management, asset quality, regulatory sanctions, and the like. The pillar also indicates the remedial measures that regulators can take to keep a check on erring banks and maintain the integrity of the banking system. Further, Pillar 3 allows banks to maintain confidentiality over certain information, disclosure of which could impact competitiveness or breach legal contracts.

Basel II Accord

Pillar 1 Specifies new standards for minimum capital requirements, along with the methodology for assigning risk weights on the basis of credit risk and market risk; Also specifies capital requirement for operational risk.
Pillar 2 Enlarges the role of banking supervisors and gives them power to them to review the banks' risk management systems.
Pillar 3 Defines the standards and requirements for higher disclosure by banks on capital adequacy, asset quality and other risk management processes.

Capital Adequacy Requirements

Capital adequacy requirements on the banks not only protect investors, but also safeguard them against possibility of failure of a big-bank. It also strengthens market discipline. In Basel I Capital adequacy is given as a single number that was the ratio of a banks capital to its assets. The key requirement was that tier-I capital was at least 8% of assets.

Types of risks according to Basel II

Market Risk	Credit Risk	Operational Risk
The risk of losses in on and off-balance-sheet positions arising from movements in market prices. Main factors contributing to market risk are: equity, interest rate, foreign exchange, and commodity risk. The total market risk is the aggregation of all risk factors.	The risk that a counterparty will not settle an obligation for full value, either when due or at any time thereafter. In exchange for-value systems, the risk is generally defined to include replacement risk and principal risk.	(Internal controls & Corporate governance): The risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.

BASEL II ACCORD AND IMPACT ON INDIAN BANKS

Approach of the Reserve Bank of India to Basel II Accord

The Reserve Bank of India (RBI) has asked banks to move in the direction of implementing the Basel II norms, and in the process identify the areas that need strengthening. In implementing Basel II, the RBI is in favour of gradual convergence with the new standards and best practices. The aim is to reach the global best standards in a phased manner, taking a consultative approach rather than a directive one. In anticipation of Basel II, RBI has requested banks to examine the choices available to them and draw a roadmap for migrating to Basel II. The RBI has set up a steering committee to suggest migration methodology to Basel II. Based on recommendations of the Steering Committee, in February 2005, RBI has proposed the “Draft Guidelines for Implementing New Capital Adequacy Framework” covering the capital adequacy guidelines of the Basel II accord. RBI expects banks to adopt the Standardised Approach for the measurement of Credit Risk and the Basic Indicator Approach for the assessment of Operational Risk. RBI has also specified that the migration to Basel II will be effective March 31, 2007 and has suggested that banks should adopt the new capital adequacy guidelines and parallel run effective April 1, 2006. Over time, when adequate risk management skills have developed, some banks may be allowed to migrate to the Internal Ratings Based approach for credit risk measurement. The deadline for implementing Basel II, originally set for March 31, 2007, has now been extended. Foreign banks in India and Indian banks operating abroad are to meet those norms by March 31, 2008, while all other scheduled commercial banks will have to adhere to the guidelines by March 31, 2009. But the decision to implement the guidelines remains unchanged.

Standardised approach as suggested by RBI may not significantly alter Credit Risk measurement for Indian banks

In the Standardised approach proposed by Basel II Accord, credit risk is measured on the basis of the risk ratings assigned by external credit assessment institutions, primarily international credit rating agencies like Moody’s Investors Service (refer Table 1). This approach is different from the one

Table 1: Risk Weight for Corporate Loans and Bonds (Standardised Approach-Basel II Accord)

Moody’s Ratings	Risk Weights
Aaa to Aa3	20%
A1 to A 3	50%
Baa1 to Ba3	100%
Below Ba3	150%
Unrated	100%

under Basel I in the sense that the earlier norms had a “one size fits all” approach, i.e. 100% risk weight for all corporate exposures. Thus, the risk weighted corporate assets measured using the standardised approach of Basel II would get lower risk weights as compared with 100% risk weights under Basel.

Basel II gives a free hand to national regulators (in India’s case, the RBI) to specify different risk weights for retail exposures, in case they think that to be more appropriate. To facilitate a move towards Basel II, the RBI has also come out with an indicative mapping of domestic corporate long term loans and bond credit ratings against corporate ratings by international agencies like Moody’s Investor Services (refer Table 2). Going by this mapping, the impact of the lower risk weights assigned to higher rated corporates would not be significant for the loans & advances portfolio of banks, as these portfolios mainly have unrated entities, which under the new draft guidelines continue to have a risk weight of 100%. However, given the investments into higher rated corporates in the bonds and debentures portfolio, the risk weighted corporate assets measured using the standardised

Table 2: Mapping for Corporate Loans and Bond Ratings and risk weights as indicated by the RBI*

Moody’s Ratings	ICRA	Risk Weights
Aaa to Aa	LAAA	20%
A	LAA	50%
Baa to Ba	LA	100%
B	LBBB & below	150%
Unrated	Unrated	100%

*Source: 1. RBI circular reference DBOD. BP. 1361/21.04.118/ 2002-03 dated May 14, 2003, approach may get marginally lower risk weights as compared with the 100% risk weights assigned under Basel I.

For retail exposures—which banks in India are increasing focusing on for asset growth—RBI has proposed a lower 75% risk weights (in line with the Basel II norms) against the currently applicable risk weights of 125% and 100% for personal/credit card loans, and other retail loans respectively. For mortgage loans secured by residential property and occupied by the borrower, Basel II specifies a risk weight of 35%, which is significantly lower than the RBI's draft prescription of 75% (if margins are 25% or more) and 100% (if margins <25%). Given mortgage loan portfolio collateralised on residential property and the current credit guidelines of majority of banks giving housing loans with 20% margins, we estimate that the risk weight applicable would be 100%. The risk weights would decline over time to 75% for residential mortgage loans, as the mortgage loan is repaid and (if) the market price of property appreciates.

Table:- 3 ICRA's short term ratings	*Risk weights*
A1+/A1	20%
A2+/A2	50%
A3+/A3	100%
A4+/A4	150%
A5	150%
Unrated	100%
Source: Draft guidelines for Implementation of the New Capital Adequacy Framework, RBI	

Most of the banks have a large short-term portfolio in cash credit, overdraft and working capital demand loans, which are currently unrated, and carry a risk weight of 100%. Similarly, in the investment portfolio the banks have short-term investments in commercial papers, which also currently carry 100% risk weight. The RBI's draft capital adequacy guidelines also provides for lower risk weights for short tem exposures, if these are rated on the ICRA's short term rating scale (refer Table 3). ICRA expects the banks to marginally benefit from these shortterm credit risk weight guidelines, given the small investments in commercial papers (which are typically rated in A1+/A1 category). The banks can drive maximum benefit from these proposed short-term credit risk weights, in case they were to get short-term ratings for the short-term exposure such as cash credit, overdraft and short term working capital demand loans.

Operational Risk Capital allocation would be a drag on capital for Indian banks

Basel II has indicated three methodologies for measuring operational risk: Basic Indicator Approach; Standardised Approach; and Advanced Measurement Approach (AMA). The RBI has clarified that banks in India would follow the Basic Indicator Approach to begin with. Subsequently, only banks that are able to demonstrate better risk management systems would be asked to migrate to the Standardised Approach and AMA. Internationally, in the US, as various papers indicate, very few banks would eventually migrate to AMA, whereas in the EU, regulators have stated that they would make AMA mandatory for banks under their jurisdiction.

The Basic Indicator approach specifies that banks should hold capital charge for operational risk equal to the average of the 15% of annual positive gross income over the past three years, excluding any year when the gross income was negative. Gross income is defined as net interest income and non-interest income, grossed up for any provisions, unpaid interests and operating expenses (such as fees paid for outsourced services). It should only exclude treasury gains/losses from banking book and other extraordinary and irregular income (such as income from insurance). ICRA has estimated the capital that Indian banks would need to meet the capital charge for operational risk.

Table. 4

In Rs. Million	Interest Income	Interest Expenses	Net Interest Income	Non Interest income	Annual gross Income	Capital required
All Scheduled Commercial Bank						
2001-02	1,269,692	875,157	394,535	240,562	635,097	95,265
2002-03	1,407,425	935,963	471,462	316,025	787,488	118,123
2003-04	1,440,284	875,668	564,615	397,389	962,004	144,301
				Capital Charge		**119,229**
Public Sector Banks						
2001-02	1,007,215	691,538	315,678	165,272	480,950	72,142
2002-03	1,072,321	698,526	373,795	212,323	586,118	87,918
2003-04	1,094,963	657,645	437,317	281,056	718,373	107,756
				Capital Charge		**89,272**

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Nationalised Banks						
2001-02	619,755	425,979	193,777	105,104	298,881	44,832
2002-03	663,680	426,460	237,221	132,297	369,518	55,428
2003-04	685,399	403,694	281,705	171,722	453,427	68,014
				Capital Charge		56,091
SBI Group						
2001-02	387,460	265,559	121,901	60,168	182,069	27,310
2002-03	408,640	272,066	136,574	80,026	216,600	32,490
2003-04	409,564	253,952	155,612	109,334	264,946	39,742
				Capital Charge		33,181
Old Private Sector banks						
2001-02	87,253	64,950	22,304	22,207	4,511	6,677
2002-03	89,198	63,272	25,926	23,590	49,516	7,427
2003-04	91,204	59,819	31,385	24,310	55,695	8,354
				Capital Charge		7,486
New Private Sector						
Banks						
2001-02	78,234	58,132	20,102	20,480	40,582	6,087
2002-03	156,330	123,615	32,716	49,342	82,058	12,309
2003-04	164,214	115,482	48,732	51,806	100,538	15,081
				Capital Charge		11,159

Source: RBI, Report on Trends and Progress of Banking in India, 2002, 2003 and 2004, ICRA estimates.

In ICRA's estimates, Indian banks would need additional capital to the extent of Rs. 120 billion to meet the capital charge requirement for operational risk under Basel II. Most of this capital would be required by the public sector banks (Rs. 90 billion), followed by the new generation private sector banks (Rs. 11 billion), and the old generation private sector bank (Rs. 7.5 billion). In ICRA's view, given the asset growth witnessed in the past and the expected growth trends, the capital charge requirement for operational risk would grow 15-20% annually over the next three years, which implies that the banks would need to raise Rs. 180-200 billion over the medium term

Impact of providing capital for Operational Risk on the tier-I capital of specific banks

ICRA has estimated the regulatory capital after providing capital for the operational risk for the large public and private sector banks, as in the following table.

Table 5

in Rs. million	Annual Gross Income			Operational Risk Capital (A)	Tangible Net Worth (B)	A/B =C	Current Capital Tier I (D)	Estimated Tier I Capital D*(1-C)
	Mar-04	Mar-03	Mar-02					
Corporation Bank	14,807	13,239	10,071	1,906	27,686	7%	16.52%	15.38%
United Bank of India	12,860	11,479	9,956	1,715	12,431	14%	15.04%	12.97%
State Bank of Saurashtra	7,243	5,344	4,535	856	7,674	11%	10.99%	9.76%
Oriental Bank of Commerce	21,775	17,457	14,460	2,685	26,768	10%	9.87%	8.88%
State Bank of Patiala	14,527	11,345	9,214	1,754	17,309	10%	9.87%	8.87%
State Bank of Bikaner & Jaipur	12,079	8,913	7,910	1,445	11,486	13%	9.03%	7.89%
Bank of Baroda	42,906	33,651	28,726	5,264	47,865	11%	8.47%	7.54%

HDFC Bank	18,179	13,045	9,625	2,042	26,933	8%	8.03%	7.42%
State Bank of Hyderabad	15,488	12,093	10,150	1,887	15,738	12%	8.42%	7.41%
Vijaya Bank	13,635	9,894	6,741	1,513	12,781	12%	8.37%	7.38%
State Bank of India	186,711	155,707	131,064	23,674	202,313	12%	8.34%	7.36%
Andhra Bank	15,886	13,566	8,794	1,912	14,526	13%	8.17%	7.09%
Canara Bank	47,553	37,451	32,488	5,875	51,309	11%	7.81%	6.92%
Indian Bank	18,644	13,454	10,330	2,121	14,749	14%	7.66%	6.56%
Bank of India	39,934	36,786	29,430	5,307	38,353	14%	7.47%	6.44%
Bank of Maharashtra	12,370	10,368	8,943	1,584	14,050	11%	7.03%	6.24%
Punjab National Bank	54,916	43,740	32,730	6,569	46,340	14%	7.01%	6.02%
State Bank of Mysore	7,948	6,805	5,485	1,012	5,790	17%	7.18%	5.93%
Indian Overseas Bank	23,401	17,414	15,009	2,791	19,304	14%	6.74%	5.77%
UTI Bank	11,054	7,329	6,144	1,226	11,381	11%	6.44%	5.75%
Syndicate Bank	22,056	17,048	13,836	2,647	17,037	16%	6.75%	5.70%
Union Bank of India	25,677	23,222	18,358	3,363	26,025	13%	6.47%	5.63%
ICICI Bank	46,652	42,684	34,737	6,204	80,106	8%	6.09%	5.62%
State Bank of Travancore	11,533	8,230	6,546	1,315	9,253	14%	6.23%	5.34%
IDBI Bank	5,413	3,667	2,661	587	6,183	9%	5.84%	5.29%
Allahabad Bank	18,355	14,341	11,154	2,193	13,208	17%	6.26%	5.22%
Central Bank of India	30,865	24,510	21,356	3,837	22,096	17%	6.23%	5.15%
United Commercial Bank	18,199	14,913	13,127	2,312	14,949	15%	6.08%	5.14%
Punjab and Sind Bank	7,492	6,934	5,450	994	4,372	23%	6.38%	4.93%
Dena Bank	12,097	10,051	7,958	1,505	7,156	21%	5.19%	4.10%

Source: Annual reports, published results, data as on March 31, 2004.

*A/B indicates the estimated impact on tier 1 capital of the banks.

The above illustration (refer Table 5) indicates the change in regulatory capital and additional regulatory capital requirement for certain banks whose tier 1 regulatory capital adequacy could decline to below 6%. However, as the preceding table shows, some banks would be comfortable, like Corporation Bank, State Bank of India, Canara Bank, Punjab National Bank, Bank of Baroda, HDFC Bank, and Oriental Bank of Commerce. Further, although the calculation points to additional regulatory capital requirement for ICICI Bank, the bank has raised nearly Rs. 35 billion in April 2004, thus improving its Tier I capital significantly. Many of the public sector banks, namely Punjab National Bank, Bank of India, Bank of Baroda and Dena Bank, besides private sector banks like UTI Bank have announced plans to raise equity capital in the current financial year, which would boost their tier I capital.

OTHER IMPACT

General State of Preparedness

- 87 percent of the respondents were confident of meeting the deadline of implementing the Basel II norms by 31st March 2007. Among these 80 percent faced Data Collection as the biggest challenge in preparing the Basel II roadmap. They also expressed that they require an ongoing support from the regulatory authorities in this regard.
- 77 percent of respondent banks are still in the process of putting in place a robust Management Information System (MIS) in order to comply with the requirements of Pillar III – Market Discipline of the new norms.

Capital Requirement

- 54 percent of the banks are technologically equipped to face the future challenges being posed by the Basel II norms. These banks have already put in place the core banking solutions. Also enough attention has been focused upon networking the banks.
- All the respondent banks already have 70-90 % level of computerization in their bank. However 60 percent of these banks are of an opinion that lower level of computerization would not hinder their progress in implementing these norms. Perhaps this is because

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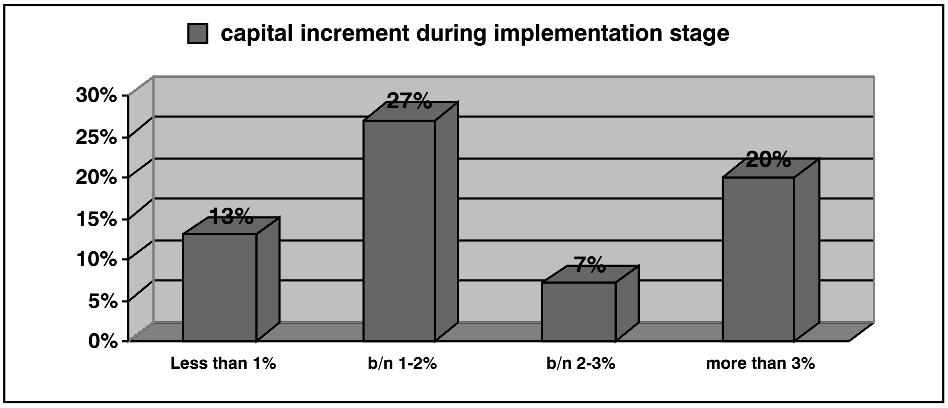
banks feel that lower level of the computerization in the rural areas is not likely to effect the implementation of Basel II norms because the bulk of banks operations are in urban areas, which already have 100% computerization.

- 87 percent of respondent banks have already estimated the incremental capital required for this purpose in their organization. 27 per cent banks expect their capital requirements to increase by 1-2 % while 20 per cent banks expect their capital requirements to increase by more than 3 % during the implementation stage of Basel II norms. *



The rest of the respondent banks didn't quote the figure

- All the respondents believe that there are sufficient resources available for raising the higher amount of capital needed for this purpose. 62 percent of banks would prefer to raise the requisite capital by a combination of Tier I and Tier II. To a question on the need of further regulatory relaxations, 50% of the respondent banks voiced that *IFR (Investment Fluctuation Reserve) surplus and the Hybrid capital should be considered in Tier I*. Some of the other relaxations desired by the banks were treatment of Investment Allowance Reserve as Tier I since it is created from post – tax profits and Foreign currency translation reserve as Tier II capital
- 80 percent of respondent banks expect that there would be an increase in their capital adequacy requirements in their organization as a result of these norms while the rest expects the same to fall as they expect their Capital adequacy ratio to improve.
- 62 percent of the respondent banks believe that there is a high degree of relationship between the size of the banks and associated risk. Since the complexity of the new framework may be out of reach for many smaller banks, majority of the respondents agree to the fact that this would trigger off a *need for consolidation in Indian banking system*.

Impact on Credit

- 87 percent of the respondent banks quoted that increased capital requirements imposed by the Basel accord will not make their banks more risk averse towards credit dispensation. Merely 13% felt that implementation of Basel II could have an adverse impact on banks lending to commercial sector. Small and Medium enterprises and Farm and rural sectors are likely to be the most affected sectors

Expectations from the Regulators

- 87% of the respondents were completely satisfied with the support given by the RBI in respect to Basel II implementation. However some of them felt that there should be consistency in implementation of these norms in terms of timing and approach. Further there should be greater consultation with internationally active banks that face significant cross-border implementation challenges.
- To a question on comfort level with the stricter disclosure requirements under the Basel II norms, 50 percent of respondents expressed that they were completely comfortable with these requirements, whereas rest felt that they were comfortable to some extent.
- Operational risk measurement is one of the new planks of the Basel II accord. 73 percent of respondents quoted that capital allocation to operational risk will not be counter productive. They instead believe that explicit charge on operational risk will direct more focus on it, which will further enhance operational risk management and operational efficiency for the banks. Also such an allocation would create a cushion for the claims or losses on this account.

However the remaining felt that in the Indian context, capital requirements are too high as the Indian banks, unlike their foreign counterparts are not much involved in speculative activities such as derivatives. Hence the capital requirement for operational risk should be lower for the Indian Banks than what is specified in Basel II Accord.

CONCLUSION

Implementation of Basel II is likely to improve the risk management systems of banks as the banks aim for adequate capitalization to meet the underlying credit risks and strengthen the overall financial system of the country. In India, over the short term, commercial banks may need to augment their regulatory capitalization levels in order to comply with Basel II. However, over the long term, they would derive benefits from improved operational and credit risk management practices. Basel II, on the other hand, seeks to extend the breath and precision of Basel I, bringing in factors such as market and operational risk, market-based discipline and surveillance, and regulatory mandates. As envisaged by the Basel Committee, the accounting profession too, will make a positive contribution in this respect to make Indian banking system stronger.

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SUCCESS AND FAILURE ATTRIBUTES OF MANAGEMENT STUDENTS: A CASE STUDY IN THE UNIVERSITIES OF ETHIOPIA

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ABSTRACT

The objective of this study is to determine the success attributes of management graduates of universities. The population defined for this study is management students of universities in Ethiopia. A sample of 224 students is taken for the study. The success factors for the students are found to be pro-activity and their usage of support systems in their academic achievement. The failure factors can be attributed to lack of perseverance, emotional coping strategies and goal setting. The research reveals that male management students have more self awareness and goal setting than the female students. Whereas success attributes like pro-activity, perseverance, and emotional coping strategy are more for females than the male students. It is also found that there is a difference in the success attributes of the students based on their family income, medium of instruction and their home region.

Keywords: *Self awareness, Pro-activity, Perseverance*

INTRODUCTION

There are various factors that influence the success and failures of students in their academic career. The success attributes have shown a greater influence on life success than academic achievement, gender, socioeconomic status, ethnicity, and even IQ. Research has statistically confirmed that successful persons are much more likely to have these attributes, and that their presence increases the chances for positive life outcomes. A teacher has to foster these attributes is a step towards helping their students reach their optimal potential and lead happy, satisfying, and rewarding lives. A brief summary of each success attribute are - Self-Awareness: (1) recognition of one's strengths, weaknesses, special talents, and passions; (2) acceptance of the learning problems; (3) ability to identify the learning problem by oneself. Pro-activity: (1) being actively engaged in world; (2) belief in power to control own destiny; (3) ability to make and act upon decisions and take responsibility for outcomes (4) willingness to consult with others; (5) flexibility in considering options. Perseverance: (1) persistence in pursuing goals despite adversity; (2) ability to modify goals; (3) ability to learn from hardships; (4) recognition of the value of adversity. Goal-Setting: (1) ability to set specific and flexible goals; (2) development of strategies and understanding of the step-by-step process necessary to reach goals; (3) setting goals that are realistic and attainable. Presence and use of effective support systems: (1) presence of clear and realistic expectations; (2) willingness to actively seek the support of others. Emotional coping strategies: (1) development of effective means of reducing and coping with the stress, frustration, and emotional aspects of learning problems; (2) maintenance of a positive and hopeful outlook (Higgins et al 2004).

STATEMENT OF THE PROBLEM

The academic success of University students especially for management students has been low over the years. It is also observed by the researcher that the drop out of students has increased annually due to their poor performance. Those students who are graduating fail to perform better also. Management students are supposed to make better decisions and manage the organizational activities. Moreover the feed back from the stakeholders of management graduates reported that they are poor in ethics and well as in practical knowledge and decision making abilities. This study is therefore focused to identify the success and failures attributes of management graduates among the universities in Ethiopia. A study in this area is also limited in Ethiopian context.

OBJECTIVES OF THE STUDY

The objectives of the study are as follows;

1. To identify the level of success attributes among the management graduates.
2. To find out the most successful attribute of the students.
3. To determine whether there is any relation between gender, family income, medium of instruction and the region with the success factors.
4. To explore the type of success attribute that is more consistent and reliable.
5. To find out the failure attributes of the management students and to suggest suitable measures to enhance its application.

RESEARCH METHODOLOGY

The area of study comprises the Universities in Ethiopia and the population comprises management graduates. A sample size of 224 students is collected and these are selected at random. The samples are collected from four universities- Arbaminch University, Awassa University,

**Lecturer, Department of Management, Arbaminch University, Ethiopia*

Jimma University and Addis Ababa University. The data collection instrument is questionnaire which comprises statements relevant to the six success attributes. Hypothesis testing is done with the help of Chi-square and the level of each success attribute is categorized as Low, Medium and High by using the formula average ± standard deviation. All the averages are calculated out of a total score of 5. ANOVA is used to identify the equality of means among the success attributes. Coefficient of variation is adopted to analyze the consistency and reliability of the usage of these attributes.

RESULTS AND DISCUSSION

Self awareness

The average self awareness score of management students is 3.86 and the standard deviation is calculated as 0.58. Thus the level of self awareness among the management graduates is as shown below;

Table No 1.1 Levels of self awareness

Levels of self awareness	Low	Medium	High	Total
Number of responses	33 (15)	162 (72)	29 (13)	224

Values in parenthesis represent percentage

72% of the management graduates have medium level of self awareness. 13% of the students have high level of self awareness. This shows that the students are able to recognize their strengths, weaknesses, special talents. They are also able to identify their learning disability. The relation between gender and levels of self awareness are as follows;

Table No 1.2 Gender and self awareness

Gender	No of responses	Average	Above average	Below average	Range
Males	152	3.90	82	70	1.85-5
Females	72	3.78	38	34	2.4-4.85
Total	224	3.86	110	114	1.85- 5

The average self awareness for male students is 3.90 which is greater than the average (3.86), whereas the average self awareness for female management students (3.78) is less than the overall average. To test whether there is any difference between self awareness and gender, the following table is prepared.

Table No 1.3 Gender and levels of self awareness

Levels/ Gender	Low	Medium	High	Total
Males	22 (14)	108 (71)	22 (15)	152
Females	11 (15)	54 (75)	7 (10)	72
Total	33 (15)	162 (72)	29 (13)	224

Values in parenthesis represent percentage

From the above table it is clear that 15% of the male graduate students have high level of self awareness which is greater than the overall percentage (13%). The level of self awareness for female students is less that the average. 75% of the female graduates have medium level of self awareness which is greater than the average (72%). Hence the following hypothesis is framed and tested. Ho: Male students have high level of self awareness than the female students. The calculated value of χ^2 (0.98) is less than the table value (5.99) at 5% confidence level with 2 degrees of freedom. Hence the null hypothesis is accepted and it is concluded that male management graduates have more self awareness than the female students.

Table No 1.4 Family income and self awareness

Family income	No of responses	Average	Above average	Below average	Range
<Birr 1000	113	3.89	59	54	2.2-5
Birr 1001-2000	70	3.86	34	36	2.4-4.8
Birr 2001-3000	22	3.84	15	7	1.85-4.57
Birr 3001-4000	11	3.68	5	6	2.7-4.4
>Birr 4000	8	3.75	5	3	2.7-4.5
Total	224	3.86	110	114	1.85-5

The average self awareness is highest (3.89) for management graduates whose family income is less than Birr 1000, which is greater than the overall average (3.86). The self awareness is low for those whose family income is Birr 3001-4000. To test whether there is any difference in self awareness and family income, the following table is prepared.

Table No 1.5 Family income and levels of self awareness

Family income	Low	Medium	High	Total
< Birr 1000	18 (16)	77 (68)	18 (16)	113
Birr 1001- 2000	9 (13)	52 (74)	9 (13)	70
Birr 2001- 3000	2 (9)	19 (86)	1 (5)	22
Birr 3001- 4000	2 (18)	9 (82)	0	11
> Birr 4000	2 (25)	5 (63)	1 (12)	8
Total	33 (15)	162 (72)	29 (13)	224

From the table no 1.5, it is clear that 16% of the students whose family income is less than Birr 1000 has high awareness which is greater than the average (13%). Only 12% of the students whose family income is greater than Birr 4000 has high level of self awareness. Ho: Management students whose family income is low have high level of self awareness. The calculated value of χ^2 (5.96) is less than the table value (15.51) at 5% confidence level with 8 degrees of freedom. Hence the null hypothesis is accepted and it is concluded that students whose family income is low has high level of self awareness. Thus there is an inverse relation between the family income and the self awareness of the students.

Table No 1.6 Medium of instruction and self awareness

Medium of instruction	No of responses	Average	Above average	Below average	Range
English	112	3.83	69	43	1.85-4.85
Amharic	112	3.89	58	54	2.28-5
Total	224	3.86	110	114	1.85-5

The average self awareness among the students those who studied in Amharic medium is more (3.89) than those students who studied their schooling in English medium. To test whether there is any relationship between self awareness of the students and their medium of instruction, the following table is prepared.

Table No 1.7 Medium of instruction and levels of self awareness

Medium of instruction	Low	Medium	High	Total
English	17 (15)	84 (75)	11 (10)	112
Amharic	16 (14)	78 (70)	18 (16)	112
Total	33 (15)	162 (72)	29 (13)	224

The above table shows that 16% of the students who studied in Amharic medium have high level of self awareness. Only 10% of the students who studied in English medium have high level of self awareness. Ho: Management students who studied in Amharic medium have more self awareness than those students studied in English medium. The calculated value of χ^2 (1.94) is less than the table value (5.99) at 5% confidence level with 2 degrees of freedom. Hence the null hypothesis is accepted. It is concluded that students who studied in Amharic medium have more self awareness than those who studied in English medium.

The self awareness of the students from different regions is also analyzed. The average awareness of management students from Southern Nation (SNNPR- Southern Nations Peoples Republic), Gambella, Dire Dawa and Benshangul are greater than the average (3.86). 18% of the students from Amhara region have high level of self awareness. 80% of the students from SNNPR and Addis Ababa have medium level of self awareness. Ho: Students from Amhara region have more self awareness than students from other regions. The calculated value of χ^2 (7.14) is less than the table value (12.59) at 5% confidence level with 6 degrees of freedom. Hence the null hypothesis is accepted. It is concluded that students from Amhara region have more self awareness than students from other regions.

Pro-activity

The average pro-activity score of management students is 4.11 and the standard deviation is calculated as 0.58. Thus the level of pro-activity among the management graduates is as shown below;

Table No 2.1 Levels of proactivity

Levels of pro-activity	Low	Medium	High	Total
Number of responses	38 (17)	151 (67)	35 (16)	224

Values in parenthesis represent percentage

67% of the management graduates have medium level of pro-activity. 16% of the students have high level of pro-activity. This shows that the students participate in class room and extracurricular social activities, make decisions and act upon those decisions, take responsibility of actions, assertive and self confident They are also able to identify their learning disability. The relation between gender and levels of pro-activity are as follows;

Table No 2.2 Gender and pro-activity

Gender	No of responses	Average	Above average	Below average	Range
Males	152	4.15	79	73	2.25-5
Females	72	4.01	37	35	1.75 -5
Total	224	4.11	134	90	1.75- 5

The average pro-activity for male students is 4.15 which is greater than the average (4.11), whereas the average pro-activity for female management students (4.11) is less than the overall average. To test whether there is any difference between pro-activity and gender, the following table is prepared.

Table No 2.3 Gender and levels of pro-activity

Levels/ Gender	Low	Medium	High	Total
Males	21 (14)	108 (71)	23 (15)	152
Females	17 (24)	43 (60)	12 (16)	72
Total	38 (17)	151 (67)	35 (16)	224

Values in parenthesis represent percentage

From the above table it is clear that 16% of the female graduate students have high level of pro-activity which is greater than the males (15%). The level of pro-activity for male students is less that the average. 71% of the male graduates have medium level of pro-activity which is greater than the average (67%). Hence the following hypothesis is framed and tested. Ho: Female students have high level of pro-activity than the male students. The calculated value of ^{2} (3.77) is less than the table value (5.99) at 5% confidence level with 2 degrees of freedom. Hence the null hypothesis is accepted and it is concluded that female management graduates have more pro-activity than the male students.

Table No 2.4 Family income and pro-activity

Family income	No of responses	Average	Above average	Below average	Range
< Birr 1000	113	4.13	55	58	2.25-5
Birr 1001-2000	70	4.13	37	33	1.75-5
Birr 2001-3000	22	4.11	11	11	3.25-5
Birr 3001-4000	11	3.81	6	5	2.5-4.6
> Birr 4000	8	3.95	4	4	2.7-4.8
Total	224	4.11	134	90	1.75-5

The average pro-activity is highest (4.13) for management graduates whose family income is less than Birr 1000 and those with family income Birr 1001-2000, which is greater than the overall average (4.11). The pro-activity is low for those students whose family income is Birr 3001-4000. To test whether there is any difference in pro-activity and family income, the following table is prepared.

Table No 2.5 Family income and levels of pro-activity

Family income	Low	Medium	High	Total
< Birr 1000	17 (15)	80 (71)	16 (14)	113
Birr 1001-2000	10 (14)	47 (67)	13 (19)	70
Birr 2001-3000	5 (23)	12 (54)	5 (23)	22
Birr 3001-4000	4 (36)	7 (64)	0	11
> Birr 4000	2 (25)	5 (63)	1 (12)	8
Total	38 (17)	151 (67)	35 (16)	224

The above table no 2.56 shows that the pro-activity is high (23%) for those students whose family income is Birr2001-3000. The pro-activity is less for those families with less monthly income. Ho: The level of pro-activity is high for students whose family income is Birr 2001- 3000. The calculated value of ^{2} (7.52) is less than the table value (15.51) at 5% confidence level with 8 degrees of freedom. Hence the null hypothesis is accepted. It is concluded that students whose monthly family income is Birr 2001-3000 has high level of pro-activity than others.

Table No 2.6 Medium of instruction and pro-activity

Medium of instruction	No of responses	Average	Above average	Below average	Range
English	112	4.09	63	49	1.75-5
Amharic	112	4.12	71	41	2.5-5
Total	224	4.11	134	90	1.75-5

The average pro-activity is 4.09 for students who studied in English medium which is less than the average (4.11). The average pro-activity for students studied in Amharic medium of instruction is 4.12 which is greater than the average. To test whether there is any difference in medium of instruction and pro-activity the following table is set.

Table No 2.7 Medium of instruction and levels of pro-activity

Medium of instruction	Low	Medium	High	Total
English	16 (14)	81 (73)	15 (13)	112
Amharic	22 (19)	70 (63)	20 (18)	112
Total	38 (17)	151 (67)	35 (16)	224

It is clear from the above table that 18% of the students who studied in Amharic medium have high level of pro-activity. Only 13% of the students who studied in English medium have high level of pro-activity. Ho: Management students who studied in Amharic medium have more pro-activity than those students studied in English medium. The calculated value of ^{2} 2.46) is less than the table value (5.99) at 5% confidence level with 2 degrees of freedom. Hence the null hypothesis is accepted. It is concluded that students who studied in Amharic medium have more pro-activity than those who studied in English medium.

The pro-activity of students from different regions is analysed. It is found that the average pro-activity of students from Oromia, Southern Nation, Amhara, Gambella, Dire Dawa, Afar, Harari, and Benshangul are greater than the average (4.11). 22% of the students from Oromia have high level of pro-activity and only 8% of the students from Southern Nation (SNNPR) have high level of pro-activity. 84% of the students from Southern Nation have medium level of pro-activity. 24% of the students from Amhara region have low level of pro-activity. Ho: Students from Oromia region have high level of pro-activity than students from other regions. The calculated value of ^{2} (10.93) is less than the table value (12.59) at 5% confidence level with 6 degrees of freedom. Hence the null hypothesis is accepted. It is concluded that students from Oromia region have more pro-activity than students from other regions. Thus it is proved that students from Oromia are good in extracurricular social activities, making decisions and act upon those decisions, taking responsibility of actions, assertive and self confident than students from other regions.

Perseverance

The average perseverance score of management students is 3.93 and the standard deviation is calculated as 0.68. Thus the level of perseverance among the management graduates is as shown below;

Table No 3.1 Levels of perseverance

Levels of perseverance	Low	Medium	High	Total
Number of responses	42 (19)	157 (70)	25 (11)	224

Values in parenthesis represent percentage

70% of the management graduates have medium level of perseverance. 11% of the students have high level of perseverance. This shows that the students understand the benefits of perseverance, know to deal with obstacles or setbacks and working at academic tasks despite difficulties. This also shows the determination and patience of the students. The relation between gender and levels of perseverance are as follows;

Table No 3.2 Gender and perseverance

Gender	No of responses	Average	Above average	Below average	Range
Males	152	3.93	99	53	1.25-5
Females	72	3.92	42	50	2.25 -5
Total	224	3.93	141	83	1.25- 5

The average perseverance for male students is 3.93 which is equal to the average, whereas the average perseverance for female management students (3.92) is less than the overall average. To test whether there is any difference between perseverance and gender, the following table is prepared.

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Table No 3.3 Gender and levels of perseverance

Levels/Gender	Low	Medium	High	Total
Males	25 (16)	112 (74)	15 (10)	152
Females	17 (24)	45 (62)	10 (14)	72
Total	42 (19)	157 (70)	25 (11)	224

Values in parenthesis represent percentage

It is clear that 14% of the female graduate students have high level of perseverance which is greater than the average (11%). The level of perseverance for male students (10%) is less that the average. 74% of the male graduates have medium level of perseverance which is greater than the average (70%). Hence the following hypothesis is framed and tested. Ho: Female students have high level of perseverance than the male students. The calculated value of ^{2} (2.92) is less than the table value (5.99) at 5% confidence level with 2 degrees of freedom. Hence the null hypothesis is accepted and it is concluded that female management graduates have more perseverance than the male students.

Table No 3.4 Family income and perseverance

Family income	No of responses	Average	Above average	Below average	Range
< Birr 1000	113	3.93	71	42	1.25-5
Birr 1001-2000	70	3.99	49	21	2-5
Birr 2001-3000	22	3.94	15	7	1.75-5
Birr 3001-4000	11	3.88	5	6	3 -4.75
> Birr 4000	8	3.5	4	4	2.5-5
Total	224	3.93	141	83	1.25-5

The average perseverance is highest (3.99) for management graduates whose family income is between Birr 1001- 2000. The perseverance average is less for those students whose monthly family income is greater than Birr 3001-4000. To test whether there is any difference in perseverance and family income, the following table is prepared.

Table No 3.5 Family income and levels of perseverance

Family income	Low	Medium	High	Total
< Birr 1000	21(19)	79 (70)	13 (11)	113
Birr 1001- 2000	10 (14)	54 (77)	6 (9)	70
Birr 2001- 3000	5 (23)	14 (64)	3 (13)	22
Birr 3001- 4000	3 (27)	6 (55)	2 (18)	11
> Birr 4000	3 (38)	4 (50)	1 (12)	8
Total	42 (19)	157 (70)	25 (11)	224

18% of the students whose family income is Birr 3001- 4000 have high level of perseverance. 38% of the students whose family income is greater than Birr 4000 have low level of perseverance. Ho: The level of perseverance is high for students whose family income is Birr 3001- 4000. The calculated value of ^{2} (5.37) is less than the table value (15.51) at 5% confidence level with 8 degrees of freedom. Hence the null hypothesis is accepted. It is concluded that students whose monthly family income is Birr 3001-4000 has high level of perseverance than others.

Table No 3.6 Medium of instruction and perseverance

Medium of instruction	No of responses	Average	Above average	Below average	Range
English	112	4.01	56	56	1.75-5
Amharic	112	3.86	64	48	1.25-5
Total	224	3.93	141	83	1.25-5

The average perseverance for students studied in English medium is 4.01 whish is greater than the average. Those students studied in Amharic medium have an average perseverance of 3.86. To identify any difference between the medium of instruction and perseverance of the students the following table is prepared.

Table No 3.7 Medium of instruction and levels of perseverance

Medium of instruction	Low	Medium	High	Total
English	19 (17)	80 (71)	13 (12)	112
Amharic	23 (20)	77 (69)	12 (11)	112
Total	42 (19)	157 (70)	25 (11)	224

12% of the students who studied in English medium have high level of perseverance. Only 11% of the students from Amharic medium of instruction have high level of perseverance. 20% of the students from Amharic medium have low level of perseverance. Ho: Management students who studied in English medium have more perseverance than those students studied in Amharic medium. The calculated value of ^{2} (0.48) is less than the table value (5.99) at 5% confidence level with 2 degrees of freedom. Hence the null hypothesis is accepted. It is concluded that students who studied in English medium have more perseverance than those who studied in Amharic medium.

The perseverance of management students is analysed compared with various regions in Ethiopia. Students from Southern Nations (SNNPR), Tigray, Addis Ababa, Gambella, Dire Dawa and Afar have more average perseverance than the overall average of 3.93. The average perseverance of students from Oromia, Amhara, Harari, and Benshangul is less than the average. 18% of the students from Amhara region have high level of perseverance. 14% of the students from Addis, 10% from SNNPR, 8% from Oromia have high level of perseverance. 82% of the students from Southern Nation have medium level of perseverance. Ho: Students from Amhara region have high level of perseverance compared with students from other regions. The calculated value of ^{2} (9.04) is less than the table value (12.59) at 5% confidence level with 6 degrees of freedom. Hence the null hypothesis is accepted. It is concluded that students from Amhara region have more determination and patience than students from other regions.

Goal setting

The average goal setting score of management students is 4.04 and the standard deviation is calculated as 0.67. Thus the level of goal setting among the management graduates is as shown below;

Table No 4.1 Levels of goal setting

Levels of goal setting	Low	Medium	High	Total
Number of responses	30 (13)	160 (72)	34 (15)	224

Values in parenthesis represent percentage

72% of the management graduates have medium level of goal setting. 15% of the students have high level of goal setting. This shows that the students set academic goals, able to prioritize goals, work with others to reach the goals, and find alternative ways to reach goals when faced with obstacles The relation between gender and levels of goal setting are as follows;

Table No 4.2 Gender and goal setting

Gender	No of responses	Average	Above average	Below average	Range
Males	152	4.07	87	65	1-5
Females	72	3.99	42	30	1.4-5
Total	224	4.04	127	97	1-5

The average goal setting for the male students is 4.07 which is greater than the average (4.04), whereas the average goal setting for female management students (3.99) is less than the overall average. To test whether there is any difference between goal setting and gender, the following table is prepared.

Table No 4.3 Gender and levels of goal setting

Levels/Gender	Low	Medium	High	Total
Males	16 (11)	113 (74)	23 (15)	152
Females	14 (19)	47 (65)	11 (15)	72
Total	30 (13)	160 (72)	34 (15)	224

(Values in parenthesis represent percentage)

It is clear that 15% of the male and female graduate students have high level of goal setting. 19% of the females have low level of goal setting which is greater than the average. Only 11% of the males have low level of goal setting. 74% of the male graduates have medium level of goal setting which is greater than the average (72%). Hence the following hypothesis is framed and tested. Ho: Female students have low level of goal setting than the male students. The calculated value of ^{2} (3.46) is less than the table value (5.99) at 5% confidence level with 2 degrees of freedom. Hence the null hypothesis is accepted and it is concluded that female students have low level of goal setting in their success than the male graduate students.

Table No 4.4 Family income and goal setting

Family income	No of responses	Average	Above average	Below average	Range
< Birr 1000	113	3.98	73	40	1-5
Birr 1001-2000	70	4.15	38	32	1.85-5
Birr 2001-3000	22	4.16	10	12	2.4-4.8
Birr 3001-4000	11	3.93	6	5	3-4.75
> Birr 4000	8	3.87	4	4	3.2-4.8
Total	224	4.04	127	97	1-5

The average goal setting is highest (3.99) for management graduates whose family income is between Birr 1001- 2000. The goal setting is low for those students whose monthly family income is greater than Birr 3001-4000. To test whether there is any difference in goal setting and family income, the following table is prepared.

Table No 4.5 Family income and levels of goal setting

Family income	Low	Medium	High	Total
< Birr 1000	19 (17)	78 (69)	16 (14)	113
Birr 1001- 2000	5 (7)	56 (80)	9 (13)	70
Birr 2001- 3000	2 (9)	13 (59)	7 (32)	22
Birr 3001- 4000	3 (27)	7 (64)	1 (9)	11
> Birr 4000	1 (13)	6 (75)	1 (12)	8
Total	30 (13)	160 (72)	34 (15)	224

32% of the students whose family income is Birr 2001- 3000 have high level of goal setting. 27% of the students whose family income is Birr 3001- 4000 have low level of goal setting. Ho: The level of goal setting is high for students whose family income is Birr 2001- 3000. The calculated value of ^{2} (10.95) is less than the table value (15.51) at 5% confidence level with 8 degrees of freedom. Hence the null hypothesis is accepted. It is concluded that students whose monthly family income is Birr 2001-3000 has high level of goal setting ability than others.

Table No 4.6 Medium of instruction and goal setting

Medium of instruction	No of responses	Average	Above average	Below average	Range
English	112	4.06	61	51	1.14-5
Amharic	112	4.03	66	46	1-5
Total	224	4.04	127	97	1-5

The average goal setting ability for students studied in English medium is 4.06 whish is greater than the average (4.03). Those students studied in Amharic medium have an average goal setting score of 3.86. To identify any difference between the medium of instruction and goal setting of the students, the following table is prepared.

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Table No 4.7 Medium of instruction and levels of goal setting

Medium of instruction	Low	Medium	High	Total
English	15 (13)	79 (71)	18 (16)	112
Amharic	15 (13)	81 (72)	16 (15)	112
Total	30 (13)	160 (72)	34 (15)	224

16% of the students who studied in English medium have high level of goal setting ability and those who studied in Amharic medium have only 15% high level of goal setting ability. Ho: Management students who studied in English medium have more goal setting ability than those students studied in Amharic medium. The calculated value of ^{2} (0.14) is less than the table value (5.99) at 5% confidence level with 2 degrees of freedom. Hence the null hypothesis is accepted. It is concluded that students who studied in English medium have more goal setting ability than those who studied in Amharic medium.

The goal setting ability of the students from different regions is analysed. It is observed that students from Southern Nations, Addis Ababa, and Harari have more goal setting ability than the average (4.04). The average goal setting ability of the students from other regions- Oromia, Tigray, Amhara, Gambella, Dire Dawa, Afar and Benshangul is less than this average. 25% of the students from Oromia have high level of goal setting ability. The average goal setting ability of the students from Southern Nations is the highest (4.26) compared with other regions, but only 8% of the students from SNNPR have high level of goal setting ability. 92% of the students from Southern Nations have medium level of goal setting ability. 22% of the students from Oromia have low level of goal setting ability. Ho: Students from Oromia have high level of goal setting ability than students from other regions. The calculated value of ^{2} (21.22) is greater than the table value (12.59) at 5% confidence level with 6 degrees of freedom. Hence the null hypothesis is rejected. Thus it is proved that there is no relationship between goal setting ability of the students and different regions.

Presence and use of Support Systems

The average use of effective support system by the management students is 4.20 and the standard deviation is calculated as 0.63. Thus the level of usage of effective support systems among the management graduates is as shown below;

Table No 5.1 Levels of use of support systems

Levels of goal setting	Low	Medium	High	Total
Number of responses	39 (18)	155 (69)	30 (13)	224

(Values in parenthesis represent percentage)

69% of the management graduates use medium level of support systems. 13% of the students have high usage of support systems. This shows that students know when to seek help, and how to get help and willing to get technology supports to fulfill their academic activities. The relation between gender and levels of the usage of support systems are as follows;

Table No 5.2 Gender and usage of support systems

Gender	No of responses	Average	Above average	Below average	Range
Males	152	4.19	92	60	1.75-5
Females	72	4.21	42	30	2.5 -5
Total	224	4.20	134	90	1.75- 5

The average goal setting for the male students is 4.07 which is greater than the average (4.04), whereas the average goal setting for female management students (3.99) is less than the overall average. To test whether there is any difference between usage of support systems and gender, the following table is prepared.

Table No 5.3 Gender and levels of usage of support systems

Levels/Gender	Low	Medium	High	Total
Males	24 (16)	114 (75)	14 (9)	152
Females	15 (21)	41 (57)	16 (22)	72
Total	39 (18)	155 (69)	30 (13)	224

Values in parenthesis represent percentage

It is clear that 22% of the female graduate students have high level of usage of support systems which is greater than the average (13%). The level of usage of support systems for male students (9%) is less that the average. 75% of the male graduates has medium level of support systems which is greater than the average (69%). Hence the following hypothesis is framed and tested. Ho: Female students have high level of usage of support systems than the male students. The calculated value of ^{2} (9.19) is greater than the table value (5.99) at 5% confidence level with 2 degrees of freedom. Hence the null hypothesis is rejected and it is concluded that there is no difference between the genders in goal setting.

Table No 5.4 Family income and usage of support systems

Family income	No of responses	Average	Above average	Below average	Range
< Birr 1000	113	4.19	67	46	2-5
Birr 1001- 2000	70	4.22	41	29	2.25-5
Birr 2001- 3000	22	4.40	13	9	3.25-5
Birr 3001- 4000	11	4.15	6	5	2.5-5
> Birr 4000	8	3.65	4	4	1.75-5
Total	224	4.20	134	90	1.75-5

The average usage of support systems is highest (4.40) for management graduates whose family income is between Birr 2001- 3000. The usage of support systems is low for those students whose monthly family income is greater than Birr 4000. To test whether there is any difference in the usage of support systems and family income, the following table is prepared.

Table No 5.5 Family income and usage of support systems

Family income	Low	Medium	High	Total
< Birr 1000	18 (16)	81 (72)	14 (12)	113
Birr 1001- 2000	14 (20)	47 (67)	9 (13)	70
Birr 2001- 3000	2 (9)	17 (77)	3 (14)	22
Birr 3001- 4000	2 (18)	7 (64)	2 (18)	11
> Birr 4000	4 (50)	2 (25)	2 (25)	8
Total	39 (18)	155 (69)	30 (13)	224

The usage level of support systems for educational success is high for those students whose family income is more than Birr 4000. The average score for usage of support systems for this group is 3.65. Even though the average is the lowest compared to other income groups, they use more level of support systems in their success. Ho: Students whose family income is higher use more of support systems in their educational success than the lower income families. The calculated value of ^{2} (9.75) is less than the table value (15.51) at 5% confidence level with 8 degrees of freedom. Hence the null hypothesis is accepted. It is concluded that students whose monthly family income is higher has high level of the usage of support systems in their success than the lower income groups.

Table No 5.6 Medium of instruction and usage of support systems

Medium of instruction	No of responses	Average	Above average	Below average	Range
English	112	4.26	52	60	1.75-5
Amharic	112	4.15	67	45	2-5
Total	224	4.20	134	90	1.75-5

The average usage of support systems for students studied in English medium is 4.26 whish is greater than the average (4.20). Those students studied in Amharic medium have an average support system score of 4.15. To identify any difference between the medium of instruction and usage of support systems of the students, the following table is prepared.

Table No 5.7 Medium of instruction and levels of support systems

Medium of instruction	Low	Medium	High	Total
English	17 (15)	77 (69)	18 (16)	112
Amharic	22 (20)	78 (69)	12 (11)	112
Total	39 (18)	155 (69)	30 (13)	224

16% of the students who studied in English medium have high level of the usage of support systems and those who studied in Amharic medium have only 11% high level of usage of support systems. Ho: Management students who studied in English medium have more usage of support systems than those students studied in Amharic medium. The calculated value of ^{2} (1.85) is less than the table value (5.99) at 5% confidence level with 2 degrees of freedom. Hence the null hypothesis is accepted. It is concluded that students who studied in English medium use more of support systems in achieving success than those who studied in Amharic medium. The usage and presence of support systems based on various regions in Ethiopia are analysed in detail. It is evident that students from Southern Nations, Addis Ababa, Dire Dawa and Afar region have more average usage of support systems compared to the overall average (4.20). The average usage of support systems in other regions is less than this average. 16% of the students from Addis Ababa and 14% of the students from Oromia have high level of the usage of support systems. 78% of the students from Addis Ababa and 75% of the students from Southern Nations have medium level of usage of support systems. Ho: Students from Southern Nations have more usage of support systems compared with students from other regions. The calculated value of ^{2} (13.44) is greater than the table value (12.59) at 5% confidence level with 6 degrees of freedom. Hence the null hypothesis is rejected and it is proved that there is no difference in the usage of support systems in various regions in Ethiopia.

Emotional Coping Strategies

The average score for emotional coping strategy of management students is 3.94 and the standard deviation is calculated as 0.73. Thus the level of emotional coping strategy among the management graduates is as shown below;

Table No 6.1 Levels of emotional coping strategy

Levels of goal setting	Low	Medium	High	Total
Number of responses	34 (15)	163 (73)	27 (12)	224

Values in parenthesis represent percentage

73% of the management graduates have medium level of emotional coping strategy. 12% of the students have high level of emotional coping strategy. This shows that the students are aware of how emotional reactions affect behavior and studies, aware of situations that cause stress, frustration and developed strategies for avoiding or reducing stress The relation between gender and levels of emotional coping strategy are as follows;

Table No 6.2 Gender and emotional coping strategy

Gender	No of responses	Average	Above average	Below average	Range
Males	152	3.89	93	59	1.2-5
Females	72	4.03	36	36	2.2-5
Total	224	3.94	142	82	1.2-5

The average emotional coping strategy for the male students is 4.07 which is greater than the average (4.04), whereas the average emotional coping strategy for female management students (3.99) is less than the overall average. To test whether there is any difference between emotional coping strategy and gender, the following table is prepared.

Table No 6.3 Gender and levels of emotional coping strategy

Levels/Gender	Low	Medium	High	Total
Males	25 (16)	109 (72)	18 (12)	152
Females	9 (12)	54 (75)	9 (13)	72
Total	34 (15)	163 (73)	27 (12)	224

Values in parenthesis represent percentage

It is clear that 13% of the female graduate students have high level of emotional coping strategy which is greater than the average (12%). The level of emotional coping strategy for male students (12%) is equal to the average. 75% of the female graduates have medium level of emotional coping strategy which is greater than the average (73%). Hence the following hypothesis is framed and tested. Ho: Female students have high level of emotional coping strategy than the male students. The calculated value of ^{2} (0.59) is less than the table value (5.99) at 5% confidence level with 2 degrees of freedom. Hence the null hypothesis is accepted and it is concluded that female graduates have more emotional coping strategy than the male students.

Table No 6.4 Family income and emotional coping strategy

Family income	No of responses	Average	Above average	Below average	Range
< Birr 1000	113	3.87	71	42	1.2-5
Birr 1001- 2000	70	4.09	34	36	1.8-5
Birr 2001-3000	22	4.03	13	9	1.2-5
Birr 3001-4000	11	3.89	5	6	3.2-4.6
> Birr 4000	8	3.4	4	4	2.4-4.8
Total	224	3.94	142	82	1.2-5

The average emotional coping strategy is highest (4.09) for management graduates whose family income is between Birr 1001- 2000. The emotional coping strategy is low for those students whose monthly family income is greater than Birr 4000.To test whether there is any difference in emotional coping strategy and family income, the following table is prepared.

Table No 6.5 Family income and levels of emotional coping strategy

Family income	Low	Medium	High	Total
< Birr 1000	21 (19)	82 (72)	10 (9)	113
Birr 1001- 2000	6 (8)	53 (76)	11(16)	70
Birr 2001- 3000	3 (14)	14 (64)	5 (22)	22
Birr 3001- 4000	1 (9)	10 (91)	0	11
> Birr 4000	3 (37)	4 (50)	1(13)	8
Total	34 (15)	163 (73)	27(12)	224

The level of emotional coping strategy is high for those students whose family income is more than Birr 2001-3000. Emotional coping strategy is low for students whose family income is greater than Birr 4000. Ho: Students whose family income is Birr 2001- 3000 has more emotional coping strategies than students from other income groups. The calculated value of ^{2} (12.35) is less than the table value (15.51) at 5% confidence level with 8 degrees of freedom. Hence the null hypothesis is accepted. It is concluded that students whose monthly family income is Birr 2001- 3000 has high level of emotional coping strategy than students from other income groups.

Table No 6.6 Medium of instruction and emotional coping strategy

Medium of instruction	No of responses	Average	Above average	Below average	Range
English	112	3.93	71	41	1.2-5
Amharic	112	3.95	71	41	1.8-5
Total	224	3.94	142	82	1.2-5

The average emotional coping strategy for students studied in English medium is 3.93 whish is greater than the average (3.94). Those students studied in Amharic medium have an average emotional coping strategy score of 3.95. To identify any difference between the medium of instruction and emotional coping strategy of the students, the following table is prepared.

Table No 6.7 Medium of instruction and levels of emotional coping strategy

Medium of instruction	Low	Medium	High	Total
English	17 (15)	81 (72)	14 (13)	112
Amharic	17 (15)	82 (73)	13 (12)	112
Total	34 (15)	163 (73)	27 (12)	224

13% of the students who studied in English medium have high level of the usage of emotional coping strategy and those who studied in Amharic medium have only 12% high level of emotional coping strategy. Ho: Management students who studied in English medium have more emotional coping strategy than those students studied in Amharic medium. The calculated value of ^{2} (0.04) is less than the table value (5.99) at 5% confidence level with 2 degrees of freedom. Hence the null hypothesis is accepted. It is concluded that students who studied in English medium have more emotional coping strategy than those students who studied in Amharic medium.

The emotional coping strategy of the students from various regions is evaluated. The average emotional coping strategy is more for students from Southern Nation, Addis Ababa, Gambella, Dire Dawa and Afar regions than the overall average (3.94). The average emotional coping strategy of students from Oromia, Tigray, Amhara, Harai and

Benshangul is less than this average. 18% of the students from Addis Ababa have high level of emotional coping strategy. 14% of the students from Amhara region and 12% of the students from Oromia have high level of emotional coping strategy. 90% of the students from Southern Nations have medium level of emotional strategy. 22% of the students from Oromia have low level of emotional coping strategy. Ho: Students from Addis Ababa have high level of emotional coping strategy than students from other regions. The calculated value of ^{2} (12.36) is less than the table value (12.59) at 5% confidence level with 6 degrees of freedom. Hence the null hypothesis is accepted and it is proved that students from Addis Ababa have more emotional coping strategy compared with students from other regions in Ethiopia

Table No 7.1 Coefficient of variation of success attributes

Attributes	Average	S.D	C.V
Self awareness	3.86	0.58	15.02
Pro-activity	4.11	0.58	14.11
Perseverance	3.93	0.68	17.30
Goal setting	4.04	0.67	16.58
Presence and use of support systems	4.20	0.63	15
Emotional coping strategies	3.94	0.73	18.52

Among the success attributes, students possess more of usage of support systems with an average of 4.20. The least attribute to their success is self awareness with a mean of 3.86. The coefficient of variation values further reveals the consistency and reliability of success attributes among the students. The coefficient of variation is less for pro-activity and this success attribute is highly consistent and reliable among the students. Students are not consistent in coping emotional strategies and also perseverance. This analysis shows that the success factors are pro-activity and their usage of support systems in their achievement. The failure factors can be attributed to perseverance, emotional coping strategies and goal setting.

Table 7.2 Comparison of success attributes

Success attributes	Low	Medium	High
Self awareness	33 (15)	162 (72)	29 (13)
Pro-activity	38 (17)	151 (67)	35 (16)
Perseverance	42 (19)	157 (70)	25 (11)
Goal setting	30 (13)	160 (72)	34 (15)
Presence and use of support systems	39 (18)	155 (69)	30 (13)
Emotional coping strategies	34 (15)	163 (73)	27 (12)

The level of pro-activity is high (16%) compared with the other success attributes. 73% of the management graduates have a medium level of emotional coping strategies which is greater than the other factors. 19% of the students have a low level of perseverance which is also greater compared with other success factors. To identify the equality of means of the various success attributes, the following hypothesis is framed and tested. Ho: There is equality among the means of success attributes among the management graduates.

Table 7.3 ANOVA table showing the difference in success attributes

Source of variation	Sum of squares	Degrees of freedom	Mean square	F ratio
Between group	62,610	2(k-1)	31,305	31,305 /18.53 =1689.42
Within group	278	15 (n-k)	18.53	
Total	62,888	17 (n-1)		

The calculated value of F ratio is greater than the table value ($F_{2,\ 15}$ = 3.68) (= 0.05) and hence the hypothesis is rejected. Thus it is proved that there is no relationship and equality among the means of the various successes attributes of the students.

FINDINGS OF THE STUDY

1. Among the success attributes the use of support systems used by management students is the highest (4.20). The average pro-activity score of management students is 4.11. The average goal setting score of management students is 4.04. These are the success factors for the management students. The attribute with the lowest score is self awareness (3.86) perseverance (3.93) and emotional coping strategy (3.94).

2. The most successful attribute among the management graduates is pro-activity which is followed by the use of support systems in their academics.

3. It is proved that male management graduates have more self awareness and goal setting than the female students. Whereas success attributes like pro-activity, perseverance, and emotional coping strategy are more for females than the male students. Students whose monthly family income is Birr 2001-3000 has high level of pro-activity, goal setting ability and emotional coping strategy. Students' whose family income is low has high level of self awareness. Students' whose monthly family income is higher has high level of the usage of support systems in their success than the lower income groups. Those students who studied in English medium in school education has more perseverance, goal setting ability, use more of support systems, and emotional coping strategy than those students studied in Amharic medium. Students who studied in Amharic medium have more self awareness and pro-activity than those who studied in English medium. Students from Amhara region have more self awareness, determination and patience than students

from other regions. Students from Oromia region have more pro-activity than students from other regions. Students from Addis Ababa have more emotional coping strategy. There is no relationship between goal setting ability, usage of support systems with students from different regions.

4. The coefficient of variation is less for pro-activity (14.11) and this success attribute is highly consistent and reliable among the students. Students are not consistent in coping emotional strategies (CV= 18.52) and also perseverance (CV=17.30). Thus the most success factors are pro-activity and usage of support systems in their achievement.

5. The failure factors can be attributed to perseverance, emotional coping strategies and goal setting.

CONCLUSION

Thus this quantitative research tried to identify those factors that lead to positive outcome in their life through academic success. This research also helped to reveal meaningful and significant differences based on the factors that affect academic achievement. The analysis proved more fruitful in revealing a set of success attributes that differentiated the factors, illustrating the levels of each attributes. Students should realize these variations of factors in their academic achievement. Also this research would be of tremendous value in helping students reach their full potential. The self awareness of the students is low compared with the other success factors and it can be improved by; a) Being with students to develop and discuss their individual strengths, weaknesses, and special talents. b) Allowing students choose potential careers that best match their abilities and discuss their choices. Individuals who lack perseverance should pursue alternative strategies for reaching their goal, or know when the goal itself might have to be modified. They should not give up their goals till they succeed. The following strategies can be adopted; a) Share inspirational stories of people who have persevered in the face of adversity. b) Let students share their own stories about times when they have or have not persevered and the consequent outcomes. c) Let students self-monitor their behavior and attitude when playing games that require perseverance. In order to improve the emotional coping strategy, develop effective means of reducing and coping with stress, frustration, and the emotional aspects of learning problems. a) Students should discuss or write about the circumstances that create the greatest stress in their lives. b) Make a list of how the body feels when one begins to feel stressed. c) Teach students basic relaxation or stress-reduction techniques like deep breathing and muscle relaxation. It is recommended that the emerging male management graduates should focus more on pro-activity, perseverance, and emotional coping strategy. Female management graduates should try to improve their self awareness and goal setting. These strategies should be implemented properly at the school level for students attending in both Amharic medium and English medium. Students should be given counseling on these success attributes. The teachers and the family members should create more awareness regarding the success attributes and how to adopt these strategies to the students. To be successful with goal setting strategy, students should set goals that are specific, and flexible. a) Students should write down a short-term academic goal and set a long-term goal and discuss the step-by-step process. b) Study or discuss successful individuals and determine the experiences, backgrounds, opportunities, and critical events that led these individuals to their ultimate positions.

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BRIDGING GAP BETWEEN DESIRABILITY AND AVAILABILITY OF BANKING SERVICE: AN EXCELLENT ROAD MAP IN THE EMERGING COMPETITION

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ABSTRACT

The widening gap between desirability and availability is becoming a major cause of dissatisfaction in the banking industry. The bridging of this gap is one of the solutions to make the customers delight. The present study analyzes the widening gap between desirability and availability regarding reliability, accuracy, confidentiality, flexibility, e-channels, high attention to customers, low service charges and overall satisfaction of customers in three bank groups i.e. public sector banks, Indian private sector banks and foreign banks. The survey was conducted in Chandigarh in the month of October, 2008. Three banks have been selected one each from three bank groups; PNB from public sector banks, HDFC bank from Indian Private Sector banks and Amro bank from foreign banks have been taken for consideration. On the basis of five point Likert type scale, survey concludes that desirability regarding all the parameters is very high as compared to availability of banking services and on the basis of this empirical survey, study recommends some measures to bridge this gap between the D/A of service quality parameters in the banking sector in the emerging competition

KEYWORDS: *Desirability and Availability of Service Quality, Gap between Desirability and Availability, Measures to Bridge the Gap*

INTRODUCTION

Globalization, liberalization, deregulation have resulted in a sea change in the form of time and cost effective consumer banking services (Javalgi, 1992). These competitive innovations have made bank customers more concerned about their money value and surrounding environment that leads to high customer expectations from service providers. In fact the customer expectations rise with the use of latest technology, like on-line services or e-banking, inspiring them to explore the alternatives available to all from around the world and eventually arming them with an unprecedented amount of market knowledge (Parasuraman, 2000) Thus, with ever escalating customer expectations, companies have to offer additional values to make an ever-lasting impression in the minds of customers (Gurney, 1999), because merely delivery of satisfaction as the confirmation of expectations is considered as minimum threshold. Hence, it is important for business managers to understand the provisions, symbols and tangible clues used by the customers in evaluating the service offered by business organizations. Quality is thus relative and subjective and depends on the perceptions and expectations of the customer with respect to the service offered. For service sector companies such as banking, insurance, and tourism, the issues and challenges of service quality are of the utmost significance. Poor service quality places such organizations at a competitive disadvantage. If customers perceive that service quality is unsatisfactory, they will not hesitate to switch over business elsewhere. In recent years, it has been witnessed that there is discontentment with regard to service quality, even when the quality of many manufactured goods appear to have improved significantly. The recent trend in many service organizations is to consider service quality as a critical factor enabling them to achieve a differential advantage over their competitors (Kotler, 2006). Increasingly, quality is becoming a key variable in strategic planning. Organizations which are becoming leaders in service quality are characterized by the commitment of the top management and a corporate culture that encourages a focus on customer and quality throughout the company (Albrecht and Zemke, 1985). In India, public sector banks meet nearly 90 pc banking needs of the country and retail banking constitutes 80 pc of this total banking business (Ram Mohan, 2002). Many academicians and practitioners have highlighted the need for better service quality in banks. Several researchers have suggested the adoption of modern banking technology as a means to improve customer services (Sundaram, 1984; Nageswar, 1987; Nageshwar and Parmod, 1990; Brahmanand and Narayana, 1990; Seshasai, 1999; Gani and Bhat, 2003). These studies have made public sector banks aware that if the present trend of customer dissatisfaction continues, they

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will loose their valuable clients to their competitors especially to private and foreign banks. In fact this was realized much earlier when the Rangarajan Committee Report (1989) stressed the need for mechanization of the Indian banks. Many other researchers have suggested the adoption of modern banking technology as a means to improve customer services (Ammayya, 1996). Therefore, the banks have to provide quality service to their customers for survival, as well as to have competitive advantage.

Scheme of Paper

The present paper has been divided into six sections. After the introduction, section II reviews some related studies. Section III fixes some research objectives, hypothesis & highlights the research methodology and the data base. Section IV is devoted to the results and discussion. Section V gives some recommendations to enhance the service quality in banking industry, implications of the study, limitations of the study and future areas for comprehensive research and last section concludes the paper.

REVIEW OF LITERATURE

There are a number of studies that refer to the importance of clients/ customers' perceptions of quality (Takeuchi and Quelch, 1983). These result from comparisons by expectations of service with actual performance (Gronroos, 1982 and Berry, et al, 1985). Berry (1980) along with Booms and Bitner (1981) argued that due to intangible nature of services, customers use elements associated with the physical environment when evaluating service quality. Managing the evidence and using the environmental psychology are often seen as important marketing tools. Levitt (1981) proposed that customers use appearances to make judgments about realities. The less tangible a product is the more powerful shall be the effect of packaging while judging that product. Gronroos (1982) had identified two service quality dimensions, viz., functional quality and technical quality. Functional quality represents the perception of the manner in which the services are delivered. Technical quality or outcome quality on the other hand, represents the outcome of the service act or what the customer receives in the end (Brady and Cronin, 2001). Parasuraman, et al. (1985) suggested that the criteria used by consumers mould their expectations and perceptions of delivered service quality fit into ten dimensions: tangibility, reliability, responsiveness, communication, credibility, security, competence, courtesy, understanding/knowing the customer and access. Subsequent researches, by Parasuraman, et al. (1988) have condensed these into five dimensions of service quality. The Penta-dimentional model has now become the standard way of measuring service quality in banking sector.

Tangibility	includes physical facilities, equipment, appearance of personnel.
Reliability	includes ability to perform the promised service accurately and with reliability.
Responsiveness	includes willingness to help customers and provide prompt Service.
Assurance	includes knowledge & courtesy of employees and their ability to convey trust and confidence.
Empathy	includes caring and individualized attention the company provides to its customers.

Parasuraman, et al. (1988) developed a 22-item scale, referred to as SERVQUAL Scale, which is widely used as a generic instrument for measuring service quality. The basis for identifying the five components was factor analysis of the 22-item scale developed from focus groups and from the specific industry applications undertaken by the authors (*Parasuraman, et al., 1985,1988; and Zeithaml, et al*., 1990). Though, the veracity of conceptualising the SERVQUAL scale has been questioned *by Carman (1990)*, the validity of the 22 individual performance scale items that make up the SERVQUAL scale appears to be well supported both by the procedures used to develop the items and by their subsequent use as reported in the literature *(Brown and Swartz, 1989; Zeithaml, et al., 1990; Lewis, 1991*; Young, et al., 1994; *Berry and Parasuraman*, 1997). There are some limitations with SERVQUAL, which have been highlighted by the authors themselves (Parasuraman, et al., 1991) and also by other researchers *(Babakhus and Boiler, 1992; Lewis and Mitchell, 1990; Lewis, 1993; and Smith, 1992)*. These relate to respondents' difficulties with negatively-worded statements using two lists of statements for the same items. There is also a disagreement among various researchers regarding the number of dimensions of service to be assessed. Another problem relates to the time factor at which the service quality has to be measured, i.e., before, during or after a service encounter, while there is a healthy and productive debate regarding the dimensionality of SERVQUAL items to be included to service quality scale across different industries. Researchers, however, generally agree that the scale items are good predictors of overall service quality *(Bolton and Drew, 1991; and Cronin and Taylor, 1992)*. A number of other empirical studies have been conducted using the SERVQUAL scale which include car retailing *(Carman, 1990)*, travel and tourism *(Fick and Ritchie, 1991)*, and hospitality *(Saleh and Ryan, 1991)*, banks (Lewis, 1991), and medical services *(Brown and Swartz*, 1989). There have been a number of such studies that deal with service quality in banking industry in general and in particular the application of SERVQUAL instrument in commercial banks (Blanched and Gallway, 1994; Angur, et al., 1999; Bahia and Nantel, 1998; Lassar, et al., 2000, Sureshchander and Rajendran, 2003; Kang and James, 2004; Jain, 2005; and Dogra, 2006).

Research Gap

The review of literature exhibits that no study has been conducted regarding the gap between desirability and availability of service quality parameters. The present study is directed to know the extent of gap between desirability and availability of service quality parameters and some recommendations are prepared to bridge this gap.

OBJECTIVES, RESEARCH METHODOLOGY & DATA BASE

Objectives

- To explore the extent of gap between the desirability and availability of banking services.
- Recommendations to bridge the gap between the desirability and availability of banking services.

Hypothesis

- There is no difference in the opinion of respondents of three bank groups regarding the desirability of service quality parameters.
- There is no difference in the opinion of respondents of three bank groups regarding the availability of service quality parameters

Research Methodology

In the light of the aforesaid objectives and hypothesis and instrument (c-annexure) was developed to collect information on desirability of bank customers regarding reliability, accuracy, confidentiality, flexibility, e-channels, high attention to customers, low service charges and overall satisfaction of customers. Similarly, information is collected regarding the availability of above said aspects. This instrument was pre- tested on a small sample of 50 respondents residing in Chandigarh. With the variability in responses from the sample drawn from the population of approximately 10 thousand households, sample size for the main study thus, came out to be 1200 customers. The survey was conducted in Chandigarh in the month of October, 2008. For data collection, the respondents were selected with the help of an abridged list of random numbers. The study was conducted in Chandigarh as it, being the capital of Punjab, witnessed the latest changes in the banking services and has almost all present day banking service dimensions which delight the customers. Moreover, Chandigarh is a representative of people belonging to various demographic profiles of urban life relevant to modern banking services. Likert type five point scale was used to know the desirability and availability of the service quality parameters. The whole banking industry is divided into three bank groups namely, public sector banks, Indian private sector banks and foreign banks. Further, three bank branches one from each bank group has been selected for the survey purpose. The various statistical methods like percentage, average, standard deviation, coefficient of variation and weighted average score (WAS) were used to compare the results. To test the hypothesis, chi ^ test is used.

Data Base

Field Survey conducted in the month of October, 2008 at Chandigarh.

SOCIO-ECONOMIC PROFILE OF CUSTOMERS

In the present study, the main focus of analysis is on service quality in banking industry. Opinions of three bank group customers have been calculated separately. The total sample survey of 1200 customers have been taken into consideration (Table1) & further these respondents are equally divided into three bank groups i.e. public sector banks (G-I), private sector banks (G-II) & foreign banks (G-III). Among these customers, 37 pc customers are post graduate & similarly 40 pc are the youngsters. Service class and business class dominates in the respondents. The Sampled respondents are divided as per the pattern mentioned in table 1.

Table 1-Socio-Economic Profile of Customers

Group	Number	%
Bank Type		
G-I	400	33.33
G-II	400	33.33
G-III	400	33.33
Present Age		
Upto 25	296	24.67
26-35	476	39.67
36-45	220	18.33
45-55	168	14.00
Above 55	40	3.33
Occupation		
Service	380	31.67
Business	304	25.33

Industry	272	22.67
Agriculture	16	1.33
Professional	16	1.33
Others	212	17.67
Education		
Matriculate	116	9.67
Graduate	408	34.00
Post Grad.	444	37.00
Professional	232	19.33
Total	1200	100.00

Source: Field Survey

G-I: Public Sector Banks, G-II: Private Sector Banks
G-III: Foreign Banks

RESULTS AND DISCUSSION

Desirability of Service Quality Parameters-

For a bank it is necessary to gain the confidence of its customers and it is possible only when it is reliable. About 85 pc of respondents responded that reliability of a bank is highly desired and overall 94.33 pc customers feel that the reliability of a bank is desirable to attract customers (Table 2). Except 5 to 6 pc of respondents, all other desired that the bank services should be accurate because it directly affects their satisfaction. Similarly, majority of customers i.e. 93 pc and 97 pc desired confidentiality and flexibility in banking services. In today's e-age, e-channels like internet banking, mobile banking, tele-banking, ATM, smart cards, debit cards, etc. are very necessary and 66 pc of respondents highly desired e-channels. Overall, 86 pc of customers have shown the desirability of e-channels. About 89.3 pc of respondents think that the main duty of bank employees is to serve their customers because customer is the sole purpose of their work. Therefore, they should pay high attention to their customers rather than working with computers only. Nearly 94 pc of customers are of the opinion that banks should keep low service charges of their products and services. Similarly, 90 pc customers feel that overall satisfaction of bank customers is highly desirable.

Table 2 Desirability of Service Quality *(in percent)*

Service Quality Parameters	Ab.Unneces.	Unnecessary	Somewhat	Desirable	Highly Desirable	WAS
Reliability	-	3.00	2.67	9.33	85.00	1.76
Accuracy	-	1.67	4.00	17.00	78.33	1.73
Confidentiality	0.33	2.33	4.33	19.67	73.33	1.63
Flexibility	-	3.00	10.00	22.67	64.33	1.48
E-Channels	2.00	1.67	10.33	20.00	66.00	1.46
High attention to customers	0.33	2.67	7.67	18.3	71.00	1.57
Low service charges	0.33	1.67	4.33	15.00	78.6	1.70
Overall satisf.	2.00	1.33	7.00	21.67	68.00	1.52

Source: Source: Field Survey
Note: Ab. Unneces. - Absolutely Unnecessary

In case of all parameters under study WAS is greater than one which indicates that these quality parameters are highly desirable by bank customers.

Availability of Service Quality Parameters-

Nearly 86 pc customers opined that the banks are reliable but still there are 14 pc customers who have less or no confidence in banks. Although, accuracy in bank procedures is highly desirable by customers but only 25.33 pc customers opined that banks accurately do their work. Only 66 pc and 66.33 pc of respondents respectively think that banks keep their identity and amount confidential and flexibility is available in banks. Although e-channels are highly desired by bank customers but only 61.34 pc customers responded that banks provide e-channels to their customers successfully.

Table 3 Availability of Service Quality *(in percent)*

Service Quality Parameters	Not at all	Not Avail.	Somewhat	Available	Highly Avail.	WAS
Reliability	0.67	3.00	11.00	59.67	25.67	1.07
Accuracy	0.33	4.67	20.67	49.00	25.33	0.94
Confidentiality	4.00	5.67	24.33	31.67	34.33	0.87
Flexibility	0.33	11.67	21.67	44.33	22.00	0.76
E-Channels	0.33	10.33	28.00	40.67	20.67	0.71
High attention to customers	6.33	20.33	23.67	32.00	17.67	0.34
Low service charges	9.00	10.00	21.00	35.67	24.33	0.56
Overall satisf.	-	7.33	31.33	43.67	17.67	0.72

Source: Field survey results
Note: Avail. – Available, satisf. - Satisfaction

Similarly a high majority of customers desired high attention of employees but only 49.67 pc of them are satisfied from the bank employees. About 40 pc of respondents think that banks charge high service charges from them. Only 61.34 pc of the customers are satisfied from the overall performance of banks.

In case of all parameters under study WAS is less than one except reliability parameter which indicates that bank customers are dissatisfied by the availability of these parameters in a bank. It is one of the cause of dissatisfaction among customers of banking sector.

Gap between Desirability and Availability-

The average gap in the desirability and availability is 0.697 & 0.787 for reliability and accuracy respectively which indicate that banks have less accuracy and reliability than desired. Therefore, they should work in this direction to gain the confidence of their customers. Similar is the case with confidentiality, flexibility and e-channels parameters where average gap is 0.767, 0.723 and 0.753 respectively. In case of employees attention to customers and low service charges the average gap is very high i.e. 1.227 and 1.137 respectively which indicated the fact that bank employees pay less attention to their customers and also customers are less satisfied by the service charges charged by the banks.

Table 4 Gap between Desirability and Availability

Service Quality Parameters	Average	SD	CV
Reliability	0.697	0.937	134.499
Accuracy	0.787	1.033	131.359
Confidentiality	0.767	1.154	150.550
Flexibility	0.723	1.086	150.184
E-Channels	0.753	1.160	153.995
High attention to customers	1.227	1.479	120.603
Low service charges	1.137	1.467	129.039
Overall satisf.	0.807	1.141	141.487

Source: Field survey results

Overall satisfaction of bank customers is not a different aspect and average gap in this case is 0.807. Coefficient of Variation indicates that there is instability in the opinion of bank customers on confidentiality, flexibility, e-channels and overall satisfaction aspects of banks. While comparatively consistency is found in their opinions in case of other aspects under study. The present study clearly indicates that in the e-age, customers have become more concerned about their money & time and have become more demanding. They highly desire reliability, accuracy, confidentiality, flexibility, e-channels, employees attention to customers. Moreover, they desire these services at low service charges. But responses of these customers regarding the availability of these parameters is not satisfactory which has created a wider gap between the desirability and availability of service quality parameters in banking industry.

RECOMMENDATIONS

The present paper attempts to give following recommendations for banks to bridge the gap between the desirability and availability of service quality parameters and to win the confidence of new customers and to retain their old and valuable customers:

- Banks should reliable to win the confidence of potential customers and to retain the old ones.
- The various procedures of banks should be transparent and accurate e.g. working of bank employees with computers should also be displayed to customers sitting on front chair and money counting machines should be available for customers also.
- Banks should keep the identity, amount deposited, etc. of their customers should be confidential.
- The various procedures of banks should not be rigid. They should be flexible to facilitate the customers.
- Present age is a e-age. Therefore, it is necessary for all banks to provide more and more e-channels. Public sector banks need to give more attention in this regard.
- It is crystal clear from our study that the customers are less satisfied by the services provided by bank employees. Therefore, it is necessary that bank employees should pay high attention to their valuable customers. They should serve their customers with smiling face. Further, they should be polite and co-operative.
- Bank customers experienced that banks charge high service charges for their products and services offered. This impression is more for private sector banks. Therefore, all banks, particularly, the private sector banks should work in this direction and they should charge as low service charges as possible.
- Overall- satisfaction of a customer from his bank is very necessary because this is the only factor that helps any organization to increase its business because *a delighted customer will give you one more customer but an unhappy customer will curtail your ten customers*.

Thus, it is expected that if all bank groups add quality to their work their business can further be multiplied because in the e-age, customers judge an organization not only by the number of products offered by it but by the quality of that products and services. Same is for banking industry because *'quality counts in services too'*.

IMPLICATIONS

The analysis indicates a widening gap between the desirability and availability of the service quality parameters in banking industry. This gap between desirability and availability is an alarming bell for some banks, particularly, the public sector banks. The bridging of this gap is the need of the hour. The analysis of this study is very useful for the banking industry as well as for other organizations.

LIMITATIONS

- Due to the problem of space, separate analysis of responses gender-wise, age-wise, occupation-wise and bank group wise has not been shown in the paper.
- Due to the same reason, chi^ test is not shown in the analysis.
- Only three banks working in Chandigarh are taken due to shortage of time.
- The analysis is based on the responses of customers.

FUTURE AREAS OF COMPREHENSIVE RESEARCH

- Gap between desirability and availability of remaining service quality parameters like responsiveness, Courtesy, Professionalism, etc.
- Gap between desirability and availability of service quality parameters for rural and urban sectors.
- Desirability of bank employees from bank management and its customers.

CONCLUSION

The paper concludes that desirability regarding reliability, accuracy, confidentiality, flexibility, e-channels, high attention to customers, low service charges and overall satisfaction is much higher than the availability. This is the cause of dissatisfaction among the customers and to some extent the customers are shifting from one bank to another. Bridging this gap will increase the reputation of the bank and hence the customer base. The banking industry should be reliable, accurate and customers should be overall satisfied. E-Banking services are the need of hour. The present line well summarizes the paper *"Zero plus zero will always remain zero no matter how many zeros you add to it"*. The same is for banking industry i.e. banks should add more and more qualitative services.

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ETHICS IN RETAILING: PERCEPTIONS OF CONSUMERS

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ABSTRACT

Business ethics has been gaining the attention of business houses, business schools, researchers and media etc. The retail sector, being the growing sector and in direct connection with the ultimate consumers, also gives weight to ethical values. This paper thus studies the nature and extent of existing ethical values in retailing practices on the basis of information obtained from fifty randomly selected consumers from Gandhi Nagar colony of Jammu city. The findings reveal legal rules and some of the ethical values being followed satisfactorily at retail level but to some extent retailers do hoard gifts given to them by the marketers as consumer sales promotion incentives for passing on the same to the ultimate consumers, employ minors, do not protect consumer rights and also follow deceptive sales promotion. Moreover, majority of the respondents are of the opinion that retailers who are educated and senior in age are more ethical and they do abide by laws and regulations better than their less educated and younger counterparts. Finally the paper suggests an action plan for better ethical values in retailing practices.

Keywords: *Convenience goods, Specialty Goods, Shopping Goods*

BACKGROUND

Ethics plays a very significant role in every walk of life including business and profession, and thus the same is indispensable for the progress of any civilized society. It is in this context there is a widespread concern about ethical issues in different walks of life (Peterson, Rhoads & Vaught 2001). Consequently, it has gained the attention of business firms, researchers, regulatory bodies and media etc. (Mc Cabe, Ingram & Data-on 2006). Business Schools, have introduced business ethics as one of the compulsory courses in their curriculum (Abratt & Penman 2002). In fact, the present period can be described as 'ethics era' (Smith 1995) because ethics alone and no other regulation can regulate and protect the society. A business firm has to operate in socioeconomic fabric and, thus, involves a large number of stakeholders having different expectations (Reynolds, Schulz & Hekman 2006, Kujala 2001 and Whysall, 1998). The aim of every business is to earn profit and satisfy the expectations of stakeholders in a truthful manner (Kaptein 2008, Napal 2003). It is widely said that 'ethical business is good business'. Those businesses which act ethically enjoy more sales volume, profitability and strong image, that too with increasing and sustainable market share (Lavorata & Pontier 2005). On the contrary, businesses which do unfair or unethical practices reduce their image, profitability (Orlitzky, Schmidt & Rynes 2003), credibility and even the survival of business may be in danger (Grant & Visconti 2006, Mazzola, Ravasi & Gabbioneta 2006). Moreover, in a modern competitive and complex business scenario, ethics serves as a corporate strategy against the competitors (Behnam & Rasche 2009) and thus, helps in meeting competition. Marketing in general, and retailing in particular, stands often criticised on the grounds of unfair and unethical practices (Bone & Corey 2006, Akash & Lund 1994). The retailers have much more moral obligation to act ethically while dealing with different stakeholders like consumers, employees, suppliers, financers, government agencies and community at large (Whysall 2000). A retailer is said to be ethical when he acts fairly, honestly and with a sense of respect and trustworthiness with each stakeholder. The consumers and some other stakeholders are of the opinion that they are being treated unethically. Even the media being 'the fourth pillar of democracy', has highlighted the unfair business practices and scandals (Berman & Evans, 2007, p. 44). On the contrary the business concerns and retailers claim to be doing fair practices. So there is a controversy between the perceptions of retailers and consumers. Ethics in retailing originates from the concept of marketing itself. In fact, the concept of marketing not only both starts and ends with the consumer (Kotler 2005, P. 7), but revolves around the consumer only, indicating that the consumer is the nucleus around whom all other marketing activities revolve. The aim of the marketer is not only selling but to satisfy the consumer and other stakeholders (Fassin 2009). It is in this context the retailers, being the last point in the distribution chain (Cox & Brittain 2006), are in direct and regular contact with ultimate consumers. The behaviour of retailers is more significant than other intermediaries because they affect the lives of ultimate consumers i e the whole of the society (Abratt, Bendixen & Drop 1999).

Today the retail sector is growing day by day with the increase in consumers' disposable income, high spending habits and change in consumers tastes and preferences (Bajaj, Tulip &

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Srivastava 2007, Nicholls 2002; and Whysall 1998). Keeping in view such changes, many big business houses like Reliance, Vishal Marts etc have been investing in retailing by opening their shopping malls in different parts of India. The retail sector has shown tremendous progress and has become a prominent sector all over the world including India. Its share to the world GDP is about 27% from both organised and unorganised retail business (Vedamani 2008, P. 3). Though in developed countries like USA and UK organised retailing is dominating, yet in developing countries like India, unorganised retailing is still dominating with over 12 million retail outlets of different types and sizes (Bajaj, Tulip & Srivastava 2007, p. 9). Only about 6% outlets are in organised retail sector and remaining (94%) outlets are part of unorganised retail business. In the year 2007, the retail business in India was US$ 385 billion and Mc Kinsey study estimated this increase of about US$ 1.52 trillion by the year 2025 (Vedamani 2008, P. 4). Indeed, the retail business in India is the second largest employer after agriculture.. It is in this context the paper studies ethical practices in Indian retail on the basis of consumer perceptions.

REVIEW OF LITERATURE

Numerous studies have been conducted on business ethics. Only one journal i.e. 'Journal of Business Ethics' has thousands of papers on business and marketing ethics. However the focus of these studies increasingly remained on the areas like advertising, consumer ethics in general marketing research etc., thus retailing practices received less attention so far. Before taking up the empirical work under reference, a few of the existing studies on ethical values in retailing stand reviewed as under -

Rallapalli et. al. (1994) studied the relationship between consumers' ethical beliefs and their personality traits and found that only 14 out of 40 personality traits and consumer ethical pairs had significant relationship. Rawass, Vitell & Al-Khatib (1994) investigated the ethical beliefs, ethical ideologies and degree of Machiavellianism (egoism) of consumers from two countries viz. Egypt and Lebanon and provided that the two samples differed significantly in terms of ethical beliefs, ethical ideologies and Machiavellianism. They also opined that Egyptian consumers view all types of questionable statements as more unethical than the Labanese consumers.

Abratt, Bendixen & Drop (1999) explored the ethical beliefs of executives, managers and retail salespeople in South Africa by collecting data through a 38 statements based questionnaire, covering both work related and customer related issues. The results indicated that salespeople were more likely to do something unethical than managers and executives regarding both work related and customer related factors. The authors also suggested that retailers must formulate ethical policies and procedures for their salespeople which must be communicated and is clearly understood by all salespeople. Honeycutt et. al. (2001) found age as significantly associated while education was insignificantly associated with ethical behaviour.

Ergeneli & Ankan (2002) studied the effect of some demographic factors like age and income etc on ethical behaviour.and revealed that there was no significant difference in ethical perceptions based on gender. However, female salespeople had more ethical score than their male counterparts at two age groups viz. less than 20 years of age and age group of 40-49 years. Similarly, regarding the effect of income, the results indicated that the only significance between male and female salespeople was the income level of 200-300 millions at which female salespeople had higher ethical scores than male salespeople.

Dubinsky, Nataraajan & Huang (2004) investigated the relationship between retail salespersons' moral philosophy (idealism and relativism) and their perceptions about ethically troublesome situations. Factor analysis identified five factors namely psychological pressure on customers, salesperson deception, poor customer service, price related items and salespersons' excuses. The results provided that relativism was not associated with all five factors of ethical retail practices while idealism was negatively associated with retail salespeople' attitude towards four out of five factors. The study finally suggested that retail managers should provide training to their salespeople and should show themselves as ethical model to their salespeople. Lavorata & Pontier (2005) identified the ethical practices of convenience retailers and also assessed the ultimate relevance of ethical marketing for a retailer. The findings revealed that ethics must be integrated into the marketing strategies of the retailers.

Roman & Munuera (2005) in their research paper 'Determinants and consequences of ethical behaviour: an empirical study of salespeople', highlighted several key detertiments and consequences of ethical behaviour of salespeople. The determinants of ethical behaviour were reward system, control system, age and education. On the other hand, the consequences were role conflict, performance and job satisfaction. Sarma 2007, examined the ethical practices of retailers and the ethical beliefs of salespeople by collecting data through a questionnaire from 62 salespersons of eight major retail outlets in Guwahati. The study found that salespeople did face ethical dilemma while dealing with different stakeholders. The results highlighted that retailers had no clear policies and code of ethics for guiding their salespeople. They had developed some norms which they communicate at the time of induction, but not monitored thereafter.

RESEARCH METHODOLOGY

The various aspects of empirical study under reference are summarized as under:

Profile of Respondents

As already stated this study is based upon the primary data obtained from 50 randomly selected consumers from Gandhi Nagar colony of Jammu city. The proportion of male respondents figured higher (60 %) than their female counterparts (40 %). The average age of respondents was 44 years and more than half of the respondents (54 %) had below average age. Majority of the respondents (80 %) were married and 88 % had Hindu as their religion. More than half of the respondents (60 %) were graduates; 64 % of the respondents work in the service sector and about the same number of them (62 %) belongs to nuclear families. Moreover, the average expenditure and income per month came up as Rs 13200 and Rs 21900 respectively. More than half of the respondents (52 %) had incurred below average expenditure and 60 % of them earned below average income. Finally, 42 % of the total respondents made purchase decisions collectively. All this detail is summarized in the Table 1.

Table 1 Respondents Profile

Variables	Frequency	Percentage	Variables	Frequency	Percentage
Age:			**Occupation:**		
Below average	27	54	Service	32	64
Average	02	04	Business	05	10
Above average	21	42	Retired	07	14
Gender:			Others	06	12
Male	30	60	**Family types:**		
Female	20	40	Nuclear	31	62
Qualification:			Joint	19	38
Metric	03	06	**Family expenditures:**		
Under graduate	04	08	Below Average	26	52
Graduate	30	60	Above average	24	48
Post graduate and above	13	26	Family income Below Average	30	60
Marital Status:			Above average	20	40
Married	40	80	**Purchase decisions:**		
Unmarried	10	20	Husband	16	32
Religion:			Wife	07	14
Hindu	44	88	Collective	21	42
Sikh	05	10	Other	06	12
Others	01	02			

Instrument

The data collection schedule developed after the review of literature (Sarma 2007, Lavorata & Pontier 2005 Dubinsky Nataraajan & Huang 2004) and discussions with the experts comprised of 10 items of general nature; 35 items relating to legal provisions; 27 relating to ethical values; 28 relating to consumer satisfaction and 13 statements relating to other issues. The respondents were required to give three responses for each statement concerning their experience with ethical behaviour of all the three types of retailers dealing in convenience goods, shopping goods and specialty goods.

ANALYSIS AND RESULTS

Factor Analysis

The data so collected was analysed with the help of 15.0 version of SPSS. Factor analysis was used for data reduction and purification, which resulted into the deletion of some insignificant items with factor loadings below .50.

Reliability and Validity

The reliability of data was obtained by dividing the data so collected in two equal halves. The split half reliability before factor analysis has been quite satisfactory in terms of mean values (group 1:3.37 and group 2: 3.29). It has also been proved satisfactory after factor analysis (group1: 3.42 and group 2: 3.40) for convenience goods. Same is the case with shopping and specialty goods (Table 2). Moreover the data were found to be valid under convergent validity test also as majority of the responses for most of the statements have fallen in the above average category.

Table 2-Split half Reliability

Type of Goods	Cronbach's Alpha	Split Half Reliability			
		Before Factor Analysis		After Factor Analysis	
		Group I	Group II	Group I	Group II
Convenience Goods	.947	3.37	3.29	3.42	3.40
Shopping Goods	.838	3.37	3.31	3.39	3.34
Specialty Goods	.849	3.57	3.42	3.52	3.40

FINDINGS

The findings of the study have been summarised for all the three types of goods separately. It is as under:

CONVENIENCE GOODS

Because of their nature of use and consumer urgency, these goods are purchased very frequently and within less time and without much planned efforts e.g., milk, bread, soap, and newspaper etc. (Kotler 2005, p. 411). The perception about the ultimate consumers about the ethical values being followed by the retail store dealing in convenience goods came up as under:

Legal Provisions -

There are several rules and regulations framed by the government from time to time which every retailer is expected to abide by. The study reveals that about 74 % of the total respondents observe good quality products being made available by the retailers (MS: 3.84). About 60 % of respondents experienced the safety aspect being seen quite carefully at the retail levels (3.56). Two third of the respondents observed the retailers charging fair prices and applying actual rate of VAT (3.74 and 3.72) respectively. However, majority of the respondents provided that the retailers sometimes hoard gifts given to them for the consumers, do deceptive sales promotion and also sell the products after expiry date (2.92, 2.88 and 2.64) respectively. The government and retail associations should keep constant vigilance on the practices of the retailers so that they abide by the rules and regulations framed in this regards

Ethical Values

About three-fourth of the respondents felt the behaviour of retailers as polite and patient (MS: 4.10) and 58% of the respondents observed the retailers keeping all varieties of products they need (3.68). About two third of them experienced the retailers to be courteous, helpful and giving due weight to their complaints (3.54, 3.52). The respondents accorded above average score to 'adequate after sales service', 'equality and fairness', 'accurate information' and 'no excuse for un-stock products' (Table 3). However, majority of the respondents perceived that they do not protect their rights as consumers, conceal their limitations and give preference to some consumers (MS: 2.94, 2.64 and 2.56) respectively.

Table 3. Factors Analysis in Convenience Goods

Dimensions		Mean	Factor Loading	% of Variance Explained
Legal Provisions	**Factor 1**	3.55		16.70
	Genuine quality products	3.84	.699	
	No dealing in smuggled goods	3.38	.580	
	Safe products	3.56	.691	
	Material information	3.42	.831	
	True information about quantity, price and quality			
	Factor 2	3.54	.737	
	No price discrimination	3.18		12.65
	Proper record sale on credit	2.86	.711	

	No misleading and false labeling	3.62	.547	
	No deceptive advertising	3.26	.740	
	Factor 3	2.98	.733	
	Standard products	3.14		11.33
	No dumping of products	3.08	.791	
	No hoarding of samples and gifts	2.96	.725	
	Replace/repair of products	2.92	.593	
	Factor 4	3.58	.652	
	No false advertising	2.99		10.44
	No environment pollution	3.50	.649	
	Not selling products after expiry dates	2.82	.817	
	Factor 5	2.64	.650	
	Printed information about quantity	3.38		9.31
	No deceptive sales promotion	3.90	.765	
	No breach of contracts	2.88	.683	
	Factor 6	3.36	.639	
	Actual rate of VAT	2.61		7.80
	Proper packaging	3.72	.844	
Ethical Values	**Factor 1**	1.49	.655	
	Adequate after sales services	3.37		18.64
	Cognizance to complaints	3.58	.654	
	Equality and fairness	3.52	.704	
	Knowledge of products to salespeople	3.34	.581	
	Accurate information	3.42	.519	
	Humble, courteous and respectful	3.26	.661	
	Protection of consumer rights	3.54	.779	
	Factor 2	2.94	.726	
	Access to all varieties of products	3.69		11.58
	Politeness and patience	3.68	.760	
	Indifferent after sale behaviour	4.10	.867	
	Factor 3	3.30	.572	
	No concealment of limitations	2.73		9.88
	No sale of valueless products	2.64	.808	
	Factor 4	2.82	.599	
	No False claims	2.88		9.85
	No excuses for unstock products	2.63	.762	
	Factor 5	3.12	.677	
	Avid disparaging of competitors	2.56		9.27
	Avoid showing products according to type of customers	2.84	.724	
	Factor 6	2.28	.741	
	Preference to customer needs than sales motive	2.78		8.89
	No preference to some customers			
	Factor 1	3.00	.669	
Customer Satisfaction	Courteous and respectful	2.56	.883	
	Punctuality	3.66		17.50
	Helpful	3.78	.507	
	Correct and timely information	3.90	.632	
	Available in the store	3.70	.722	
	Help in buying decision process	3.16	.588	

	Needed assistance	3.98	.773	
	Implementation of suggestions	4.00	.715	
	Factor 2	3.66	.596	
	Sitting arrangements	3.08	.616	
	Parking space	2.57		11.58
	Polite, patient and honest	2.48	.872	
	Explanation about buying risks	2.02	.722	
	Factor 3	3.38	.558	
	Good quality products	2.40	.769	
	Authentic printed qty	3.75		10.52
	No deceptive promotion	3.84	.576	
	Supply of goods on delivery date	3.74	.620	
	Factor 4	3.56	.730	
	Convenient store location	3.86	.598	
	Friendly Behaviour	3.97		10.16
	Competent	4.22	.623	
	Factor 5	3.92	.745	
	Proper and safe packing	3.76	.837	
	After sale service	3.82		9.84
	Attractive window displays	4.04	.519	
	Convince in misunderstanding	3.56	.642	
	Factor 6	3.90	.522	
	Fair and printed price	3.76		
	No queue for shopping	3.31	.822	8.29
	No discrimination	3.72	.685	
	Factor 1	3.08	.835	
Other	Control of unethical behaviour	3.12	.598	
Issues	Acceptance of norms and regulations	3.99		33.64
	Educated retailers are humble,	3.92	.656	
	helpful and respectful			
	Higher education brings honesty and sympathy	4.10	.693	
	Highly educated retailers deal fairly	4.16	.878	
	Highly educated retailers keep their promises			
	Factor 2	3.96	.880	
	Age fosters polite behaviour	3.88	.851	
	Honesty, humility and punctuality of aged retailers	3.90		
	Senior in age retailers behave more ethically	3.96	.749	
	Factor 3	3.86	.718	19.85
	Young retailers do fair practices			
	Less educated retailers don't indulge more in unfair retail practices			
	Less educated retailers do not discriminate with customers			

Customer Satisfaction -

About three fourth of the respondents are highly satisfied with 'convenient store location' (MS: 4.22) followed by 'availability of desired brands of products' (4.14), 'proper and safe packing' (4.04), 'help in buying decision process' (4.00) and 'product quality' (3.84). However 76 % are dissatisfied with 'sitting arrangement' and 'parking facility' (2.48 and 2.02).

Other Issues

Majority of the respondents are of the opinion that the retailers who are well educated and senior in age are more humble, punctual, honest, and respectful to their customers (4.14 and 4.10). On the contrary, most of respondents perceived less educated and young retailers as more unfair and unethical as compared to their well educated and senior in age counterparts (2.34 and 2.66).

SHOPPING GOODS

Here consumers have different kinds of serious purchase considerations such as suitability, quality, price, and style etc. The examples of these types of goods are clothing, shoes, and kitchen appliances etc. (Kotler 2005, p. 411)..The major findings in this regards emerged as under:

Legal Provisions

About three fourth of the total respondents are of the opinion that they get good quality products (MS: 3.82) and 62 % found that the retailer supplying them safe products (3.52). Moreover, about half of them reported to have been getting the receipts when ever purchases made (3.44). But 58 % observed minors being employed by the storeholders dealing in goods of shopping nature (2.32) and do not explain the risks associated with product usage.

Ethical Values

Most of the respondents provided that the retailers who are dealing in shopping goods give them due respect and recognition (4.04) and half of them observed to have been treated equally and fairly at the retail level (3.30). However the same number of respondents feel the retailers being untruthful, non-sincere and dishonest (2.72) and 60 % of the respondents felt exploited whenever they could not bargain effectively (2.34).

Customer Satisfaction

Most of the respondents are of the opinion that retailers help them in the buying decision process (MS: 4.20) and two third believed them as punctual (3.98), courteous (3.90), every time available in their stores (3.82) and helpful (3.82). Moreover, majority of them are highly satisfied with availability of 'desired brands' (4.14), convenient 'store location' (4.22), sound 'window displays' (4.12), 'friendly behaviour' (4.00) and satisfied with 'sitting arrangement' (3.52), 'fair and printed price' (3.52) and 'after sales service' (3.58) (Table 4). However, the respondents are dissatisfied

Table 4. Factors Analysis in Shopping Goods

Dimensions		Mean	Factor Loading	% of Variance Explained
Legal Provisions	**Factor 1**	**3.49**		**16.58**
	Genuine quality products	3.82	.662	
	Safe products	3.52	.825	
	Replacement / repair of products	3.46	.784	
	True and accurate information about quality and price			
	Issuance of bills on purchases	3.52	.692	
	Factor 2	3.46	.586	
	No employment of minors	2.73		10.12
	No environment pollution	2.32	.639	
	No sale products after expiry dates	2.92	.769	
	Factor 3	2.94	.807	
	Actual rare of VAT	3.18		9.68
	No misleading and false labeling	3.47	.755	
	No exploitation of consumers	2.86	.655	
	Factor 4	3.20	.717	
	No hoarding of free samples / gifts	2.97		9.53
	Proper records sales on credit	2.86	.557	
	Information about all risks	3.52	.638	
	Factor 5	2.54	.820	

	No dealing in smuggled goods	3.28		9.06
	Proper after sale service	3.38	.694	
	Factor 6	3.18	.625	
	No claim of unbranded products as superior	2.61		7.68
	Proper rate of discount	2.66	.583	
	Factor 7	2.56	.872	
	Explanation of positive and negative aspects of a product Fair prices	2.91		6.59
Ethical	**Factor 1**	2.88	.670	
Values	Equality and fairness	2.94	.701	
	Accurate information	3.23		17.83
	Humble, courteous and respectful	3.30	.729	
	Protection of consumer rights	3.10	.725	
	Factor 2	3.44	.741	
	Adequate after sales service	3.06	.773	
	Recognition as a consumer	2.64		15.57
	Cognizance to complaints	3.56	.720	
	No false claims	4.04	.681	
	Factor 3	3.38	.695	
	No concealment of limitations	2.64	.662	
	No exploitation of less bargainers	2.62		13.32
	Truthful, sincere and honest	2.80	.582	
	Factor 4	2.34	.743	
	Selling valuable products	2.72	.750	
	No excuses for unstock products	3.08		9.30
	Factor 5	2.94	.892	
	No pressure for making purchases	3.22	.510	
	No preferential treatment to anybody	2.73		9.14
	Factor 1	2.82	.796	
Customer	Punctuality	2.64	.661	
Satisfaction	Helpful	4.00		16.86
	Always available in the store	3.98	.605	
	Help in buying decision process	3.82	.695	
	Factor 2	3.98	.853	
	Authentic quantity	4.20	.812	
	Proper and safe product packages	3.79		13.40
	Adequate after sale service	3.68	.639	
	Convince in mis-understanding	3.98	.686	
	Factor 3	3.58	.752	
	Quality products	3.92	.756	

	Competent	3.72		11.08
	Overall performance is good	3.80	.753	
	Factor 4	3.74	.791	
	No deceptive promotion	3.62	.585	
	Supply on delivery date	3.75		10.78
	Provide needed assistance	3.52	.800	
	Factor 5	3.82	.647	
	Proper parking space	3.90	.693	
	No long queue for shopping	2.76		10.73
	No discrimination	2.38	.549	
	Explanation of buying risks	3.06	.774	
	Factor 6	3.16	.725	
	Courteous and respectful	2.42	.709	
	Polite, patient and honest	3.71		9.75
Other Issues	**Factor 1**	3.90	.551	
	Control of unethical behaviour of salesmen	3.52	.825	
	Respect for prescribed norms	3.95		27.31
	Higher education brings punctuality and honesty	4.02	.690	
	Highly educated retailers deal fairly	4.02	.584	
	Highly educated retailers keep their promises	3.92	.760	
	Factor 2	4.04	.870	
	Age fosters polite behaviour	3.90	.811	
	Senior in age retailers are more	4.01		20.13
	honest and humble			
	Senior in age retailers behave more ethically	3.78	.757	
	Factor 3	4.10	.866	
	Education contributes to ethical behaviour	3.92	.800	
	Educated retailers are humble and respectful	4.24		13.57
	Factor 4	4.28	.821	
	Less educated retailers are fair	4.20	.724	
	Less educated retailers do not discriminate	2.47		12.17
		2.20	.806	
		2.74	.721	

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with 'parking facility' and 'information about risks associated with product usage' (2.38 and 2.42) respectively.

Other Issues - About 78 % found the retailers, particularly educated and senior in age,more punctual, humble and respectful (4.20 and 4.10 respectively). The respondents also agreed that retailers who are senior in age control the unethical behaviour of their salespeople (4.02) and follow the prescribed norms (4.02). However, less educated and young retailers are perceived as more unfair who do discrimination with customers relating to price, quality of products and tone of language (2.20 and 2.74) respectively.

SPECIALTY GOODS

Specialty goods have unique characteristics, infrequently purchased and require more time and efforts (Kotler 2005, p. 411). Since these goods are quite costly, consumers do lot of purchase planning. It is discussed as under:

Legal Provisions

Majority of the respondents are of the opinion that retailers who are dealing in Speciality goods provide genuine quality products (4.00) with safe packing (4.04). About 70 % of the respondents observe the store holders supplying true and accurate information about product quality and price (3.80) and 62 % reported that they do not practice price discrimination (3.16). More than half of the respondents agreed that they also take care of environment pollution (3.40). However, they do employ minors in their stores (2.98) and do not explain the risks associated with product usage (2.78).

Ethical Values

Most of the customers ensured that retailers give them due recognition (4.10). The retailers are found ethical in terms of 'adequate after sales service' (3.70), 'handling of complaints' (3.52), 'no psychological manipulation' (3.30),

Table 5. Factors in Specialty Goods

Dimensions		Mean	Factor Loading	% of Variance Explained
Legal Provisions	**Factor 1**	3.68		20.38
	Genuine quality products	4.00	.796	
	Safe products	3.76	.794	
	No underweighted products	3.44	.760	
	Disclosure of material information	3.42	.823	
	Disclosure of true information about quality and price			
	Factor 2	3.80	.722	
	No price discrimination	3.22		14.61
	Proper record of sales on credit	3.16	.670	
	Information about all risks	3.66	.729	
	No deceptive sales promotion	2.78	.778	
	Factor 3	3.26	.694	
	No adulteration of goods	3.17		11.39
	No employment of minors	3.12	.680	
	No environment pollution	2.98	.751	
	Factor 4	3.40	.722	
	No claim of unbranded products as superior	3.39		9.55
	No exaggeration of packages through			
	subtle contents	2.94	.726	
	Proper and fair packing			
	Factor 5	3.20	.585	
	No high discount by raising price of product	4.04	.651	
	Adequate after sale services	3.15		9.07
	Factor 1	2.98	.667	
Ethical Values	Adequate after sales services	3.32	.734	
	Recognition as a customer	3.77		13.98
	Due cognizance to complaints	3.70	.860	
	Factor 2	4.10	.801	
	No psychological manipulation	3.52	.809	
	No false claims	3.09		12.78
	Focus on consumer needs than sales motive	3.30	.633	
	No excuse for unstock product	2.70	.708	
	Factor 3	3.12	.635	

	No concealment of limitations	3.24	.722	
	Truthful, sincere and honest	3.13		11.70
	Humble, courteous and respectful	2.94	.701	
	Factor 4	2.92	.840	
	Knowledge of all products to salesmen	3.54	.505	
	Access to all varieties of products by salesmen	3.76		9.77
	Factor 5	3.64	.727	
	Avoid showing products according to type of customers	3.88	.880	
	No disrespect to less profitable customers **Factor 6**	2.75		8.73
	Truthful about product features	2.42	.770	
	Assistance to all customers	3.08	.727	
	Factor 7	2.77		7.78
	Not selling expensive products when cheap	3.24	.629	
	products are better for a customer	2.30	.866	
	No pressure for making a purchase	2.99		7.14
	Factor 1			
	Good quality products	2.92	.701	
	Authentic quantity	3.06	.521	
	Proper and safe packages	3.91		24.13
	Adequate after sale services	4.02	.811	
	Convince properly in any mis-understanding	3.94	.828	
	Factor 2	4.00	.726	
	Polite, patient and honest	3.72	.767	
	Correct and timely information	3.86	.693	
	Implementation of suggestions	3.43		18.91
	Factor 3	3.50	.752	
	Availability of desired brands	3.46	.821	
	Competent	3.34	.718	
	Punctuality	4.12		15.28
	Availability on store	4.28	.714	
	Factor 4	4.04	.691	
	Proper parking space	4.00	.583	
	No long queue for shopping	4.14	.679	
	Factor 1	2.86		11.87
	Contribution of education to ethical behaviour	2.66	.604	
	Educated retailers abide by prescribe norms	3.06	.721	
	Educated retailers are humble, helpful and respectful	4.12		31.39
	Higher education brings honesty and sympathy	4.38	.590	
	Highly educated retailers deal fairly	4.06	.691	
	Highly educated retailers keep their promises			
	Factor 2 Age fosters polite behaviour	4.20 4.12	.901 .851	
	Senior in age retailers are honest, humble and punctual	4.08	.817	
	Senior in age retailers behave more ethically	3.86	.672	
	Factor 3	3.99		21.53
	Young retailers do fair practices	3.88	.648	
	Less educated retailers don't indulge more in unfair retail practices	4.02	.881	
	Less educated retailers do not discriminate			
	with customers	4.08	.879	
		2.53		12.65
		2.44	.611	
		2.20 2.96	.659 .740	

'no excuse for unstock products' (3.24) 'focus on consumer needs than sales motive' (3.12), 'no disrespect to less profitable customers' (3.08) and 'no pressure for making a purchase' (3.06) (Table 6). But the below average score accorded to 'concealment of limitations' (2.94), 'truthful, sincere and honest' retail behaviour (2.92), ' showing products according to type of customers' (2.42) and 'assistance to all customers' (2.30) indicates unethical behaviour of retailers (Table 5).

Customer Satisfaction -

Customers are found highly satisfied with 'availability of desired brands' (4.28), 'retailers' availability on store' (4.14), 'competency' (4.04), 'genuine quality products' (4.02), 'punctuality' (4.00), 'proper and safe packing' (4.00) and are moderately satisfied with 'after sales service' (3.72), 'polite and patient behaviour' (3.70), 'correct and timely information' (3.46), 'implementations of suggestions' (3.37). But they were dissatisfied with 'proper parking facility' (2.66)

Other Issues -

Majority of the respondents strongly agreed that education of the retailers contributes to ethical behaviour (4.38) quite significantly. The respondents perceived educated retailers as more helpful and humble (4.20) and follower of prescribed norms and regulations (4.06). The respondents felt retailers' age fostering their polite behaviour (3.88) as they found those senior in age as more humble and punctual (4.02) and more ethical (4.08) than their less educated and younger counterparts.

STRATEGIC ACTION PLAN

The strategic action plan emerging from the study is summarized as under:

- Regular and effective vigilance over the illegal retail practices needs to be kept in place. Those who are responsible for illegal activities should be punished and the same be publicised.
- The loopholes in existing laws coming in the way of fair retail transactions need to be plugged immediately
- Concerned agencies are required to make the retailers aware about consumer rights and consequences if the same are violated... Moreover consumers ought to be sensitized about their own rights. Consumer organisations should play their role significantly by awakening the general public and protecting consumers. The functioning of these organisations needs to be monitored.
- Retailers' associations need to evolve code of conduct for its own members. Though these associations are formed to protect the interest of its members, yet it can not ignore illegal transactions by its members. Similarly ethical issues can be strengthened much more effectively by these associations on the lines of American Marketing Association..
- In fact the retailers and their sales people need to undergo some orientation training programmes to understand customer focused retail business and ethical operations for their own long term and sustainable benefits and also for the benefit of the society as a whole.
- Retailers should behave honestly, humbly and truthfully. These virtues pay more and more in the long run.
- It is really surprising that in this age of planned shopping markets the customers do not find adequate parking and sitting arrangements. In fact it the joint responsibility of both the administration and retailers. It can also be looked into by the consumer associations.
- As observed by many earlier similar studies, the present study also identifies the younger and less educated retailers much more unethical in their operations as compared to their counterparts of higher age and qualification. Thus the study enshrines upon all the parties concerned to make needed efforts in making the retailers aware about the benefits they get while behaving ethically.

FUTURE RESEARCH

No research is perfect one. The present study does remain incomplete with regards to some of the fast emerging ethical and legal issues in retail practices. Hence future research needs to focus on the following considerations:

- The present research is based on the perceptions of one of the constituencies in retailing i.e. consumers. Further research thus needs to take the perceptions of other constituencies of retail practices like retailers, suppliers, consumer associations, NGOs, regulatory bodies etc.
- The sample size is small and that too from limited area. Hence, future research needs to take adequately larger sample size covering different parts of the country.
- The infrances have been drawn in the present study through mean values after proper data purification, Moreover, reliability and validity were also examined with split half test and convergent validity. Thus, other techniques to measure variability in responses need to be applied in future research.

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RETAILING TREND & RETAILERS PERCEPTION: A STUDY ON BISCUIT INDUSTRY

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ABSTRACT

Among food industries, Biscuit industry is the largest having a turnover of around Rs.4000 crores. The per capita consumption of biscuits in our country is 2.1 K.g., and it is increasing. The Biscuit industry comprises of the segments, the organized and unorganized. Major players in biscuits who dominate the industry were Britannia, Parle and of late ITC's Sun feast. One of the major factors for the success of all this companies lie's in distribution and its channel members. The nearest contact point to know about the market and consumers in channel distribution is retailers. The retailer also acts as a source of knowledge about the brands for consumers which help them in purchase decision making. As like consumer satisfaction is important for the success of the brand, the retailing trend and perception of retailers towards a brand is also more important. This study aims to bring out the retailing trend, perception & influencing attributes of retailers towards biscuit brands and industry.

KEYWORDS: *Retail, Food Industry, Biscuit Industry*

INTRODUCTION

To Market the products knowing the consumers is not the only part for the companies, Also they have to concentrate the channel members. "Consumer is king", the statement carries profound truth in it. Today the success of any firm depends upon consumer satisfaction. To contact, to convince, to stimulate the consumers, help of retailers is most important. Retailers are considered as main source to contact all kinds of consumers irrespective of market areas like rural, urban, & semi-urban. Retailers' perception is playing a pivotal role for gaining consumer attention. This study deals with the retailing trend and perception of retailers towards biscuit industry.

OBJECTIVES OF THE STUDY

Following are the objectives of the present study

- To find out retailer perception for biscuit brands.
- To find out the retailing trend in biscuit Industry.
- To determine retailer preference towards biscuit brands.
- To find the attribute which highly influence the retailer.

SOURCES OF DATA

Data was gathered mainly from primary sources. Data from primary sources have been collected mainly by conducting survey with the help of structured, undisguised questionnaire.

GEOGRAPHICAL AREA OF STUDY

The survey was done in the city of Chennai, covering the following areas- Adyar, Mylapore, Ashok Nagar, T. Nagar, Tambaram, Triplicane, Thiruvanmiyur, Guindy, Saidapet, Vadapalani, Poonamalle, Porur and Paris.

SAMPLE

The elements were chosen non-probabilistically as per the "Convenience sampling" approach. The respondents are infinite in numbers. The number of respondents selected was 200. The study area is broadly classified in to three Locations such as Urban, Semi-urban and Rural.

LIMITATIONS

Following are the limitations of the study

- The study is based on the attitude and preference of respondents. This attitude may change.
- The sampling size of retailers is two hundred. This does not represent the exhaustive population of respondents.
- This study was restricted to Chennai City.
- Some time the wrong opinion expressed by the respondent can also affect genuinity of the results.

TOOLS USED IN ANALYSIS OF DATA

The following statistical tests were used to analyse the data collected: 1. Percentage Analysis and 2. Chi-Square Test. The square of a standard normal variate is called chi-square variate with 1 degree of freedom, i.e., if x variable is normally distributed with mean^{m} and standard deviation {(X-M)/O}2 is a chi-square variate with 1d.f abbreviated by the letter X2 of the Greek Alphabet).

If $x_1, x_2, \ldots\ldots x_n$ are n independent random variables following normal distribution with mean$_m$, and standard deviation O respectively, then the variate,

$$\chi^2 = \Sigma\,(O-E)^2/E$$

which the sum of squares of n independent standard normal variate, follows Chi-square distribution with n degrees of freedom.

The chi-square, denoted by the Greek letter χ^2, is frequency used testing hypothesis concerning the difference between a set of observed frequencies. In other words, a test statistic which measures the discrepancy between observed frequencies ε_1, $\varepsilon_2, \ldots\ldots\ldots \varepsilon_n$ is called Chi-square (χ^2) statistic.

Where $$E = \frac{\text{Row Total * Column Total}}{\text{Grand Total}}$$

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TEST

To check the perception, we have used the following tests

Ranking Test

In the ranking test several traits of factors are measured. Based on the factors, ranks 1, 2, 3… were given to each factor. Then for finding out the total weightage, based on the number of ranks, points were given to each rank. And then the rank, which has the highest weightage, is considered as the most preferred factors and Vice versa.

SHOWING TYPES OF OUTLETS SURVEYED

Types of Outlet	No of Retailers	Percentage
General Stores	73	36.5
Supermarket	10	5.0
Bakery	69	34.5
Departmental Stores	28	14.0
Petty Shop	20	10.0
Total	200	100

INFERENCE: From the above table it has been interpreted that out of 200 samples surveyed 36.5% are general stores, 5% are supermarket, 34.5% are Bakeries,14% are Departmental Stores and 10% are Petty Shops.

LOCATION OF RETAIL OUTLETS

Location	No of Retail Outlets	Percentage
Rural	12	6
Semi-urban	55	27.5
Urban	133	66.5
Total	200	100

INFERENCE: Out of the surveyed samples, 6% of retail outlets are located in rural location, 27.5% are located in semi-urban location and the rest 66.5 are in urban location.

BRAND PREFERENCE OF CONSUMERS OVER BISCUITS

Particulars	No of Retailers	Percentage
Brand Preference	144	72
No Brand Preference	56	28
Total	200	100

INFERENCE: From the above table it is cleared that 72% of consumers has brand preference on biscuit brands and 18% has no brand preference. It is inferred from the opinion of retailers.

Confidence Interval Test

The above data should be applied for the whole universe. For this purpose, confidence interval and standard error have to be calculated.

Where P = percentage of consumers having brand preference, Q = percentage of consumers having no brand preference, and N = Total number of samples surveyed.

P=0.72% Q=0.28 N=200

S.E = √ PQ / N or S.E = 0.72*0.28/200 = 0.032

95% confidence limit = P ±1.96 S.E or 0.72 ? ±(1.96*0.032) = 0.67 to 0.783

Hence it can be interpreted that @ 95% confidence level the percentage of consumers having brand preference ranges from 0.67 to 0.783.

QUANTITY SALES OF BISCUITS

Quantity in packets	No of Retailers	Percentage
Below 50	19	9.5
50-100	40	20.0
100-200	47	23.5
200-300	49	24.5
300&above	45	22.5
Total	200	100

INFERENCE: From the above table out of 200 samples surveyed, 9.5% are selling below 50 packets, 20.0% are selling 50-100 packets, 23.5% are selling 100-200 packets, 24.5% are selling 200-300 packets and 22.5% are selling 300 & above

ATTRIBUTES INFLUENCING RETAILERS TOWARDS VARIOUS BRANDS

Attributes	Rank									Total	Points	Position
	I	II	III	IV	V	VI	VII	VIII	IX			
Quality	8	11	7	22	23	43	32	52	2	200	830	V
Availability	6	25	37	59	39	26	6	0	2	200	1186	IV
Price	0	0	3	17	27	42	53	46	12	200	689	VIII
Non-monetary incentive	0	3	8	22	45	32	48	31	11	200	782	VII
Advertisement	0	7	13	25	40	25	35	31	24	200	788	VI
Demand	129	42	12	8	2	3	3	1	0	200	1662	I
Profit margin	31	99	29	17	6	4	5	6	3	200	1452	II
Credit facility	26	12	88	26	12	20	8	4	4	200	1278	III
Packing	0	1	3	4	6	5	10	29	142	200	333	IX

INFERENCE: It is understood from the table that attributes demand ranks first, in influencing the retailers towards a brand. Profit margin ranks second, credit facility ranks third, Availability ranks fourth, quality of the product ranks fifth and followed by the other factors.

CHI-SQUARE TEST

To test whether the retailers' frequency of purchase is dependent or independent of the monthly sales.

Null Hypothesis (H_0) = The frequency of purchasing is independent of the Monthly Sales.

Alternate Hypothesis (H_1) = The frequency of purchasing is dependent on the monthly Sales.

Frequency of purchase / Monthly sales	Weekly	Fortnightly	Total
50-100	40	19	59
100-200	43	4	47
200-300	40	9	49
300&above	39	6	45
Total	162	38	200

Observed frequency	Expected frequency	(O-E)	$(O-E)^2$	$\frac{(O-E)^2}{E}$
40	47.79	-7.79	60.684	1.27
19	11.21	7.79	60.684	5.41
43	38.07	4.93	24.305	0.638
4	8.93	-4.93	24.305	2.722
40	39.69	0.31	0.0961	0.0024
9	9.31	-0.31	0.0961	0.0103
39	36.45	2.55	6.502	0.178
6	8.55	-2.55	6.502	0.760
			Total	10.99

x^2 calculated value = 10.99

x^2 Tabulated value = 5.991

Degrees of freedom = (r-1)(s-1)(-k)

=(4-1)(2-1)(-1) = 2

x^2 calculated value > x^2 tabulated value (Reject Hypothesis)

The frequency of purchasing is dependent on monthly sales.

RETAILER RECOMMENDATIONS TO CONSUMERS

Particular	No of Retailers	Percentage
Suggestions	72	36
No Suggestions	128	64
Total	200	100

INFERENCE: From the above it is noted that 36% of retailers recommend brands to consumers in their purchases and 64% of retailers doesn't give recommendations to their consumers on brands.

CONFIDENCE INTERVAL TEST

For using the data to wider areas of application confidence interval and standard error has to be calculated.

P=Percentage of retailers suggesting consumers on brands.

P= Percentage of retailers not suggesting on brands

N=Total number of samples surveyed.

P=0.36%

Q=0.64%

N=200

S.E=√ PQ / N

S.E=0.36 * 0.64 / 200 = 0.034

95% confidence limit = P ±1.96 S.E

0.36 ±(1.96*0.034)

= 0.293 to 0.427

Hence it can be interpreted that @ 95% confidence level the percentage of consumers having brand preference ranges from 0.293 to 0.427

FREQUENCY OF BUYING BISCUITS

Frequency	No of Retailers	Percentage
Weekly	162	81
Fortnightly	30	15
Monthly	8	4
Total	200	100

INFERENCE: It is evident from the above table that, 81% of retailers are Buying weekly, 15% are buying fortnightly and 4% are buying monthly manner.

PROMOTION SCHEMES FOR BISCUITS

Promotion Schemes	No of Retailers	Percentage
Price-offs	37	18.5
Coupons	47	23.5
Free gifts	90	45
Bonus packs	19	9.5
Others	7	3.5
Total	200	100

INFERENCE: Promotion schemes suggested by retailers from the above table is as follows, 18.5% of retailers

MEDIA & ITS EFFECTIVENESS ON SALE OF BISCUITS

Media	I	II	III	IV	V	VI	VII	VIII	Total	Points	Position
TV	200	0	0	0	0	0	0	0	200	1600	I
Radio	0	58	33	85	9	11	4	0	200	1106	III
Magazines	0	1	38	23	32	57	45	4	200	743	VI
Newspaper	0	123	32	24	6	11	2	2	200	1236	II
Hoardins	0	0	10	46	116	18	10	0	200	828	V
Wall paintings	0	2	4	15	20	69	54	36	200	544	VII
Point of purchase	0	15	83	6	14	2	79	1	200	854	IV
Others	0	1	0	1	3	32	6	157	200	288	VIII
Total	200	200	200	200	200	200	200	200			

suggests Price-offs, 23.5% suggests coupons, 45% of them suggests for free gifts, 9.5% of retailers suggests for bonus packs and the rest 3.5% of the retailers suggest for other promotion schemes to increase the sales of Biscuits

INFERENCE: The table shows that TV ranks first, newspaper ranks second, radio ranks third, Point of purchase ranks fourth, Hoardings ranks fifth and followed by other medias.

FINDINGS FROM RETAILERS SURVEY

- It has been found that majority of consumers have brand preference according to retailers. (72%). The monthly sale is dependent on the types of outlet.
- Retailers was highly influenced by the demand of the product in purchasing a particular brand for sales.
- From the market survey it is clear that 36% of retailers suggest consumer's specific brands.
- Most of retailers are buying biscuits in a weekly frequency.
- Most of the retailers suggested making free gifts with biscuits will increase sales.
- Television ranks first in promoting sales of biscuits from the view of retailers.

CONCLUSION

Consumers have higher brand preference towards biscuits and the retailer influence is less. The product can be promoted much through the increased retailer's network in all areas of the market. Potential retail outlets like petty shops, bakeries and departmental stores should be adequately tapped. Prompt and regular supply of the product is the major concern for retailers from the company. Advertisement increases the consumer's awareness and brand image. The manufacturers can influence the consumers by leaving effective and repeated advertisements through Television and other Media's. Sponsorship of some programme especially Children's programmes will help to increase consumer awareness and brand image.

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DOES CADRE DIFFERENCE AND CERTAIN DEMOGRAPHIC FACTORS INFLUENCE ETHICAL ORIENTATION: A STUDY AMONG BANK PERSONNEL

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ABSTRACT

Organizational ethics is defined as 'the generally accepted standards that guide behaviour in business and other organizational contexts'. It is the study and philosophy of human conduct, with an emphasis on determining what is right and wrong. There is increasing realization about the importance of ethics in business, and it is now opined that good ethics means good business. Due to the importance of organizational ethics, currently most organizations are giving the due emphasis on providing ethical training to their employees. This is all the more important in that case of banks as they have a strong bearing on the financial well being of the individual and the society. The present study analyses the relationship between certain demographic factors and cadre differentials in the ethical orientation of banking personnel. Results of the study suggest that demographic factors and cadre differentials have no bearing on the ethical orientation of banking personnel.

KEYWORDS: *Retail, Food Industry, Biscuit Industry*

INTRODUCTION

All over the world there is growing realization that ethics is important for any business and to achieve progress of any society. Ethics is of assistance generation of an efficient economy. An ethically responsible company is one which has developed a culture of caring for people and environment, a culture which flows downwards from the top managers and leaders. Ethics can be described as the methodical and systematic elaboration of norms and values that appeal to in the day to day activities of any organization. Though organizational ethics is one factor that is of immense importance, it is an overlooked and misunderstood concept in the corporate world. Many organisations have failed in realizing the importance of organizational ethics and its implementation. Some of the business leaders are of the opinion that personal moral development and character modulation of employees are needed for implementation of effective organizational ethics. It is often agreed that high ethical standards require both organizations and individuals to conform to sound moral principles. Organizational practices and polices tend to create pressures, opportunities and incentives that may sway employees to make unethical decisions. An individual's personal values and moral philosophies influence in the decision making process that involves potential legal and ethical problems. There is no second opinion that good ethics means good business. Corporate leaders need to be aware of the facts that, if not for moral reasons, then for the simple business reason, good ethics will pay off in the long run. According to Greenberg (2005), these benefits take several forms including improved financial performance, reduced operating cost, enhanced corporate reputation and increased ability to attract and retain employees.

REVIEW OF LITERATURE

Experts have attempted to define the term 'ethics' and it has different meanings to different people. It is defined in The American Heritage Dictionary of the English Language (2005) as - A set of principles of right conduct, It is derived from a theory or a system of moral values, It is study of the general nature of morals and of the specific moral choices to be made by a person; moral philosophy, It is a set of rules or standards governing the conduct of a person or the members of a profession. Shea (1988) defines ethics as the principle of conduct governing an individual or a profession and 'standards of behavior'. Ethics, according to Ferrell (2005) is 'the study and philosophy of human conduct, with an emphasis on the determination of right and wrong'. It is often said that, ethics in the workplace refers to rules governing the conduct of organizational members. Le Clair, et al (1998) defines it as 'generally accepted standards that guide behaviour in business and other organizational contexts. Thus it can be stated that most definitions of ethics point to the direction of what is right or wrong, in specific situations. Understanding the importance of organizational ethics, most organizations are giving emphasis on giving ethical training to their employees. Even experienced managers are provided formal training about workplace ethics to help them in identifying the legal and ethical issues. Changing regulatory requirements and ethical concerns, such as workplace privacy issues, make the ethical decision making process very dynamic. Peterson, (2006) is of the opinion that if a strong bond is established between values and training, a manager will be in a better position to assist

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employees, and provide ethical leadership. Ethical issues in financial organizations are having more importance because; they bear on our financial wellbeing. Ethical misconduct, whether it is by individuals acting alone or by financial institutions in general, has the potential to rob people of their life savings. Because so much of money is involved in financial dealings, there must be well developed and effective safeguards in place to ensure personal and organizational ethics. Further, strong emphasis must be placed on the integrity of finance professionals and on ethical leadership in our financial institutions. Some of the principles in finance ethics are similar to some other aspects of business, especially duties of fiduciaries and fairness in sales practices and securities markets. However, according to Boatright (2007), certain activities as insider trading and hostile take over raise unique issues that require special consideration. Banking has become an integral part of our existence. The "Banking Industry" is different from other industries and is a labour intensive, multi-purpose service industry. The bulk of its capital consists of borrowed fund. Their activities are rigidly watched and regulated by controls. Therefore human skills in management decide the efficiency of their productivity and profitability. According to Kern (2003) though high-tech mechanization and computerization in banks have increased the efficiency of the banking system, they have not guaranteed the elimination of frauds and evil practices. However, concealment of fraudulent actions by the culprit for a long time is next to impossible, due to mechanical and computerized means of detection. But still, there is always a risk of embezzlement by ingenious electronic means, which may not be easily traceable. This type of cyber crime calls for appropriate systems of surveillance over bank officials. There is a dire need for comprehensive and effective vigilance procedures, as also close electronic surveillance over balances in large or sensitive accounts, to begin with. E-banking, though much convenient, is not immune to security lapses arising out of cyber crimes such as electronic forgery, illegal transfer of funds from high value accounts, input and output manipulation through hacking etc. Systematic studies in ethics and ethical orientation have been reported among students . (Stanga and Turpen (1991), Pressely and Blevins (1984), Schaupp (1989), Kayanama (1996), Borkowski and Urgas, (1992); as well as in various professions like dentistry (Bebeau et.al., 1985, Shashidhar, 2005), professional counseling (Volker 1979), accounting (Shaub 1989) auditing (Finn et al. 1988), marketing (Sparks and Hunt 1998), etc.

Studies on ethical orientation of MBA students were conducted by various researchers. According to Stanga and Turpen (1991), most students could not behave in unethical ways. White and Dooley (1993), state that 'practicality' are more important than 'ethicality' for the students. Pressely and Blevins (1984) found that students believe that they must adopt a 'winning is everything' philosophy. On a comparison between students of business and other discipline, Lane and Schaupp (1989), established that business students have different ethical beliefs as compared to students of other disciplines. According to Kayanama (1996), undergraduates are more ethically sensitive than graduate students. Confirming this Borkowski and Urgas, (1992) states that undergraduates are more 'justice' oriented and graduate students are more 'utilitarian'. In a study conducted by Shashidhar (2005) among Dentistry students, it was found that faculty and students perceived that the institution's ethical culture was equally influenced by factors like Self-Centered, Consensual, and Universal Morality. Further, certain other factors like academic experience and psychological distress were found to influence faculty perceptions of institutional ethics. Spark and Hunt (1998) explored the ethical sensitivity of marketing researchers and found out that, among other things, the sample of practitioners was more sensitive to research ethics issues than a sample of students in marketing. They concluded that "the greater ethical sensitivity exhibited by marketing practitioners can be attributed to their socialization into their marketing research profession, that is, by their learning the ethical norms of marketing research". However, Goolsby and Hunt (1992) found that marketing practitioners compare favorably than other social groups in their level of cognitive moral development. They found out that marketers scoring high on cognitive moral development tend to be female, highly educated as well as high in social responsibility. Finn et al. (1988), in an investigation among auditors, found that discouraging unethical behavior by the top management will reduce the ethical problems that subordinates perceive. It was also established that ethical orientation is related to ethical judgments in high moral intensity situations. Shaub (1989) found a negative relationship between relativism and ethical sensitivity. This was further established by Spark and Hunt (1998) when they found a significant negative relationship between ethical sensitivity and formal training received by respondents. Cole et al. (2000) explored weather cognitive moral development moderates the relationship between the desirability of consequences to self versus others and ethics, and found no significant relationship. Brief et al. (1996) established that personal values had a little effect on ethical judgments. Values maintained in organizations and its impact on employee's commitment was the area of study by Hunt et al (1989) wherein they established that organisations that have high ethical values will have employees who are extremely committed to the organizational welfare. A more or less similar result was obtained in a study conducted by Vitell and Paolillo (2003) when it found out that there existed a link between organizational commitment and decision maker's perception that ethics should be a long term, top priority of the organization. McCoy (2003) found out that ethical leadership plays a vital role in influencing the behaviour of employees in the organization. Perceived organizational ethical culture is also indirectly related to ethical judgments, as ethical culture directly affects individual values and judgments. In a classical study conducted by Fraedrich and Ferrell (1992) it was established that only 15 per cent of the sample of business person's maintained the same moral philosophy across both work and non work ethical decision making situations. A review of literature revealed that a number of studies have been undertaken linking ethics, ethical orientation, etc. with different variables. However, studies linking ethical orientation and cadre difference as well as demographic variables are scarce. The present study attempts to bridge this gap

METHODOLOGY

Objectives

The objectives of the study are to find out if there exists any difference in ethical orientation between:

- Clerks and officers,
- Male and female employees, and
- The employees based on certain other demographic characteristics like educational qualifications, number of promotions and income earned, in banking organizations.

Sampling

The sample taken for the study consisted of 58 employees (32 Officers and 26 Clerks) collected in a random manner from scheduled banks. Males and females were equal in number at 29 each. With respect to educational qualifications, there were 24 Post Graduates, 31 Graduates and three Undergraduates. The demographic particulars of the sample studied are presented in Table 1.

Table 1-Demographic Particulars of the Sample

	Particulars	Number	Per Cent
Gender	Male	29	50
	Female	29	50
Position	Officer	32	55
	Clerk	26	45
Educational qualification	Under graduate	3	5
	Graduate	31	54
	Post Graduate	24	41

Table 2-Result of Mean, Standard deviation and Variance of Dimensional Factors.

Factor	Mean	Standard Deviation	Variance
Situationalism	9.34	2.659	7.072
Ethical schism	10.17	2.393	5.724
Preparedness to pay the price	5.79	1.971	3.886
Relativism	3.71	1.686	2.842
Competition ethics	4.17	1.403	1.970
Capitalistic ethic	5.1	1.410	1.989

Table 3-Data and Result of t-test Between Officers and Clerks Employees

Position	N	Mean	Standard deviation	t_value
Clerk	26	38.54	4.169	.327*
Officers	32	38.09	5.833	

*not significant

Table 4-Data and Result of t-test Between Male and Female Employees

Gender	N	Mean	Standard deviation	t_value
Male	29	39.24	5.674	1.424*
Female	29	37.34	4.386	

*not significant

Table 5-Data and Result of F-test among employees on the basis of Educational qualification

	Sum of squares	Degrees of Freedom	Mean	F-Value
Between groups	65.611	2	32.806	
Within groups	1426.406	55	25.935	1.265*
Total	1492.017	57		

*not significant

Table 6-Data and Result of F-test among employees on the basis of Annual income

	Sum of squares	Degrees of Freedom	Mean	F-Value
Between groups	21.632	3	7.211	.265*
Within groups	1470.385	54	27.229	
Total	1492.017	57		

*not significant

Tool Used -

The tool used of the present study is the modified version of a standardized questionnaire developed by Reddy, Rishikesha and Krishnan, (2002). This questionnaire contains two parts. Part one consisted of a set of 16 statements, on a four point scale ("4" if strongly agree, "3" if agree, "2" if disagree, and "1" if strongly disagree) wherein respondents were asked to indicate the degree of their agreement or disagreement with each of these statements. This part elicits information pertaining to perceptions and attitudes regarding ethics of people with respect to business, society, individual behavior, etc. The instrument consisted of six factors, viz., Situationalism, Ethical schism, Preparedness to pay the price, Relativism, Competition ethics, and Capitalistic ethics. The distribution of statement for the six factors was: Situationalism – Four; Ethical Schism – Four; Preparedness to pay the price – Two; Relativism – Two; Competition ethics – Two and Capitalistic ethics – Two. The instrument is reported to have high validity as it was having a Chronbach alpha value of 0.7520. Part two consisted of personal details of the sample. The data were analyzed using statistical techniques like ANOVA, t-test, etc.

RESULTS

The object of the study was to find out if there existed any relationship between certain demographic variables and ethical orientation. Further, it was also intended to find out whether cadre difference may lead to any difference in ethical orientation. The data and results are presented in Tables 3 to 6. In the comparison between male and female employees it can be found that the t-value is 1.424. This value does not reveal any significant difference between male and female employees with respect to ethical orientation. However, the mean of male respondents is 39.24 and that of the female respondents 37.34. The standard deviation for males is 5.674 and for females are 4.386. This indicates that the males have a slightly higher ethical orientation than the females. This is against the findings of Hunt (1992) who established a high scoring for females, as well as highly educated samples on cognitive moral development and social responsibility. The data and result of t-test between officers and clerks show the t-value to be 0.327, which is not significant. This shows that there is no significant difference between officers and clerk employees with respect to ethical orientation. The mean of clerks (38.54) and officers (38.09) shows only a minor variation, thereby establishing that cadre difference does not influence the ethical orientation of bank staff. Certain other demographic variables like qualification and annual income were also subjected to study. It is established that these variables also do not influence the ethical orientation of employees. The result of F-test among the employees to measure the ethical orientation on the basis of annual income is found to be 0.265, which is not significant. The F test for educational qualification (1.265) is also not significant, thereby showing that there exists no difference between employees in there ethical orientation based on their level of qualification.

CONCLUSION

The results of this study have a bearing on the banking industry and the economy in general. On the basis of the study it has been established that there is no difference in the ethical orientation between clerks and officers, males and females and between the employees on the basis of educational qualification, promotions received, and annual income earned. The result indeed is a matter of great importance as it proves that the demographic variables do not exert any influence on the ethical orientation of bank employees. Ethical orientation is an area which is highly significant in this era. The turmoil faced by the economy, both national and global, may be to a certain extent attributed to the ethical orientation of the members at the different levels of the various constituent industries and organisations. Further, the rising business wars and market demands originating from the changed socio-economic scenario need to be regulated and fashioned on the basis of 'value based strategies'. For this, more studies in this area, involving a larger population and the personnel of the higher levels of management is to be undertaken.

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HUMAN RESOURCE DEVELOPMENT SCENARIO IN INDIAN INFORMATION TECHNOLOGY COMPANIES

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ABSTRACT

In today's scenario, competition in IT sector is on hype and the major challenge faced by these industries is how to manage the human resources. In order to engage the employees in actively working culture, HRD actions must be consistent with the enthusiasm through out. Since when the winds of change are blowing across the entire IT industry, the innovative policies and trends adopted by HR professionals may take the industry to new level. Taking five top management personnel and 25 marketing personnel from a sample of five IT organizations, the study shows that there is no significant difference in HRD climate among the sample IT organizations.

***Keynote:** HCL Technologies, HP Ltd., HRD Climate, HR Professionals, IBM Ltd., IT Industry, Parotsystem, and TCS Ltd.*

INTRODUCTION

In Information technology (IT), India has built up valuable brand equity in the global markets. In IT Enabled Services (ITES), India has emerged as the most preferred destination for business process outsourcing (BPO), a key driver of growth for the software industry and the services sector. India's most prized resource in today's knowledge economy is its readily available technical work force. Moreover, India has the second largest English-speaking scientific professionals in the world, second only to the U.S. Taking into these in consideration, researchers suggested that good human resource practices and policies are necessary to influence the business growth and development of the concerned industry. Employees are considered as the most important and valuable resources and the Human Resource Development (HRD) department is, thus, should be a continuous process to ensure the development of employee competencies, dynamism, motivation and effectiveness in a systematic way. Therefore, HRD is concerned with the development of employees on the one hand and optimum utilization of these existing human resources on the other hand. Rao (1985) defines HRD as a process by which the employees of an organization are trained to - a. Acquire and sharpen capabilities that are required to perform various functions associated with their present or expected future roles, b. Develop several capabilities as individuals and discover and exploit their inner potentials for their own and/or organizational development purposes, and c. Develop an organizational culture in which supervisor-subordinate relationships, teamwork and collaboration among subunits are strong, and contribute to the professional well-being, motivation and pride of employees (Saxena, 2006). Employees are an integral part of the organization, & must be motivated according to the needs of the organization. A company that is interested in growth and profits must establish relationships with employees. In order to improve the employees' participation, HRD activities must be consistent with the development efforts of the organization; only then the enthusiasm & creative potential of the employees can be mobilized. The organizations today have introduced a no. of policies & tools for the benefit of the employees. Wipro has introduced schemes such as "disbursement of 25 million shares of Rs.2 per share"& the likewise. Since technology in the IT industry keeps on changing, companies like IBM, HCL, Wipro and HP emphasize on learning capabilities & desire for learning, rather than the candidates' knowledge on current technologies.

LITERATURE REVIEW

Lorsch (1965) conceives an organization as a socio-technical system in which behavior is influenced by a number of interrelated variables, including the individual predispositions of members, social structure, formal organization and the system's external environment. Researchers have suggested that autonomy (Wallace, et al, 1996), supervisor support (Benson, 1996) and cohesiveness (Buchanan, 1974) - organizational climate variables- relate positively to organizational commitment. Further, Steers (1977) found a significant relationship between the autonomy and trust dimensions of organizational climate, and organizational commitment. According to Loiu (1995), trust is also associated with other organizational activities such as organizational change and development (Golembiewski, 1986) and organizational effectiveness

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(Culbert and Mc Donough, 1986). Fink (1992) observed a positive relationship between organizational climate and employee commitment to the organization. Lather and Balian (2001) has proposed that satisfaction and happiness of personnel heighten organizational effectiveness. Organizations that alienate workers through their practices will be less effective and efficient. Satisfied employees usually work harder and better than frustrated ones (Gross and Etzioni, 1985). However, finding the predictor variables of job satisfaction has not been easy. In fact during 1980s, it became apparent that, although one's job situation is important to one's job satisfaction, people who exhibit satisfaction at one time are likely to be happy with their jobs several years later even if they changed occupation or employer or both. Others apparently remain dissatisfied in numerous work situations (Straw and Ross 1985). Saxena (2006) incisively & insightfully analyzed IT industry trends & suggested that organizations could plan their future better by gearing up to meet the management challenges that IT will pose in the coming years. An appropriate HRD strategy of agreement & improvement in work practices is a pre-requisite to achieve the objectives of modern business & industry. An important function of HR departments is to keep employees well informed of the company's new issues in addition to financial details pertaining to the health & well being of employees, with a view to maintain competitive edge & change with optimum accountability. Bandyopadhyay (2001) emphasized on the new HR competencies required for Indian IT industry. These competencies, when acquired, enable HR professionals to have a new paradigm which focuses less on what HR does & more on what HR delivers. Four roles that professionals should play for achieving organizational excellence are – (1) Strategic partner (2) Administrative expert (3) Employee champion, & (4) Change agent.

RESEARCH METHODOLOGY

An empirical study based on the descriptive research design was undertaken with the help of a structured questionnaire to study the HRD climate for marketing professionals in the IT industry based on the responses of five top management personnel and 25 marketing personnel from the sample of five IT organizations. Sample organizations were IBM, HCL Technologies, HP, TCS and Parotsystem. Four of the organizations are located in Noida (UP) while one is in Greater Noida (UP).

BRIEF ABOUT QUESTIONNAIRE

The 16 items HRD Climate survey developed by T.V Rao & F Abraham was used in the research to survey the HRD Climate in these five IT companies. This questionnaire comprised of 16 items on five-point scale to measure 12 dimensions: Positive problem solving, recognition & reward (extrinsic & intrinsic), growth & development (employees), innovation & changes, experimentation, interpersonal openness & risk taking, top management commitment to HRD,& competence development, personnel policies, attitude & objectivity, development climate, interpersonal helpfulness & team spirit. Questionnaire assess OCTAPACE outline (i.e., extent to which openness, confrontation, trust, autonomy, proactively, authenticity & collaboration are valued & promoted in the organization), & implementation of HRD mechanisms. It uses a five-point scale. It could be administered to all employees & HRD Climate profile can be drawn up. The scores range from 0 – 70 when scores on all the 15 items are added to get a composite score. Scores closer to 60 indicates an excellent climate (which is rare).Scores above 50 indicate good HRD climate. Scores below 50 indicates HRD climate having scope for improvement. Higher scores on the dimension indicate better perception of the climate.

DATA ANALYSIS AND INTERPRETATION

Overall analysis of the HRD Climate in all the five IT companies revealed the following insights:

1. IBM, it was found that the top management went out of its way to ensure that the marketing personnel enjoyed their job & that the seniors officers took active interest in the juniors. Apart from this, rewards were for good work or any contribution made by the marketing personnel. Open work environment in the organization helped personnel to work more efficiently & effectively.

2. Top management of HCL technologies believed that marketing personnel are an extremely important resource & have to be treated more humanly. In this regard, psychological climate had been made very much conducive for the overall development of the employees' knowledge & skills. Marketing personnel were encouraged to experiment with new ideas & also tried out creative ideas. Delegation of authority & job rotation was common practices in the organization, so that employees could develop skills of handling higher responsibilities.

3. In Hewelett Packward (HP) Ltd., the top management believed that marketing personnel were an important resource for any organization and they were making efforts to identify and utilized the potential of the employees, Managers and officers in the organization saw development of marketing personnel as an important part of the job. Open work culture in the organization helped marketing personnel to express their feelings with their superiors.

Besides these strong aspects, some weak aspects were also found in this organization. Top management seemed less willing to invest considerable part of their time and other resources to ensure development of marketing personnel and also senior officers were not very keen to take active interest in their juniors to help them learn their job.

4. TCS was the only organization where both strong and

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weak aspects were in equal percentage. There, marketing personnel were very informal and never hesitated in discussing their personal problems with their superiors. Top management was also invested considerable part of their time and resources to ensure the development of the marketing personnel. But their employee welfare schemes were not appropriate and also marketing personnel were not very willing to have broader responsibilities and further development. Top management also did not want to make efforts to identify and utilize the creative potential of employees.

5. In the Parotsystem, the top management has made efforts to identify and utilize the potential of the employees and development of marketing personnel was seen as an important part of the job by the managers/officers here. Weaknesses of marketing personnel were communicated in a non-threatening way and mistakes were treated with understanding, so that they could learn from such mistakes. Besides these strong aspects one weak aspect found in this organization was that their marketing personnel were hesitated to express or discuss their feelings with their superiors.

The table 1 shows the mean weighted scores of the sample organizations. The scores range from 0-70. Scores closer to 60 indicate an excellent climate. Scores above 50 indicate good HRD climate. Scores below 50 indicate HRD climate having scope for improvement and scores below 30 indicate that there is less scope for improvement. Weighted scores are based on the responses of top management personnel and marketing personnel from the sample organizations.

Table 1: Weighted Scores of the Sample Organizations

Organization	Mean	Rating
IBM Ltd. , Noida	53.67	Good
HCL Technologies, Noida	49.83	Scope for improvement
HP Ltd., Greater Noida	56.17	Good
TCS Ltd., Noida	59.47	Good
Parotsystem, Noida	53.37	Good

FINDINGS

The collected and tabulated primary data have been analyzed and interpreted using the following hypothesis. For testing first hypothesis, calculated mean weighted scores of each sample organizations were rated according to the prescribed scale of HRD climate survey questionnaire, and for testing the second hypothesis, one way classification of ANOVA was used.

HYPOTHESIS 1: Organisations under study have an excellent HRD climate.

Table 2: Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation	Kurtosis	Std. Error
IBM	6	50.00	60.00	53.6667	3.98330	-.649	1.741
HCL	6	37.00	55.00	49.8333	6.55490	4.428	1.741
HP	6	46.00	69.00	57.8333	8.40040	-.649	1.741
TCS	6	54.00	64.00	60.6667	3.66970	2.020	1.741
PAROTSYSTEM	6	48.00	60.00	53.3333	5.04645	-2.211	1.741
Valid N (list-wise)	6						

As has already been stated that IBM have good HRD climate with major variation in the scores keeping TCS on the top and HP on the second position as far as HRD climate is concerned and Parotsystem is on fourth position. Other two organizations i.e. HCL is having HRD climate with the ‘Scope for improvement’.

Null hypothesis is rejected as neither of the organizations have excellent HRD climate

HYPOTHESIS 2: Organizations under study do not differ significantly in their HRD climate.

Table 3: ANOVA

	Sum of Squares	DF	Mean Square	F	Sig.
Between Groups	428.200	4	107.050	3.180	.031
Within Groups	841.667	25	33.667		
Total	1269.867	29			

On the basis of one way classification of ANOVA in Table 3 the calculated value of F at 5% level of significance is 0.031 which is less than the critical value 0.05 of F. Hence the null hypothesis is rejected. This implies that there is significant difference in the HRD climate of sample organizations.

RECOMMENDATIONS AND SUGGESTIONS

Based on the research study one can easily state that new age IT is bringing about sweeping changes in the HRD climate and culture in the Indian IT industry.

HRD climate in TCS and HP was found to be good. To make it better the top management may plan an integrated HRD system. A mechanism for rewarding good work is the major area of concern in TCS. In HCL, there is a lack of openness. It has been described that HRD is like a flower in bloom to be experienced. Subordinates are like blooming buds, managers should nurture and nourish them to take their full shape into flowers and spread the fragrance across the organization. In IBM top management should take active interest in the development of marketing personnel and should devote more time and resources for the same. In Parotsystem, HRD climate is not very conducive for the employees. Top management should take necessary steps for making the climate conducive for the employees especially for marketing personnel. Marketing personnel should be motivated enough to get involved in the business development matters. With all the limitations in the Parotystem, management might make attempts to introduce HRD mechanisms such as rewards, improved training methods, genuine promotion decisions,& excellent interaction among various HRD instruments. Every human resource is to be considered as a living being with emotions, personal needs & views, with certain limitations, & not like perfectly designed computerized machines, which can work without taking rest. Practice of meditation & yoga along with other HRD tools will surely lead to the healthy work culture & environment. As has been found that there are no specific training programs for marketing personnel in the sample organizations, it is recommended that the organizations have to recognize the marketing personnel's training as a long term ongoing process if they want their marketing personnel to perform at their full potential.

To make marketing personnel more professional, especially in HCL, IBM & Parotsystem, following modern method & techniques may be given more emphasis for improving their functioning - Total Quality Management, Suggestions Schemes, Quality Circles, Re-engineering, and Management by Objectives (MBO).

Besides these, organizations should evolve better corrective mechanisms for ensuring higher degrees of professionalism on the following aspects - Ineffective supervision of subordinates, High level of stress among marketing professionals, Poor reward system, Reactive, less interactive & poorly structured performance appraisal system, Ineffective training & development plans for marketing personnel not ensuring lifelong learning, and Absence of proper communication system between top, middle & lower management.

Top management of organizations should emphasize on building the professional competence among the marketing personnel which is based on knowledge skills, techniques, high esteem, control over subordinates, code of ethics, spirit-de-corps & confidence building. For improving the organizational climate, following factors should be controlled - Communication gap within the organizations, Biased appraisal system & promotion decisions, Ineffective reward system, & Bureaucratic style of working.

CONCLUSION

It can be suggested that replication of this study on other randomly selected IT organizations & comparative analysis of IT organizations with other organizations can be made. Also further study can be done to identify the performance indicators of various categories of IT professionals with a view to evolve a performance appraisal system & the training policy/designs for marketing personnel.

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MERGERS AND ACQUISITIONS AS STRATEGIC DRIVERS FOR ECONOMIC GROWTH: A REVIEW

Sheeba Kapil *

ABSTRACT

The M&A activity takes place in response to the economic changes, consequently changing the regulatory and business environment and the extent to which the M&A activities take place depends on whether there is an economic upturn- when the M&A activity peak, or economic slowdown- in which case also the consolidation and acquisitions take place, albeit in lesser degree that the former phase. This paper aims at exploring the literature seeking answer to the question: Are Mergers and Acquisitions a response to economic changes? and what is the effect of Economic slow down on M&A activities? The study is focused on the findings and results of the work done so far in the areas of mergers and acquisitions especially, the work done on M&A's role in Economic growth and also the effect of the economic slow down on M&A activities is reviewed in this context.
***Key Words:** Mergers and Acquisitions, national policies, Financial and economic determinants, value maximization, synergy, valuation, corporate governance*

INTRODUCTION

With economic upturns and slowdowns, which in the past have been occurring alternatively, there are always reactions to the economic changes from various quarters. Governments respond to ensure that the economy does not get overheated or take measures to infuse it with growth drivers (increasing government expenditure, creating jobs, building infrastructure- transport, communication etc. to boost the economic activity)/announce financial stimulus packages when the slow down in economy seems to be leading to the recession. The economic changes induce the response in the form of revised/modified national policies and regulatory framework changing the legal, financial aspects of the business environment. The industry also responds to the economic and regulatory changes in various ways through consolidation, divesting, expansion, mergers and acquisitions, domestically or across the national borders.

Theoretically, Mergers and Acquisitions involve developing the strategy to achieve the vision and also to achieve the objective of value maximization for the shareholders of the corporation. Drivers to mergers and acquisition could be strategic or non-strategic. The process starts with defining the objective- potential synergic benefits, integration, financial motivation, pursuing innovations/discoveries in products and/or technology, seeking expansion, economy of scales, new markets, corporate re-structuring etc. Next come scouting and identifying the potential target firm, planning and screening, valuation of the target company and correct pricing. The actual merger or acquisitions where stakes are very high, involve extensive negotiations before the final deal is inked. Mergers and acquisitions entail complex financial and legal processes and procedures which are completed in equally complex regulatory environment. Merger financing and legal due diligence require services of professionals (Banks and Law firms) to take the deal through financial and legal regulatory labyrinths to the final destination.

Historically, M&A occurred as 'Waves' and there were five such waves in the 20th century. The first merger movement (1895-1904), at the beginning of the century consisted of the horizontal mergers mostly in the United States of America (USA). The period was characterized by large number of technological developments, innovations like advent of electricity and completion of the trans-continental Railways. These led to rapid economic growth due to better production technologies and availability of rail transport infrastructure. This wave ended with the economic recession that began in 1903. The second wave also began with the growth in the business activities in 1922 and ended with the economic slowdown –the great depression of 1929. Motivational factors during this period could be the mobility offered by the growth in transport and communication technology. Lambrecht (2004) in his paper states that these developments caused an increase in the scale of operations and hence encouraged mergers. The second wave consisted mainly of vertical mergers to ensure reliable supply chain.

The merger activities are supposed to have reached their peak during 1967 to 1969. The economy was booming. Most of the mergers during this period were the conglomerate mergers. The number of mergers however, declined as the economic activities slowed down from 1970 onwards ending with the 1973 oil crisis.

In 1988 and 1989, the M&A activities were in fact the take-overs (hostile) and leveraged buy-outs. The last and the fifth wave of M&A is considered by far the largest, taking place since the mid-nineties. This wave is the first with the international dimension and is motivated by the combined effect of the innovation and economic liberalization. Salleo (2008) in his analysis of the current wave of the M&A, states that the technological innovation has spurred the investment and corporate re-structuring during this period while the de-regulation has provided new opportunities. This led to

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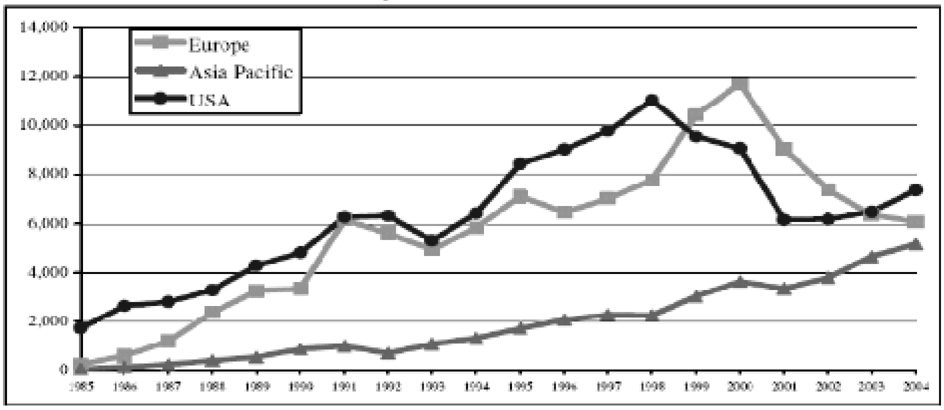
Worldwide merger waves since 1985 (total number of deals)



Source: Thomson Financial Securities Data

competition, making the firms to focus on their core abilities, invest in order to conquer new markets and engage in accelerated growth to reap the rapid economies of scale .

From the merger waves data depicted in exhibit 1, it is seen that the waves were more prominent in Europe and USA, showing sharp peaks and troughs, while they show a steady growth in case of Asia Pacific region. Rossi and Volpin (2003) study the determinants of mergers and acquisitions around the world by focusing on differences in laws and regulation across countries. They found that the volume of M&A activity is significantly larger in countries with better accounting standards and stronger shareholder protection. However, as pointed out by Lambrecht (2004), the causes of mergers and acquisitions still remain to a certain extent a puzzle. The finance theory has not quite managed yet to formulate a coherent theory that is generally applicable, though motives for an individual case of merger or acquisition can be found out .

The M&A activities also cover the aspects of the domestic versus cross- border and same sector versus cross-industry. The strategic drivers to mergers and acquisitions from both the acquirer's and target' firm's point of view are complex, require arduous processes of identifying the growth synergy rather than the savings synergies which are fraught with uncertainty. There are scores of strategic drivers like effecting organizational growth, increasing the market share, lessening the competition, gaining entry in to a new market or access to new distribution channel, obtaining new products and technology, capitalizing on economic and political and regulatory change etc. Strengthening the reputation or gaining credibility is also one of the strategic drivers.

M&A AS A STRATEGIC DRIVER FOR ECONOMIC GROWTH

Literature is reviewed to find whether the peaks and lows in M&A activity are responses to the economic changes. The body of research perused was screened for relevance to this question as also to the premise that the Economic changes by themselves and as indirect effect change the market conditions and regulatory framework impacting the business environment in which the firms operate. Large number of studies and literature is available on the other drivers to the M&A activity both vertical/horizontal integration for strategic reasons, which is influenced by the economic, regulatory and political environment. The research on M&A activity due to the managerial decisions arising out of hubris affecting the timing, self/vested interests etc. were not included in the review as the focus is mainly on the macro-level economic policy and consequential fall out in the regulatory framework, financial and business environment and whether such changes act as the determinants of the M&A activity.

Companies seeking merger or acquisition for more than the two strategic drivers as reason for coming together, the chances of success are higher. However, the strategic fit is not an enough reason for merger and acquisition. True M &A –driven strategic advantage is comprised of multiple synergies that focus on growth rather than cost savings, integrate easily from the merged entity and deliver benefits that materialize over a long term. When these three components are achieved, a revenue enhancement opportunity is created. The non-strategic advantage is when the reason for the merger or an acquisition is growth without concern for strategic advantage. When companies acquire for the express purpose of becoming bigger, and do not intend to integrate the smaller units or smaller companies, over the time it becomes a loosely connected conglomerate. Often these non-integrated smaller company/ies are managed separately as the divisions or branches. However, during operation, each of these units must experience growth either internally or through external means such as alliances, joint ventures or R & D partnership. Sometimes, the product and services may overlap with another unit or finds itself competing against its own sister concern. Integration is critical to the success of any strategic merger or acquisition.

Empirical evidence confirms that merger activity is related to shocks to the economic environment in which the firms are operating. Mitchell and Mulherin (1996) studied industry level patterns in takeovers and re-structuring activity during 1982-89. Across 51 industries, the study finds significant differences in both rate and time-series clustering of these activities. The study finds that the inter-industry patterns in the rate of takeovers and restructuring are directly related to economic shocks borne by the sample industries .

Prof. Lambrecht (2004) in his article has reviewed historical and empirical evidence of M&A activities where there are found to be periods of low and high activities- Waves. In his study, he has analyzed the implications of the economic changes for the M & A activity and has commented upon whether M&A is a response to economic change. He examines whether mergers take place at the efficient time when both the firms act in a non-cooperative way. While explaining the Merger Waves phenomenon, Prof Lambrecht has opined that the most plausible answer is that a change in the take-over activity is caused by a change in the economic environment within which the firms are operating. It is observed that the merger activities are pro-cyclical, meaning more mergers are observed during the economic booms than during the economic slow down.

In their study on M&A, Andrade et al (2001) conclude that mergers seem motivated by a strategic reaction to industry shocks and create value overall. The study however, has the limitation of covering only the firms in the US and the period only up to 1998, i.e. prior to the actual boom in the US stock market. Salleo (2008) in his analysis covering a period between 1990 and 2005 and the industrialized and largest emerging countries finds that the bidder firms exhibited slower growth and lower profitability and capital expenditure but had a larger (domestic) market share. The target firms also had lower sales growth, profitability and capital expenditure but had higher liquidity and lower leverage.

Miyajima,Hideaki (2007) examines the comparative features and economic role of the M&A activities in Japan stating that the Japanese economy is in the midst of a major mergers and acquisitions wave for the first time in the postwar period. Japan's M&A activity, which has surged since the end of 1999, and takes a look at the factors that have contributed to the surge, and its various economic dimensions. The study places Japan's M&As in an international context, and identifies the causes of the wave, and its structural characteristics. This paper emphasizes that the recent M&A wave in Japan not only shares commonalities with the global M&A wave, which has been triggered by technological innovations that have expanded growth opportunities, and deregulatory measures, but also has been characterized by factors unique to Japan including economic shocks such as excess plant capacity and reforms to the legal infrastructure for corporate consolidation. Unlike in the other four countries in this study, stock market conditions have had only a limited effect on the M&A wave in Japan.

Banal-Estanol et al (2006) propose a mechanism, which is consistent with a various stylized facts about mergers. Authors have constructed a model providing a non-financial explanation for the observable pattern of intense merger activity during economic booms and subdued M&A during recession. The authors state that although positive economic shocks produce expected gains at the time of merging, these mergers turn out to be less efficient in the long term- a finding that authors claim is broadly consistent with the empirical evidence. In their model the target in a potential merger commits to a takeover price. This enables the targets to screen the acquirers on the expected synergy gains. The study propounds that changes in the economic environment that often coincide with a boom induce mergers that would not have occurred otherwise. The reason being that- authors explain, in an economic boom merging becomes more profitable and merging with low-synergy types become more similar to merging with high-synergy types.

However, a report from the Boston Consulting Group (BCG) (2008) analyzed 408076 deals from 1981 through 2008, with special focus on more than 5100 divestitures, gives a compelling reason for pursuing the M&A when the economy is weak: 'downturn deals have a higher chance of creating shareholder value and delivering greater returns.' The ELTA, The Research Institute of Finnish Economy, in a study of the Finnish M&A activities against other countries tried to benchmark them. The report and the eclectic model presented therein suggest that there are macro-level, industry level and firm-level factors affecting M&A decisions.

Martynova and Renneboog (2004) studied the main characteristics of the M&A activity, to examine the reasons for recurring surges and downfalls in M&A activity as also whether the takeover activity fuelled by capital market developments. The authors studied the theoretical models and presented an explanation for the incidence of take-over waves. The study explains that the M&A –clustering hinges on the economic factors that motivate firms to restructure as a response to the changes in the business environment. Several empirical studies have been reviewed by Martynova and Reneboog, which have been carried out on the relationship between the cyclical pattern of takeover activity and business cycles of macroeconomic factors. Works of the earlier decades (60s, 70s and 80s) studying the takeover activity conclude that the changes in the economic growth and capital market conditions are positively related to the intensity of the takeover activity

Ang et al (2003) in their paper on 'Direct Evidence on Market-driven Acquisitions Theory' provide direct empirical evidence that stocks' overvaluation is an important motive for firms to make acquisitions with their stocks, supporting the market driven acquisition theory (Shleifer and Vishny, 2002) .

Reed and Babool (2003) investigate the factors that explain outward and inward mergers and acquisitions activity for a country using variables that include exchange rate, interest rate and stock market prices. The study is carried out within the food, beverages and tobacco industry. This study shows that these three variables are quite important in explaining the variations in M&A activity by country. Exchange rate changes in particular have elastic impact on outward M&A activity, indicating that the price effects are important in determining outward investment flows. A 1% appreciation of a country's currency will increase its outward M&A flows by almost 4%. The exchange rate change and the stock price changes have a price effect on M&A activity as also impact with reference to the economic growth factors.

Calderon et al (2004) in their World bank policy research working paper studied the FDI composition as to whether the FDI is in the form of acquiring the existing assets or investing in new assets i.e. Greenfield FDI as a feed back and macro-economic effects. The authors note that the FDI flows to developing countries surged in 1990s, to become their leading source of external funding. They studied the composition of these FDI flows to see whether these due to M&A activity indicating a boom as a onetime effect of privatization or is it likely to be followed by a Greenfield investment? The study addresses the two types of FDI flows to investigate as to do these two types of FDI (M&A and Greenfield investments) have different macroeconomic causes and consequences- in relation to aggregate investment and growth?

Mody and Negishi (2001) studied the mergers and acquisitions across national borders in East Asia since the onset of the financial crisis to see what ahs caused the new wave of mergers and acquisitions, what effects have they had and what advantages they offer to the region's financially distressed economies. The M&A activity increased dramatically in East Asia following the financial crisis of 1997. The authors examined the preliminary evidence though it was too early to draw any strong conclusion, they find that the new wave of M&A activity was triggered by important policy changes following the crisis, particularly in Korea and Thailand. It was observed (Mody & Negishi (2001)) that economic recovery from the crisis received little impetus from cross-border M&A, however, policy changes introduced by both Korea and Thailand have led to rapid rises in cross-border M&A (see chart1).

Kaplan (2006) discusses the empirical evidence on mergers and acquisitions in the corporate finance literature, explaining what these studies imply and the factors that drive merger success. Kaplan study is considered relevant as it discusses the implications of his findings for anti-trust policies towards mergers which provide the enforcement framework. Kaplan (2006) concludes that to the extent that advances in information technology and globalization have increased the extent of competition today relative to previous two decades, a less aggressive merger policy would be appropriate.

Busse (2002) in his discussion paper seeks to answer the question whether transaction costs as a cause oriented indicators are superior to foreign trade and direct investments as output-oriented indicators in assessing potential competition and competition intensities in the industries. This paper has indicated that the level of transaction costs could be of interest for competition authorities for the assessment of whether a firm can dominate a particular market. This study is considered relevant to the question that is being addressed here, since the mergers or acquisition decisions are also affected by the fact whether geographically relevant market is influenced

above all by the interplay of supply and demand (both effective and the potential competition in each considered market- the latter in turn, influenced by the level of transaction costs but varies according to the products and countries. In other words, Busse (2002) concludes that high transaction costs potentially lead to more segmented markets, low transaction costs to more globalised markets- other things being equal.

Kumer and Steger(2008) in their paper talk of external pressure as one of the factors for seeking M&A along with the quest for growth. The authors state that while the primary motivation of M&A is the quest for growth, the external pressure as a demand for growth from analyst and investors. They conclude that for the listed companies, such external pressure can become so intense that it cannot be satisfied /realized by organic growth through internal projects alone and in such a situation, M&A transaction remain the only solution, even if they might have failed in the past!

Jensen (1987) while analyzing the M&A activity in 80s, states that a variety of political and economic conditions in the 1980s have created a climate where economic efficiency requires a major restructuring of corporate assets.

Anderson and Marshall examine the motives for takeovers in New Zealand surrounding the 1987 stock market crash and compare with the U.S. findings of Gondhalekar and Bhagwat (2003). There are a number of structural differences between the New Zealand and U.S. markets that could impact on merger motives. Compared with the U.S., New Zealand is a small capital market; with weak takeover regulation and the affect of the 1987 stock market crash was much more persistent. Consistent with U.S. research, authors find evidence of synergy and hubris motivations in New Zealand takeovers although they find the synergy motivation is stronger.

Straub and Cavalier (2008) compare the legal performance of M&A in France and in the United States. The purpose is to quantify the impact of both legal systems on the long-term performance of M&A. Authors conclude that the application of the civil code rather than common law does not reveal substantial differences as far as M&A transactions are concerned. One reason is that in both France and the U.S. these transactions are carried out following standard procedures in compliance with common contractual practices.

Pasiorus et al (2007) , study the determinants of commercial bank acquisitions that occurred over the period 1997-2002 in the European Union single market, by evaluating the impact of bank-specific measures, such as size, growth and efficiency of banks, and external influences reflecting industry level differences in the regulatory and supervision framework, market environment and economic conditions. Theory suggests that M&As between banks can occur for several reasons. In general, the underlying motives can be classified as value-maximization (i.e. increase market power, replace inefficient management, achieve economies of scale and scope, decrease risk through geographic and product diversification) and non-value maximization ones (i.e. managerial motives, hubris, etc.).

Evidence on the impact of external factors on M&As decisions also comes mostly from studies that examine industrial sectors, with the neoclassical and behavioural approaches being the most commonly cited explanations. Cunningham (2001) has presented a very important and new angle of behavioral economics, which is emerging as an important new disciplinary adjunct to legal analysis in a wide range of fields. He presents 'behavioral finance' as to how prices of stocks are formed–including a theoretical framework, empirical evidence, and psychological explanations. It integrates these materials into a model of market and investor behavior that can be used as a lens through which to analyze a wide variety of legal rules and policies bearing on market regulation and corporate governance. The work of Prof. Cunningham introduces and proposes reforms in three critical areas of law and policy that his model impacts: (1) the market regulatory environment in which investors participate, including suitability and churning rules and policies relating to day trading, margin trading, and circuit breakers; (2) the legal duties of boards of directors in making capital allocation decisions such as equity offerings, dividend distributions and stock acquisitions; and (3) issues in corporate and securities litigation, principally the reliance requirement in securities fraud cases and the stock market exception to the appraisal remedy in cash out mergers. Managerial influence and hubris being one of the major antecedents of the M&A activity, this work has imparted a whole new perspective as the genesis of creating the policy and regulatory business environment impacting the M&A decisions.

Cummins and Rubio-Misas(2001) studied the effects of deregulation and consolidation in financial services markets by analyzing the Spanish insurance industry. The sample period 1989-1998 spans the introduction of the European Union's Third Generation Insurance Directives, which deregulated the EU insurance market. Deregulation has led to dramatic changes in the Spanish insurance market; the number of firms declined by 35 percent and average firm size increased by 275 percent. Authors have analyzed the causes and effects of consolidation using modern frontier efficiency analysis to estimate cost, technical, and allocative efficiency, as well as using Malmquist analysis to measure total factor productivity change.

Hackbarth and Morellec (2006) using a sample of 1086 takeovers of publicly traded US firms between 1985 and 2002, developed a real options framework to analyze the behavior of stock returns in mergers and acquisitions. In this framework, the timing and terms of takeovers are endogenous and result from value-maximizing decisions. The decision to enter a takeover deal, expand operations, or divest assets can be regarded as the problem of exercising a real option. Following the determination of equilibrium exercise strategies, the implications of the equilibrium for stock returns are analyzed by the authors. Two important contributions follow from this analysis. First, they provide a complete characterization of the dynamics of firm-level betas through the merger episode and show that beta changes dramatically in the time period surrounding takeovers.

Evenett and Hijzen (2006) , Using publicly-available survey data on these regimes, estimate the relative importance of numerous potential legal, institutional, economic, and political-economy determinants of the degree of national conformity with four merger-related Recommended Practices of the International Competition Network (ICN). They find that the determinants of such conformity differ markedly between the founding members of the ICN and other members. Moreover, certain economic and political-economy factors appear to play a more important role in determining the degree of conformity than legal and institutional factors; a finding that has implications for both the speed and the ultimate extent of convergence in national merger regimes that can be expected from this non-binding or soft law initiative.

Mehta and Kakani (2006) probe into the various motivations for mergers and acquisitions in the Indian Banking sector. Given the increasing role of the economic power in the turf war of nations, the paper looks at the significant role of the state and the central bank in protecting customer's interests vis-à-vis creating players of international size. Reviewing the mergers & acquisitions in the Indian Banking Sector both from an opportunity and as imperative perspectives, the authors also look at the large implications for the nation.

CONCLUSION

Martynova and Renneboog (2004), suggest that an important area which has received less academic attention is the decision process companies face to determine how to reorganize (by means of takeovers, spin-offs, recapitalizations, workouts, institutional buyouts or other transfers of control). A joint analysis of these restructuring constitutes a prominent area for future research. Another challenge in the field of M&As is the cyclical rise and fall of hostile takeover activity. While contested bids of the 1980s received substantial attention from academic researchers, those of the 1990s have been largely ignored.

The following issues remain to be addressed: What triggers time and country clustering of hostile takeover activity? Why were unfriendly acquisitions almost non-existent in Continental Europe during the 1980s, and occurred in unprecedented numbers during the 1990s? Do the patterns of contested bids and their profitability vary across the decades and countries? Do hostile tender offers bring about more managerial discipline? In addition to the problems mentioned above, there are a number of other issues that have not yet been fully investigated in the literature. The aspects of cross-border mergers and acquisitions warrant comprehensive theoretical and empirical analysis. Differences in corporate law, corporate governance regulation, stock exchange regulation, accounting quality may have a significant impact.

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MARKETING STRATEGY FOR DREAM SHELTER FINANCING

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ABSTRACT

Service marketing today gives substantial coverage to financial services. Introduction of new banks, new financial institutions, new client segments, new instruments, new windows, new opportunities and novel practices have galvanized the Indian financial sector over the last decade. Financial services, being the chief vehicle of development, have been caught between the pincers of competition (both internal and external) and the politics of development flowing in from regulatory bodies. A huge market of housing finance has paved its way amidst it in India covering wide range of clientele segments. Marketing innovations have pierced vehemently into the designing of end number of home-loan schemes by an even number of financing institutions to cater to the shelter needs of diversified range of customers. Bombarding ways of arousing 'dream home come true' feelings constitute the other part of the game. This research work is based on the study of six financial institutions namely Housing Finance and Development Corporation, Citibank, Standard Chartered Bank, Hongkong and Sanghai Banking Corporation, Industrial Credit and Investment Corporation of India Bank & IDBI Bank in regard with their marketing strategies for housing finance schemes. It is found that a strong customer relationship is essential to strike, execute and successfully wind up a housing finance deal of an average large sum with substantially long recovery period. The paper observes a few novel trends in the marketing scenario of this service. The financial institutions diagnose the consolidation and management risk as one of the major problems in marketing of home-loan services. There are FIs which innovate home-loan customer segments whereas the rest invade into these segments. But almost all FIs identify market segment of their doubtful clientele and for whom they pursue 'quit-mid-way' policy. Thus a common marketing strategy of these FIs, as this paper concludes, seems to be resorting to shortening of CRM life cycle to overcome the problem of consolidation and management risk.

Keyword: *Financial Service, Financial Instruments, CRM*

INTRODUCTION

Towards the end of 20th century began the liberalization of trade, industry, commerce and finance. Financial service sector was one clear phenomenon that took place since then on the global scenario. Financing institutions inundated the market with one of the fundamental need sector of mankind that was never to fit into the financial objectives of these institutions, and that is emergence of home-loan segment. Housing finance in developing countries is a social good in view of its backward and forward linkages with other sectors of the economy. In India, growth of housing finance segment has accelerated in recent years in response to the several supporting policy measures taken and the supervisory incentives instituted. Companies, both of national as well as multinational origins, have joined this segment and have come up with varied ranges of housing finance products. These housing finance companies belong to public and private sectors and have since entered into fierce competition leading to innovation of new marketing strategies. This paper, based on sample study of marketing strategies adopted by six housing finance companies, tries to identify this strategic trend and the related variables. A strategy to invade into the actual clientele segments of competitor companies by attempting to shorten their Customer Relationship Management (CRM) life cycle seems to being openly manifested and practiced by these companies. The reducing interest rate regime is found to be the obvious variable triggering this strategic practice amongst the housing finance companies.

HOUSING FINANCE INSTITUTIONS UNDER STUDY

Six housing financing institutions were picked for the present study. Three of these FIs are of multinational origin while the remaining three are of national origin. These are named as follows-

Housing Finance and Development Corporation -

The Housing Development Finance Corporation Limited (HDFC) is India's premier housing finance company and enjoys an impeccable track record in India as well as in international markets. Since its inception in 1977, the Corporation has maintained a consistent and healthy growth in its operations to remain a market leader in mortgages. Its outstanding loan portfolio covers well over a million dwelling

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units. HDFC was amongst the first to receive an 'in-principle' approval from the Reserve Bank of India (RBI) to set up a bank in the private sector, as part of the RBI's liberalization of the Indian Banking Industry in 1994. It has developed significant expertise in retail mortgage loans to different market segments and also has a large corporate client base for its housing related credit facilities.

Citibank

Citigroup is the first financial services company in the U.S. to bring together banking, insurance, and investments under one umbrella. It follows the business model for meeting the unique and varied needs of over 2,500 clients in more than 100 countries around the globe. Found in more than 100 countries worldwide, Citibank delivers a wide array of banking, lending and investment services to individual consumers, as well as to small businesses with up to $10 million in annual sales. It also offers a full range of financial services products to serve the needs of small and large corporations, governments, and institutional and individual investors.

Standard Chartered Bank (Stanchart)

Standard Chartered is named after two banks, which merged in 1969. They were originally known as the Standard Bank of British South Africa and the Chartered Bank of India, Australia and China. Of the two banks, the Chartered Bank is the older having been founded in 1853 following the grant of a Royal Charter from Queen Victoria. Nine years later, in 1862, the Standard Bank was founded by a group of businessmen. Both banks were keen to capitalize on the huge expansion of trade between Europe, Asia and Africa and to reap the handsome profits to be made from financing that trade. Standard Chartered is the world's leading emerging markets bank headquartered in London. Its businesses however, have always been overwhelmingly international.

Hongkong and Sanghai Banking Corporation (HSBC)

Headquartered in London, HSBC is one of the largest banking and financial services organizations in the world. The Group is named after its founding member, The Hongkong and Shanghai Banking Corporation Limited, which was established in 1865 to finance the growing trade between China and Europe. HSBC's international network comprises about 10,000 offices in 76 countries and territories in Europe, the Asia-Pacific region, the Americas, the Middle East and Africa. With listings on the London, Hong Kong, New York, Paris and Bermuda stock exchanges, shares in HSBC Holdings plc are held by nearly 200,000 shareholders in some 100 countries and territories. The shares are traded on the New York Stock Exchange in the form of American Depositary Receipts. Through an international network linked by advanced technology, including a rapidly growing e-commerce capability, HSBC provides a comprehensive range of financial services: personal financial services; commercial banking; corporate, investment banking and markets; private banking; and other activities.

Industrial Credit and Investment Corporation of India Bank

ICICI Bank is India's second-largest bank. The bank has a network of about 470 branches and extension counters and over 1,800 ATMs. It offers a wide range of banking products and financial services to corporate and retail customers through a variety of delivery channels and through its specialized subsidiaries and affiliates in the areas of investment banking, life and non-life insurance, venture capital and asset management.

Industrial Development Bank of India

The IDBI was set up under an Act of Parliament as a wholly-owned subsidiary of Reserve Bank of India. It was designated as Principal Financial Institution for co-coordinating the working of institutions at national and State levels engaged in financing, promoting and developing industry. n September 2003, IDBI acquired the entire shareholding of Tata Finance Limited in Tata Home finance Ltd, signaling IDBI's foray into the retail finance sector. The housing finance subsidiary has since been renamed 'IDBI Home finance Limited'.

HOUSING FINANCE SCHEMES

Different financing institutions have designed different home-loan schemes under different nomenclatures. If Citibank has six such schemes, the ICICI has only two such schemes as shown in the table no.-1 given below. All these schemes intend to cover different types of housing finance requirements ranging from purchase of land to purchase of ready-for-occupation property apart from meeting financial requirements for house construction or house innovation or even house expansion. HSBC is the only finance institution that offers loan even for acquisition of plot of land for house construction purposes. Similarly Citibank and HDFC are the financing institutions that offer refinance solution apparently to replace the existing loan from other institutions. In general, however, all these institutions have more or less similar housing finance schemes offered to its clientele with different descriptions.

Table No.-1: Showing Housing Finance Schemes of Different Financing Institutions under study

Schemes of HSBC	Schemes of Citibank	Schemes of Stanchart	Schemes of ICICI	Schemes of IDBI	Schemes of HDFC
Ready-for- occupation Property	Buying Home	Purchasing A Plot	Home / Land Loan	Home Loan	Buying or Constructing Homes

Under Construction Property	Refinance Solutions	Purchasing A Constructed Flat / House	Home Equity	Loan for Improvement	Refinance A Home Loan availed from other institutions
Plot of Land	Home Equity (Loan Against Property)	Purchasing A Flat Under Construction	–	Loan for Extension	Extend or Improve Existing Home
Self Construction	First Time Home Buyers	Home Extension and Renovation	–	Mortgage Loans	Buying or Constructing Homes
Home Improvement	Renovation Lending	–	–	–	–
–	Build A New Home (Construction Lending)	–	–	–	–

SCHEMES' CHARACTERISTIC FEATURES:

The features of housing finance schemes floated by all the aforesaid financing institutions are characterized mainly by tenure (i.e. period of loan), amount of loan and interest rates (both floating as well as fixed interest rates) apart from documentation requirements, door-step service provisions and provisions for co-applicants etc. The tenure of the housing finance schemes of these institutions ranges between one year and thirty years (1-30 years). Of these, the Citibank offers the longest tenure of up to 30 years HSBC offers the shortest tenure up to 15 years. Rest of the financing institutions has its housing finance schemes for a tenure up to 20 years. However, the tenure is subject to applicant's eligibility as prescribed in the scheme details of these financing institutions and can be flexible within the range depending upon beneficiary's choice. The period of loan generally exceeds 10 years.

The amount of loan admissible under any of the schemes floated by the said financial institutions also varies greatly between minimum of Rs. 2 lacs and maximum of Rs. 1 crore. Surprisingly, the highest amount of home loan (i.e. Rs. 1 crore) is offered by the HSBC which, as noted above, offers it for the shortest period. The IDBI bank offers loan amount in the range of Rs. 2 lacs to Rs. 50 lacs. For some of its schemes the loan amount offered is not exceeding Rs. 20 lacs. Rest of the banks also offers more or less the similar range of loan amount. Again there is flexibility observed by all institutions in the amount loaned to a beneficiary depending upon his or her eligibility conditions. There are some other features also built into these schemes to allure the potential beneficiaries. Important among these are monthly reducing balance method of calculating EMI instead of annually reducing balance method, early redemption charge and nil to negligible processing fees and administrative charges etc.

INTEREST RATE WAR

The last decade has witnessed an interest rate decline regime applicable to all financial institutions. Housing loan was once upon a time available at an exorbitant interest rate of 21% from where it fell down to as low as 6.75%. However, during the last year has been seen an uprise in the interest rate on home loan which has since moved up to 12%. Yet. the financing institutions are able to distinct themselves on interest rate fronts by offering different interest rates to their actual and prospective beneficiaries. Following table no.-2 gives a picture of the interest rates prevailing in the studied financing companies on their home-loan products at present.

Table no.-2: Showing Currently Prevailing Interest Rates on Home-Loan Schemes of Fis

Name of Housing Finance Companies	Prevailing Interest Rates
HSBC	7.75% (fixed)
Citibank	7.00% (fixed)
Stanchart Bank	10.50% (w.e.f 1.12.2004)
ICICI Bank	8% (floating) / 8.5% (fixed)
IDBI	7.75% (floating), 8.00% and 8.5% (fixed)
HDFC	7.50% (floating), 8.25% (fixed)

The resultant interest rate war has pushed these companies to strike another marketing strategy of convincing their beneficiaries of their door-step services than the reduced interest rates.

CLIENTELE SEGMENT INVASION MANIFESTO

Grabbing the competitors' customers has been openly manifested by many of the financing institutions. For instance, the Standard Chartered bank states one of its policies as follows - "Transfer your existing loan to Stanchart and save on interest." The wordings of the policy laid down by Standard Chartered bank only direct actual customers to look for alternative loan schemes to save interest liability. But the Housing Development Finance Corporation is straight forward in attacking its competitors when it states its policy in the following words - "Refinance a home loan availed from other institutions." Even more attacking is the policy manifestation of ICICI bank which states it as follows- "When you transfer your loan to us we finance the balance amount of outstanding loan and also your prepayment charges to the old housing finance company." Citibank, on the other hand, has designed a home-loan product named "Refinance solutions" to manifest its similar intentions. So is the case of IDBI bank which too has a more or less similar home-loan product under the nomenclature "Mortgage loans" to affect its market invasion strategy. However, financing institutions like HSBC and Citibank have in a way insulated their clientele segment against this invasion strategy by offering them amount of loan (i.e. up to Rs. 1 crore) exceeding the prescribed range of other lending institutions and also by offering the same to them for a tenure (i.e. up to 30 years) longer than that offered by any other lending institutions. But at the same time these institutions are advantaged to practice this invasion strategy to bring within their fold clientele segment of other financing institutions.

SHORTENED CRM LIFE CYCLE - THE EMERGING MARKETING STRATEGY:

Home-loan beneficiary customers are (or have to be) related to its financer for over ten years (equivalent to tenure of the loan). They constitute the actual home-loan market. If through schemes like refinance solutions of Citibank and other similar manifested policies of the competing financing institutions, as stated above, the loyalty of these customers are turned against their existing financers the expected life of their CRM shall stand reduced. Thus the more they are able to shorten the CRM life cycle of clientele of other financing institutions the more they are able to increase their market. HSBC doesn't have a manifested policy of this invasion strategy but it practices it. On the other hand, Citibank has designed a home-loan product named "refinance solutions" to openly distract the existing customers of its competing financial institutions in its own favor. The banks are now no longer relying on lending as one of their main products. More and more banks are realizing that lending is actually a value destroyer for the shareholders of the bank. This is especially true in today's competitive environment where the number of banks is increasing. The growth in the number of banks and the emergence of several private sector banks has increased the competition further. A cut in the interest rates both on deposits and lending and a reduction in the SLR and CRR by RBI have made the banks to have surplus funds. The banks are trying to increase the flow of transactions through their customers. This has resulted into invasion of the existing customer segments of competing banks / financing institutions as observed above.

Essentials of New Marketing Strategy -

The home-loan products of the financing institutions are so designed or redesigned over the period of time with the changing market parameters as to fit into one of the following essential principles. The product thereafter automatically becomes more attractive and the customers are then easily lured to these schemes resulting into effective implementation of the shorten CRM life cycle marketing strategy.

A lower EMI (Equated Monthly Installment) with same Tenure -

Under this principle the companies ask for lower EMI on a home-loan taken from competing institution though keeping the period of loan i.e. tenure as the same. This is based on lower interest rate chargeable from the beneficiary.

A reduced Tenure with the same EMI -

A reduced period of loan is offered under the scheme which is also possible due to lower interest rate keeping the EMI as the same as offered by the competing financing company.

A reduced Tenure and EMI -

Some companies are able to offer much reduced interest rate compared to their competitors and hence they are able to offer their beneficiaries both reduced tenure and EMI.

The same EMI and Tenure but an additional amount as a loan -

As an alternative to third principle a company can offer more amount of loan for similar tenure and EMI alluring them in favor of the offering company. This allows the beneficiary to meet the requirement of additional fund for housing.

CONCLUSION

Unlike many other countries, asset impairment on account of housing finance constitutes a very small portion. As at end-March 2004, the impaired credit i.e. net NPAs (Non-Performing Assets) was 1.4 of outstanding advances. However, with growing competition in the housing finance market, there has been a growing concern over its likely impact on the asset quality. The financial institutions diagnose the consolidation and management risk as one of the major problems in marketing of home-loan services. There are FIs which innovate home-loan customer segments whereas the rest invade into these segments. But almost all FIs identify market segment of their doubtful clientele and for whom they pursue 'quit-mid-way' policy. Thus a common marketing practice of these FIs, as this paper concludes, seems to be resorting to shortening of CRM life cycle to overcome the problem of consolidation and management risk.

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INSIGHTS INTO THE RETENTION OF HUMAN CAPITAL IN INDIAN CORPORATES: A POINT OF VIEW AND METHOD

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ABSTRACT

Employee retention is one of the identified hard core topics in India's today's corporate sector. Despite this majority of Indian companies don't have proper understanding of what retention truly, hence Indian industries confronting turbulent situations in retaining high caliber employees at the outset the organization should understand the important factors affecting their retention and to increase the retention rates of top performer. The retention process should begin even before an employee arrives into the organization. An induction pack should be developed by the company that will provide a broad picture of the organization, its people and its goals. This should reinforce the new employees' belief that they have made the right decision. Hence the retention of high caliber human capital has become a challenging task to the industry for ever.

Keyword: *Retention, Human Capital, Factors*

RETENTION MANAGEMENT – A BACK DROP

The term employee retention first popped up on the business scene during late 1970's. Till then, the fundamental nature of the association between an employer and an employee had been a statement of the status quo: "work for me perform better and as long as financial conditions permit, I will continue to give you work". During 1950's and even 1960's, it was not uncharacteristic for people who entered job market to associate with the same employer for a long time, sometimes, even for their entire life,. Anyone, who changed jobs, would be seen as eccentric and out of the ordinary. However, all that changed during the mid-1990, as it signaled what has now become a common characteristic of the HR arena: job hopping and low or no loyalty to the employer. The trend is now widely prevalent across business life and so is the "employee churn". No surprise that today, retaining key employees is a major strategic challenge facing the companies and is critical to the latter's long-term prosperity. Austin (1998) stresses that the effort for employee retention must come from the top. The effort to develop good retention must be a primary goal of managers at all levels in the organization, and it must be a consistent goal that is developed and reinforced overtime. As such it can only occur if supported at the highest levels in the organization. Employee retention means many things to many people in each organization. The concept is not confined to single definition. Some views mentioned by J.LeslieMckeown are - "Employee retention means stopping people from leaving this organization." Employee retention is all about "Keeping good people." Getting our compensation and benefits into line with the market place. It's got to do with our culture and how we treat people.

According to The HR Priorities Survey from ORC Worldwide http://www.orcworldwide.com/), an HR consulting and data services firm, nearly 62 percent of respondents to their survey opined that talent management will be the most pressing strategic issue they face in year. The findings of the survey also indicated that 33 percent of talent management programs include workforce acquisition, assesment, development, and retention as areas that will consume most of the survey respondents' time this year 2007. Retention has emerged as the focus of much time and attention in recent years, particularly as part of talent management programs, and so much is known about it that the HR practitioner who tries to integrate it into a talent program may grow bewildered by the huge volume of research about it (see Buenger, 2006; Deloitte, 2005; Gallagher, Nadarajah, & Pinnuck, 2006; Jenkins, 2006; Law, 2003; Maria-Luisa, 2004; Michaels, Handfield-Jones, & Axelrod, 2001; Snow, 1976; Oakes, 2006; Rappaport, Bancroft, & Okum, 2003; Rothberg, 2007; Rubin & Brown, 1975; Walsh, 1988; Walsh, 1989). Both researchers and human resource (HR) practitioners agree that the employment relationship is undergoing fundamental changes that have implications for the attraction, motivation and retention of talented employees (Horwitz, Heng, & Quazi, 2003: Roehling, Cavanaugh, Moyhihan & Boswell, 2000; Turnley & Feldman, 2000). Over the past decades, the economic environment organizations work in has changed

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dramatically. Due to on-going evolutions towards international competition, deregularization and globalization of markets, organizations are required to be more flexible and to increase their productivity. This has reduced the job security of employees at all levels in the organization (King, 2000) but at the same time HR managers are pressed to attract and retain talented employees who have competencies that are critical for organizational survival (Horwitz et al., 2003; Mitchell, Holtom & Lee, 2001; Roehling et al., 2000; Steel, Griffeth & Hom, 2002). *Retention management* has become a popular concept to examine the portfolio of HR practices put into place by organizations in order to reduce voluntary turnover rates (e.g. Cappelli, 2001; Mitchell et al., 2001; Steel et al., 2002).

RETENTION MANAGEMENT – A GLOBAL PERSPECTIVE

The first and foremost thing is Competitive salary, Employee involvement, work-life balance Understanding that employees are not slaves and they do have their lives and they have the right to enjoy their lives too. People work to live but not live to work. Training: Keeping the employee competitive by mandatory training programs, seminars etc. Semi-annual reviews: These reviews are not used in determining how good or bad an employee is but in working out a mutually agreed plan and goals for the employee to be successful for the organization. This way the expectations are very clear and employee will not be unhappy when the bonuses and raises show up. Celebrations: Encouraging Group lunches, birthday lunches etc is very much useful in motivating the employees. These parties do not have to be expensive. Sometimes these are counted more than just giving them money or gift certificate. Recognition, Acknowledging the performers – if someone does something extra or special he/she should be acknowledged in public – semi-annual performance awards. Making it very clear to the employees that performance and ethics go hand-in-hand and any exceptions will not be tolerated. Its message should be clear – perform and get rewarded or neglect and get fired.

INDIAN PERSPECTIVE IN RETAINING HUMAN CAPITAL

The following tools are followed in retaining any firm’s skilled employees which is the important challenge any company is facing now in the market: A performance-based compensation plan should be designed to encourage the employees to behave in ways that will result in attainment of the goals of any company, while also meeting their employees' personal objectives. Company goals usually include growth, profitability, quality service, efficiency, effectiveness, and image and reputation. A profit sharing plan could be adopted for all employees to share in the profit pool in proportion to their annual earnings relative to total earnings of all employees. Coming up with ways to help the employees save money and streamline their lives is considered important in retaining employees. Money is not always the primary motivator for most employees. Recognizing its people frequently for their good work makes to repeat the performance frequently. Look for key measures to recognize employees, such as production, client retention rate, etc. Come up with contests to recognize its employees, Small, tangible rewards are also a good idea. Give recognition certificates, plaques and prizes and other than money, such as tickets for movie rental or sports events, or gift certificates for merchandise or dinner. Giving something tangible makes a more lasting impression. Praising their best performers will raise the bar for the weaker people. The goal is to encourage behaviors that build the business and recognize their people for practicing those behaviors as often as possible. Let employees know what's happening with the company. Trust in its people must be shown and make them to feel by sharing with them financial and other company inside information Be flexible with work schedules, and Encourage creativity and innovation by providing an atmosphere where employees feel comfortable making suggestions and trying out new ideas. The more an organization can demonstrate to candidates and new employees that it can help them achieve their original career goals, the more effectively that organization can be in recruiting and retaining those employees. Support Employees will appreciate having adequate support. They need someone readily available to help when they have questions or encounter problems. Empowerment Engage employees in decision-making; give them the authority to act in the best interests of the company. Mentoring the employees Mentoring involves 4 key ingredients namely, humility, inclusion, generosity and freedom. Attracting and retaining talent is not just a matter of higher salaries and more perks. It involves shaping the whole organization, its vision, values, strategy, leadership, rewards and recognition. Above all, retaining employees is a matter of building loyalty. More often than not, the ability to develop loyalty is linked to the credibility of the top management. Building the right culture is an important step in improving employee loyalty. It involves understanding the existing values, clarifying business goals and strategy, defining the desired culture and introducing change management. Leaders, who believe in treating employees fairly, build employee loyalty. Those who fire employees indiscriminately erode loyalty. Using small teams facilitates faster and entrepreneurial decision-making. It also increases accountability and makes it easier to recognize achievers. High achievers relish such a work environment.

EMPLOYEE RETENTION – ITS COGNISANCE IN INDIAN CORPORATE SECTOR

Bringing employees up to speed takes even more time and when an organization is short-staffed, they often need to put in extra time to get the work done. Employee retention is commonly considered to mean the ability to maintain a

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stable workforce. It is often linked to morale and to organizational productivity. Now that so much is being done by organizations to retain its employees, why is retention so important? Is it just to reduce the turnover costs? Well, the answer is a definite no. It's not only the cost incurred by a company that emphasizes the need of retaining employees but also the need to retain talented employees from getting poached. The process of retention will benefit an organization in the following ways:

The Cost of Turnover -

The cost of employee turnover adds hundreds of thousands of money to a company's expenses. While it is difficult to fully calculate the cost of turnover (including hiring costs, training costs and productivity loss), industry experts often quote 25% of the average employee salary as a conservative estimate.

Decrease of Company Knowledge

When an employee leaves, he takes with him valuable knowledge about the company, customers, current projects and past history (sometimes to competitors). Often much time and money has been spent on the employee in expectation of a future return. When the employee leaves, the investment is not realized.

Dismantling of Customer Service

Customers and clients do business with a company in part because of the people. Relationships are developed that encourage continued sponsorship of the business. When an employee leaves, the relationships that employee built for the company are severed, which could lead to potential customer loss.

Multiplicity of Turnovers

When an employee terminates, the effect is felt throughout the organization. Co-workers are often required to pick up the slack. The unspoken negativity often intensifies for the remaining staff.

Firm's Reputation

The goodwill of a company is maintained when the attrition rates are low. Higher retention rates motivate potential employees to join the organization.

FACTORS AFFECTING EMPLOYEE RETENTION

Factors That Affect Employee Retention

Job	Culture	Personal	External
Challenging, interesting, meaningful work	Management perceived competent	Mach with personal and family commitments	Economic climate how readily other jobs are available
Meets expectations in terms of salary and conditions	Supportive leadership and management style	Geographic location	Competition from other industries
Offers training to upgrade skills in the workplace	Meets expectations in terms of co-workers	Confidence in own marketable skills and experience	Post employment experiences (good and bad)
Offers career development opportunities	Provides recognition and rewards for good work	Age (fit with workforce)	Community view of industry, business and job
Good work can be identifies and recognised	Gives a sense of security about the company	Health (impacts on and from the job)	
Status of position (particulary for management and senior roles)	Company values match with personal values		
Leave and superannuation benefits			

(Source: Food, Tourism and Hospitality Industry Skills Advisory Council 2006)

In view of the large costs associated with employee turnover, even in a global economic downturn characterized by downsizing and layoffs, HR managers still need to work out HR practices that enable them to retain their talented employees (Horwitz et al., 2003; Steel et al., 2002). These practices are often bundled under the term “retention management”. Retention management is defined as “the ability to hold onto those employees you want to keep, for longer than your competitors” (Johnson, 2000). In the literature numerous factors are put forward as important in affecting employee retention, varying from purely financial inducements to so-called “new-age” benefits. These inducements can be grouped into five major categories of retention factors, namely (1) financial rewards, (2) career development opportunities, (3) job content, (4) social atmosphere, and (5) work-life balance (e.g. Horwich et al., 2003; Roehling et al., 2000; Ulrich, 1998).

First, *financial rewards*, or the provision of an attractive remuneration package, are one of the most widely discussed retention factors, since they not only fulfill financial and material needs. They also have a social meaning, with the salary level providing an indication of the employee’s relative position of power and status within the organization. However, research shows that there is much interindividual variability in the importance of financial rewards for employee retention (Pfeffer, 1998; Woodruffe, 1999). For instance, a study conducted by the “Institute for Employment Studies” (Bevan, 1997) reveals that only ten percent of people who had left their employer gave dissatisfaction with pay as the main reason for leaving. Moreover, due to the trend towards benchmarking, it is becoming increasingly difficult for companies to set themselves apart from their competitors by means of remuneration, which reduces the impact of financial rewards on employee retention (Cappelli, 2001). However, despite the fact that many studies show financial rewards to be a poor motivating factor, it remains a tactic used by many organizations to commit their employees to the organization by means of remuneration packages.

Second, *opportunities for career development* are considered as one of the most important factors affecting employee retention. It is suggested that a company that wants to strengthen its bond with its employees must invest in the development of these employees (Hall & Moss, 1998; Hsu, Jiang, Klein & Tang, 2003; Steel et al., 2002; Woodruffe, 1999). This does not, or not only, involve the creation of opportunities for promotion within the company but also opportunities for training and skill development that allow employees to enhance their employability on the internal and/or external labor market (Butler & Waldrop, 2001). Other factors relating to career development are the provision of mentoring or coaching to employees, the organization of career management workshops and the set up of competency management programs

The third category of retention factors relates to employees’ *job content,* more specifically the provision of challenging and meaningful work. It builds on the assumption that people do not just work for the money but also to create purpose and satisfaction in their life (Mitchell et al., 2001; Pfeffer, 1998). According to Woodruffe (1999) employees, in addition to a strong need to deliver excellent results, also want to take on difficult challenges that are relevant for the organization. However, when their work mainly consists of the routine-based performance of tasks, the likelihood of de-motivation and turnover is relatively high. By thinking carefully about which tasks to include in which jobs, companies can affect their retention rates

Finally, facilitating a good *work-life balance* is the fifth retention factor frequently cited in the literature (Anderson, Coffey & Byerly, 2002). The conflict between work and career on the one hand and private life on the other is currently assuming large proportions in our society. There is an increasing demand for more flexible forms of work, which would positively affect the reduction of the work-family conflict and employee satisfaction in general (Anderson et al., 2002; Kossek & Ozeki, 1998). HR policies addressing work-life balance are assumed to be important because the current generation of employees attaches much importance to quality of life, as a result of the ever increasing work pressure (Cappelli, 2001; Mitchell et al., 2001). Research suggests that policies aimed at improving the work-life balance are successful if they are implemented in a supportive context that truly allows employees to make meaningful and useful choices (Anderson et al., 2002: Kossek & Ozeki, 1998).

This review of factors affecting employee retention suggests that HR managers should take into account these factors when working our retention policies. However, most existing studies on retention management have not addressed all five types of retention factors, which makes it impossible to assess their relative embedded ness in the retention practices put in place by HR managers. Therefore in the first part of our study we examine the relative attention HR managers pay to each of these factors in working out their retention policies. However, in order to improve our understandings of the effectiveness of these retention factors, it is important to relate them to employees’ views on their importance and actual delivery by their employer.

WHY DO EMPLOYEES LEAVE AN ORGANIZATION?

Most of us believe our employees leave us for money reasons. how many times have you said, “if only I could have paid her more ,she would have stayed.” The additional reasons may be: Employees expectations of the job, Absence of conducive workplace environment, Mismatch of job profile, Lack of opportunities for pursuing higher studies and career growth, Lack of recognition / appreciation, Lack of trust, Lack of empowerment and employee engagement, Lack of confidence in peers, seniors and the management, Stress and work-life imbalance, Odd working hours, More lucrative job offers. The reasons are interrelated and diverse. The motives depend on each employee's preferences and needs. The very reason for some employees to leave may be the cause for others to stay. As a result, it is important to understand employee's needs and to address them. Some of the major factors responsible for employees quitting an organization are:

Attitude of Management

In most cases managers or senior executives influence the decision that leads to either employee's resignation or retention. High retention is a by- product of good management.

Work culture and Environment

Many studies have revealed that employee's prosperity to either remain or redesign depends on the organizations work culture.

Inherent Factors

Factors like utilization of employee's skill sets and providing them challenging work also decides the rate of retention.

STRATEGIES FOR RETAINING HUMAN CAPITAL

The importance of retaining top organizational talent cannot be understated. With the massive baby boomer cohort just starting to approach retirement age, more and more jobs are going to become available in the near future. What this means for employees is that it is now easier than ever leave one's current position to find greener pastures elsewhere. A more attractive market for job seekers means that the switching costs of seeking new employment are no longer a significant factor in deciding whether or not to leave an organization. The days where a job seeker might spend six months to secure a new job will soon be over. The implications for employers should be clear. It is now more important than ever to retain the team members an organization currently has and to choose the right team members when hiring decisions are made. The following is a short list of useful tips to help increase levels of employee retention in your organization. Put them to work for you!

Picking the relevant people on the bus

In his book, Good to Great, Jim Collins talks about the importance of having the right talent on the organizational bus. Hiring individuals who are truly fit to succeed in the position for hire will dramatically increase the chances of that employee being satisfied with his or her work and remaining with the company for an extended period of time.

Communication, systems and channels

Communication has become so heavily stressed in the workplace that it almost seems cliche. However communication couldn't be more important in the effort to retain employees. Be sure that team members know their roles, job description, and responsibilities within the organization. Communicate any new company policies or initiatives to all employees to be sure that everyone is on the same page. Nobody wants to feel that they are being left out of the loop.

Invitation of employees into decision making

It is incredibly important to include team members in the decision making process, especially when decisions will effect an individual's department or work team. This can help to create a culture of employee involvement and will generate new ideas and perspectives that top management might never have thought of.

Participation of team members in sharing the knowledge on reciprocity

The highest percentage of information retention occurs when one shares that information with others. Having team members share what they have learned at a recent conference or training workshop will not only increase the amount of information they will retain, but also lets a team member know that he is a valuable member of the organization. Facilitating knowledge sharing through an employee mentoring program can be equally beneficial for the team member being mentored as well as the mentor.

Flimsy feedback loop

Do not wait for an annual performance evaluation to come due to give feedback on how an employee is performing. Most team members enjoy frequent feedback about how they are performing. Shortening the feedback loop will help to keep performance levels high and will reinforce positive behavior. Feedback does not necessarily need to be scheduled or highly structured; simply stopping by a team member's desk and letting them know they are doing a good job on a current project can do wonders for morale and help to increase retention.

Offer a lucrative compensation package

Any team member wants to feel that he or she is being paid appropriately and fairly for the work he or she does. Be sure to research what other companies and organizations are offering in terms of salary and benefits. It is also important to research what the regional and national compensation averages are for that particular position. You can be sure that if your compensation package is not competitive, team members will find this out and look for employers who are willing to offer more competitive compensation packages.

Reconcile work and personal life

Family is incredibly important to team members. When work begins to put a significant strain on one's family no amount of money will keep an employee around. Stress the importance of balancing work and one's personal life. Small gestures such as allowing a team member to take an extended lunch once a week to watch his son's baseball game will likely be repaid with loyalty and extended employment with an organization.

Opening of promotional ladder for growth and development

Offer opportunities for team members to acquire new skills and knowledge useful to the organization. If an employee appears to be bored or burned out in a current position offer to train this individual in another facet of the organization where he or she would be a good fit. Nobody wants to feel stuck in their position will no possibility for advancement or new opportunities.

Timely recognition and appreciation of work hawlicks -

This can be one of the single greatest factors affecting employee retention. Everybody, in all levels of an organization, wants to know that their efforts are appreciated and recognized. This can be as simple or as extravagant as a supervisor may desire. Often time ashort e-mail or quickly stopping by a team member's desk and saying "thanks" can do wonder for morale. Other options might include a mention in the company newsletter for outstanding performance or gift certificates to a restaurant or movie theatre - the possibilities are endless.

Perfect assessment of team members expectations -

Nothing can be more frustrating or discouraging for an employee than the lack of a clear understanding of what is expected of him on the job. In a performance driven workplace a lack of clarity regarding job duties and expectations can cause fear and anxiety among employees who are unclear of what is expected of them. Even worse outright anger can occur when a team member receives a negative performance evaluation based on expectations and job duties that he or she was unaware of or unclear about.

The quality of monitoring and mentorship

It has been said so often that it is almost cliche, but people leave people, not their jobs. Supervisors play the largest role in a team member's development and ultimate success within an organization. All employees want to have supervisors who are respectful, courteous, and friendly - that is a given. But more importantly team members want supervisors who set clear performance expectations, deliver timely feedback on performance, live up to their word and promises, and provide an environment where the employee can grow and succeed. Failure by supervisors and management to provide this can cause an employee to start looking for greener pastures.

Fair and equitable treatment of all employees

One of the surest ways to create animosity and resentment in an organization is to allow favoritism and preferential treatment of individual team members. The so-called "good ole' boys club" can create a noxious organization culture and foster resentment among team members. This culture will only get worse and can create a devastating exodus of valued team members. Be sure to treat all employees equally and avoid favoritism at all costs.

CONCLUSIONS & SUGGESTIONS

On an overall evaluation and scientific scanning of the concept of retention management of high caliber employees in Indian organizations, it is noticed that, the concept of retention management has caught the attention of corporate sector in Indian industry as well as around the globe. The repercussions in the last decade due to the negligence of employee retention in Indian corporates are more significant as these concept contributed in a great way to the loss of total productivity and visibility of india's map in the world economy. Hence, there is an imminent need to give prime importance to this vital aspect of retention management and to put the turbulent corporate sector on more viable footing. This is possible with an objective assessment or an introspection of the concept of retention management so far and vision of the road ahead. Such a vision has to encompass not only the challenges of the industry but also the understanding of people with in the industry. Further it is identified that employee retention is a vital component of an effective organizational talent management strategy. Higher officials would be well trained to explore why people leave and why high potential workers stay. However, they will be able to use the results to build employment brands and establish and maintain, an organizational climate that corroborates retention.

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CREATING AND SUSTAINING CORPORATE ADVANTAGE – THE HUMAN RESOURCES WAY

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ABSTRACT

Each organisation has its own functional area of excellence or chief resource area based on which the strategies are formulated in the other areas as well. In this paper it is intuitively reasoned as to how corporate advantage can be created in the area of Human Resources as this area would not only hold maximum value for any organisation in general but also be the one to hold critical importance and a present challenge before all executives dealing with all areas of corporate function viz. Marketing, Production, Operations, Maintenance, Information Technology, Finance, etc. To create a truly great corporate advantage, an organisation has to work on core competencies: restructuring of corporate port-folios, creating a learning organisation and a multitude of elements which formulate an organisation viz. speed, quality, size etc. The basic theme presented in this paper is that Human Resource (HR) is not a function but a 'total business solution'. Consequently, the onus of using HR as a strategic tool lies not merely with the HR manager but with the management as a whole.

Keywords: *Portfolio, Strategy, Competitive Advantage, Core Competencies*

INTRODUCTION

In the competitive and dynamic business environment of the present era, it is essential for organisations to rise above the normal and strive towards achieving excellence in the various areas of management. Globalisation of Indian economy is creating both opportunities and challenges for the industry and trade. With economic reforms, Indian industry is gradually becoming stronger and there is hope and excitement for developing new and more profitable international markets. At the same time in the wake of this development, some of the internationally well established and competitive companies which are entering into Indian market are putting pressure on Indian companies to cut costs, improve quality and modernise management systems.To create a truly great corporate advantage, an organisation has to work on core competencies: restructuring of corporate port-folios, creating a learning organisation and a multitude of elements which formulate an organisation viz. speed, quality, size etc.Each organisation has its own functional area of excellence or chief resource area based on which the strategies are formulated in the other areas as well. In this paper it is intuitively reasoned as to how corporate advantage can be created in the area of Human Resources as this area would not only hold maximum value for any organisation in general but also be the one to hold critical importance and a present challenge before all executives dealing with all areas of corporate function viz. Marketing, Production, Operations, Maintenance, Information Technology, Finance, etc. The basic theme presented in this paper is that Human Resource (HR) is not a function but a 'total business solution'. Consequently, the onus of using HR as a strategic tool lies not merely with the HR manager but with the management as a whole. It implies that once the HR team comes out with a solution, the management as a whole has an on-going responsibility to own it up as its concern and communicate it across the length and breadth of the organisation. However, unfortunately, a major obstacle to such a transformation of the HR function is the management itself. Corporate leaders have been demanding that they need a strategic HR function, but they often do not have an idea as to what it entails. Many still judge the function by its effectiveness in delivering administrative services and keeping the company out of trouble with regulatory agencies. They are unreceptive to radical ideas that enhance the strategic role of HR. Thus, the HR manager typically spends half of his time selling the concept to management who, in general, are indifferent to it.

CONCEPTUAL FRAMEWORK

Business success is the ultimate reason for the existence of HR, or for that matter any organisational resource. Such business success is often explained by the competitive edge that an organisation has over the rest of its competitors. Michael Porter chooses to call it 'competitive advantage'. We may also use the term 'corporate advantage'. Such corporate advantage in turn comes by leveraging certain 'Core Competencies' that each organisation has, be it in technology, finance, marketing or human resource.

BACKGROUND

The issue of corporate advantage through HR has its roots in the paradigm shift that took place in the HR view as detailed below.

- There are broadly three components in HR - Knowledge generation processes (like identification of training needs, designing and administering training

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programmes etc.), Processes that move knowledge to the right place (like linking training programmes to placement, promotion etc.), and Processes that help knowledge deliver output (like creating an enabling work environment, healthy organisational culture etc.). Traditionally, HR was obsessed with the first two, the ultimate objective being business development. But of late, managements the world over have expanded the gamut of HR to include the third category of processes, which aims at a more important objective, namely, organisation development.

- From its traditional focus on micro-level individual outcomes like absenteeism rate, attrition rate etc., HR has shifted its focus to macro-level organisational effectiveness and business success.
- In tune with the evolutionary dynamics, HR has grown from a subsistence living trying to reserve professional existence to a more meaningful living participating in value addition rather than justifying abstractly and conceptually about the morale and commitment of employees.
- HR has transformed itself from a cost centre into an investment centre. HR hitherto was considered only as a cost centre. But since it develops and maintains a major component of the firm's strategic infrastructure, namely, people, organisations have started viewing it as an investment centre.
- Other developments include - Transformation of HR from a necessary evil to an inevitable ingredient in business success, Transformation of the image of HR interventions as unnecessary meddling in other functions to that of their positive reinforcement, and Shift from employee/personnel orientation to family orientation – focus on organisation as a family and bondages beyond contractual obligations.

Given this context of paradigm shift in the HR view, the issue of creating corporate advantage through HR revolves around the linkages between HR and business performance. While it has to be admitted that as of now establishing a direct relationship between HR and business results is hazy, if not fuzzy, it needs to be equally admitted that HR does create corporate advantage. Infact, there is evidence to prove that HR adds value. The different types of corporate advantage accruing to an organisation under different HR strategies have been given in the table below :

HR Strategy	**Corporate Adventage**
Inducement – Based on the concept of motivation through rewards and punishment	Cost leadership
Investment – Placing a premium on employee development and leveraging it. Dominant values are encouraging creativity and innovation, autonomy and initiative	Product Differentiation
Involvement – Focussing on employee commitment, team building etc	Quality, continuous innovation etc.

It is a fairly accepted model now that the ultimate objective of any business is the maximization of the value of its shareholders. Consequently, different functional areas of the business should duly contribute to the value maximisation. HR is no exception, though in its case, it is very difficult to ascertain such value addition. The linkages between HR initiatives and organisational effectiveness are not easily demonstrable due to the influence of several other variables acting simultaneously. It is naïve to claim that the increase in market value of an organisation is completely attributable to the HR practices being followed by the organisation. Infact, even a casual relationship is hard to establish without rigorous statistical analysis. While writers on HR assumed a relationship, relatively little evidence exists to actually prove it. HR is today at crossroads, being increasingly under fire to justify itself. There is a quantum jump from the premise that HR axiomatically adds value to a situation where HR has to demonstrate and prove in specific terms that it actually adds value. Such a crisis is being faced even by other functions. But HR is less prepared to meet it. It is an unfortunate sign that conceptual linkages between HR and business performance are not yet well developed to capture the impact of HR. Nevertheless, viewed in the right perspective, the crisis is actually an unprecedented opportunity for HR to prove itself, redefine its boundaries, position itself for higher business leverage and refocus itself as a strategic asset. W e need to understand that HR is in crisis today because its traditional role did not create value for the organisation. And there are reasons why it did not create value or provide corporate advantage.

First, some organisations, in fact most, introduced HR processes in a mechanical way and for cosmetic purposes. Scant attention was paid to issues like suitability and relevance of HR initiatives to the organisation, the preparedness required, the methods and implementation and evaluation, creation of the climate for sustaining the initiatives and a number of such critical factors. Further, HR practices were blindly copied based on benchmarking competitor firms rather than developing custom-made HR systems configured to the particular business needs of the organisation and aligned with business strategies. If a HR system is created simply by benchmarking and by copying 'the best practices', it could be easily replicated by competitors and therefore not likely to provide a source of sustainable corporate advantage.

Second, HR activity was never carried out as a system. Whereas, the clue to creating corporate advantage through HR lies in managing the subtle interactions between the various components of HR system. Consequently, most firms ended up creating 'deadly combinations' – a situation where an HR practice in isolation makes sense but when evaluated within the context of the larger HR system will prove to be counter-productive. For instance, a compensation system that does not provide meaningful distinction between high and low performers, one which is not conducive for building teams etc.

Third, though the objectives of HR have come out evidently over the years – growth and development of the employees as 'total' persons – the means to achieve these objectives are not yet very sound, scientific, comprehensive and foolproof.

Therefore, it is clear that for HR to create and sustain corporate advantage, it needs :

A STRATEGIC PERSPECTIVE

A strategic perspective of HR involves that business priorities drive the development of HR systems. The effort should be towards creating distinctive HR practices, which help to create unique competencies. HR systems will have impact in the bottomline only when these are embedded in the management infrastructure. Real value creation will occur from HR only when it is aligned to business needs. Because, in HR there is no 'common solution' or 'the right answer'. An inordinate focus on benchmarking and best practices will be counter-productive as it diverts managerial effort from the difficult and time-consuming job of developing an internally coherent and strategically business-aligned HR system. Secondly, every business has certain objectives in terms of market share, profits, productivity, social responsibility etc. The HR manager should share these business concerns at large rather than cocooning himself to a smaller role. It enables him to gear up his activities to the ever-changing demands of business. For instance, the organisation may be expanding into areas, which it may have never thought of. Unless the HR manager shares this concern, he will never be able to provide the enabling internal environment required for business expansion. As long as he keeps himself aloof from other business processes, he will be catering only to the current organisational needs and not the future ones. It is also doubtful if he will be able to cater to at least the current needs in totality.

A SYSTEMS PERSPECTIVE

In contrast to the functional view of HR, a systems perspective emphasis interrelationships and their synergic value. Firms have to look for powerful connections where individual HR practices act as mutually reinforcing elements and are in harmony with each other to synergise the whole system. Given the adoption of these two perspectives, we shall look into some of the areas in which HR can create corporate advantage.

Managing Change

One of the best sources of creating corporate advantage through HR is its role in change management as a catalyst and change agent. Because, the greatest competitive challenge that organisations face today is adjusting to, indeed embracing, continuous change. Now organisations have to perceive change from a totally new perspective – change which was an 'event' in the past is now a 'process'. They must be able to learn rapidly and continuously, innovate ceaselessly and take on new strategic imperatives faster and more comfortably than the competitors. As Tom Peters puts it, managers must take chaos as given and learn to thrive on it. Especially, trends like liberalisation and globalisation demand that organisations increase their ability to manage diversity, complexity and ambiguity. But such demands are not likely to be met unless HR dons upon an activist role and leads the change – change not per se – but proactive, continuous and radical change. The way change is handled makes the difference between the success and failure for the organisation.

Managing Culture

In the increasingly complex business environment, incremental adjustments and defensive manoeuvering are insufficient. Organisations which will sustain themselves are those that drive the basic facets of culture building uniformly across the organisation; organisations that cultivate their individual identities and have values and beliefs to pass along and not just products. For instance, an organisation might have introduced the most advanced technology available in the market. But its ability to create corporate advantage out of it will depend on - Employees' willingness to use the new technology, and The way it will change the manner in which employees work and relate to one another.

Thus, all transformation is basically a people issue and, therefore, has to be handled with care. Further, the issue of culture also arises in the context of globalisation – how to integrate the cross cultural differences into a uniform organisational culture while respecting and accommodating the diversities. One of the dilemmas facing the HR manager is how to balance the seemingly contradictory phenomena of culture and change. Culture is a sustained pattern of behaviour where as change involves an unsettling pattern of behaviour. The answer lies in transforming culture as a vehicle of change – making responsiveness to change intrinsic to culture. Rightly speaking, all change we talk about is basically a change in culture. Infact, while culture is basically an evolutionary change, each organisation today is looking forward for a 'Cultural Revolution'(if not in the Maoian way).

LEARNING ORGANISATION

HR spends enormous amounts of time and money in developmental programmes intended to develop management and leadership skills when the evidence has long been available that these programmes do not readily translate into changed behaviour on the job. Even the most motivated and skillful individuals coming out of the programmes are too weak to overcome the system that opposes the new patterns. Because the people who have undergone training might have changed but the bulk of the organisations remain the same. The solution lies in building a learning organisation where a philosophy of information and knowledge sharing among the employees is embedded within the culture of the organisation. For instance, inter-unit transfer of technology and practices.

Organisational Restructuring

HR has a role even in designing organisational structure because it basically involves streamlining of human behaviour. The HR manager, therefore, has to be an expert in organisational design. He has to ensure that the structure is ever adaptable to changing competitive environment, and that the employees do not get lost in the structure and be dominated by it.

Internal Customer Satisfaction

HR creates value for its employees (by way of enhancing their competencies, attitudes etc) who in turn are expected to create value for customers and owners. Internal customer satisfaction is, therefore, the key to business performance. We will never achieve total customer satisfaction without a much higher level of employee satisfaction". The HR manager should, therefore, play the role of an internal consultant continuously, counselling his internal customers. Other areas where HR provides avenues for creating corporate advantage are - Managing the emotional intelligence of the employees, Building critical organisational capabilities, Building reciprocal psychological commitment between firm and employees. Research evidence points out that commitment systems have higher productivity than those with control systems, Identifying and solving the human elements of important business problems, and Grooming leaders, As Bill Hewlett, co-founder of Hewlett Packard puts it, "The Role of personnel is to enhance the quality of management". Having looked at the whole philosophy of creating corporate advantage through HR, we can definitely come to certain conclusions.

First, traditional sources of competitive advantage such as patents, economies of scale, access to capital, market regulation have become less important in the current business environment than they have been in the past. Because, in a dynamic global economy that demands innovation, speed, low costs, adaptability etc, these traditional sources do not differentiate the firms the way they once did. Instead the core competencies and capabilities of employees that help develop world class products provide quality customer service etc. are relatively more critical.

Second, it is very difficult to emulate or copy the advantage that an organisation gains through its people. Technology, financial systems and practices, marketing strategies etc. may be copied and the advantage of the competitors neutralized but the culture of an organisation, employee commitment etc. cannot be borrowed easily. Therefore, an organisation resting its corporate advantage on human resources will sustain it for a longer period.

Third, corporate advantage created through HR is less prone to environmental disturbances than one created through other functions. The sources building and demolishing the advantage are mostly internal.

Fourth, human capital, being largely invisible, does not appear on the firm's balance sheet. Thus, a firm's major competitive tool gets cloaked in order not to attract the awe of the competitors.

Fifth, as one of the underdeveloped strategic levers available to corporate leaders, HR offers vast potential.

Finally, when markets start dipping, finances start getting squeezed and all other environment variables begin to work against the organisation, it is the people to whom the organisation looks as the final bet. Hence, HR is the ultimate source of corporate advantage that an organisation can bank upon.

CONCLUSION

The borderless world of today has opened up new vistas of development and business. At the same time, the new business environment has brought in its wake the challenge of competition. It is in this context that there is a compulsion for organisations to become excellent by using their core competence and corporate advantage. However one looks at it, human resource stands out as the major focus of this corporate advantage. Leadership, vision, empowerment, human resource development, innovation and high quality of work life are the linking pins of this corporate advantage. Ultimately, it is the people that count. Machines and technology cannot run themselves. However time consuming, however difficult it may seem, organisations must focus their energies on developing their most important asset – their people – if they have any intention of growing in the new era.

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SUPPLY CHAIN MANAGEMENT – A CRITICAL REVIEW OF ITS IMPACT ON COMPETITIVE POTENTIAL

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ABSTRACT

For over a decade supply chain management has been the focus area for manufacturing industry worldwide as a means to gain competitive advantage in the globalized economic scenario. Subjects such as suppliers' and customers' management, integration, internal supply chain management; quality management, information management, logistics management and relationships management have been extensively discussed at various platforms world over. Concerns are frequently raised regarding gaps between theory and practices, effective implementation of practices and the success rate of such practices. Extensive literature is available on supply chain management in form of books, journals and conference proceedings. This research intends to explore the literature with an objective to assess the impact of implementing supply chain management practices on performance and competitive potential of manufacturing industry. It was concluded that though the companies taking initiative in implementing SCM practices face a number of hurdles at an initial phase, over a long term they are bound to benefit from effective implementation of such practices

Keywords: *Supply chain management, competitive potential, literature review.*

INTRODUCTION

Supply Chain includes all those parties engaged in providing a product or service to the customer. Supply chain management (SCM) refers to effective integration and management of all the processes and facilities used in making goods or services available to the customer by optimizing supply chain as a whole rather than adopting any piece meal approach. It offers an opportunity to minimize operations cost, improving quality and customer service level and the market share. Many firms striving to improve their competitive potential have adopted SCM practices considering it to be the next source of opportunity to improve operational efficiency. The manufacturing industry, in particular has taken the lead. The industry has been struggling to deal with difficult issues of achieving high customer satisfaction while maintaining cost competitiveness. Hence, the need to improve supply chain efficiency is being given high priority.

A debate can be perceived in literature regarding how supply chain management is different from seemingly analogous terms such as integrated logistic management, purchasing and supply management and so on. Romano and Vinelli (2001) explain that what differs such terms and practices, is the scope of supply network. SCM has been developed into a concept with broad span of concerns and an approach to manage across company boundaries. In other words, purchasing and supply as well as physical distribution relate to only one part of supply network upstream and down streams respectively. Logistic and material management take a large part of supply network while SCM includes the whole networks going beyond integrated logistics because it aims to integrate all business processes, from user end to original suppliers, which provide products, services and information that adds value for the customers. The difference between supply chain management and logistics management can be further clarified from the definitions given by "Council of supply chain management professionals" (CSCMP) that was established in 1963. According to this organization, SCM includes the planning and management of all activities involved in sourcing and procurement, conversion, and all logistics management activities. Further, it also includes coordination and collaboration with channel partners, which can be suppliers, intermediaries, third party service providers, and customers, thus integrating supply and demand management within and across channel partners. CSCMP clarifies that logistics management is that part of supply chain management which plans, implements, and controls the efficient, effective forward and reverse flow and storage of goods, services and related information between the point of origin and the point of consumption in order to meet customer requirements.

Delivering right product in right amount, at right time and at right place are the essential objectives of supply chain system (Beamon, 1998). According to Chopra and Meindl (2006), the objective of supply chain is to maximize the profitability, that is the difference between the revenue generated from the customer and overall cost across the supply chain. Handfield (2005), brings out that the reasons why SCM has come to forefront for management's attention

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are the information revolution, emergence of new forms of inter-organizational relationships and the customer demand in the areas of product and service cost, quality, delivery, technology and cycle time brought about by increased global competition.

SCM and Quality

The quality revolution started from Japan in early 1950s. Deming was the first quality guru who succeeded in spreading quality control concept in Japan in a big way in early 1950s. He introduced statistical quality control techniques and stressed on pride of workmanship, education and training. Juran defined quality as fitness for use and introduced managerial dimensions of planning, organization and controlling a process. He laid emphasis on top management commitment to quality. Feignbaum introduced total quality control, which laid the foundation of contemporary TQM. He stressed on integrated efforts by various groups in an organization to develop, maintain and improve quality. Philip Crosby argued that quality is free. He defined quality as conformance to requirements and introduced the concept of zero defects. All the quality gurus believe that management and system, rather than workers are cause of poor quality. They strongly believe that inspection is not the answer to quality improvement. It requires long term commitment and organization wide efforts.

Cristobal and Angel R. (2004) analyzed and classified quality management practices in purchasing and assessed the relationships of these practices with measurements of a firm purchasing operational performance (POP), internal customer satisfaction and business performance. A bi-variate correlation analysis showed that six constructs comprising the quality management strategy in purchasing were highly correlated with each other thus providing evidence for their mutual support and joint implementation. A study by Sila, Roethlein and Ackerson (2004) conducted a study, focused on passing on and interpreting quality goals and objectives, alignment of quality goals and existence of partnership within a connected automobile supply chain. The researchers concluded that the main reason for success of supply chain is the strength and the dominance of manufacturer. Strong and frequent unidirectional communication exist between manufacturer and supplier and between manufacturer and distributor. These connections are a crux of the supply chain. From this strong relationship, the supply chain is able to remain successful while communication weakens and disappears either ends of the supply chain.

Kannan and Tan (2007) studied the impact of operational quality management practices within a supply chain. Their research tried to establish relationship between a firm's internal and external operational quality practices and measures of product quality and customer service. It was concluded that both internally and externally focused quality management practices impact performance. Interestingly, externally (supplier and customer focused) focused efforts have greater impact on performance and seam to be considered of higher importance by managers as well. Kuei, Lin and Chow (2002) developed a framework on supply chain quality and technology management. Through empirical assessment, the authors found that IT enabled operations are a major source of supply chain excellence. The authors have emphasized the deployment process in achieving the supply chain excellence and the fact that no sustainable development can take place without involving people who understand internal quality and technology in the supply chain. Gunasekaran (2003) explored the question that whether the TQM principles and techniques that have been very successful in traditional organizations are equally successful when applied to inter-organizational processes and activities involved in supply chain management. The author suggests that six major dimensions of SCM are partnership, information technology, operational flexibility, performance measurement, and management and demand characterization. TQM enablers such as training and education, cross-functional teams, communication, teamwork, empowerment, job satisfaction and technological support can impact any one or all the dimensions of the supply chain. Kannan and Tan (2004) studied supplier alliances and differences in attitude to suppliers and quality management of adopters and non- adopters. Faced with increasing pressure to improve responsiveness to rapidly changing market needs, authors suggest that firms must respond to challenges of how to improve supply reliability and quality while simultaneously reducing the cost. Their study presents results of a survey of supply chain management professionals that examined attitude of adopters and non-adopters of supplier's alliances to supplier and quality management. Results indicated significant difference in attitudes existing between alliance adopters and non-adopters and that the differences have direct and significant impact on key managers of a buying firms business performance.

Kim and Oh (2005) in their research focus on manufacturers and suppliers who engage in strategic relationships for quality improvement and new product development. They found that depending on the balance power of bargaining power in relationships, each partner's resource commitment to the activity such as quality improvement and new product development might vary. These have implications for both manufacturer and supplier profitability. The research investigates, how variation in structure of decision-making process (i.e. manufacturer dominated, supplier dominated or balanced) affects the performance of each partner in strategic collaborative relationships. The findings show that supply chain partners can expect better performance from their collaboration when both their perspectives are accommodated equally. Levy, Bessant, Sang and Lamming (1999) studied selection of suppliers in electronic and telecom industry. They studied quality based customer supplier relationship from both customer and supplier view points. The research concludes that scope exists to extend organizational processes, tools and techniques of internal total quality into the supply chain. Measurement of efficiency of the relationship is crucial to the understanding whether the relationship is really delivering competitive edge. An efficient, joint, total quality relationship will need to be adaptive to environmental changes. The key issue regarding extending a total quality approach across organizational interface is essentially one of integration. Mechanisms that facilitate integration be they organizational or technological based are of prime importance.

SCM AND FIRM'S PERFORMANCE

A number of studies have focused on SCM and its performance measurement. While there are many ongoing research efforts on various aspects and areas of SCM, so far little attention has been paid to performance evaluation and hence to measures and matrices of supply chains (Gunasekaran, 2001). Saad and Patel (2006) also highlight the lack of significant study of SCM practices and its performance, in developing countries, in general and India, in particular. To study the impact of SCM on performance, a basic question that needs to be addressed is: What are the important performance matrices for companies working in supply chain environment? Tan (1999) considers that there is a lack of consensus regarding a valid cross industry measure of corporate performance. One approach can be the use of financial performance indicators such as return on investment (ROI) and return on assets (ROA). But most economists disagree about the use of accounting data to measure the firm's performance as it ignores time value of money (Tan, 1999).

Several researchers have studied the impact SCM has on various measures of firm's performance. A research by Voss, Calantone and Keller (2005) examined the relationship between employee performance and service, supply chain and financial performance of US distribution centers. For this, survey was carried out in 18 distribution centers across USA and correlation was employed to test the proposition that front line employee performance has a positive effect on distribution center service, supply chain and financial performance. The research shows how a firm orientation, which facilitates high level of internal service, can have significant effect on external service and supply chain performance. People, their interaction, and the organization in which they are a part, ultimately determine the success or failure of service offerings and supply chain success. A research by Speckman, Spear, Kamauff (2002) brings out the fact that though effective implementation of supply chain practices results in lower cost, higher ROI and a higher return to stake holders, yet effective implementation of SC is not easily accomplished. But another study by Cagliano, Caniato and Spina (2006) tried to establish empirical relationship between two supply chain integration dimensions-integration of information flow and integration of physical flow with two manufacturing improvement programs-lean production and ERP systems. The data was drawn from 297 European manufacturing companies. Surprisingly, though adoption of lean manufacturing model showed strong influence on integration of information and physical flows, no significant influence emerged from adoption of ERP. Research by Burca, Fynes, and Marshall (2005), tried to find out how small and medium enterprises are responding to contemporary technologies such as ERP and internet to enhance performance and found that though they each of the SMEs have taken some steps to extend ERP, they have taken a conscious approach to future. Researchers have brought out the fact that failure in implementing SCM software meant to improve firm's value can cause losses, embracement and disappointment for the firm. Hence implementation of new SCM software demands a very careful approach. Information technology can be exploited to help supply chain members strengthen partnership. IT can effectively reduce bullwhip effect (Yu, Yang, Chang, 2001). A research by Koh, (2007) studied the SCM practices of Turkish manufacturing SMEs and tried to establish relationships between SCM practices, operational performance and organizational performance. The research grouped the SCM practices into two factors namely outsourcing and multi suppliers and strategic collaboration and lean manufacturing. Their research showed that both the factors have significant impact on operational performance but not on organizational performance.

Tan, Kannan, Hanfield and Ghosh (1999) examined linkages between a firm's competitive environment, TQM, supply base management and customer relation practices and firm's performance. The study presents details of a survey carried out to determine whether particular quality management, supply base management, and customer relation practices, can impact corporate performance. In addition, it examines the impact, analyzing the competitive environment has on performance. Regression model identifies several factors that directly and positively impact corporate performance. These include the extent to which companies analyze the strategies of competitors, and determine future customer requirements, and commitment they have to evaluating performance through out the supply chain. Lyman, Wisner and Tan (2002) conducted a research, which stated that supply chain management has become a significant strategic tool for firms striving to improve quality, customer service and competitive success. They surveyed senior managers in various industries to study the prevalent supply chain management and supplier evaluation practices. The study reduced these practices to a smaller set of constructs and showed that many constructs were correlated with firm's performance and that some constructs were found to adversely affect performance. The research indicates that a truly integrated supply chain needs commitment by all the members of the chain. Buyers may have to over haul purchasing processes and integrate suppliers engineering teams and product designers directly. Also, since cost of changing partners can be huge, the purchasing firms can become captive to its suppliers. Purchasing firms need to worry about poor supplier performance, possibility of suppliers passing trade secrets to competitors or venturing out as competitors. Fynes and Voss (2005) investigated the impact of supply chain relationship dynamics on manufacturing performance. A conceptual framework was developed incorporating various dimensions of supply chain relationship dynamics and manufacturing performance. Data was collected from suppliers of electronic components in the Republic of Ireland. Analysis of data showed that there was mixed support for impact of relationship dynamics on manufacturing performance. While cost and quality make significant improvements with stronger relationships, flexibility and delivery were not significantly affected.

Research by Sahay, Cavale and Mohan (2003) investigated SCM practices in Indian industry and found that while some companies are moving fast towards improving supply chain efficiencies, most of them have still not realized its affect on business performance. Sahay and Mohan (2006) studied the impact of using third party logistics services on business performance in India. The research points out that though adoption of 3PL practices is at an early stage in India, their use have a positive influence on business performance. Jharkharia and Shankar (2006) explored the dissimilarities in supply chain practices among different sectors of Indian manufacturing industry. The research included four sectors in Indian manufacturing industry: Automobile, engineering, process and fast moving consumer goods industry. It was observed that companies in automobile sector differed significantly from those belonging to the rest of the three sectors in adoption of SCM practices.

CHALLENGES IN IMPLEMENTING SCM

Some researchers have pointed out the difficulties faced in implementing SCM practices. A research by Shepherd and Gunter (2006) argues that despite considerable advances in implementation of SCM practices, a number of important problems have not yet received adequate attention. These include implementation of performance measurement systems for supply chains. Even a study in UK SMEs shows that there is a lack of effective adaptation from tradition adversarial relationships to modern collaborative supply chains (Quayle, 2003). An empirical investigation into SCM by Spekman, Kamauff (1998) indicates that though managers are well aware of virtues of implementing SCM, business has yet not fully operationalized the concept of SCM. Research by Barrat (2004) reports that supply chain collaborations are difficult to implement. There has been over reliance on technology to implement it. Companies usually fail to understand with whom to collaborate. Fundamentally, there is a lack of trust between the supply chain partners. The paper suggests that SCM approach based on customer service and customer buying behavior is most appropriate for facilitating supply chain collaborations. Hervani, Helms and Sarkis (2005), report a number of concerns in applying performance measurement tools and systems across the supply chain. These include overcoming mistrust, lack of understanding, lack of control, different goals and objectives, different information systems, lack of standardized performance measures, difficulty in linking measures to customer value and deciding where to begin.

CONCLUSION

Extensive literature that is available on SCM and its impact on performance was studied. From the research it can be comprehended that implementation of SCM and integration of various processes through out the value chain can be a challenging task. It demands a cautious approach. Emphasis should be laid on optimization of overall supply chain rather than adopting a piecemeal approach. Some research work indicate failure of SCM in bringing about any major change in business performance, but it can be attributed to superficial implementation of such practices. Most researchers indicate significant positive impact of SCM practices on operational performance and business performance. Sahay (2003) has aptly pointed out that future competition will not be among individual business but between entire supply chains. Hence, effective implementation of SCM practices is no more an option but a necessity.

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BUSINESS ETHICS- BACK TO SCRIPTURES

Manish Dhingra* Vaishali Dhingra**

ABSTRACT

The duties as prescribed by our scriptures should be carried out by men and women so that righteousness may prevail in business. In the Ramayana, Rama was steadfast in His resolve to obey His father's command and spend fourteen years in the forest. Bharata was equally determined to see that Rama returned to Ayodhya giving up His vow. He argued that if he should now be considered the King, then he had the power to transfer the reins of administration to anyone and Rama was its legitimate ruler. Rama fulfilled His obligations to the sages, His people, His kingdom, His family and His wife. Even Gita prescribes the charter of duties, the performance of which is imperative. Adherence to virtue (dharma) takes us near to God and is helpful for business organizations as they tend to gain in the long run. This role of scriptures has been discussed in the paper which shall provide an insight to the corporate leaders.

Keywords: *Ethics, Discrimination, Consumers*

INTRODUCTION

Of late ethics has become a matter of convenience for most of us as individuals or as companies. Individual and Business ethics cannot be put in separate water- tight compartments because after all it the individual only who runs the business organizations. When he himself is not fair ethically, how the organization which he is steering can be fair. These and similar other issues have been discussed in our scriptures long ago even when the business had not been properly organized. Let us all, as responsible individuals of the earth have a look at what our scriptures intend to teach us. The Institute of Business, Technology and Ethics suggests the following "Nine Good Reasons" to run a business ethically – Litigation/ indictment avoidance, Regulatory freedom, Public acceptance, Investor confidence, Supplier/ Partner trust, Customer loyalty, Employee performance, Personal pride and It's right. Although there has been a marked increase in business ethics in recent times the subject has a long pedigree. The Roman Catholic Church, particularly in the medieval period, defined very carefully pieces of canon law which prescribed clearly what was legitimate behavior in certain fields in the business world. 'Canon', incidentally, means a standard or measure; hence canon law is the ideal standard by which one measures one's behavior. Like, a doctor must not increase the price of medicine to a dying patient, thus taking advantage of his or her serious predicament; an employer must not pay a worker less than a living wage. Indeed, in the Judaeo-Christian tradition an interest in business ethics is apparent long before the scholastic theologians came on the scene. The Law of Moses prevented reapers from harvesting all their crops: they were obliged to leave some at the edges of the field for the poor to have the benefit. Servants were entitled to their Sabbath rest day, just like their masters. There was to be an amnesty period every fifty years in which all debts were cancelled (personal or business) - the year of jubilees, as it was called. Other religious traditions have been equally concerned in their history with prescribing ways in which business affairs are to be conducted. Islam insists that money must not be lent with the purpose of attracting unearned interest (or usury) Buddhism has laid down the Noble Eightfold Path: Right understanding, right thought, right speech, right bodily action, right livelihood, right effort, right mindfulness and right concentration. These eight guidelines to ethics, if followed in essence, will definitely lead to establishment of ethical businesses. One may not earn one's living by deception, by misappropriation of goods or monies, or by working in employment which involves the taking of life (human or animal) or trading in intoxicants or drugs (other than those which are for medical use).

यदा संहरते चायं कूर्मोऽङ्गानीव सर्वशः ।
इन्द्रियाणीन्द्रियार्थेभ्यस्तस्य प्रज्ञा प्रतिष्ठिता ॥५८॥

yadā saṁharate cāyaṁ
kūrmo 'ṅgāniva sarvśaḥ
indriyāṇindriyārthebhyas
tasya prajnā pratiṣṭhitā

Lord Krishna said;

Like a tortoise, a man of poise

Withdraws the senses from sense objects

Having attained such self-control

His mind is always stable

(Bhagavad Gita, Chapter II, verse 58).

"As the tortoise can draw in his legs, and if you strike him, not one foot comes out; even so the sage can draw all his sense-organs inside." And nothing can force them out. Nothing can shake him, no temptation or anything. Let the universe tumble about him, it does not make one single ripple in his

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mind. A good example here would that be of Ratan Tata, and Narayanan Murthi who have whole heartedly devoted themselves to the cause of industrial development of the country. On the contrary there are a few CEOs who draw very high salary from the company irrespective of the fact whether it was performing profitably, be it a company like General Motors headed by Rick Wagoner (previous CEO) or Chrysler or a bank like City bank headed by Vikram Pandit. Lord Krishna in Geeta told Arjuna, *"Beware Arjuna, lust and anger are the great enemies. These are to be controlled. These cover the knowledge even of those (who are wise). This fire of lust is unquenchable. Its location is in the sense- organs and in the mind. The Self desires nothing." "This Yoga I taught in ancient times (to Vivaswan; Vivaswan taught it to Manu). --- Thus it was that the knowledge descended from one thing to another. But in time this great yoga was destroyed. That is why I am telling it to you again today."* The implication is that God descended in various incarnations on earth and this message has been told to humankind in many forms but it is yet to be imbibed.

Thakur Rabindranath Tagore's Play *'Muktadhara'* written in 1922 depicts the human attitudes towards work. *'Muktadhara'* means free flowing stream of water. The play is based on *Muktadhara,* a stream of water that gushes down the kingdom of Uttarakut and further flows across another state, Shivatarai. The king of Uttarakut is driven by the ulterior motive of controlling the flow of water and hence the lives of the people of Shivatarai. He orders his royal engineer Bibhuti to construct a dam on *Muktadhara*. It was a very dangerous task. The feat was accomplished by claiming the lives of several people. Majority residents of Uttarakut are enjoying their sense of power. Prince of Uttarakut, Abhijit, a compassionate person resolves to destroy the dam and in the process he sacrifices his life on the altar of humanity. The professionals, engineers, doctors and management graduates must be taught the essence of this great play so that they may justify their professions. There are several common issues which find a place in a number of scriptures. They have been discussed below:

BRIBERY

Foreign Corrupt Practices Act (FCPA) in 1977 of United States forbids American corporations to offer or make any payment to a foreign official for the purpose of "influencing such foreign official to do or omit to do any violation of the lawful duty of such official." In order to obtain or retain business. (The Act also covers payments to political parties and candidates for office in foreign countries.) This legal prohibition accords with standard philosophical definitions of bribery. According to Islamic perspective, it is a despicable form of corruption and must be strongly discouraged. Both giving and taking bribe are a part of corruption. *"… the person who gives a bribe and the person who takes a bribe, both will burn in hell."* (Saying of Prophet) According to the Jewish perspective, bribery makes sinners. Bribery also corrupts conscience. From the Book of Exodus 23:8, 8 And thou shalt take no gift; for a gift blindeth them that have sight, and perverteth the words of the righteous. Bribery perverts justice. *From the book of Isaiah 1:21:23* The New Testament gives a fair idea of the Christian perspective. Simon the Sorcerer tried to buy the power that he perceived in the laying on of hands by the Apostles and Simon Peter chastised him in Acts 8:17-22. The essence of the offense was addressed by Peter in verse 20, *But Peter said unto him, Thy money perish with thee, because thou hast thought that the gift of God may be purchased with money.* Felix, the governor of Judea, had Paul (Saul) of Tarsus in prison and realized that he was not guilty of any charges but he wanted Paul to pay him a bribe to gain his freedom. It is described in Acts 24:24-26. The desire for a bribe is contained in verse 26, *He hoped also that money should have been given him of Paul, that he might loose him: wherefore he sent for him the oftener, and communed with him.*

TAXATION

According to Veda taxation is of two kinds: *Vridhi* and *Kusida*. First, is the one under which normal rate of interest is charged and the other is usurious. *Manu* has also laid down the same principle. And from the perspective of Islam, it is clearly mentioned in the Holy Quoran that *Zakat* ensures a universal welfare system, perhaps the first in the world. *Zakat* is generally translated as charity or poor- due. The dispensation of zakat is regulated by different by different rates (called shar'h) for different items whose details are given in books of hadith and fiqh. It is said that a chain is as strong as its weakest link, and we human beings have an inborn tendency to find it. The differences in zakat among four Sunni Imams are not as major as among the Sunni and Shi'ia Imams. For example, in Fiqh Jaffariah, there is no zakat on paper currency. So, for the followers of this Fiqh there is no zakat on bank accounts. When General Zia- ul-Haq, the Pakistani military ruler instituted compulsory zakat in Pakistan, the Shi'ia Ulema revolted against it and refused to abide by the government's zakat ordinance. Ultimately, the government excluded Shi'ahs from the yearly bank account deductions. This led many Sunnis to declare themselves Shi'ahs on their bank forms to avoid paying zakat on their bank accounts. Thus, theology has also become a matter of convenience for the people.

DISCRIMINATION

The term discrimination describes a large number of wrongful acts in employment, housing, education, medical care, and other important areas of public life. Although discrimination in each of these areas takes different forms, what they have in common is that a person is deprived of some benefit or opportunity because of membership in some group toward which there is substantial prejudice. According to Professor Manuel G. Velasquezz, to discriminate in employment is to make an adverse decision against employees on job applicants based on their membership in a certain group. Determining whether discrimination occurs in employment depends on 3 basic facts: (1) whether the decision is a function of an employee's or job applicant's membership in a certain group, rather than individual merit; (2) whether the decision is based on prejudice, false stereotypes, or the assumption that the group is in some way inferior; and (3) whether the decision in some way harms those it's aimed at. Discrimination on the basis of race, ethnicity, gender etc is generally considered abhorrent in the teachings of all faiths. According to the Jewish perspective: Treat fairly, Deuteronomy 14, 17. 14 Thou shalt not oppress a hired servant that is poor and needy, whether he be of thy brethren, or of thy strangers that are in thy land within thy gates. 17 Thou shalt not pervert the justice due to the stranger, or to the fatherless; nor take the widow's raiment to pledge. According to Islamic perspective all forms of discrimination are considered unjust and opposed in private business and public domain. "No Arab has superiority over any non- Arab and no non- Arab has any superiority over an Arab; no dark person has superiority over a white person and no white person has a superiority over a dark person. The criterion, for honor in the sight of God is righteousness and honest living." Saying of Prophet (Sallam and Hanafy, 1988) "O mankind! We created you from a single (pair) of male and female, and made you into nations and tribes, that you may know each other…… (Quran 49:13) That discrimination is wrong can be shown by a variety of arguments. There are, first, straightforward utilitarian arguments that cite the ways discrimination harms individuals, business firms, and society as a whole. A second kind of argument appeals to the Kantian notions of human dignity and respect for persons. Arguments of a third kind are based on various principles of justice. According to Utilitarian arguments, which is favored by economists, productivity of a business and hence the economy at large can enhance only if the most capable and most qualified and experienced person is chosen for the respective job. If a candidate is evaluated and unfortunately gets selected on the basis of his race, religion, caste or even sex, productivity is bound to suffer. The Kantian notions are based on human dignity and respect for persons. This type of discrimination involves a racist or sexist attitude that denies equal treatment to individuals.

RIGHTS OF EMPLOYEES, CONSUMERS AND STAKEHOLDERS

According to the Christian perspective there are extensive ethical and moral imperatives pertaining to the rights of employees, customers and stakeholders. The stakeholders are to be honored (Proverbs 3:27-28) 27 "Withhold not good from them it is due, when it is in the power of thine hand to do it. 28 Say not unto thy neighbour, Go, and come again, and tomorrow I will give; when thou hast it by thee." They are also paid on time. (Proverbs 12:22) Proverb 22 "Lying lips are e abomination to the Lord: but they that deal truly are his delight." The treatment of the customers is also addressed by Philippians as well as in the Old Testament writing of Proverbs 11:1, 3. A false balance is abomination to the Lord: but a just weight is his delight. Quran also justifies lawful and righteous business means. "God does command you to render back your trusts to those whom they are due…" (Quran 4:58) In Srimad Bhagwad Geeta also Lord Krishna preaches the denouncement of 'Asuri work culture', which involves egoism, delusion, personal desires, improper performance etc. Srimad Bhagwad Geeta also teaches about detachment. Had Ramlinga Raju, the founder and promoter of Satyam Computers understood this, he would have not suffered this shame.

It's high time, especially the way events unfolded at Satyam that the heads of companies all across the world must come out of 'Yayati syndrome'. Mahabharata unfolds an incident that Yayati, in order to pursue materialistic and sensual pleasures borrows a number of years of his son's life. Our CEOs, promoters of the companies have become so blind in this rat race of intense competition that they tend to forget that these pleasures will survive only for a very short period of time and like 'Yayati' pleaded his son to take back his youth, they'll have to repent one day!

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FUTURE TRADING IN INDIAN COMMODITY EXCHANGES

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ABSTRACT

The Government has implemented the policy of Liberalization in Indian commodities market. This move received mixed response from everyone. It is still being labeled with the same accusations which finally led to its closure during the last three decades. Commodity market does give investors a new option to diversify their investments but side by side made investors vulnerable to a new market which dose not so far had good credentials regarding efficiency in the market. This study is an attempt to study the future trading in commodity market.

Key words - Commodities Market, Forward Contracts, Commodity Exchanges

INTRODUCTION

India has a long history of commodity futures trading, extending over 125 years. As the country embarked on economic liberalization policies and signed the GATT agreement in the early nineties, the government realized the need for futures trading to strengthen the competitiveness of Indian agriculture and the commodity trade and industry. Futures trading began to be permitted in several commodities, and the ushering in of the 21 century saw the emergence of new National Commodity Exchanges with countrywide reach for trading in almost all primary commodities and their products. A commodity futures contract is essentially a financial instrument. Following the absence of futures trading in commodities for nearly four decades, the new generation of commodity producers, processors, market functionaries, financial organizations, broking agencies and investors at large are, unfortunately, unaware at present of the economic utility, the operational techniques and the financial advantages of such trading. Commodity futures contracts and the commodity exchanges organizing trading in contracts are regulated by the Government of India under the Forward Contracts (Regulation) Act, 1952 (FCRA or the Act), and the Rules framed there under. The nodal agency for such regulation is the Forward Markets Commission (FMC), under the overall control of Government of India. The subject of “Stock Exchanges and Futures Market” is listed in the Union list and therefore the responsibility for regulation of forward contracts devolved on Government of India. The Parliament passed Forward Contracts (Regulation) Act, 1952 which presently regulated forward contracts in commodities all over India. The features of the Act are as follows:

- The very preamble of the Act announces the intention of the legislature to prohibit options in goods. According to, Section 19, such agreements are prohibited. However the proposal to regulate options in goods is under consideration of Government. The Act classifies contracts/agreements into two broad categories, viz., ready delivery contract and forward contract. Ready delivery contract are those where delivery of goods and full payment of price therefore is made within a period of eleven days. To ensure flexibility in the system the proposal to extend the period to thirty days is pending with the Government.
- The Act defines forward contract as the contract for delivery of goods which is not a ready delivery contract. Forward contracts are implicitly classified into two broad categories, viz., specific delivery contract and non-specific delivery contract or standardized contract. Though, de-facto, the focus of the regulation are standardized contracts i.e., futures contracts, these are not defined in the present Act however it is proposed to introduce the definition of "futures contract" in the Act is under the consideration of the government.
- Specific delivery contracts (where the terms of the contracts are specific to each contract - customized contracts) in which, the buyer does not transfer the contract by merely transferring document of title to the goods and exchanging money difference between the sale and purchase price, termed as Non-transferable Specific Delivery Contract are normally outside the purview of the Act, but there is an enabling provision empowering the Government to regulate or prohibit such contracts.
- The Act also provides for either regulation of the other forward contract in specified commodities or prohibition of specified commodities. Such contracts in the commodities which do not figure in regulated or prohibited categories are outside the purview of the Act, except when they are organized by the Exchanges.

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- The Act envisages three-tier regulation.(a) The Exchange which organizes forward trading in regulated commodities can prepare its own rules (articles of association) and byelaws and regulate trading on a day-to-day basis. The Forward Markets Commission approves those rules and Byelaws and provides regulatory oversight. It also acquires concurrent powers of regulation either while approving the rules and byelaws or by making such rules and byelaws under the delegated powers. (b) The Central Government - Department of Consumer Affairs, Ministry of Consumer Affairs, Food and Public Distribution - is the ultimate regulatory authority. Only those associations, which are granted recognition by the Government, are allowed to organize forward trading in regulated commodities. Presently the recognition is commodity-specific. (c) Government has original powers to suspend trading, call for information, require the Exchanges to submit periodical returns, nominate directors on the Boards of the Exchanges, supersede Board of Directors of the Exchange etc.

Policy of Liberalization:

Forward trading was banned in 1960's except for Pepper, Turmeric, Castorseed and Linseed. Futures' trading in Castorseed and Linseed was suspended in 1977. Apparently on the basis of the recommendations made by Khusro Committee forward trading in Potato and Gur was allowed in early 1980's and in Castorseed in 1985. After the process of liberalization of the economy started in 1990, the Government set up a Committee under the Chairmanship of Prof. K. N. Kabra in 1993 to examine the role of futures trading in the context of liberalization and globalization. The Kabra Committee recommended allowing futures trading in 17 commodity groups. It also recommended strengthening of Forward Markets Commission and amendments to Forward Contracts (Regulation) Act, 1952. The major amendments include allowing options in goods, increase in outer limit for delivery and payment from 11 days to 30 days for the contract to remain ready delivery contract and registration of brokers with Forward Markets Commission. The Government accepted most of these recommendations and futures trading have been permitted in all recommended commodities except Bullion and Basmati Rice. Additional staff was provided to the FMC and the post of Chairman was upgraded to the legal of Additional Secretary to the Government of India. In para 44 of the National Agricultural Policy announced by the Government in the year 1999 it was stated that the Government will enlarge the coverage of futures market to minimize the wide fluctuations in commodity prices, as also for hedging their risk. It was mentioned that an endeavor would be to cover all important agricultural products under futures trading in the course of time. An expert Committee on Agricultural Marketing headed by Shri Shankerlal Guru recommended the linkage of spot and forward markets, introduction of electronic warehouse receipt system, inclusion of more and more commodities under futures trading and promotion of national system of warehouse receipt. The sub-group on forward and futures markets formed under the chairmanship of Dr. Kalyan Raipuria, Economic Adviser, and Department of Consumer Affairs to examine the feasibility of implementing the recommendations made by the Expert Committee chaired by Shankerlal Guru recommended that the commodity specific approach to the grant of recognition should be given up. The Exchanges, which meet the criteria to be stipulated by the Government, should be able to trade contracts in any permitted commodity. Now the scope of futures and forward trading is expected to cover all agricultural commodities. The various National Commodity Exchanges like Multi Commodity Exchange of India Ltd (MCX), National Commodity & Derivative Exchange Limited (NCDEX), National Multi Commodity Exchange of India ltd (NMCE) and National Board of Trade (NBOT) facilitate on-line trading, clearing and settlement operations for commodity futures market across the country. Under these National Exchanges, there are a dozen active Bourses for trading, more than 2,000 brokers operating in 6,000 terminals and 10,000 active traders. All these are tracking the commodities prices round the clock. In the very First year of its commencement, Commodities Trading in India clocked an annual turnover of Rs.1400 Billion. The MCX has setup centres in Ahmedabad, Mumbai and Delhi for physical delivery of futures contracts in commodities. It plans to spread this network to Kolkata and Chennai. The NCDEX has recently launched in association with International Petroleum Exchange, London (IPE), the IPE Brent Crude Futures Contract, which is a landmark step towards integrating Indian Energy Markets with global Energy Markets. The MCX has tied up with Chicago Climate Exchange to trade in Carbon and Sulphur Financial Instruments for the global emissions marketplace.

Present Scenario

Commodities which are traded in the commodity future market during 2008 included a variety of agricultural commodities, bullion, crude oil, energy and metal product. New Agricultural commodities introduced for trading in 2008-09 were red areca nut, coriander seeds and garlic. The commodity futures market facilitates price discovery processed provide price risk management. Its effectiveness depends upon the wider participation of all the stakeholder categories. The daily average value of trade in the commodity exchanges improved from Rs.13,287.55 crore during2007-08 to Rs.17,042.07 crore in 2008-09. Agricultural commodities, bullion and energy products accounted for a large share of commodities traded. During the year 20008-09, value of trade in agricultural commodities was about 12% of total value f trade but in terms of volume of trade agricultural commodities accounted for 33.7% of total volume of trade. Bullion accounted for the maximum share of the commodity groups to the total value of the trade during 2008-09 (April-March) at 56.65% followed by the energy at 19.56%. Agricultural commodities and metals accounted for 11.95% and 11.79% respectively of the total value of trading during 2008-09 (April-March).

Special emphasis was given by FMC to Board base the Market and to take the benefits of futures trading to all the stakeholders of the commodity market, especially framers. The initiatives taken in this regard, inter-alia, include : Promoting the participation of hedgers to counted – balance financial stakeholders with the commercial stakeholders for a balanced and liquid market and to strengthen the price discovery process; increasing the awareness level of farmers and other market participants to make them aware of the existence of as well as benefits from the futures market; working on various models of "aggregation" to enable small farmers to hedge on the commodity exchanges to manage their price risks; permitting NCDEX to accredited warehouses of producers / processors /similar participants widened the scope of physical delivery of bulk commodities.

Considering the concerns of the Government of India about the inflationary expectation in the economy, the FMC, as a measure of abundant caution, had suspended futures trading soya oil, rubber and potato w.e.f. May7, 2008. However, with the easing of inflationary pressure , the suspension was allowed to lapse on Nov.13,2008. Trading in these commodities resumed on Dec.04, 2008. The Government of India had appointed a committee under the chairmanship of Prof. Abhijit Sen, Member, Planning Commission to study the impact of futures trading, if any, on agricultural commodity prices. The committee was appointed on March 02, 2007 and submitted its report on April 29, 2008. The main findings and recommendations of the committee are; negative sentiments have been created by the decision to delist futures trade in some important agricultural commodities; the period during which the futures trading has been in operation is too short to discriminate adequately between the effect of opening of futures market, if any, and what might simply be the normal cyclical adjustments in prices; Indian data analyzed does not show any clear evidence of either reduce or increased volatility; the vibrant agricultural markets including derivatives market are the front line institutions to provide early signs of future prospects of the sector. The committee recommended for up gradation of regulation by passing of the proposed amendments to FC(R) Act 1952 and removal of infirmities in the spot market.

The "Study on Impact of Futures Trading in Wheat, Sugar, Pulses and Guar Seeds on Farmers was commissioned by the Forward Markets Commission and under taken by Indian Institute of Management, Bangalore. While the study was primarily intended to find out how futures trading is helping major stakeholders in the value chain of these commodities; it also dealt with the impact of futures trading on the prices of these commodities. The study did not find any visible link between futures trading and price movements and suggested that the main reason for price changes seemed to be changes in the fundamentals(mainly on the supply side) of these commodities, Price changes were also attributed to changes in the government policies.

The Government has issued the new guidelines to strengthen the growth of the commodities futures market. The Forward Market Commission (FMC), India's commodity market regulator, has asked national level commodity exchanges to ensure that at least 10 percent of their stake is owned by the government companies. Total stake by stake firms, bank and warehouses together should be at least 26%, while only the original promoter of exchange could hold up to 26%. According to Forward Market Commission the guidelines were aimed at better governance, transparency and investor confidence in the market.

Foreign investment in Commodity Exchanges

- A composite ceiling for foreign investment of 49% was allowed with prior Government approval, subject to the condition that investment under the portfolio Investment Scheme will be limited to 23% and that under the FDI Scheme will be limited to 26%. Further, no foreign investor / entity including persons acting in concert will hold more than 5% of the equity in these companies.
- Some of the existing Commodity Exchanges had foreign investment above the permitted level, as on the date of issue of the said Press Note and, consequently the Commodity Exchange(s) would be required to divest foreign equity, equal to the amount by which the cap was being exceeded, in accordance with Press Note 2 (2008). Commodity Exchanges were permitted to avail of transition/ complying/correction time for this purpose, up to 30.06.2009, vide Press Note 8 of 2008 dated 19 August, 2008.
- The Government, on consideration and in order to facilitate the existing Commodity Exchanges to comply with the guidelines notified vide press note 2(2008) has now been decided to allow a further transition /complying/ correction time to the existing Commodity Exchange(s) beyond 30.06.2009. Accordingly, all such Commodity Exchanges are hereby advised to adhere to the conditions of Press Note 2(2008) by 30.9.2009.
- All Commodity Exchanges shall furnish a compliance report informing the foreign investment in the Commodity Exchange as on 30.09.2009, along with details of equity structure to the department of Industrial Policy & Promotion, Department of Consumer Affairs, Foreign Investment Promotion Board, the Forward Market Commission and SEBI.

CHALLENGES BEFORE COMMODITY MARKET

Even though the commodity derivatives market has made good progress in the last few years, the real issues facing the future of the market have not been resolved. Agreed, the number of commodities allowed for derivative trading have increased, the volume and the value of business has zoomed, but the objectives of setting up commodity derivative exchanges may not be achieved and the growth rates witnessed may not be sustainable unless these real issues are sorted out as soon as possible. Some of the main unresolved issues are discussed below.

Commodity Options:

Trading in commodity options contracts has been banned since 1952. The market for commodity derivatives cannot be called complete without the presence of this important derivative. Both futures and options are necessary for the healthy growth of the market. While futures contracts help a participant (say a farmer) to hedge against downside price movements, it does not allow him to reap the benefits of an increase in prices. No doubt there is an immediate need to bring about the necessary legal and regulatory changes to introduce commodity options trading in the country. The matter is said to be under the active consideration of the Government and the options trading may be introduced in the near future.

The Warehousing and Standardization:

For commodity derivatives market to work efficiently, it is necessary to have a sophisticated, cost-effective, reliable and convenient warehousing system in the country. Independent labs or quality testing centers should be set up in each region to certify the quality, grade and quantity of commodities so that they are appropriately standardized and there are no shocks waiting for the ultimate buyer who takes the physical delivery. Warehouses also need to be conveniently located. Central Warehousing Corporation of India is operating 500 Warehouses across the country with a storage capacity of 10.4 million tonnes. This is obviously not adequate for a vast country. To resolve the problem, a Gramin Bhandaran Yojana has been introduced to construct new and expand the existing rural godowns. Large scale privatization of state warehouses is also being examined.

Cash versus Physical Settlement:

It is probably due to the inefficiencies in the present warehousing system that only about 1% to 5% of the total commodity derivatives trade in the Country is settled in physical delivery. Therefore the warehousing problem obviously has to be handled on a war footing, as a good delivery system is the backbone of any commodity trade.

• The Regulator: As the market activity pick-up and the volumes rise, the market will definitely need a strong and independent regular; similar to the Securities and Exchange Board of India (SEBI) that regulates the securities markets. Unlike SEBI which is an independent body, the Forwards Markets Commission (FMC) is under the Department of Consumer Affairs (Ministry of Consumer Affairs, Food and Public Distribution) and depends on it for funds. It is imperative that the Government should grant more powers to the FMC to ensure an orderly development of the commodity markets. The SEBI and FMC also need to work closely with each other due to the inter-relationship between the two markets.

Suggestive Framework

Commodity exchanges in India are expected to contribute significantly in strengthening Indian economy to face the challenges of globalization. Indian markets are poised to witness further developments in the areas of electronic warehouse receipts (equivalent of dematerialized shares), which would facilitate seamless nationwide spot market for commodities. (i) Amendments to Essential Commodities Act and implementation of Value-Added-tax would enable movement across states and more unified tax regime, which would facilitate easier trading in commodities. (ii) Options contracts in commodities are being considered and this would again boost the commodity risk management markets in the country. There may be increased interest from the international players in the Indian commodity markets once national exchanges become operational. (iii) Commodity derivatives as an industry is poised to take-off which may provide the numerous investors in this country with another opportunity to invest and diversify their portfolios. (iv) There is hope greater convergence of markets – equity, commodities, forex and debt – which could enhance the business opportunities for those have specialized in the above markets. Such integration would create specialized treasuries and fund houses that would offer a gamut of services to provide comprehensive risk management solutions to India's corporate and trade community. India is one of the top producers of a large number of commodities, and also has a long history of trading in commodities and related derivatives. The commodities future market has seen ups and downs, but seems to have finally arrived now. The market has made enormous progress in terms of technology, transparency and the trading activity. Interestingly, this has happened only after the Government protection was removed from a number of commodities, and market forces were allowed to play their role so according to present scenario it can be said that commodity future market are expected to contribute significantly in strengthening the Indian economy to face the challenges of globalization. The Government of India has also demonstrated its commitment to review the Indian agriculture sector and commodity future market.

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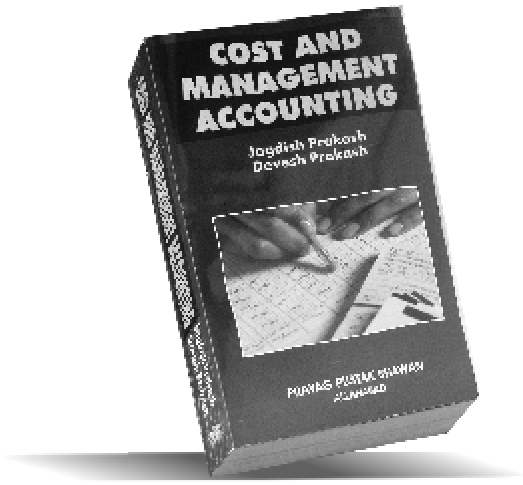
Book Review



COST & MANAGEMENT ACCOUNTING

by Jagdish Prakash and Devesh Prakash

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Management Accounting is the process of identifying, measuring, accumulating, analyzing, preparing, interpreting, and communicating information that helps managers fulfill organizational objectives. It has become, today, an integrated part of management, concerned with achieving the goals of business concerns.

The book deals, quite comprehensively with the latest tools and techniques used and current trends in management accounting. various new issues and challenges, in this area, have emerged which have been duly covered in the book. They have been discussed, with the help of examples and illustrations, quite clearly in a simple, concise, lucid and logical manner. Emphasis has been laid in providing practical use of various information, keeping in mind the business environment of India

There are 12 chapters in the book. They cover the nature and significance of management accounting, concepts, elements, classification of costs and overheads and its allocation, preparation of cost sheet and determination of tender price, marginal costing and budgetary control, standard costing and responsibility accounting, transfer pricing and activity based costing and the last chapter provide a detailed information about cost management system.

This book has been written for MBA students of Indian Universities and Management institutions, especially for the students of Uttar Pradesh Technical University (UPTU), Lucknow. It would be quite useful to those who are appearing in various professional examinations. It would also prove to be helpful for the researchers, academicians and practicing managers, who want reliable and valid information to form future management policies.

Prof. Arvind Singh
CMS - RKGIT
Ghaziabad

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